



Partners from paddock to plate

MLA ANNUAL REPORT 2007-08

Our vision

A profitable and sustainable meat and livestock industry that meets consumer and community expectations



23 Our national network of passionate participants in the livestock export sector took the 'We care' campaign to nearly 10 million people in Australia.



28 Federal Minister for Agriculture The Hon Tony Burke with one of our team of in-store merchandisers who helped increase sales by 25 per cent in participating Korean retail stores.

22 We launched NLIS express to enable contact with the NLIS database without needing a computer.

22 Australia completed a free trade agreement with Chile resulting in the elimination of red meat tariff barriers.

27 Our Foundation Food campaign showed that almost half of those surveyed believed red meat is a central part of a healthy diet.

30 Sizzle Steak was launched in collaboration with Woolworths supermarkets to add value to secondary cuts.

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Our mission

To deliver world-class services and solutions in partnership with industry and government

Our values

- Collaborate with stakeholders
- Seek excellence
- Deliver value
- Work as a team and meet deadlines
- Act with integrity
- Never forget where the money comes from



35 The ten-year Wambiana grazing trial delivered a suite of recommendations that can reduce resource risk and increase cash surplus.

34 Two new traits – gestation length and ease of lambing were integrated into Australian Sheep Breeding Values.

36 We worked with industry to install four new robotic systems in plants to improve worker safety and yields.



40 Developed in consultation with industry, we launched the Making More From Sheep program engaging over 13,000 producers via the manual, website or workshops.

41 More than 1,300 producers attended three Meat Profit Days in Kyneton, Perth and Rockhampton.

42 We developed the world's first exo-skeleton boning room device to reduce worker injury and turnover.

In 2007–08, Australia upheld its position as the world's largest exporter of red meat and livestock. MLA strived to improve market access, grow demand, increase competitiveness and sustainability and build the industry's capabilities... from paddock to plate.

Meat & Livestock Australia Limited (MLA) is a producer-owned company. We provide marketing and research services and solutions to the Australian red meat industry including livestock producers and lot feeders, meat processors, wholesalers, foodservice operators, retailers, meat and livestock exporters.

We are funded by:

- transaction levies paid on livestock sales
- Australian Government dollar-for-dollar funds for investment in research and development
- co-operative contributions from individual processors, wholesalers, foodservice operators and retailers
- contributions from processor and livestock export industry bodies

See page 16 for the relative contribution of each to total revenue.



MLA Chairman Don Heatley

The Australian red meat and livestock industry entered a new age of opportunity in 2007–08 due to unprecedented economic growth in Asian economies creating a surge in demand for animal proteins.

However, this defining economic event of our age comes with risks and challenges.

Asian economic growth has impacted on the profitability of every sector of the Australian red meat supply chain. The rampant demand for oil in Asia has driven up oil prices globally and contributed to massive increases in input costs for all sectors, none more so than at the farm level. Their amplified demand for grain as well as government subsidies and mandates for grain in ethanol production has increased feed costs and significantly impacted on our feedlots' ability to compete with lower cost suppliers and proteins. The strong Australian economy, largely driven by the resource boom, saw our dollar appreciate to record highs in 2007–08, reducing the capacity of our exporters to compete in global markets.

We are meeting these challenges head-on to forge new and important markets for our products. We have increased our efforts to maximise production and offset input cost increases to ensure a steady supply of competitive products for consumers globally.

CONSUMERS

In essence, the economic growth is creating an extra two million first time consumers for animal protein suppliers every month.

The demand for resources, fuel and food generated by Asian economic growth has created a new global middle class in developing countries around the world. The World Bank forecast an extra two million middle class consumers per

month in the global economy. The importance of this for the Australian red meat and livestock industry is that as people earn more money, they switch from cheaper foods to more expensive foods such as animal proteins.

In essence, the economic growth is creating an extra two million first time consumers for animal protein suppliers.

This has been reflected in the change in dynamics of the global meat trade. Last year, we saw global beef imports into North America and north Asian countries come in behind beef imports to the rest of the world markets in terms of volume. Australian exporters have captured a share in this growing 'rest of the world' market, with Australian exports to Russia, Indonesia, Middle East and China all significantly increasing. In fact these four markets have moved from being three per cent of Australian exports in 2006–07 to nine per cent of our exports in 2007–08.

These developing markets helped minimise the impact of weaker demand in North American and north Asian markets. The strong Australian dollar combined with lower grainfed beef supplies has had a significant impact on our competitiveness in north Asia in particular. This has been compounded by the weak US\$ providing opportunity for the US to increase their shipments to the region.

While there is fundamentally strong demand for Australian lamb in the US, in 2007–08 lower lamb supplies, a decline in consumer spending and the low US dollar squeezed exporter margins. However, despite higher prices, demand for lamb continued to lift in the Middle East, China, Japan and elsewhere in Asia to more than offset the decline to the US.

Local expenditure for beef has risen by 66 per cent and 110 per cent for lamb in the past decade – due to robust economic growth and improved quality, marketing and promotion. Australian demand is likely to be tested with inflationary pressure (particularly higher interest rates and fuel prices) expected to continue to place strain on household budgets.

COMMUNITY

The red meat and livestock industry has a great track record in promoting its products; now we must work on promoting our industry.

Surveys conducted in early 2008 showed 53 per cent of Australians consider the environment (second only to inflationary pressures on household budgets) as one of the biggest issues facing our nation in the next five years.

When the Australian Government ratified the Kyoto Protocol in its first official act, it committed Australia to play its part in addressing climate change.

The industry now faces not only the continued challenge of sustainably producing affordable food in increasingly variable climatic conditions, but the new challenges, and potential opportunities, created by the Government and community's desire to see reductions in carbon emissions.

Animal welfare has also featured throughout the year with continued attacks by animal activists on animal production industries. Using science-based facts and positive communications we have been able to counter these extremists, and continue to benefit from high levels of community trust.

The red meat and livestock industry has a great track record in promoting its products; now we must work on promoting our industry. This is essential if we are to maintain the trust of communities, and if we are to attract talented staff into our businesses.

INDUSTRY

While individual enterprises may have little opportunity to influence many of these factors impacting on profitability, there are certainly areas they can influence.

Many of the factors impacting on the industry's profitability are beyond the control of individual operators however there remains considerable progress that can be made in improving profitability on-farm.

With average cattle and lamb prices down 13 and 12 per cent respectively from their recent highs, the dramatic increase in input costs such as fertiliser, fuel, grain and chemicals has resulted in low profitability for many Australian producers. This is reflected in increasing levels of farm debt.

Farm consultants across Australia report huge variations in the cost of production for a kilogram of meat across their client bases operating similar enterprises in similar production zones. Differences range from a \$1.01/kg liveweight to \$2.66/kg*—an enormous impact on the profitability of these enterprises, and for the most part, directly within the control of individual enterprises. As a collective industry we are responding, and we are continuing to improve our productivity.

The Australian sheepmeat industry provides strong leadership in continuous productivity improvements. The drought and competition for land from cropping has reduced the sheep flock to around 80 million, the lowest since 1920. However, while the flock has declined 32 per cent over the past decade, lamb production has increased 54 per cent.

POSITIVE OUTLOOK

Despite this contradictory environment, long-term indicators for red meat remain extremely positive.

Fast growth in developing economies is creating new markets for the Australian red meat and livestock industry, but also driving up input costs through their increased competition for resources.

Despite this contradictory environment, long-term indicators for red meat remain extremely positive—the world's growing middle class are creating enormous demand for protein, and the Australian industry is well placed to benefit.

We will not be handed these benefits on a platter. Our marketing must reinforce the positive attributes of Australian red meat and livestock and keep our products front of mind with consumers. Our science must provide the framework for our responses to community concerns and Government interventions.

MLA is positioned to deliver on these challenges by providing the information and tools to assist individual enterprises continue to meet the requirements of their customers and increase their profitability.



Don Heatley
Chairman

* Source: Holmes Sackett, *Insights 2007*



MLA Managing Director David Palmer talks to producer advocates Robbie Tole (left) from Cressy, Tasmania, Karen O'Toole (right) from Hawkesdale, Victoria and James McKay (far right) from Lucindale, South Australia.

The industry's robust systems and innovation on and off-farm have enabled it to hold up, under the strain of a 70 per cent rise in the Australian dollar since 2001–02, unparalleled input costs and increased environmental scrutiny.

In partnership with industry and government, MLA continued to deliver services and solutions to improve market access, grow demand, increase competitiveness and sustainability and build the capability of our industry. This helped to stabilise Australia's position as the world's largest exporter of red meat and livestock.

IMPROVING MARKET ACCESS

Labourled progress in the World Trade Organization Doha Round during the year and the pending ratification of the US–Korea free trade agreement, heightened our efforts to communicate the importance and benefits of trade liberalisation to government in key markets including Japan and Korea.

To reinforce this importance, MLA staff from Japan and Sydney accompanied Prime Minister Kevin Rudd to Japan and Federal Agriculture Minister Tony Burke to Korea to meet with government and industry representatives.

Under an Australia–Chile free trade agreement during the year tariff barriers were eliminated, while our work with industry to meet Australian Government standards for the transport and care of cattle destined for Egypt resulted in the resumption of trade under a closed system.

GROWING DEMAND

Building our reputation as a supplier of tasty and consistent quality beef was a crucial foundation for our work in our three largest overseas markets during the year. Following the results of more than 520,000 consumer taste tests in Japan, Korea and the US a collaborative industry effort saw us take Meat Standards Australia offshore in the form of Eating Quality Assured (EQA).

The underlying strength of Australia's red meat industry was evident during 2007–08 as it continued to deliver over 6.5 billion beef, lamb, mutton and goatmeat meals to consumers around the globe despite being buffeted by considerable economic and climatic pressures.

In another significant enhancement we increased our attention on emerging markets to ensure Australia is positioned as a preferred supplier to countries such as Russia, Indonesia, China and the Middle East. We opened a new office in Moscow to keep ahead of trends and opportunities in this country of 140 million people. Indonesia's strengthened economy offered a real opportunity for both the Australian beef and live cattle trade. We undertook consumer research in the region to establish a platform for building demand for Australian boxed product in this market.

At home, we tapped into an emerging trend to cook from scratch with 'Beef – get into it', an integrated campaign to educate consumers on how to cook secondary cuts. We supported the launch of a new beef product – 'Sizzle Steak' – a collaborative initiative to take secondary cuts to market in an easy-to-cook, economical format. Continued improvements in retail presentation and value adding also contributed to the \$6.7 billion consumer expenditure on beef this year.

Sam Kekovich once again headed up our lamb marketing efforts driving the most successful retail sales of lamb during an Australia Day period. A new spring campaign 'Falling in Lamb' also helped propel consumer expenditure a further five per cent to a value of nearly \$2.1 billion.

While the economic downturn has seen Australian consumers tighten household budgets and look for more economical food options, they remain concerned about their family's health and the environment.

In anticipation of the World Cancer Research Fund (WCRF) releasing a report that attempted to link red meat and cancer, we commissioned a new and independent scientific report during the year: *The role of red meat in a healthy Australian diet*. We countered the information in the WCRF report and communicated that red meat 3–4 times a week remains in line with Australian dietary guidelines.

The impact of red meat production on climate change was also in the headlines during the year. Unfortunately debate

on the issue remains cloudy, misleading and certainly complex. While we do not have all the answers, MLA has invested research funds to produce science-based facts to inform public debate and policy discussions that will have significant implications for the industry's future.

ENHANCING COMPETITIVENESS AND SUSTAINABILITY

The operating environment for many in the industry has never been fiercer. Increasing oil, grain and fertiliser prices and ongoing cost pressures for processors who must continue to meet customer expectations mean all sectors of the industry have been under pressure.

Much of our investment in R&D tends to be long-term (five to 10 years or more) to ensure optimum results. During the year the outcomes from a number of these investments shed new light on how individual enterprises can perform more efficiently, more sustainably and make more money.

The Wambiana grazing trial in North Queensland identified medium stocking rates reduce resource risk, and added 70 per cent more cash surplus, while the five year Grain & Graze project engaged over 6,000 producers and delivered technologies to increase profits by an average of nine per cent while improving land condition.

DNA technologies in genetic improvement programs validated new beef markers for tenderness. We also identified and released new Australian Sheep Breeding Values for ease of lambing and gestation length to improve lamb survival.

In the processing sector, our focus on enhancing eating quality, increasing yields, labour saving and improved safety saw the development of new low-cost meat electronics to reduce eating quality variation in beef and sheepmeat.

INCREASING INDUSTRY CAPABILITY

In collaboration with industry and government, we directly engaged over 15,000 producers across the country in face-to-face learning initiatives during the year. These included More Beef from Pastures, Meat Profit Days and Beef-Up forums, as well as Grain & Graze and Evergraze regional activities. In a key program for Australian sheep producers, we joined forces with Australian Wool Innovation to develop and launch Making More From Sheep, a best practice package of information, tools and learning opportunities.

We launched three episodes of *feedbackTV* – a DVD mailed out with MLA's member magazine *feedback*. This new communication channel signposts MLA members to the latest on-farm R&D, marketing and market access activities.

THE BUDGET

We commenced the year with significant uncertainty regarding levy income and reserves due to the impact of the prolonged drought on livestock transactions, particularly research and development funds being below benchmark levels. As a result we took a conservative approach to expenditure in setting the budget for the year.

The last quarter of 2007-08 saw levy income for grassfed cattle, mutton and lamb come in above expectation and this, along with a controlled expenditure program, delivered a surplus of \$5.8 million for the year.

Revenue totalled \$162.9 million for the year, compared with \$161.8 million for 2006-07, an increase of \$1.1 million with levy income down \$4.3 million offset by an increase in other income of \$5.4 million. Total expenditure for 2007-08 was \$157.1 million – a decrease of 1.5% on 2006-07 (\$159.5 million).

OUR PEOPLE

The professionalism, enthusiasm and commitment of our people are a fundamental pillar of our success. I would like to take this opportunity to acknowledge their dedication that contributes to making the Australian red meat and livestock industry a proud and resourceful business. Their efforts in 2007-08 are reflected throughout the pages that follow.

ON THE HORIZON

It was a volatile year for the industry with increased pressure on producers to produce more from less in an environmentally sustainable way. There was also pressure on processors and exporters to compete in an increasingly aggressive global marketplace.

Priorities for next year include:

- targeted environmental research to position the industry well for policy development to mitigate methane emissions
- active and persistent representation of industry priorities for trade agreements with key Asian markets
- delivery of even more advanced animal genetic information.

We value the advice and direction from our stakeholders, particularly industry peak councils, and the Australian and state governments. These important partnerships are crucial for MLA to continue to deliver results for our industry.



David Palmer
Managing Director

HOW WE WORK

The Australian meat and livestock industry operates within a complex and highly competitive local and global market. The industry faces pressure from other protein products and competing red meat supplying countries. Producers also compete for land from urbanisation, alternative land-use such as cropping, and for other natural resources such as water.

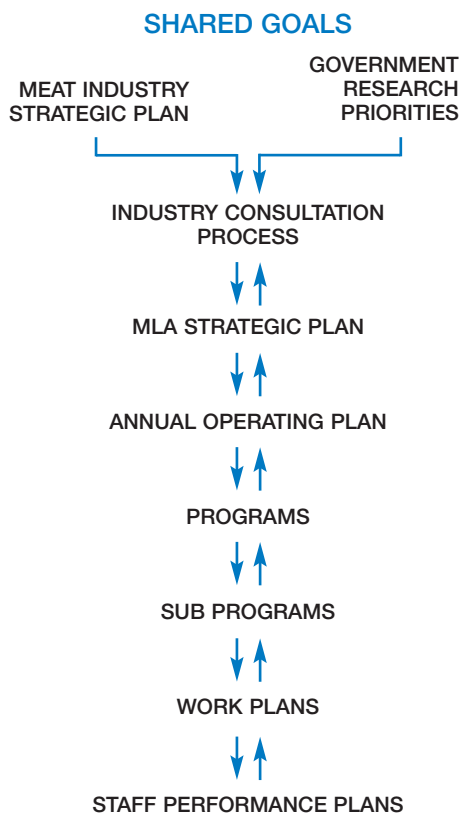
Government priorities, local, regional and global meat industry trends, macro and micro economic drivers, and the outcomes of regular industry consultations are all carefully considered in planning our work.

The focus and direction of our marketing, research and development effort is provided by the industry peak councils' *Meat Industry Strategic Plan 2004–09* and is closely aligned to the Australian Government's national and rural research priorities.

MLA STRATEGIC PLAN 2007–2011

Industry and government priorities, processes and trends played an important role in shaping the development and launch of the *MLA strategic plan 2007–2011* this year. The MLA strategic plan forms the basis for developing closely aligned annual operating plans for the next five years. The MLA Board and management will review progress against this strategic plan annually and will communicate updates to the industry.

The strategic plan ensures that MLA directs its funds to achieve the industry vision of a 'profitable, sustainable meat and livestock industry that meets consumer and community expectations'.



A UNIQUE PARTNERSHIP

MLA's fully-owned subsidiary—MLA Donor Company Limited (MDC)—provided a vehicle for commercial investment in research partnerships of \$16.3 million by individual enterprises in 2007–08. We used this to accelerate the adoption of commercially focused innovation by the red meat industry and to increase the innovation culture and capability of individual enterprises.

We achieved greater integration of MDC activities across the broader range of MLA programs during the year after developing a more structured approach to MDC programs and services in May 2007. This ensured MLA's overall portfolio of services to industry continues to grow and we deliver significant benefit to industry stakeholders.

MDC INVESTMENTS (NO. OF PROJECTS)	2006–07	2007–08	↑↓
New contracts	\$16.3m (64)	\$22.0m (89)	↑35%
Completed and terminated contracts	\$11.2m (58)	\$21.4m (49)	↑91%
Live contracts @ 30/06	\$38.9m (73)	\$39.5 (112)	↑1.5%

COLLABORATIVE INNOVATION STRATEGY

After a trial period of three years, we launched a new model during 2007–08 to facilitate the development of broad innovation capabilities throughout the supply chain. The model provides for accelerated adoption of R&D outcomes, a more strategic focus in innovation initiatives and greater impact derived from investment in innovation by companies.

The initiative allowed us to co-develop broad innovation strategies with seven businesses that met commercial imperatives, while maintaining a focus on implementing key industry innovation priorities.

We expect the collaborative strategies to extend over three to five years and include a number of projects that are co-funded by MDC. These include:

- R&D to develop innovative value-added products
- adoption of new technologies and processes
- enhancing sustainability and improving natural resource management
- implementation of new business models based on supply chain management principles
- skills development and innovation capability building projects

Facilitation processes will include measurement of innovation capability and developing industry baselines by applying the Innovation Capability Diagnostic tool (developed by MLA and WAVE Global).

WHAT WE DO

Every aspect of our work is geared to delivering world-class services and solutions for a profitable and sustainable red meat and livestock industry. We carry out these services to support the following strategic imperatives:

- Increasing market access
- Growing demand
- Enhancing competitiveness and sustainability
- Increasing industry capability

Our 2007–08 annual operating plan, drawn out of the *MLA strategic plan 2007–2011*, is assessed in the Review of Operations on pages 18–45. The Review of Operations provides a detailed look at the economic and social environment in which we worked during the year, the outcomes against targeted measures and commentary on our key initiatives. As the Review of Operations is mapped against our new strategic plan, the table on page 8 aligns our current objectives to the activities previously reported under the *Meat Industry Strategic Plan 2004–09* structure.

PARTNERING WITH INDUSTRY AND GOVERNMENT

In our current economic climate of increasing costs, a crucial element of our business is to leverage our investments in partnership with industry and government.

MLA's R&D investments, matched dollar-for-dollar by the Australian Government, work harder through successful leveraging in state agencies, other research and development corporations, co-operative research centres, the CSIRO and international research agencies.

R&D INVESTMENTS (NO. OF PROJECTS)	2006–07	2007–08	↑↓
New contracts	\$44,528,949 (444)	\$33,459,170 (412)	↓24.9%
Completed and terminated contracts	\$38,288,292 (480)	\$31,112,334 (436)	↓18.7%
Live contracts @ 30/06	\$96,972,455 (496)	\$99,123,611 (472)	↑2.2%

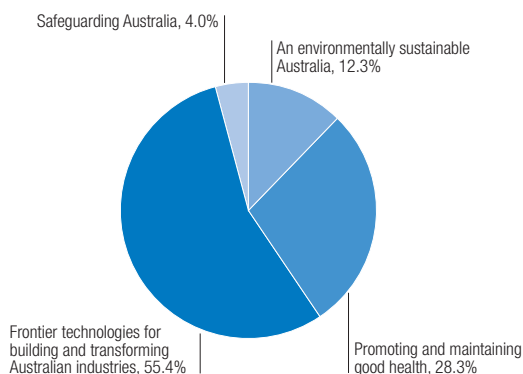
Collaboration is important to:

- maximise the return on MLA investments
- avoid duplication with other research investors
- generate synergies
- present a single, united face to our stakeholders
- influence the thinking and research direction of other organisations
- maximise delivery to producers through collaborative efforts

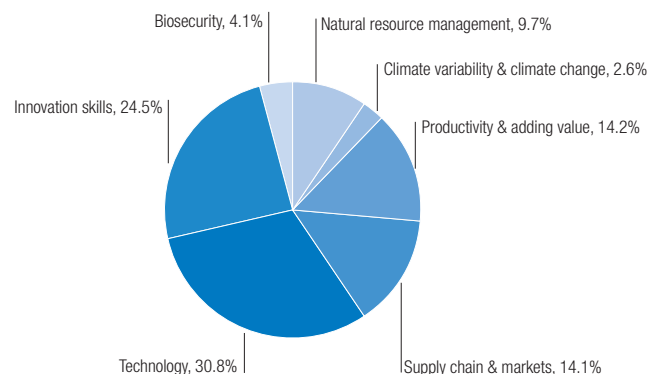
Some of our successful collaborations last year included:

- completing Grain & Graze (page 36), a five-year research program that delivered new tools and information to boost farm profitability and environmental sustainability across the mixed farming zone of southern Australia
- launching Making More From Sheep – a program of best practice information to improve sheep production practices for both meat and wool producers (page 41)
- completing the ten-year Wambiana grazing trial that highlighted profitable and environmentally sustainable grazing practices for northern Australia (page 36).

MLA'S \$69 MILLION R&D INVESTMENT ALIGNED TO THE AUSTRALIAN GOVERNMENT NATIONAL RESEARCH PRIORITIES FOR 2007–08



MLA'S \$69 MILLION R&D INVESTMENT ALIGNED TO THE AUSTRALIAN GOVERNMENT RURAL RESEARCH PRIORITIES FOR 2007–08



MLA STRATEGIC PLAN 2007–2011	MEAT INDUSTRY STRATEGIC PLAN	NATIONAL R&D PRIORITIES	RURAL R&D PRIORITIES
Increasing market access			
Enhancing product integrity	Product initiatives: Meat safety/issues management	Safeguarding Australia	Biosecurity
Maintaining and liberalising access to world meat markets	Markets and consumers: Market access – beef and sheepmeat	Promoting and maintaining good health	Supply chain and markets
Maximising market options for producers and exporters in the livestock export trade	Markets and consumers: Market access and trade development – livestock exports Community concerns: Livestock handling and welfare – livestock exports Other initiatives: Industry capability and technical services – livestock exports	Promoting and maintaining good health	Supply chain and markets Productivity and adding value
Growing demand			
Improving eating quality	Product initiatives: Meat Standards Australia	Promoting and maintaining good health	Supply chain and markets
Enhancing the nutritional reputation of red meat	Markets and consumers: Domestic marketing – beef and sheepmeat	Promoting and maintaining good health	Supply chain and markets
Developing new products and markets	Markets and consumers: Red meat product innovation Co-products	Promoting and maintaining good health Frontier technologies for building and transforming Australian industries	Productivity and adding value Technology
Promoting industry integrity	Community concerns: Industry integrity communications		Supply chain and markets
Aggressive promotion in the marketplace	Markets and consumers: Domestic marketing – beef and sheepmeat Export trade and consumer promotion – beef and sheepmeat		Supply chain and markets
Enhancing competitiveness and sustainability			
Increasing cost efficiency – on-farm	Whole-of-chain efficiency: Improving productivity Value chain management	Promoting and maintaining good health	Productivity and adding value
Increasing cost efficiency – off-farm	Whole-of-chain efficiency: Improving productivity Value chain management	Frontier technologies for building and transforming Australian industries	Productivity and adding value
Improving industry and market information	Whole-of-chain efficiency: Market information	Promoting and maintaining good health	Supply chain and markets
Ensuring sustainability	Community concerns: Environment – resource management	An environmentally sustainable Australia	Natural resource management Climate variability and climate change
Science for the future	Strategic research and development	Frontier technologies for building and transforming Australian industries	Innovation skills Technology
Animal welfare	Community concerns: Animal welfare – on-farm	Promoting and maintaining good health	Productivity and adding value
Increasing industry capability			
Increasing adoption of R&D outcomes	Whole-of-chain efficiency: Adoption and capacity	Frontier technologies for building and transforming Australian industries	Innovation skills
Building world class skills and innovation capability	Whole-of-chain efficiency: Adoption and capacity Other initiatives: Research and development partnerships	Frontier technologies for building and transforming Australian industries	Innovation skills Technology

Every aspect of our work is geared to providing economic benefits for Australia's red meat and livestock industry, often with direct and indirect consumer, community and environmental benefits.

OUR STAFF

The quality and competency of our people is paramount to MLA continuing to deliver on its mission of world-class services and solutions for the Australian red meat industry. Our business planning hinges on the ability of our people to explore and develop solutions to meet current and future industry challenges.

OUR WORKFORCE

At 30 June 2008 MLA employed 238 staff: 204 in Australia and 34 overseas, a slight two per cent drop compared to 2006–07.

Sixty-five per cent of employees are from a rural background, either through family affiliation, previous experience in the industry or tertiary qualifications.

Voluntary employee turnover was 21 per cent this year (one per cent higher than the previous year) attributed to a highly competitive job market and employees seeking further career opportunities.

PROFILE AT 30 JUNE 2008		
	Number of employees	% of workforce
Total staff	238	100
Men	129	54
Women	109	46
Full-time staff	226	95
Part-time staff	12	5
Tertiary qualified	228	96
Australian based staff	204	86
Overseas based staff	34	14

WORKFORCE SUSTAINABILITY

At an executive level, succession planning and talent management continued to be a key priority. We link this to our business planning by developing cross-functional project teams to facilitate growth and promotion within the company.

We also successfully negotiated a three-year Collective Agreement with staff, achieved through strong involvement and consultation at all levels. The agreement contains competitive terms and conditions to attract and retain employees and we are working to ensure we remain competitive in the job market with remuneration benchmarking continuing to be a high priority.

HEALTH, SAFETY AND WELLBEING

The health and wellbeing of our staff is important. Last year we engaged an independent auditor to review our occupational health and safety management systems particularly for saleyards and abattoirs. The review confirmed that we conform to legislation and the Australian Standard. Due to the introduction of new systems, we addressed an identified occupational overuse hazard with a suite of preventative measures to reduce further related incidents. During the year, there were four injuries resulting in time loss. There were no reports of sex-based harassment or discrimination.

ENGAGING OUR PEOPLE

Employee feedback from exit interviews confirms results from previous employee surveys that we offer a good company culture, a rewarding place to work and good learning and development opportunities. Regular face-to-face communication and involvement is imperative to engage our people in understanding our business direction and industry challenges. We hold regular staff briefings to facilitate interaction and ownership of industry and company initiatives.



The MLA team in Korea with some of our merchandisers at a recent trade show in Seoul.

Corporate sustainability

WHERE WE'RE LOCATED

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

In response to the growing opportunities to export Australian beef to Russia and the surrounding former Soviet states, we opened an office in Moscow last financial year with one full-time trade representative – Veronica Maximova. As one of the largest and fastest growing beef markets in the world, Russia is likely to offer good prospects for further trade growth into the upper end of the foodservice and supermarket sectors over coming years.



The opening of MLA's Russian office: Australia's Ambassador to Russia Bob Tyson (centre) with MLA's new trade representative in Moscow Veronica Maximova (right of Mr Tyson), three veterinary officials and MLA's regional manager for Europe David Jones (far right).



THE EXPERIENCE OF OUR EXECUTIVE TEAM

Peter Barnard PhD Econ

General Manager, International markets and economic services

Peter is well-respected within the agribusiness sector and government. He has many years' experience in agricultural economics and is an active behind the scenes player in international market access.

Allan Bloxsom

General Manager, Industry systems

Allan has 38 years experience in the red meat industry having worked in, or with, various sectors of the supply chain. He is responsible for the industry systems that provide the foundation for differentiating Australia's 'clean and natural' red meat products both at home and in the international arena.

Scott Hansen B Rur Sc, Grad Cert Comm

General Manager, Corporate communications and livestock exports

After growing up on a Queensland property, Scott's career has kept him close to his rural origins. His previous roles as executive director of the Victorian Farmers Federation and of the Sheepmeat Council of Australia, give him an ideal perspective on both producer and industry interests.

Ian Johnsson B Rur Sc, PhD

General Manager, Livestock production innovation

Ian joined MLA in January 2007, bringing with him over 30 years agricultural research experience. His hands-on

research in the livestock arena in combination with his senior management roles with MLA's predecessor organisations and more recently with Australian Pork Limited, put him in good stead to oversee and develop the on-farm research portfolio for the red meat and livestock industry.

Christine Pitt DBA MHA BSc MAICD

General Manager, Client innovation services

Christine held a number of senior positions in retail, manufacturing and financial services companies before joining MLA. She now oversees our extensive off-farm R&D and client innovation services activities, and is responsible for the activities of the MLA donor company.

Laurie Robinson CPA

General Manager, Corporate services

Laurie joined MLA in October 2006, bringing with him extensive experience in financial and corporate management. Previously he worked as finance director in a publicly listed photographic company and in the oil industry, both in Australia and overseas, before joining Dairy Farmers as chief financial officer in 1988.

David Thomason BBus

General Manager, Marketing

David's extensive experience in consumer marketing was gained with iconic food brands such as Cottee's and Tip Top. He champions consumer-focused marketing with emphasis on quality improvement, nutrition, product development and impactful promotion, all of which underpin MLA's reputation for marketing excellence.



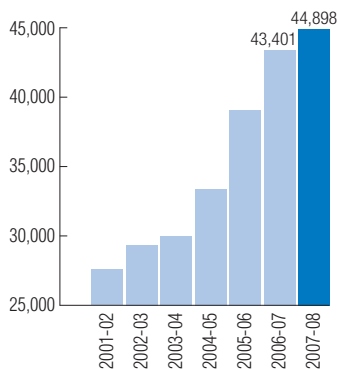
MLA's EXECUTIVE TEAM

(LEFT TO RIGHT) Allan Bloxsom (Industry systems), David Thomason (Marketing), Laurie Robinson (Corporate services), David Palmer (Managing Director), Ian Johnsson (Livestock production innovation), Christine Pitt (Client innovation services), Scott Hansen (Corporate communications and livestock exports), Peter Barnard (International markets economic services).

OUR MEMBERS

Following several years of strong membership growth, we relied on 'organic' growth in membership throughout most of 2007–08. Late in the year, however, we undertook an email-based campaign to drive membership – 'Make the most of your livestock levies' – resulting in an increase of 1,497 members in 2007–08.

MEMBERSHIP



MEMBERS BY ACTIVITY

The grassfed cattle sector continues to be responsible for most of the growth in membership, growing almost four per cent last year. This was partly attributed to the expansion of the Meat Standards Australia (MSA) program into northern Australia (see page 30).

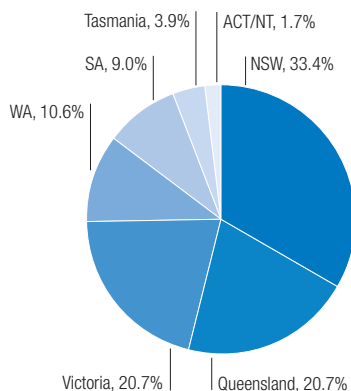
Members by activity	2007–08	2006–07	% change
Cattle (grassfed)	37,878	36,442	3.9
Cattle (grainfed)	4,847	4,708	2.6
Sheep/prime lambs	16,777	16,488	1.8
Sheep only	10,183	10,250	-0.7
Goats	2,217	2,126	4.3

Note: Some members fall into more than one sector.

MEMBERS BY LOCATION

The percentage of members by location remained stable with the exception of Queensland, which overtook Victoria with the second highest membership. This was partly a result of growth in the MSA program throughout Queensland, which saw a number of registering producers sign up for MLA membership.

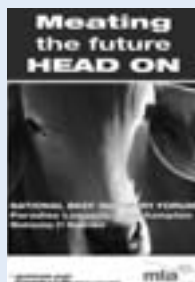
MEMBERS FROM EACH STATE



HOW WE COMMUNICATE WITH OUR MEMBERS



- Launch of *feedbackTV* – a new and engaging look at producer case studies and industry marketing initiatives on DVD. It provides greater understanding of the results of livestock levy investment and the strategies behind it



- National Beef Industry Forum – 650 producers attended the MLA forum in Rockhampton in November 2007 to hear from industry experts and fellow producers on the latest in marketing and on-farm case studies



- MLA annual report 2006–07 – won the inaugural Australasian Reporting Award for the best online (electronic) annual report and met the criteria for a Silver Award in the general category for the third year in succession

Our communication effort ensures levy payers are aware of, and value, MLA's activities, and encourages them to take up the opportunities their investment in the company provides.

Fundamental to our efforts is a strong membership base and we strengthened it last year with an increase from 43,401 to 44,898. Our program of communications through media, online, publications and events ensured 98 per cent of our members were aware of our activities and 95 per cent valued the opportunities created from their levies investment. (Taverner Research: *MLA Member Communications Survey 2007*)

To continue to drive awareness and value we launched a number of new initiatives and continued to improve our current portfolio.

During the year we launched a 30–40 minute DVD – *feedbackTV* – which we mailed out with our member magazine *feedback*. This new communication channel signposts MLA members to the latest on-farm R&D, marketing and market access activities. We distributed three episodes during 2007–08 and undertook research to gauge its impact.

Of those who watched the DVD 96 per cent rated the quality as good or excellent, 15 per cent (approximately 6,000 members) had watched some, or all, of the first two episodes and 65 per cent indicated their intention to watch them in the future.

Last year's partnership with Rural Press in the *Queensland Country Life* National Beef Industry Forum feature allowed us to reach our current membership in a preferred medium.* It also allowed us to demonstrate our relevance with a snapshot of key activities impacting the industry including people management, production and marketing. We will continue these partnerships with an additional three features across the Rural Press Group next year.

More than 1,300 producers attended three Meat Profit Days in Kyneton, Perth and Rockhampton gaining insights into key production issues and how to better manage them. We also targeted and leveraged established and popular community events to more cost effectively run an additional five MLA-focused forums for 600 stakeholders across the country.

We made significant investment during the year to improve the useability and relevance of our website. We continued to improve the current site through more targeted content and an improved e-newsletter management system, which increased site visitors by almost 70 per cent on last year to 42,000 unique visitors a month. In addition, our site has had consistently higher competitive rankings this year being a Hitwise Top 10 Award winner for our category for the first two quarters of 2008.

For more details on our communication policy and how it is reflected in our strategy see page 48 in the Corporate Governance Statement on communicating with members.

*38% of respondents to the 2007 MLA membership survey indicated their main source of information about MLA is via rural press (ranked second highest after *feedback* magazine).



[feedback](#) magazine and our website at [mla.com.au](#) are important vehicles for communicating with our members.

THE AUSTRALIAN COMMUNITY

We invested \$69 million in 2007–08 in research to directly benefit the red meat industry. This research is underpinned by a fundamental need to meet community and consumer expectations.

BUILDING KNOW-HOW

We invest in the development of world-class scientists and researchers to build Australia's body of research and develop human capabilities.

We completed 480 R&D projects last year and began 444 which not only have direct benefit for the red meat industry but contribute to the broader bank of scientific knowledge in Australia and around the globe.

In a joint submission by the research and development corporations (RDCs) this year to the Department of Agriculture, Forestry and Fisheries—*Council of Rural Research and Development Corporations' Chairs Submission to the National Innovation System Review*—we outlined the importance of innovation capability in Australia to influence the 'productive performance of a national economy, and contribute to higher living standards'. The report outlined how the RDCs strengthen the innovation system in Australia by coordinating industry and government objectives, removing disincentives associated with market failures and delivering incentives from government funding; supporting the development of scientists and R&D adoption services; and providing a conduit through which each of the elements – institutions, incentives and human resources – interact for greatest national benefit. We also reinforced the importance of having a well developed innovation system to enable benefits to be derived from the global stock of world knowledge – see pages 41–42 for more on our innovation strategy to have well trained scientists, a technologically capable workforce and active engagement in R&D and innovation.

TRAINING FUTURE RESEARCHERS			
	2005–06	2006–07	2007–08
Scholarship	\$562,007 (26)	\$522,920 (31)	\$411,585 (23)
Postdoctoral		\$244,000 (2)	\$243,710 (3)
Total	\$562,007	\$766,920	\$655,295

We support the bridge from education to agricultural research through our postgraduate program and various scholarships. The scholarship program supports students doing postgraduate studies for the three years of their candidature. Upon completion, more than 70 per cent of students supported by this scheme continue to work within the meat and livestock industry.



“With MLA’s postgraduate scholarship I am researching potential treatments to alleviate fluoroacetate poisoning which can occur in some northern beef regions.”
Carl Davis, PhD student at CSIRO Livestock Industries in Brisbane with MLA Manager Strategic Science, Terry Longhurst.

IMPROVING WORKING CONDITIONS

An important component of our research is to improve working conditions to reduce work-related injuries and illness.

During 2007–08 we assisted the processing sector to reduce occupational health and safety risk by jointly developing three manual assist devices to extend the working life of processing workers beyond 40 years of age – see page 42 for more detail.

On-farm, we tested the impact of wearing protective helmets on the risk of horseback riders developing heat illness or reducing their cognitive function. The research found the use of helmets did not increase the risk, while delivering the obvious safety benefits in the event of an accident. The work also tested commonly used protective helmets for rider safety and comfort and provided general recommendations for reducing the risk of heat stress.

SAFE FOOD

Our meat safety program supports SAFEMEAT, a partnership between the Australian and State governments and all sectors of the red meat industry. SAFEMEAT oversees and promotes sound management systems to deliver safe and hygienic product to market and implements sound crisis management principles and strategies.

We have developed a comprehensive suite of tools and systems for improved food safety based on innovative science, outcomes-based regulation and customer expectations. In an independent review of our food safety program by the Centre for International Economics (CIE), it was estimated the program reduces illness and death resulting from *listeriosis*. This accounts for more than \$281 million in social benefits over 30 years (1998–2028, CIE report: *Food safety: predictive microbiology – the industry impact, 2007*).

HEALTHY AUSTRALIANS

We undertake science-based research and provide information on red meat’s health and nutritional value to healthcare professionals and consumers. Our continued communications since 2001 about the importance of red meat 3–4 times a week have:

- contributed to the 540,000 Australians successfully losing weight on the CSIRO Total Wellbeing Diet (based on CSIRO research with MLA supported studies)
- improved the clinical management of chronic diet-related conditions such as obesity, coronary heart disease and hypertension that currently cost the nation more than \$6 billion annually

(CIE report: *Red meat nutrition marketing – the industry impact, 2008*)

During the year we also completed new research that demonstrated the positive health impact of the CSIRO Total Wellbeing Diet on men and the negative impacts of low iron in young women.



Testing the impact of wearing protective helmets on the risk of developing heat illness or reducing cognitive function.

PROTECTING THE ENVIRONMENT

The Australian red meat industry is custodian of a significant proportion of Australia's land mass and an important manager of vital natural resources.

While MLA itself has negligible environmental impact, it is ingrained in our culture to actively minimise our footprint, however small. We are in a strong position to develop and deliver information that can help reduce the impact on the environment of the red meat and livestock industry as a whole.

We work and co-invest with industry, government and other research agencies to manage Australia's vital natural resources in a sustainable way that improves the condition of the environment as well as the performance of individual enterprises.

Next year, we will invest an additional \$1 million of our R&D funds into projects that look for solutions to improve the industry's use of natural resources, reduce greenhouse gas emissions, improve the current measurement and accounting standards for GHG and assist producers to better plan and adapt to Australia's changing weather patterns. This brings our total investment in environmental research to \$6.7 million.

MITIGATING METHANE EMISSIONS

The Australian red meat industry accounts for 11 per cent of Australia's greenhouse gas emissions (Australian Greenhouse Office), a reduction of 7 per cent since 1990 through improved production practices and land-use changes. To assist industry maintain its downward trend we have invested \$1 million to develop new technologies and management options.

Together with Australian Wool Innovation, we developed a new database to confidentially report on performance for individual producers, for regional bodies and for the industry. Eleven regional bodies comprising 350 livestock producers benchmarked their environmental performance against best management practice including their management of greenhouse gas emissions. For more details on our climate change strategy and program of activities see page 37 in the Review of Operations.



'Pigeon Hole', the five-year, \$6.4 million joint venture between Heytesbury Beef and MLA increased the scope of productivity by 20 per cent in northern Australia while conserving biodiversity.

LOOKING AFTER THE LAND

In collaboration with regional groups, other research agencies and ethically responsible supply chains, we invested in the development of information and tools to help producers manage their natural resources while improving their productivity.

Over 10,000 producers have actively participated in key research projects such as Wambiana, Pigeon Hole, EverGraze and Grain & Graze. These projects deliver alternative science-based management options to reduce runoff and soil erosion, and improve soil health and on-farm biodiversity by improving management of native vegetation. In addition these projects have fed the development of producer tools and information delivered via our producer forums, publications including our quarterly on-farm magazines – *Frontier* and *mLaPrograzier* – and online calculators and tools.

Our five-year collaboration on Grain & Graze has changed the on-farm management practices of 3,700 producers in southern Australia. Some of the regional outcomes include:

- more than 19,500ha of pastures planted on poor crop lands
- proposed increases in pasture rotations of 101,667ha over the next five years
- 130 per cent increase in area of grazed cereal, on average 13ha per farm (or 129,000ha)
- improved grazing of cereals and stubble which reduced the need for stubble burning on 64,800ha, leading to improved groundcover and cleaner air

For additional details on our program of activities addressing environmental issues please see pages 36–37 in the Review of Operations.

CORPORATE COMMITMENT

Being in the business of knowledge creation, MLA has traditionally relied heavily on printed publications to communicate new information to the industry. During the year we undertook a number of initiatives to reduce our reliance on traditional printed documents.

We reduced the number of hard copy on-farm publications we distributed to members from 151,532 to 116,073 this year. We achieved this through a concerted effort to publish information online, consolidate crucial information from multiple projects into succinct and user-friendly publications, and better use of existing print publications such as the media and our magazines – *Feedback*, *mLaPrograzier* and *Frontier*. In addition, by providing an online version, we reduced the number of printed annual reports from 45,000 to 3,000.

We also began a broader project to revamp our website to allow better use of online communications, instigated a process to allow efficient print on-demand and introduced a policy of using environmentally friendly paper for all offset printed publications.

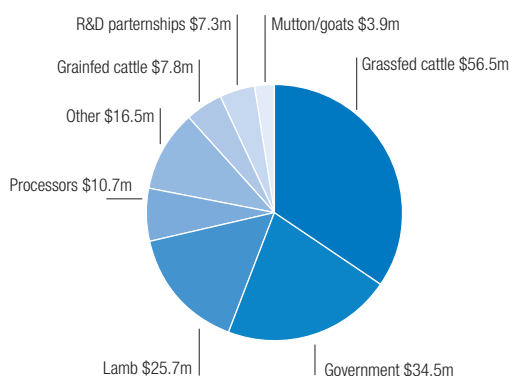
OUR FINANCIAL POSITION

REVENUE

Total revenue for 2007-08 was \$162.9 million – an increase of 0.7% on 2006-07 (\$161.8 million). This was largely attributable to an increase in other income with Government grants up \$1.6 million, Research & Development Partnership contributions through the MLA Donor Company up \$1.6 million and an increase in co-operative funding for both marketing and R&D up \$1.1 million.

Offsetting these increases was a significant fall in levy income of \$4.3 million with grassfed levies down \$2.6 million and grainfed down \$2.1 million. Lamb levies were slightly up year-on-year.

REVENUE FOR 2007-08 (\$162.9m)



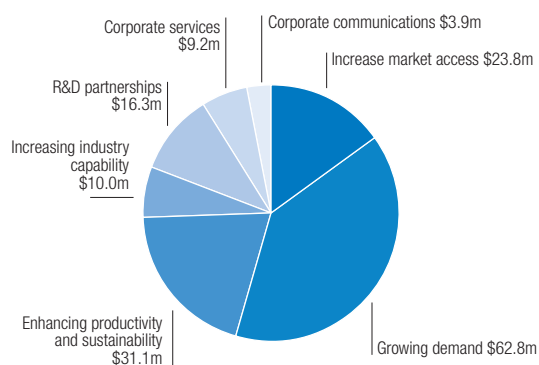
EXPENDITURE

Total expenditure for 2007-08 was \$157.1 million – a decrease of 1.5% on 2006-07 (\$159.5 million).

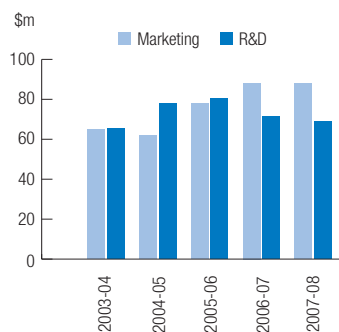
Research and development expenditure totalled \$69.0 million down from \$71.3 million in 2006-07 as a result of the fall in levy income and the need to rebuild Research and development reserves back to the benchmark.

Marketing expenditure of \$88.1 million was in line with previous year's expenditure.

EXPENDITURE FOR 2007-08

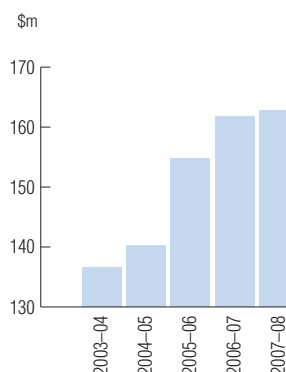


R&D AND MARKETING EXPENDITURE OVER FIVE YEARS



REVENUE OVER FIVE YEARS

The increase in revenues in 2005-06 and 2006-07 relates to the \$1.50 increase in the cattle transaction levy.



STRATEGIC IMPERATIVE	2007-08 \$m	2006-07 \$m
Increasing market access	23.8	23.2
Growing demand	62.8	66.8
Enhancing productivity and sustainability	31.1	34.8
Increasing industry capability	10.0	10.8
R&D parternships*	16.3	12.0
Corporate services	9.2	8.7
Corporate communications	3.9	3.2

*Includes \$1.4 million (2007: \$0.6 million) in total expenditure relating to Plant Initiated Projects funded by AMPC (on behalf of processors) and government matching funds.

RETAINED SURPLUS

An excess of revenue over expenditure during the year resulted in a surplus of \$5.8m, compared to a surplus of \$2.2m in 2006-07. The retained surplus as at 30 June 2008 was \$37.9m, \$5.8m up on last year (\$32.1m). This surplus is broken down by species as follows:

Grassfed cattle	\$18.9m
Grainfed cattle	\$ 3.9m
Lambs	\$12.7m
Sheep	\$ 1.7m
Goats	\$ 0.8m

More detailed information can be found in the Financial report on page 69.

FIVE YEARS AT A GLANCE	2007–08	2006–07	2005–06	2004–05	2003–04
Australian red meat and livestock industry					
Industry value	\$15.8bn	\$15.9bn	\$15.0bn	\$14.7bn	\$13.4bn
Australian consumer expenditure on beef	\$6.7bn	\$6.6bn	\$6.4bn	\$6.0bn	\$5.7bn
Australian consumer expenditure on lamb	\$2.1bn	\$2.0bn	\$1.8bn	\$1.7bn	\$1.7bn
Value of beef exports	\$4.4bn	\$4.9bn	\$4.5bn	\$4.9bn	\$3.9bn
Value of lamb exports	\$824.0m	\$778.0m	\$781.9m	\$700.5m	\$636.5m
Value of goatmeat exports	\$55.2m	\$76.8m	\$82.1m	\$70.6m	\$49.2m
Value of live cattle exports	\$540.3m	\$496.9m	\$403.9m	\$464.0m	\$461.2m
Value of live sheep exports	\$287.4m	\$289.6m	\$297.1m	\$210.2m	\$268.2m
Total national herd size (head)	28.2m	28.0m	28.4m	27.8m	27.5m
Total national flock size (head)	80.1m	85.7m	91.0m	101.1m	101.3m
Annual production of beef (carcase weight tonnes)	2.15m	2.23m	2.08m	2.16m	2.03m
Annual production of lamb (carcase weight tonnes)	435,392	412,585	381,838	354,291	341,449
Meat & Livestock Australia					
Revenue total	\$162.9m	\$161.8m	\$154.6m	\$140.2m	\$136.5m
Levies income	\$93.9m	\$98.2m	\$82.0m	\$72.2m	\$71.4m
Government contributions	\$34.5m	\$35.7m	\$41.8m	\$40.0m	\$34.9m
Processor contributions	\$10.7m	\$11.1m	\$11.6m	\$11.9m	\$10.3m
Livestock exporter contributions	\$1.6m	\$1.1m	\$1.2m	\$1.1m	\$1.4m
Expenditure total	\$157.1m	\$159.5m	\$158.6m	\$139.7m	\$130.5m
R&D	\$69.0m	\$71.3m	\$80.6m	\$78.0m	\$65.4m
Marketing	\$88.1m	\$88.2m	\$78.0m	\$61.7m	\$65.0m
Corporate services	\$9.2m	\$8.7m	\$8.7m	\$7.7m	\$7.3m
Surplus (current year)	\$5.8m	\$2.2m	-\$4.0m	\$0.5m	\$6.1m
Surplus (retained)	\$37.9m	\$32.1m	\$29.9m	\$33.9m	\$33.4m
Staff	238	241	254	234	213
Membership	44,898	43,401	39,086	33,391	30,011

Source: MLA, ABS, ABARE, DAFF



PARTNERS FROM Paddock TO PLATE

REVIEW OF OPERATIONS

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Increasing market access



- 20 Our operating environment
- 21 Highlights
- 21 Food safety and integrity systems
- 22 Reducing global trade barriers
- 23 Livestock exports

“We care for Australian animals overseas.”

Peter and Sharon Dundon, MLA and LiveCorp Livestock Services, Middle East and Africa.

Increasing market access

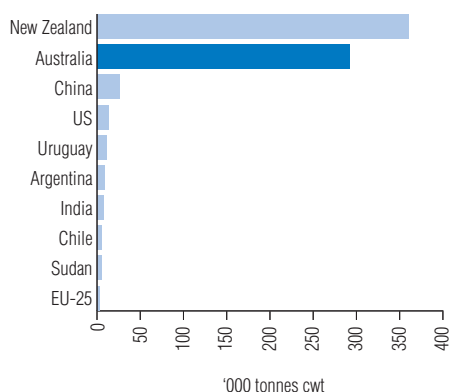
OUR OPERATING ENVIRONMENT

Access to markets remains a critical issue for the Australian red meat industries, due to the multitude and impact of current barriers, the constant threat of new barriers, efforts by competitors to negotiate preferential access and the potential gains to be made from successful multilateral and bilateral negotiations. The removal of all existing barriers would add an estimated A\$1 billion to Australian red meat producer incomes.

A clear example of the threat of competitors gaining preferential treatment is in the free trade agreement (FTA) between Korea and the US which, if ratified, would see the import tariff on US beef progressively reduced to zero over 15 years, leaving Australian beef uncompetitive, facing a potential 40 per cent tariff. Australia needs to match such agreements to prevent losing key markets.

IMPORT TARIFFS AND QUOTAS ON AUSTRALIAN BEEF	
Country	Effective tariff rate and/or quota
Japan	38.5% (special safeguard of 50%)
EU	7,150 tonne quota, in quota 20% tariff, above quota 12.8% + (141.4–304.1 euro)/100kg
South Korea	40%
Mexico	20%–25%
US	398,214 tonne quota (expanding to 448,214 by 2022 under FTA) above quota tariff 26.4% (zero by 2022 under FTA)
Canada	35,000 tonne quota above quota tariff 26.5%
Thailand	32% (zero by 2020 under FTA)
China	12%
Philippines	10%
Indonesia	5%
Taiwan	NT \$10/kg

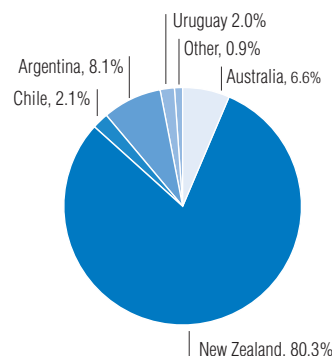
TOP 10 SHEEPMATE EXPORTERS



Source: FAO

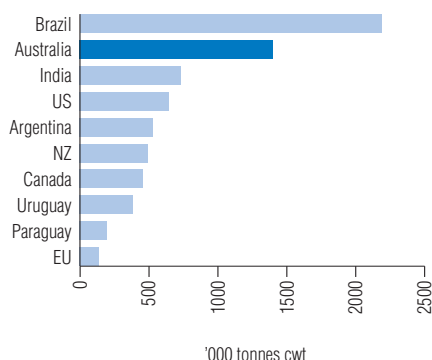
EU SHEEPMATE IMPORT QUOTAS

Total = 283,387 tonnes carcass weight/calendar year



Source: EU Commission

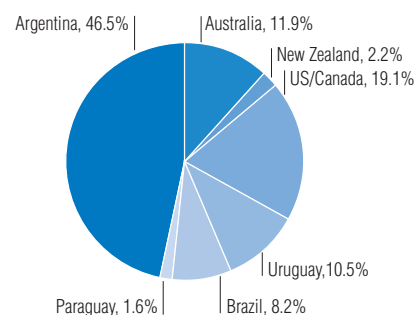
TOP 10 BEEF EXPORTERS



Source: USDA

EU HIGH QUALITY BEEF IMPORT QUOTAS

Total = 60,250 tonnes shipped weight/fiscal year



Source: EU Commission

Investment: 2007–08 – \$23.8m
2006–07 – \$23.2m

Guided by the Australian Government research priorities:

- Productivity and adding value
- Supply chain and markets

INCREASING MARKET ACCESS 2007–08 HIGHLIGHTS

Objective	Measure	Outcome highlights	Benefit	Future
Enhance product integrity Investment: \$14.6m	High levels of satisfaction by international customers with Australia's meat safety systems	US Food Safety Inspection Service accepted Australian system for controlling <i>E. coli</i>	Minimal disruption to trade and significant cost savings in meeting new US requirements	Continue to monitor and develop improvements to food safety systems
Maintain and liberalise access to world meat markets Investment: \$3.3m	Independent evaluations conclude that MLA has contributed to the maintenance and improvement of market access	Tariff barriers eliminated under Australia-Chile free trade agreement	Unobstructed response to growing demand	Industry priorities remain prominent in trade negotiations
Maximise market options for the livestock export trade Investment: \$5.9m	Market access for livestock exports maintained	Cattle trade to Egypt re-opened	Alternative market for Australian producers and exporters	Investigate new markets and improve access to existing markets
		99.9% of cattle and 99.01% of sheep exported arrived safely at their destination	Good welfare for animals in the livestock export sector and reduced economic losses	Deliver continuous improvement in animal welfare standards throughout the chain
		Community support for the trade increased by 10%	Industry demonstrated its continuous improvement and maintained its \$1.8 billion contribution to the Australian economy	Continue to build community support through proactive communication of industry achievements

FOOD SAFETY AND INTEGRITY SYSTEMS

Enhance product integrity

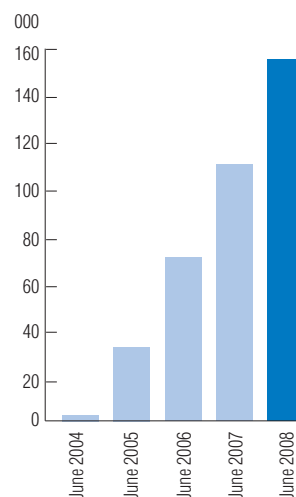
The integrity of Australian red meat throughout the supply chain underpins industry's access to overseas markets and the trust of domestic consumers. Our work provides industry with the platforms for assuring clean, safe food through Livestock Production Assurance and the National Livestock Identification System database, as well as research to refine and improve food safety systems.

Following a major *E. coli* O157:H7 scare in the US from contaminated meat imported from Canada in 2007, the US Food Safety Inspection Service implemented new and costly testing regimes for imported beef trim. Ongoing scientific research and the expert panel of scientists, regulators and industry formed in 2004, informed discussions between the Australian Meat Industry Council and the Australian Quarantine Inspection Service (AQIS) that developed a new AQIS-supervised testing system. This system meets US requirements and is more efficient, minimising trade disruption.

In a move to further bolster Australia's reputation as a leading supplier of safe, quality red meat, we upgraded the Livestock Production Assurance (LPA) food safety program by removing provisional accreditation from 1 March 2008.

This means provisionally registered producers on the LPA database had to move to full accreditation to utilise LPA National Vendor Declarations (NVDs). Since its inception, the number of fully accredited properties in the program has surged to 153,182 – a 34 per cent increase on last year.

NUMBER OF LPA PIC REGISTRATIONS



Increasing market access

The move to full accreditation further enhances industry's ability to guarantee a safe and wholesome product through its independent auditing process.

The number of producers enrolled in the LPA Quality Assurance (QA) program (a specialised add-on to LPA that incorporates Cattlecare and Flockcare programs) decreased to 1,500, down 27 per cent. A review into the program identified the reasons behind the drop to be adverse weather conditions and a perceived lack of financial benefit versus associated audit costs. We are developing a program for LPA QA with implementation due to begin in 2008–09.

After successfully implementing the LPA program, MLA transferred the management of the program to AUS-MEAT, effective from 1 July 2008. AUS-MEAT takes over LPA database management, the printing and distribution of LPA NVDs and the administration of LPA rules and standards. MLA remains responsible for LPA NVD content, as well as developing and instigating LPA communication initiatives.

The National Livestock Identification System (NLIS) database, which averaged 180,000 transactions a month during 2007–08, underwent scalability testing to ascertain the volume of data, transaction and number of users who can concurrently use the database before the system ceases to meet current service levels. The 'stress test' showed the system is capable of sustaining twice the current peak load without negatively affecting response times. The project also allowed us to evaluate and seek ways to improve the effectiveness of the NLIS database operations.

We also undertook an audit on NLIS communication and support services. Of those surveyed, 93 per cent considered the helpdesk an important service and view the continuation of the helpdesk in its current form a priority.

NLIS Express™, launched in February 2008, provides producers with new technology that enables contact with the

NLIS database from anywhere, without access to a computer. This works by downloading a file onto a compatible Next-G mobile phone and a Bluetooth tag reader. While uptake of the technology has been slow, we anticipate enhancements in 2008–09 to increase usage and application of this technology.

REDUCING GLOBAL TRADE BARRIERS

Maintain and liberalise access to world meat markets

MLA has continued its efforts to maintain and liberalise access to meat markets around the globe for Australian red meat exporters.

The World Trade Organization (WTO) Doha Round negotiations, underway since 2001, may continue to offer prospects for reducing global trade barriers – although progress is now uncertain given the collapse of Ministerial talks in July 2008. In conjunction with industry partners we have maintained a close and constructive relationship with Australia's trade negotiators, provided input into negotiating positions and continually reinforced our priorities both within Australia and in international forums. Of highest priority in the WTO discussions is the need to secure improved access for sheepmeat into the European Union. In this regard we continue our proactive trade advocacy campaign aimed at highlighting the benefits of sheepmeat trade reform amongst WTO trade negotiators and officials.

Accompanying this work has been our input into the Government's free trade agreement (FTA) agenda.

Australia completed an FTA with Chile this year resulting in the elimination of 6 per cent tariff barriers on red meat. The Government is also currently involved in FTA negotiations with the Association of South East Asian Nations (ASEAN), Malaysia, the Middle East-based Gulf Co-operation Council, China and Japan. An economic feasibility study was completed with South Korea during the year that indicated positive benefits for both trading nations. We provided detailed submissions for similar studies with Indonesia and India. Our interaction continues across the entire FTA portfolio to ensure the red meat industry's preferred outcomes are firmly in the Government's sights.

Since the outcomes of the feasibility study, an imperative for the beef industry is the pursuit of an FTA with South Korea. The recent Korea–United States FTA will see Australia's major competitor in the Korean market gain a preferential tariff advantage. Once implemented, the 40 per cent tariff on US beef will be reduced to zero over 15 years. Of paramount importance is the need to minimise any competitive disadvantage by securing parity of access for Australian beef – we have requested that negotiations commence as soon as possible.



"The faster and more conveniently that we can get information back to the farm, the faster we can correlate it, and begin to make better management decisions." Beef producer Jennifer Cotter from 'Kinbombi', Goomeri, Queensland with NLIS Manager Aaron Iori demonstrating NLIS Express.

Also of strategic importance is securing an outcome for beef from the Australia–Japan FTA. MLA has, and will, continue to work closely with our Embassy in Tokyo and officials in Canberra to extol the benefits of beef trade liberalisation in our premier beef export market.

In addition, we have worked in a number of markets to address a range of technical impediments to trade. Formal collaboration with industry and government is ongoing and we will shortly embark on canvassing key stakeholders regarding their perceptions of our contribution to market access reform.

LIVESTOCK EXPORTS – A KEY PLANK IN AUSTRALIA'S LIVESTOCK INDUSTRY

Maximise market options for the livestock export trade

The livestock export industry continues to deliver improvements to ensure animals exported from Australia are well cared for at every stage of transport and in their destination market.

Improved operating procedures enabled industry to remain below regulatory (less than 1 per cent for cattle and less than 2 per cent for sheep/goats) and industry benchmarks (less than 0.2 per cent for cattle and 1 per cent for sheep) for onboard mortalities. During the year, 99.01 per cent of the 3.77 million sheep exported from Australia, 99.9 per cent of the 720,000 Australian cattle, and 99.29 per cent of the 27,546 goats exported by sea arrived at their destination fit and healthy. Animal welfare and in-market training on appropriate handling of Australian animals continued to be a focus for our livestock export program in 2007–08. We conducted animal handling workshops for local workers in nine countries at 17 feedlots, key port facilities and at key abattoirs. This was made possible through the Australian

Government's Keniry funding. We also produced education materials in local languages for use across these markets as part of our training program, with 1,000 copies each of the *Animal handling training pack* and the *Feedlot handbook* distributed to overseas feedlot and processing workers. Over 1,700 copies of the *Is it fit to export* guide were issued to Australian producers.

Industry's effort to improve and demonstrate its commitment to the wellbeing of the livestock it exports has been key in the negotiations to re-open the live cattle trade to Egypt. We worked with the Australian and Egyptian governments and the Australian livestock export industry to resume the trade under a 'closed system'. This arrangement means the new facility at the Egyptian port of Sokhna is the only one approved to receive Australian livestock and will be fully audited to ensure animals are properly cared for and managed under agreed government procedures at every stage in the supply chain.

Increasing community awareness of the livestock export trade's commitment to animal welfare throughout the supply chain was also crucial to our program in 2007–08. We introduced a national network of young, passionate participants in the livestock export sector to the Australian community to share their stories, commitment and key facts about the trade. The 'We care' campaign reached nearly 10 million people in metropolitan Australia (McCann survey 2008), sharing industry's key messages and contributing to an increase in community support for Australia's livestock export industry.

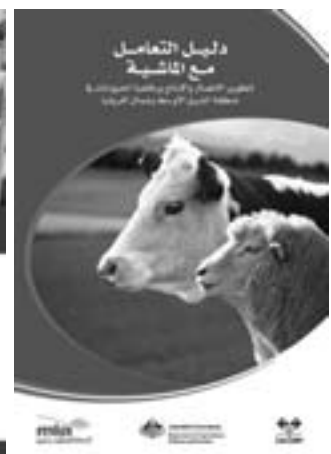
Indonesia's strengthened economy offers a real opportunity for both the Australian beef and live cattle trade. During the year we undertook consumer research in Indonesia to gauge attitudes toward beef – reasons for limiting consumption and how it is being cooked – to establish a platform to build demand for Australian product in this market.



A national network of young, passionate participants in the livestock export sector sharing their stories, commitment and key facts about the trade. (Left to right) Lach Mackinnon, Annabelle Coppin, Murray Grey, Aticia Grey, Dan Koric, Gary Robinson.



Ron Piggott in the 'We care' campaign which reached nearly 10 million people in metropolitan Australia.



The animal handling training pack was distributed to overseas feedlot and processing workers.

Growing demand



“MLA gives us a lot of support in our business and helps us to keep at the forefront of the market.”

Michael Honeysett, Manager at Craig Cook’s Prime Quality Meats butcher store with MLA NSW State Retail Account Executive Doug Piper.

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OUR OPERATING ENVIRONMENT

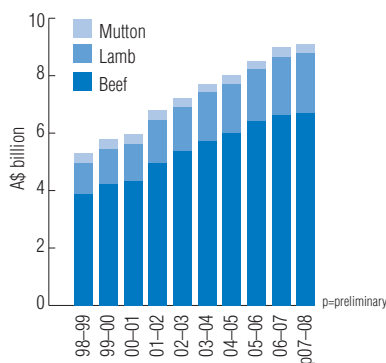
Global markets for red meat have been buoyant over the past year, driven by growing demand for protein in Asia, Europe and the Middle East. In addition, constraints on global supply have tightened considerably, due to the sharp rise in production costs (mainly for grain and fuel), competition for land from cropping and changes in government policies (for example the EU CAP reforms and bio-fuel mandates and supports).

This, together with the continuation of strong demand from Japan and Korea with their restrictions on US beef (due to

BSE-related controls), has seen continued high Australian beef exports to North Asia, the emergence of a major market in Russia and growth to South East Asia.

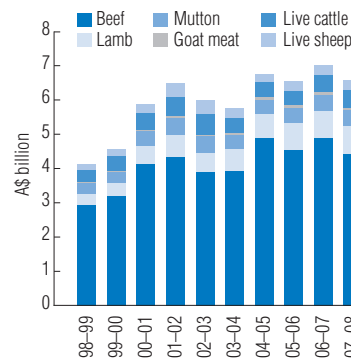
Expenditure for red meat on the domestic market also grew further over the past year, assisted by economic growth, continued progress in meat quality and marketing. However, the 'mortgage stress' and general economic slowdown started to impact on sales as the year progressed, particularly in the middle-to-upper foodservice sector and higher priced cuts at retail.

AUSTRALIAN CONSUMER EXPENDITURE ON RED MEAT



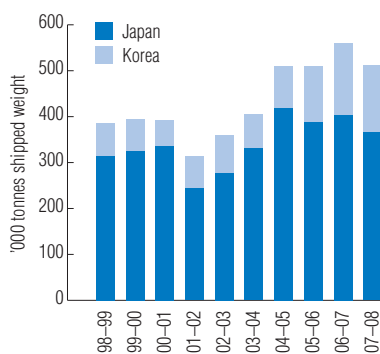
Source: ABS, DAFF, MLA estimates

VALUE OF AUSTRALIAN RED MEAT EXPORTS



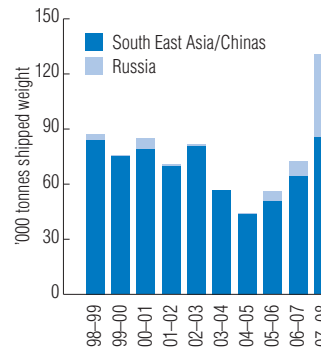
Source: ABS

AUSTRALIAN BEEF EXPORTS TO JAPAN AND KOREA



Source: DAFF

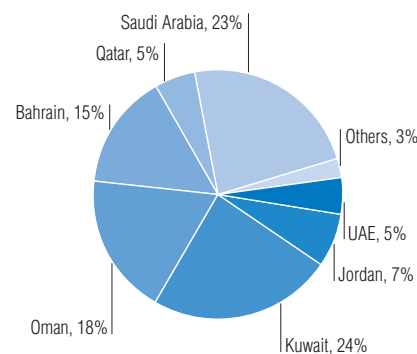
BEEF EXPORTS TO RUSSIA AND SOUTH EAST ASIA



Source: ABS, DAFF, MLA estimates

AUSTRALIAN LIVE SHEEP EXPORTS 2007-08

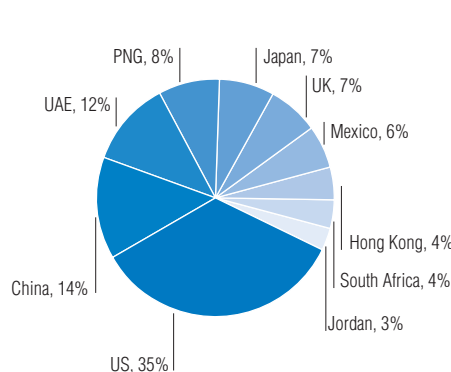
Total = 4,087,099 head



Source: ABS

AUSTRALIAN LAMB EXPORTS 2007-08

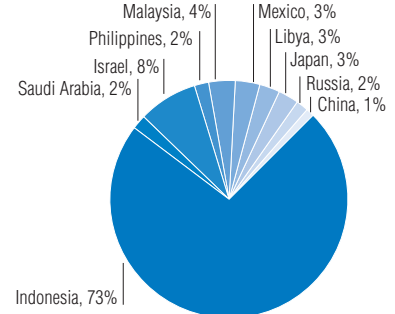
Total = 162,568 tonnes shipped weight



Source: DAFF

AUSTRALIAN LIVE CATTLE EXPORTS 2007-08

Total = 769,890 head



Source: DAFF

Growing demand

Investment: 2007–08 – \$62.8m
2006–07 – \$66.1m

Guided by the Australian Government research priorities:

- Productivity and adding value
- Supply chain and markets
- Promoting and maintaining good health

GROWING DEMAND 2007–08 HIGHLIGHTS

Objective	Measure	Outcome highlights	Benefit	Future
Improve eating quality Investment: \$6.3m	Customer satisfaction scores maintained at high levels	92% of consumers state that the quality of the beef they buy is good to excellent	Strengthened consumer confidence in buying beef	Maintain consumer momentum with continuing positive messages about quality
		Launched Eating Quality Assured with two brands underpinned by EQA in Japan, four in Korea and three in the US	Stronger recognition and positioning of Australian beef internationally	Sign up 8 branded products underpinned by EQA
	Develop and prove interventions to maintain and improve eating quality, consistency and productivity	Customised electrical inputs developed to immobilise carcasses during processing	Reduces the incidence of heat toughening in up to 80% of larger carcasses	Development of animal handling and eating quality industry guidelines to reduce heat toughening
Enhance the nutritional reputation of red meat Investment: \$8.4m	Improve consumer attitudes towards red meat	The number of mums who limit red meat consumption has decreased from 57% before our marketing campaigns began in 2002 to 34% today	Reducing misconceptions about red meat and promoting its nutritional importance paves the way for increasing consumer demand, expenditure and industry profitability	Further strengthen consumer and community understanding of the need to enjoy red meat 3–4 times per week
Develop new markets and products Investment: \$1.5m	Diversify beef markets and consolidate existing sheepmeat markets	Developed two novel red meat products and collaborated in the development and launch of one major new beef product—Sizzle Steak	Adds value to the carcass by using lower value secondary cuts and provides consumers with convenient, nutritious and economical meal options	Further convenience foods will be developed
Promote industry integrity Investment: \$1.7m	High level of trust maintained among urban Australians	Consumer trust levels maintained at 62%	Increased community understanding, pride and trust in industry and red meat production	Roll-out strategy to increase the uptake of agriculture in schools
Aggressive promotion in the marketplace Investment: Domestic: \$16.3m International: \$28.6m	Consumer attitude and behaviour goals achieved	Increased consumer expenditure on beef by \$44.4m (0.7%) and lamb by \$105.4m (5.3%) in Australia	Increased consumer demand for red meat and stability in the supply chain	Continue development and improvement of promotional campaigns
		Participation in industry collaborative agreements with Australian exporters increased in Korea (by two) and was the same in Japan and the US. In all there were 61 ICAs in these three markets.	Build loyalty to Australian product to drive demand and leverage levy investment	Increased demand for Australian red meat

FORTIFYING RED MEAT

Enhance the nutritional reputation of red meat

The role of red meat in a healthy balanced diet was challenged during the year with the release of the World Cancer Research Fund (WCRF) report on *Food, nutrition, physical activity and the prevention of cancer: a global perspective*. It claimed the link between "...red meat (beef, pork, lamb) to colorectal cancer is more convincing than it was a decade ago."

Leading up to the report's release, we supported a number of independent scientific studies into the nutritional benefits of red meat and developed an awareness campaign aimed at communicating the facts on eating red meat to health professionals and consumers.

A key element of the program was the MLA commissioned report *The role of red meat in healthy Australian diets*, in which nine independent health and nutrition experts reviewed the latest scientific evidence relating to the nutritional benefits of eating red meat. The report, launched by the then Federal Health Minister The Hon Tony Abbott in August 2007, concluded that red meat plays an important role in human health due to its nutrient density and should be eaten 3–4 times a week in line with Australian dietary guidelines. A summary of the report was distributed to more than 3,000 dietitians and 15,000 health professionals to ensure they were aware of the facts on eating red meat prior to the release of the WCRF report.

The Foundation Food marketing campaign, which has played an important role in enhancing nutritional attitudes towards red meat, returned for the third consecutive year with the fourth instalment of the television campaign featuring actor Sam Neill. An extensive public relations campaign supported the 'Chicken chase' television commercial and further reinforced that lean red meat provides a greater bundle of key nutrients—omega-3s, zinc, iron, vitamin B12—than chicken.

Consumer response to the Foundation Food campaign has shown almost half of those surveyed strongly believed that red meat is a central part of a healthy diet, 38 per cent strongly believed that red meat is beneficial for a healthy mind and 41 per cent strongly believed that we are meant to eat red meat 3–4 times a week.

BRIDGING THE CITY–COUNTRY DIVIDE

Promote industry integrity

Our integrity program plays an important role in bridging the divide between the city and the country, by building urban Australia's basic knowledge of beef production, providing experience of farm life and creating a human bond with producers.

During the year, the most significant issue was the role of agriculture in climate change. We took steps to correct some of the misinformation that is prominent in the debate. We developed two brochures – one for children and one for adults – with information about red meat in the Australian context, and an outline of the other factors to consider such as land use and biodiversity opportunities for carbon sequestration. We have distributed around 10,000 copies to date.

Our activities at agricultural shows around the country – The Royal Easter Show in Sydney, the Brisbane Ekka and the Adelaide Show – have educated hundreds of thousands of people about where their food comes from and how it is ethically produced in Australia. Farm Day is another key initiative that MLA supports and this year 612 city and country families participated – a 70 per cent increase on last year. This indicates the urban community's interest in knowing more about farming and the production of their food – a key role in maintaining consumer trust in our industry. An important component of our participation at events is the associated public relations and media coverage. During 2007–08 we reached a cumulative audience of over 11 million people with our \$100,000 investment.



The Foundation Food marketing campaign played an important role in decreasing the number of mums who limit red meat consumption from 57 per cent to 34 per cent.

Nathan White and his family were one of the 612 families to take a keen interest in farming and how their food is produced during Farm Day in 2007–08.

ENTICING CONSUMERS TO RED MEAT

Aggressive promotion in the marketplace

At home

Effective television commercials popular with consumers, combined with point-of-sale material, promotional publications and public relations campaigns, are just some of the tools used in 2007–08 to drive demand for lamb and beef.

Sam Kekovich returned for the fourth consecutive year to front MLA's Australia Day lamb campaign, calling for a week-long lamb-a-thon in his trademark tongue-in-cheek address to the nation. The 2008 lamb campaign was the most successful to date with all major retailers reporting further sales growth and that Australia Day week is the biggest sales week of the year. A major component of the promotion was our partnering with Channel 7 during their telecast of the Australian Open Tennis. This generated even more exposure for Sam's call for all Australians to celebrate with lamb on Australia Day. Overall media coverage has been valued at more than \$8 million from our media budget of \$850,000. The campaign was recognised as one of the world's best at the 2008 Cannes International Advertising Awards.

With the onset of winter we launched the new 'Beef – get into it' campaign in June 2008. The campaign included television, magazine advertising and editorial, point-of-sale and promotional material such as the popular *ENTICE* magazine distributed to 800,000 consumers through butcher stores. Designed to broaden consumers' confidence with cooking a broader range of beef cuts beyond just steak, sausages and mince, the strategy aims to expand mealtime repertoires to include more secondary cuts. Feedback from participating retailers has strongly endorsed the approach with growing consumer interest in cooking from scratch and tightening household budgets.

Overseas

Retail promotions under the industry collaborative agreement (ICA) program were carried out around the globe to drive demand for Australian beef and lamb in our valuable export markets. Industry collaborative agreements leverage

investment by individual companies 50:50 with MLA marketing funds to drive sales of Australian red meat in export markets.

Working with exporters and importers, we expanded Aussie Beef's retail shelf space in Japan during the year and sales increased during three key retail promotions. This was a good result given the higher prices due to a strong Aussie dollar, tight supply and the return of US beef to the market. Christmas, the largest beef sales period for the year in Japan, saw a 30 per cent increase in retail sales of Australian beef and a share of total retail beef sales over Christmas of 63 per cent (Agriculture and Livestock Industries Corporation – ALIC). Another tactical campaign in the lead-up to Father's Day in mid June, included the participation of 7,000 of Japan's major supermarkets in Aussie Beef promotions. This resulted in an increase of 26 per cent for Australian Beef retail sales (from the previous week).

Every day of the year an Australian beef promotion is run in a retail outlet in Korea. The 27 participating Korean retail chains achieved an average increase in Australian beef sales of 25 per cent during the promotions. A key feature of our retail promotional program is our 'army' of 110 in-store merchandisers, jointly funded by MLA, Australian exporters, Korean importers and retailers. The *Hoju Chungjung Woo* ('Australian beef – clean and safe') merchandisers carried out over 23,000 days of sampling in 750 stores across the nation, educating Korean shoppers about Australia's world-leading production practices and the best way to cook a range of Australian beef products. This integration of in-store activities has ensured the continued strong awareness of Australia's beef brand in Korea with 88.8 per cent of Korean consumers recognising the *Hoju Chungjung Woo* logo—up from 50.7 per cent in 2006–07.

A key focus of our activities in 2007–08 has been in the emerging markets of the Middle East, South East Asia and Europe to position Australian beef and sheepmeat as the dominant imported product and ensure industry is positioned to maximise new market opportunities. We undertook a range of activities, primarily on a co-funded



Our 2008 lamb campaign with Sam Kekovich was the most successful to date according to all major retailers.



Japan's Harumi Kurihara fronted our retail sales campaign in Japan increasing sales by 30 per cent during the campaigns.

basis with 20 leading retailers in South East Asia and through an industry collaborative agreement with one retailer in Europe, as well as trade education programs focused on using alternative cuts and in-store consumer promotions.

INFLUENCING THE INFLUENCERS

Aggressive promotion in the marketplace

Our efforts to grow demand for red meat include encouraging better carcass utilisation by butchers and working with influential food writers and chefs to ensure red meat appears as much as possible on menus in the restaurant and catering sector in Australia and overseas.

The locals

We developed the Red Meat Networking Club in 2003 and during the year it continued to provide one of the most successful avenues for growing demand for red meat. Focused on raising retail standards through product range, quality, labelling and growing professionalism in the butchery sector, membership in 2007–08 grew 15 per cent to nearly 2,000 nationally – around 50 per cent of Australian butchers.

Counter Attack is a new Red Meat Networking Club program to encourage and assist butchers to develop innovative ways of adding value to secondary cuts of red meat. We ran 15 butcher workshops for 357 participants representing 220 stores during the year, and a core group of 50 participants, who totally embraced the products developed, reported an increase of 15–20 per cent on their beef sales.

To demystify livestock production systems and show the professionalism of Australia's beef, sheep and goatmeat producers to the industry's frontline, we took 160 chefs and butchers on eight MLA-run paddock-to-plate tours during the year.

We also coordinated displays featuring red meat cooking and butchery demonstrations at the Foodservice Australia trade show in Sydney and the Restaurant 08 trade show in Melbourne. These events provided a showcase for beef and lamb meal options, and highlighted a wide range of products from offal to highly marbled beef and a wide range of goat

and lamb products to over 15,000 chefs and food industry professionals.

What's cooking abroad

Working with wholesalers, chefs and foodservice operators is a fundamental part of the international beef and lamb marketing strategies. In 2007–08, for the first time, we began a total supply chain program with the Hilton Hotel Group to grow their Australian red meat categories on a regional rather than country- or outlet-specific basis. We co-operated with Hilton to provide 60 of their international chefs with a workshop on using secondary cuts of Australian beef and lamb to ensure they kept red meat on their menus rather than replacing it with cheaper protein alternatives. Ninety-six percent of participants indicated the workshop would be instrumental in shaping their next meat purchasing decision and wholesalers indicated an immediate increase in sales of the cuts featured in the workshop.

The MLA Black Box Culinary Challenge returned for the 12th year in a row to raise awareness among chefs globally of the versatility and exacting standards of the Australian red meat industry. The now famous culinary competition also supports the development of up-and-coming chefs and encourages the pursuit of red meat knowledge and innovation with alternative cuts around the world. The competition culminated in the 4th Global Grand Final held in Dubai in May 2008 which saw 19 teams competing for the coveted global champion award for their country from a pool of more than 200 teams and 800 chefs. The South Korean team from the Grand InterContinental Seoul were the winners.

In North America we launched a program to promote Australian lamb on bar, appetiser and lunch menus. This followed extensive research that identified 70 per cent of Americans had never tried lamb and were more likely to try the product for the first time in a foodservice outlet. To generate interest and demonstrate the versatility of Australian lamb in the foodservice sector we produced the *Hot Trends, Cool Chefs* brochure and distributed it with *Food Arts* magazine—a leading monthly American foodservice magazine circulated to 70,000 industry professionals. The campaign also



MLA's Black Box Culinary Challenge raises awareness of the versatility and exacting standards of the Australian red meat industry.



Hot Trends Cool Chefs, was a key plank in our efforts to generate interest and demonstrate the versatility of Australian lamb in the US foodservice sector.

Growing demand

included advertising and public relations activities. While it is still early in the campaign and difficult to track changes in menu placements in the estimated 900,000 foodservice outlets across the nation, it is promising to note industry is developing new products to support the program.

Training is a critical component of our activities in all markets but our work with trade professionals in emerging markets such as the Middle East is fundamental to our strategy.

The burgeoning Middle Eastern food sector saw us deliver 18 training workshops to 515 butchers and chefs to develop an appreciation of the positive attributes of Australian beef in 2007–08. The workshops built a better understanding of Australian red meat and how to use alternative cuts, reinforced our reputation as producers of safe product and educated them about the integrity of the Australian Halal brand. We conducted training in partnership with importers and their client retailer or hotel, allowing broader relationships and loyalty to be formed. As a result of the initiative, sales of chilled beef rump – a cut not traditionally demanded by this market but strongly featured in the workshops – increased 102 per cent in Jordan and UAE.

EATING QUALITY

Improve eating quality

During the year we continued to enhance the Meat Standards Australia (MSA) program with efforts expanding to the northern beef herd – a sector of the industry not well represented in the program. We continued to partner with processors looking to offset the fall in grainfed cattle by using MSA to achieve a quality and consistent product from the grassfed sector. We conducted six producer workshops in partnership with these processors to encourage more than 300 producers to submit grassfed cattle with tropical breed content for grading. This saw the continued increase in numbers of cattle graded through MSA ascend further this year, making the total number of MSA graded cattle 838,256 head or 27 per cent of total available domestic production. The number of brands underpinned by MSA also grew to 38 – up from 34 in 2006–07. Three major

processors also became accredited during the year taking the number of processors involved in the program to 35.

We also developed a web-based feedback system offering producers individual carcass performance data. We will continue to focus on the development of an online-based MSA index to allow producers to see where their cattle grade against the benchmark within a regional, state and national context, and offer recommendations for how to lift their ranking.

We commenced the MSA sheepmeat program in July 2007, with 82,000 sheep processed according to MSA sheepmeat requirements during the year. Three processors use the science to underpin their brands and six processors use the established sheepmeat eating quality pathways to reduce variability in their product.

Taking MSA to the world

In conjunction with a number of leading Australian exporters we launched the Eating Quality Assured (EQA) program – the international face of MSA – in three of our major markets – the US, Japan and Korea. The EQA program is a voluntary collaborative program designed to underpin and support individual exporter brands in overseas markets with quality guarantees. We delivered 30 training workshops in-market for 350 importers, wholesalers, retailers and foodservice operators stimulating positive feedback and interest in the branded product.

Uptake of EQA, facilitated by industry collaborative agreements (ICAs) has been positive, with seven major processors participating in the EQA program since its launch in March 2008.

The EQA program resulted from extensive in-market consumer research, with 520,000 beef tasting samples by 75,640 consumers. Its aim was to determine the importance of key beef attributes – tenderness, flavour, juiciness and overall liking – in different overseas markets. We also investigated differences in cooking methods including grilling, roasting, *shabu shabu* and *yakiniku*.



We delivered 18 training workshops to 515 butchers and chefs in the burgeoning Middle East region increasing sales of chilled beef rump by 102 per cent.



A further 15 per cent of cattle were graded under MSA in 2007–08 – a total of 838,000 head or 27 per cent of the available domestic production.

Interventions to improve consistency

Our research shows the eating experience of red meat can be significantly improved over the current accepted levels and we are developing a suite of eating quality interventions to accelerate tenderisation and improve eating quality.

Working with industry, we are applying new generation meat electronics to small and medium meat enterprises through the development of much lower cost electronics. We have partnered with 10 sheep and 16 beef, small- to medium-sized processors to demonstrate the effectiveness of the production prototype and validate the eating quality improvements seen in larger enterprises.

'Boa' technology, which allows processors to precisely stretch and shape meat into more saleable products, has been modified to extend the range of commercial products it can manipulate. When applied to hot boned meat, eating quality is significantly improved. The technology has been commercially demonstrated with individual lamb leg cuts up to full boneless forequarters, and two existing prototypes have now been trialled in four plants.

A new fast chilling specification delivered to carcass and/or primals in the first two to three hours post-slaughter has shown to achieve rapid and consistent tenderisation. This was unexpected as it is contrary to conventional wisdom and has the potential to improve consistency of product quality.

NEW PRODUCT DEVELOPMENT

Develop new markets and products

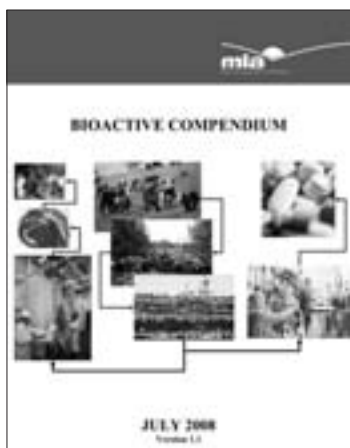
Increasing competition from alternative proteins and alternative suppliers means we must continue to seek and develop new high value markets and value-added products. A key focus of our activities during the year was the collaborative development of three new products:

- microwaveable, self-basting beef
- 'Sizzle Steak' cooked in less than one-minute suitable for stir-fries, wraps and meat salads
- a roasting beef cut that facilitates even cooking for the foodservice sector

Each was derived from secondary cuts, adding extra value to the carcass while meeting consumer needs for convenient, nutritious and delicious food. In parallel, we are evaluating a new processing technology – high pressure processing – for its ability to improve the tenderness and value of high connective tissue cuts.

Co-products from meat production such as offals, skins and hides, rendered products and blood, represent around 25 per cent of the value of a carcass and the potential exists to increase their value by developing new value-added products. To assist industry diversify into the area of high value co-products such as bioactive ingredients, we produced the *Bioactives Compendium* detailing information on 125 bioactive compounds, their sources in the animal, their markets and yields.

Another initiative in this area is to develop a means of amplifying the levels of bioactives in bovine and ovine organs post-slaughter for use in wound healing and neonatal care, as well as Chinese medicines and cosmetics. In laboratory trials, we were able to increase certain bioactive levels by more than 40 fold and success has been demonstrated in two quite different organs – the liver and the corpus luteum. In encouraging the industry to diversify into bioactives, we signed three partnership projects to develop a bovine enzyme, chondroitin sulphate and bovine serum products.



We produced the Bioactives Compendium detailing information on 125 bioactive compounds, their sources in the animal, their markets and yields.



During the year we supported the launch of 'Sizzle Steak' a new beef product that adds extra value to the carcass and meets consumer needs for convenient, nutritious and delicious food.

Enhancing competitiveness and sustainability



“MLA’s R&D, particularly in nutrition and animal health, keeps me up-to-date and ahead of the game. Without this support Australia would be behind on the world stage”.

Keith Holzwart, Sturt Plateau, NT (centre), with MLA Northern Beef Manager, Wayne Hall (left) and NT Department of Primary Industry, Fisheries and Mines, Neil McDonald (right).

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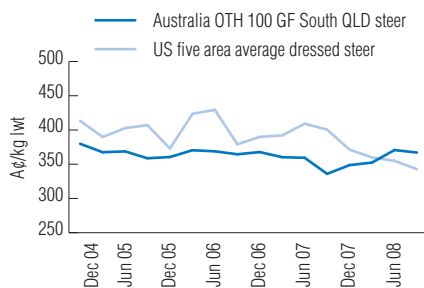
OUR OPERATING ENVIRONMENT

The global competitive position of Australian red meat and livestock has been eroded over recent years by the dramatic rise in the A\$ against the US\$ and other key currencies (except the EU euro) and by increased costs associated with the long-running drought (for example grain costs have lowered grainfed beef output). Also, competition in beef markets of North Asia is intensifying as the US regains import access.

In contrast, 2007–08 saw a sharp easing in competition from Brazilian beef, opening up opportunities for frozen manufacturing grade beef and cheaper cuts into Asia, Europe and the Middle East.

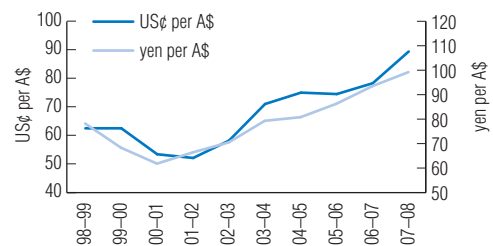
Competition faced in lamb markets continues to ease, due to falls in flocks in North America, Europe and New Zealand. However, China remains a major potential competitor. The past year also saw an improvement in lamb's competitive position against pork and poultry, due to the sharp jump in grain costs.

CATTLE PRICES: AUSTRALIA VS US



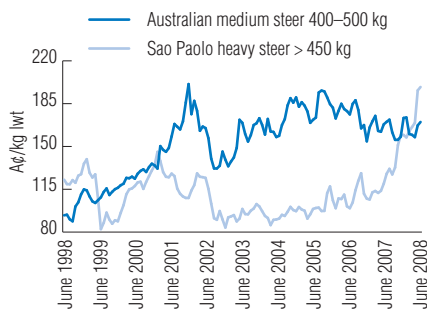
Source: MLA's NLRS, USDA

VALUE OF THE A\$



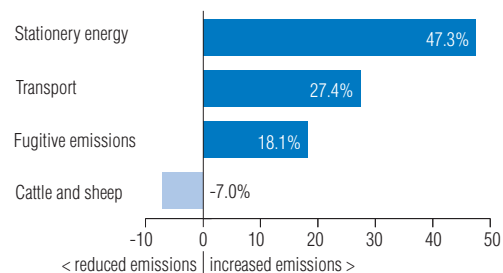
Source: Infoscian

CATTLE PRICES: AUSTRALIA VS BRAZIL



Source: MLA's NLRS, Agra FNP

PERCENTAGE CHANGE IN EMISSIONS 1990–2006



Source: Australian Greenhouse Office

Enhancing competitiveness and sustainability

Investment: 2007–08 – \$31.1m
2006–07 – \$34.8m

Guided by the Australian Government research priorities:

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

ENHANCING COMPETITIVENESS AND SUSTAINABILITY 2007–08 HIGHLIGHTS

Objective	Measure	Outcome highlights	Benefit	Future
Increase cost efficiency and productivity – on-farm Investment: \$8.4m	Measured improvement in productivity and/or product quality at individual farm or feedlot level attributable to new tools and technologies	Pen trials for 2-in-1 bovine respiratory disease (BRD) vaccine successfully completed	Reduce the costs associated with BRD by up to \$40m a year in feedlots	Commercial partner for BRD vaccine to be identified
		Sheep genetic evaluation measures complete for gestation length and lambing ease	Reduction of lamb losses at birth	Increased data collection to improve performance trait data
Increase cost efficiency and productivity – off-farm Investment: \$1.7m	Automation technologies and tools developed and used by the processing sector to minimise cost of production and maintain sustainability	Two new automation systems developed and installed in processing plants	Reduced production costs and improved sustainability	Another two automated systems in plants and three plant installations of new technologies
Improve industry and market information Investment: \$4.1m	Increased availability and use of market information and risk management tools	Continued high use of online market information with more than 23,000 visits per month – 15% higher than target	Improved market transparency and livestock production and marketing decisions	Maintain relevance to industry particularly in store markets
		Downturn in cattle lot feeding has resulted in a drop in the use of MLA-SFE Cattle Futures Contract, but there has been increased availability and use of other risk management tools	Better farm and supply chain production and marketing decisions	Emphasis on expanding use of risk management tools generally, including forward contracts
Ensuring sustainability Investment: \$6.9m	Measured improvement in grazing land condition	Ten-year Wambiana grazing trial completed delivering a suite of recommendations for triple bottom line benefits	Identified less resource risk, and a 70% greater cash surplus under a moderate stocking rate	Investigation to determine more productive treatments
		3,700 producers adopted improved production and land management practices from Grain & Graze	Quantified the impact of management practices on the environment to assist producer decisions and demonstrate environmental stewardship	Support producers to change practice for improved environmental outcomes
Science for the future Investment: \$6.8m	New products commercialised from MLA's strategic science investment and forecast to have a significant impact on reducing costs, and/or productivity, and/or improved product quality	Verification of the effectiveness of tenderness DNA markers for cattle has been completed	As part of a breeding program producers can genetically select animals that produce tender meat	The effect of tenderness markers on Meat Standards Australia grading will be measured
		New low-cost meat electronics to reduce eating quality variation have been developed	Small- to medium-sized processors will be able to use new meat electronics for eating quality enhancements	Technology adopted by 75% of businesses
Animal welfare Investment: \$3.2m	Increase in application of practices in response to changes in national animal welfare standards	Completed research supported the maintenance of 48-hour transport times for adult livestock	Facilitate national consistency in welfare legislation	Development of national standards for sheep and cattle management on-farm to commence next year

Producers operate complex enterprises in an environment characterised by highly variable seasons and markets. Our research and development focuses on delivering new tools and technologies that support producers to become more productive and efficient in a volatile business environment.

TAKING CARE OF OUR ANIMALS

Animal welfare

Industry's commitment and proactive approach to improved animal welfare standards is ongoing. A federal initiative during the year focused on transport with significant MLA contribution to a review of the national welfare codes of practice for land transport of livestock and the development of updated national standards, which are intended to underpin consistent legislation in each state and territory.

While the development process was managed by Animal Health Australia and driven by government and peak councils, our role informed negotiations with evidence-based science that quantified the impact of transport duration on animal welfare and pre-transport curfews. This supported the maintenance of transport time at a maximum of 48 hours for adult cattle and sheep.

We also began the process to inform the negotiations for the development of legislated national standards for on-farm management of sheep and cattle with assistance to the Sheepmeat Council of Australia, the Cattle Council of Australia and the Australian Lot Feeders Association.

Healthy sheep and goats

With reports that internal parasites are eating away the Australian industry at a rate of \$369 million a year, we developed two new practical tools to assist sheep producers better manage their flock health.

- *Improving internal parasite control in sheep* offers good advice on how nutrition can help promote immunity and resistance to parasites
- *Internal parasites in prime lambs interactive CD* – a collaborative initiative between MLA and the South Australian Research & Development Institute provides a comprehensive reference on internal parasites in southern Australia

The fast-growing goatmeat industry received a massive boost during the year when for the first time, a broad spectrum oral drench was launched onto the market. Caprimec was developed by Virbac in consultation with MLA and industry to assist producers manage the health of animals and meet conditions of sale. In conjunction with the release of the drench, we reviewed the chemical and non-chemical options for parasite control and delivered *Options for the control of parasites in the Australian goat industry* and a new module for the *Going into goats* compendium providing producers with valuable information and useful options for managing herd health.

Fertile foundations for northern cattle

We completed the first phase of a research program to help recoup some of the estimated \$15 million that Australia's northern cattle industry loses every year through reproductive losses. The four-year \$2 million northern beef fertility project has worked with 12 commercial properties to look at the factors that impact on cattle reproductive performance.

ACCELERATING GENETIC GAINS

Increase cost efficiency and productivity – on-farm Science for the future

Accelerating the current rates of genetic improvement is fundamental for both the cattle and sheep industries to enhance their competitiveness in the increasingly tough global environment of declining terms of trade and increased consumer expectations.

We invested heavily in DNA technologies as our best chance at hastening this improvement but they do not offer a silver bullet solution to genetic improvement. Large gains from single genes or gene markers are the exception rather than the rule for most production traits.

Beefing up

A notable exception was discovered during the year when the analysis of GeneSTAR DNA markers for tenderness in beef showed a significant effect against animal performance, allowing it to be included in the industry's genetic selection program BREEDPLAN as part of the SmartGene collaboration next year.

However, we found there was insufficient evidence that the commercial markers for marbling added value to selection decisions where estimated breeding values are available and markers for net feed intake should be considered experimental.

Our investment in the Co-operative Research Centre for Beef Genetic Technologies investigating maternal productivity continues to collect data to allow more precise estimates of the relationship between maternal and carcass traits to improve BREEDPLAN indexes and genetic progress.

Sheep shape up

Genetic change in the prime lamb industry is starting to accelerate and during the year we added two new traits to the arsenal of selection criteria producers can access to improve their flock productivity. Gestation length and ease of lambing were integrated into the Sheep Genetics program as Australian Sheep Breeding Values (ASBVs), which will allow producers to improve lamb survival in their flocks.

Work also continued to develop the SNP chip (single nucleotide polymorphism) technological platform in anticipation of its delivery to the sheep industry mid next year, which will allow much greater certainty and timeliness for breeding decisions. We also began collaboration with the Sheep CRC Information Nucleus flocks to speed up the rate of genetic validation and delivery to industry by cutting about two years off the time to accurately measure genetic merit. The collaboration will also work on prototyping ASBVs for yield and eating quality.

MANAGING THE LAND

Increase cost efficiency and productivity – on-farm

Ensuring sustainability

Developing and delivering profitable, environmentally-sustainable livestock production systems is a key focus for our research but it can often take years to understand and reap the full benefit.

Northern Australia

The second phase of the ten-year North Queensland grazing trial on 'Wambiana Station' concluded this year, showing that good pasture management through moderate stocking rates delivers a raft of triple bottom line benefits. Relative to the commonly used higher stocking rates throughout the industry, the moderate stocking rate increased accumulated cash surplus by \$9,000 per 100 hectares after ten years. Animals were on average 50–70 kg heavier, with less year-to-year liveweight variability, and produced higher quality carcasses that received approximately 20c/kg more at sale. While liveweight gain per hectare was lower there was no need for drought feeding. Under heavy stocking rates there was a 30 per cent decline in carrying capacity, a three- to four-fold decline in cover of palatable, perennial pasture species and an increased frequency and intensity of runoff with increased nutrient loss. The trial was a long-term collaboration between MLA, the Queensland Department of Primary Industries & Fisheries and the Lyons family, who hosted the research on their property south-west of Charters Towers.

We also concluded field work on the five-year Pigeon Hole project, a \$6.4 million joint venture between Heytesbury Beef and MLA, increasing the scope of productivity by 20 per cent in less developed areas of northern Australia. The project will produce grazing and infrastructure guidelines that improve economic performance while maintaining range condition and minimising impacts on biodiversity. The core of the project was funded by individual enterprise investment matched by Australian Government research funds – see page 44 for details about the MLA Donor Company.

A new rust-resistant forage oat variety – 'Genie' – was commercially released this year offering producers new grazing options and 10–15 per cent higher yields than current commercial varieties. Bred by the Queensland Department of Primary Industry & Fisheries, the development and commercial release of Genie was managed through the MLA Donor Company with funding from Heritage Seeds and the Australian Government.

Another new product launched during the year was the first registered shelf-stable factory-dosed manufactured feral pig bait – PIGOUT. PIGOUT will assist producers reduce agricultural and environmental damage estimated to be as much as \$500 million a year. Trials demonstrated that it is highly target-specific and minimises the risk of uptake by native species and livestock. It took four years to develop and register under the joint efforts of the Pest Animal Control Co-operative Research Centre and Animal Control Technologies Australia, with funding from MLA and the Australian Government.

Southern Australia

After five years of groundbreaking research into mixed farming systems, the national Grain & Graze program came to a close in 2007–08. The project was a collaboration between MLA, Grains Research and Development Corporation, Land & Water Australia and Australian Wool Innovation with over 60 farmer and Landcare groups, research providers and regional management authorities. More than 6,000 producers actively participated in Grain & Graze learning activities. Research demonstrated that adoption of Grain & Graze technologies can deliver an average increase of nine per cent profit.* In addition, more than 200 regional tools and factsheets were developed to assist producers better manage their feed base of crops and pastures, improve their whole farm economics and management of their natural resources, and productivity.

** Grain & Graze Final Evaluation Report, 2008*



The fast-growing goatmeat industry received a massive boost during the year with the launch of Caprimec, a new oral drench.



Commercially released during the year, a new rust-resistant forage oat variety – 'Genie' – increases yields by 10–15 per cent.

In partnership with the CSIRO, Dairy Australia and the Department of Primary Industries Victoria, we gathered, analysed and condensed 50 years of science on the use of fertiliser on pastures and launched the Farm Nutrient Loss Index. This new tool helps producers make more profitable and environmentally friendly decisions on fertiliser use, and systemises recommendations for fertiliser application in the industry.

ENSURING SUSTAINABILITY IN A CHANGING CLIMATE

Ensuring sustainability

Climate change and measures to reduce greenhouse gas emissions are of critical concern to the Australian community, government and livestock industry. Our environment portfolio is geared to ensuring the Australian red meat industry is well-positioned for emerging policy needs, consumer and market expectations, and to build resilience to the impacts of climate change.

We established an Environmental Science Advisory Panel led by Professor Nick Costa, to assist in developing new initiatives in response to climate change developments.

Our environment portfolio has strong links with the Climate Change Research Strategy for Primary Industries (CCRSP), the national initiative to build co-operation between research and development corporations and state agencies to maximise benefits through co-investment and avoid duplication of effort.

We take a significant role in providing technical information and policy support through membership on a number of advisory and consultative groups to ensure the circumstances and achievements of the livestock industries are recognised and considered in developing government climate change response, including an emissions trading scheme (ETS). Representation includes the land-based sector ETS Consultative Group which includes the National Farmers Federation; CCRSP Steering Committee and Advisory Group; and Managing Climate Variability Phase II Project Management Committee.

We set up structures to invest \$2 million a year starting in 2008–09 for new climate change R&D that focuses on:

- Improved measurement and research into reducing methane emissions, while maintaining productivity and profitability.
- Adaptation to climate change, including understanding the impacts of projected future temperatures, rainfall and carbon dioxide concentrations on pasture growth and quality.
- Understanding the opportunities and risks for grazing enterprises.

An important component of our climate change portfolio has been to communicate developments and opportunities to producers. We have collaborated with the Bureau of Meteorology, Land & Water Australia, the Bureau of Rural

Sciences and Birchip Cropping Group in a program funded by the Department of Agriculture, Fisheries and Forestry to develop a package of easy-to-understand materials that are available on our website and have been presented at workshops and to industry groups such as the peak councils.

Sustainable processing

Water shortages and energy constraints on the processing sector have formed the core of MLA environmental research in the off-farm area.

We commissioned Price Waterhouse Coopers (PWC) to study international emissions trading schemes to identify potential issues and opportunities for the processing sector. Their modelling highlighted that our industry will be exposed to restraints on its direct and indirect carbon emissions from consumption of electricity. The report recommended early engagement with the government to explain the potential implications to the industry of credit allocations under an ETS. The report will inform the meat industry's strategy going forward.

In anticipation of the need to minimise energy consumption, research identified energy efficiency opportunities with 12 processors representative of all types of processing businesses in the sector. The research findings will be incorporated into an energy efficiency manual next year to help the processing sector capitalise on energy savings under an emissions trading scheme.

AUTOMATING THE INDUSTRY

Science for the future

Increase cost efficiency and productivity—off-farm

In the off-farm arena we focused on enhancing eating quality, increasing yields, labour saving and improved safety. We commenced a number of important projects during the year:

- Three robotic systems were installed in Peel Valley, a sheep processor in Tamworth, NSW.
- The robotic beef front leg cutting system, which will be the first example of full automation in the Australian beef industry when complete in early 2009 at Swift's Dinmore, Queensland facility.
- In partnership with the Australian Meat Processor Corporation (AMPC)
 - two scoping studies to automate the sheep evisceration process alleviating strain and injury usually associated with this job
 - the assessment of setting up a system to rapidly freeze meat blocks without cartons to form the boxes, which is expected to translate into a jointly funded pilot system that could save industry millions of dollars.

We also began a collaborative project with the Danish Meat Research Institute to identify opportunities for automation in beef boning and to set up the platform for future developments that join Australian and EU resources, know-how and funds.

Genetically selecting an animal with the right DNA can help to produce a juicy, tender steak. Processors also play a crucial role in reducing variability in the eating quality of red meat and delivering a precisely defined, high quality product to market.

We have four objective measurement technologies to improve eating quality under development for the processing sector:

- MLA's Tenderometer Digital, an objective tenderness measurement device ready for sale to processors will optimise tenderising processes.
- Nuclear Magnetic Resonance (NMR), with encouraging results so far linking low-field NMR readings with eating quality and a new pre-production prototype being built to continue investigations.
- Near Infrared (NIR), a major comparative study of available NIR equipment has identified the best commercially available technology for online measurement of eating quality; the first Meat Standards Australia (MSA) trials to evaluate standard off-the-shelf equipment as a tool for MSA graders will commence in August 2008.
- Smart Stimulation underwent final development to prepare the technology for commercialisation; and a web-based internet system is being developed to capture real time plant data, collate and transfer it electronically to a central location to allow other capabilities of the technology to be explored.



Three robotic systems to alleviate worker strain and injury were installed in Peel Valley, a sheep processor in Tamworth, NSW.

FUELLING GOOD DECISION MAKING

Improve industry and market information

Fundamental to good business decision making is the provision of relevant and timely market information and the Australian livestock sector is no exception with at least 90 per cent of our market information recipients stating our market information services were 'important' to their business (Currie Communications, 2007).

Our National Livestock Reporting Service (NLRS) supplied 2,873 subscribers with regular market information via 153,400 emails (up 18 per cent on last year) and 27,000 faxes (slightly down on last year). In addition, we continued to attract visitors to the market news section on our website with 23,000 unique visitors a month last year – 15 per cent above our target of 20,000.

Underpinning our market information services are robust databases and this year we introduced new technology to minimise risk of data loss and improve data capture by field staff to ensure we stay at the fore front of livestock market reporting.

Monitoring and analysis of developments in Brazil and elsewhere in South America has been upgraded considerably over the past year in keeping with the dramatic changes to competition from this region. Similarly, monitoring and analysis of China production, trade and prices has been improved, as has the monitoring of competitive pricing of product in major and emerging markets. Regular monitoring and analysis was maintained for the US and New Zealand.

The MLA-SFE Cattle Futures Contract has had a disappointing year with a 52 per cent drop in trading – a result of the downturn in cattle lot feeding. However, MLA and the National Agricultural Commodities Marketing Association have launched the NACMA cattle trade rules, which is a new set of industry standard rules for forward cattle trading. These standard rules are aimed at creating transparency and consistency within the cattle contracting process and simplifying the process of dispute resolution, allowing for greater protection against defaulting parties on the purchase and/or sale of cattle. It has generated much interest with tracking survey results indicating approximately 55 per cent of the top 300 producers and 54 per cent of lot feeders surveyed were aware of the NACMA cattle trade rules.

Increasing industry capability



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“I have been utilising the concepts from the More Beef from Pastures course and have found them helpful in developing our business.”

Stephen Binnie from ‘Maeranie Homestead’ Singleton, NSW with MLA Adoption Manager – Beef, Jane Weatherley.

Increasing industry capability

OUR OPERATING ENVIRONMENT

The challenge to expand Australian red meat supplies has become tougher, given the competition faced from cropping for agricultural land, the reduction in feedlot activity, falling output prices, rising farm costs and ongoing drought. However, despite the above setbacks and ongoing challenges, ABARE's June 2008 industry health check concluded that both the cattle and lamb industries remain in a strong position to expand production and incomes.

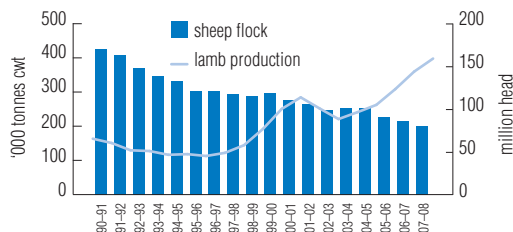
Despite buoyant global red meat markets over the past year, most Australian graziers and lot feeders have struggled.

This is due to ongoing drought, sharply rising farm costs (particularly for feed, fuel and fertiliser) and the erosion of sale prices, principally caused by the rising A\$. Following widespread farm business losses for cattle and prime lamb farms across southern Australia during the particularly severe drought in 2006–07, a significant improvement was witnessed in 2007–08, particularly for lamb producers. However, farm business profits have mostly been good across northern Australia, assisted by reasonable seasons and the strong live cattle trade.

AVERAGE ANNUAL INPUT, OUTPUT AND TOTAL FACTOR PRODUCTIVITY (TFP) 1977–78 TO 2005–06			
	Input growth %	Output growth %	TFP growth %
Total broadacre	-0.5	1	1.5
Cropping	1.4	3.7	2.3
Mixed crop-livestock	1.3	0.3	1.7
Beef	0	1.4	1.4
Sheep	-1.6	-1.3	0.3
Dairy	4	5.1	1.2

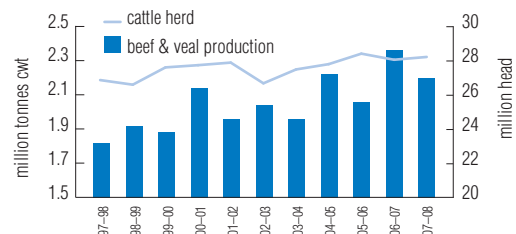
Source: ABARE

AUSTRALIAN LAMB PRODUCTION AND SHEEP FLOCK



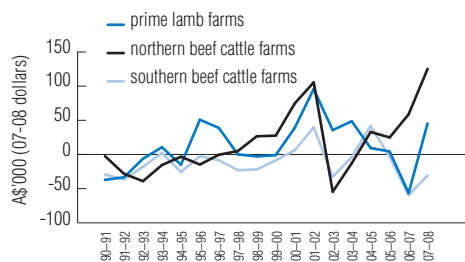
Source: ABS

AUSTRALIAN CATTLE PRODUCTION AND HERD



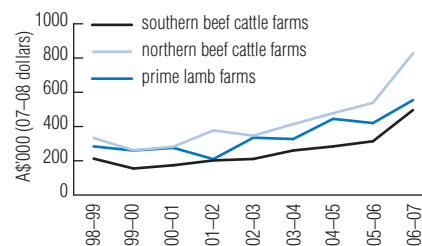
Source: ABS

FARM BUSINESS PROFIT



Source: ABARE

AVERAGE FARM DEBT



Source: ABARE

Investment: 2007–08 – \$10.0m
2006–07 – \$10.8m

Guided by the Australian Government research priorities:

- Innovation skills
- Technology

INCREASING INDUSTRY CAPABILITY 2007–08 HIGHLIGHTS

Objective	Measure	Outcome highlights	Benefit	Future
Increase adoption of R&D outcomes Investment: \$7.9m	Measured change in adoption of new technologies, processes and management practices that improve productivity and/or sustainability throughout the value chain	58% of producers who changed at least one management practice participated in MLA's learning activities	Increased producer knowledge and management skills and ongoing contribution to industry productivity	More focused activities and development of practical tools to drive profit and sustainability
Build world-class skills and innovation capability Investment: \$2.2m	Increase in the number of people in each industry sector who have undertaken training or skill development through MLA-funded or associated programs	14% of targeted producers attended MLA funded learning activities	Producers aware and supported to learn and adopt options to better manage their risk and improve profitability	Develop more effective learning pathways to support time poor producers to engage with our activities

Source: Axiom MLA survey (2008)

ENGAGING RESEARCH

Increase adoption of R&D outcomes

Our collaborative approach to facilitate on-farm adoption of industry research and development outcomes, through the development of publications, events, workshops and online communication initiatives, saw 15,000 producers engage with us during the year in MLA funded or co-funded learning activities.

A highlight was the launch of Making More From Sheep – a joint initiative of MLA and Australian Wool Innovation – in January 2008. Two years of rigorous development, consultation and testing involving 250 producers, technical

and extension specialists, farm consultants, state departments of agriculture and agribusiness delivered the core of the program – the manual. This manual has been ordered by over 2,000 Australian sheep producers and a further 10,108 have visited the website. To support and extend the program, a network of national coordinators delivered 63 different workshops to over 1,100 producers. Of these, 98 per cent rated them as either useful or very useful, and 85 per cent reported that they would change practices as a result of what they learned. The reach of these activities relative to the national flock shows that attendees had an average flock size of 4,000 sheep, and/or an annual turn-off of 1,100 lambs for slaughter.



More than 650 producers attended our National Beef Industry Forum in Rockhampton gaining insights into key production issues.



Our quarterly magazines – *mlaPrograzier* and *Frontier* – reached 20,455 subscribers in southern Australia and 9,651 in northern Australia respectively.

Increasing industry capability

We also continued to deliver Beef Up forums with over 720 producers who collectively manage 1.28 million head of cattle and 25 million hectares of land, across Queensland, the Northern Territory and northern Western Australia. Coordinated in collaboration with local producers and industry, the forums provide producers with options for improving reproductive performance and liveweight gain, as well as grazing land management and succession planning. Over 90 per cent of participants indicated they learned something at these forums, over 60 per cent indicated they would attend further training, and over 50 per cent indicated they would make changes in management from what they learned.

Over 4,500 producers were involved in various More Beef from Pastures workshops and forums, bringing the total to over 15,000 since this program's launch in 2004. To date, 2,700 people have participated in various activities associated with Evergraze research and demonstration sites supported by MLA and around 6,000 producers were directly engaged with the five-year collaboration of Grain & Graze. For more details on this program and its outcomes see page 36 in the Review of Operations and 15 in Protecting the Environment.

Other key initiatives during the year included:

- 50 producer initiated research and development groups
- the delivery of 38 Stockwise drought workshops
- 50 Cost of Production and 92 EDGEnetwork training workshops
- the establishment of 11 producer demonstration sites in northern Australia
- the support of over 1,200 producers in Bestwool/Bestlamb and Bestprac groups

More than 1,300 producers also attended three Meat Profit Days in Kyneton, Perth and Rockhampton, organised in conjunction with a local committee to provide insights into key production issues and how to better manage them.

In addition, our tools and publications are an effective platform for delivering the practical application of R&D to producers. We distributed 116,000 publications throughout

the year and an additional 1,750 per month were downloaded from our website.

Our quarterly magazines – *mlaPrograzier* and *Frontier* – reached 20,455 subscribers in southern Australia and 9,651 in northern Australia respectively. An independent survey conducted during the year by Taverner Research showed that 45 per cent of *Frontier* readers had either changed the direction of their property plans, directly applied their learning to their property or sought more information or training as a result of reading the magazine.

PROFESSIONAL DEVELOPMENT IN THE PROCESSING SECTOR

Build world-class skills and innovation capability

Our professional development program aims to assist building the skills and knowledge of individuals and enterprises throughout the supply chain to sustain productivity and competitive advantage.

In 2007–08, we extended the program beyond just engineers in the processing sector. In addition to the Meat Industry Training Advisory Council (MINTRAC) scholarships, the suite of professional development initiatives now includes university scholarships, an undergraduate program, final year scholarships, a graduate program and the Intercollegiate Meat Judging Competition.

Cultivating an industry-wide culture of innovation and continuous improvement is important in increasing industry capability. Along with the Australian Meat Processor Corporation Technical Committee and the Australian Meat Industry Council's OH&S Committee, we developed the world's first red meat boning room manual assist device lab prototype for Australian processor testing. These devices address a number of threatening issues in the meat processing industry, including high injury and turnover rates. The manual assist devices have also demonstrated increases in yield and productivity in pilot plants of 3.3% and 3.8%. Next year we will work with industry to evaluate the technology for all potential industry uses and then develop two examples (smallstock and beef) for installation in Australian processing companies.



Our undergraduate program supported 21 students in 2007–08 with industry tours and a work experience program that builds individual skills and knowledge, and encourages them to consider a career in the industry.

PROGRAM STATISTICS

Program (inception year)	Cumulative program total since inception	2007–08
University scholarships (2004)	5	0
Undergraduate program (2002)	117	21
Final year scholarships (2003)	5	3
Graduate program (2005)	41	16
Intercollegiate Meat Judging Competition (1992)	85	5

Supporting the imperatives

MLA aims to deliver world class services and solution in partnership with industry and government for a profitable, sustainable meat and livestock industry that meets consumers and community expectations. Our programs are geared to deliver on this mission and to ensure our programs can operate effectively and efficiently we have corporate services and corporate communications business units to support the delivery.



"Meat Profit Days are great value keeping me up-to-date with innovations and what's going on in the industry. They provide a great opportunity for networking with like-minded industry people as well as researchers and developers." Mark Binge, sheep and cattle producer from 'Koorungal' Coleraine with MLA Member Services Officer Lucy Main.

CORPORATE COMMUNICATIONS

Investment: 2007–08 – \$3.9m
2006–07 – \$3.2m

We aim to ensure all key stakeholders are aware of the role of MLA in the red meat and livestock industry, particularly the programs undertaken by MLA, the opportunities created by these programs and their potential benefits to industry. In particular, we achieve this by developing a range of information and services aimed at increasing awareness,

demonstrating relevance and value, and proactively engaging stakeholders.

For more detail on our communications with members see pages 12–13.

Objective	Measure	Outcome	Benefit	Future
Increase the awareness and value of MLA activities	Increase MLA membership to 45,000	MLA membership 44,898 at 30 June	Nearly 45,000 levy payers directly engaged with MLA	Continue to encourage uptake of MLA membership
	95% members aware of MLA's role in industry	98% members aware of MLA activities	Industry informed of opportunities created from levies investment	New initiatives to engage producers with information and services produced by MLA such as improved online communications
	95% members value MLA	95% members value MLA	Confidence in levies investment	

Source: Taverner Research, MLA membership survey 2007

Supporting the imperatives

CORPORATE SERVICES

Investment: 2007–08 – \$9.2m
2006–07 – \$8.7m

Encompassing the Board, executive team, finance, legal services, human resources, and information technology, the corporate services business unit provides support services, risk management, corporate governance, budget, planning and financial reporting functions to MLA management and stakeholders, as well as ensuring compliance with statutory and other corporate obligations.

For more detailed information on corporate services activities please see the section on Our Staff on page 9–11, How We Work on page 6, our Corporate governance statement from page 45, and the Financial statements from page 54.

Objective	Measure	Outcome	Benefit	Future
Provide support services and accurate, timely and meaningful information	Clean audit report	Achieved clean audit report	Compliance with best practice policies and procedures	Continue benchmarking initiative
	Benchmark internal services against two like organisations	Benchmark against one organisation complete	Options for cost effectively improving our internal processes and systems	Complete another company-wide benchmark

MLA DONOR COMPANY

Investment: 2007–08 – \$16.3m
2006–07 – \$12.0m

MLA's fully-owned subsidiary, MLA Donor Company Limited, provides a vehicle for attracting commercial investment in innovation from individual enterprises. Since its inception in 1999, the R&D partnership program has approved in excess of 350 projects with a total budget of more than \$142 million.

There is a wide diversity of project areas that have been addressed by the MDC Partnership Program with all projects aligned to our strategic direction.

For a more comprehensive understanding of how the MLA Donor Company fits into the company structure and planning see page 6.

While the MDC focuses on key programs and initiatives that are delivered specifically through the MDC mechanism, we note that all MDC initiatives are directly aligned to delivery of MLA objectives as articulated in the *MLA strategic plan 2007–2011*.

Objective	Measure	Outcome	Benefit	Future
Increase industry's R&D investment, innovation culture and capability	Implement a balanced portfolio of R&D partnerships	102 projects approved valued at \$24m across all sectors of industry	R&D partnerships bridge the adoption capability gap in all sectors of industry	Further investment in tailored collaborative innovation strategies
	Facilitate adoption and uptake of partnership project outcomes	15 electronic systems 2 pelt removal systems 8 aitch boning machines 2 Tenderometers	Continued research without relying on industry levy funds	Develop innovative products, processes and new business models
	Support an innovation culture and capability	21 undergraduates and 16 graduates in commercial operations	Opportunities in the red meat industry recognised by upcoming professionals	

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

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CORPORATE GOVERNANCE STATEMENT

We established our corporate governance framework to ensure we are accountable to stakeholders and maintain stakeholder confidence. Our framework reflects our efforts to ensure that our values underpin the way in which we operate and behave. Our values are set out in full in About MLA on page 6. In developing and implementing our corporate governance practices we regard the ASX *Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition)*. Documents and policies relevant to our corporate governance framework are found in the corporate governance section of our website – www.mla.com.au.

THE BOARD

Composition

The Board comprises 11 directors, with the Managing Director the only executive director. The Board is a skills-based board with directors appointed for a maximum three-year term, after which time a director may reapply for a position on the Board in the same way as other candidates. To ensure the Board has the appropriate mix of skills and qualifications to govern the Company, the Board provides input into the selection process for directors through the Selection Committee. Further information about the Selection Committee is on page 47.

The Chairman of the Board was appointed in 2005 and is an independent director. The current composition of the Board and details about each director are set out in the Directors' report on page 51.

Roles and responsibilities

The roles and responsibilities of the Board are formalised in the Board Charter, which is available in the corporate governance section of our website. The Board strives to build sustainable value for MLA's members and the red meat industry and to achieve the Company's mission of delivering world class services and solutions in partnership with industry and government. The Board's responsibilities include:

- providing input into and approving management strategies, budgets, programs and policies
- appointing and removing the Managing Director
- assessing performance against strategies to monitor both the performance of management as well as the continuing suitability of strategies
- overseeing the Company and reviewing operating information
- approving and monitoring significant capital expenditure and significant commitments under agreed programs
- ensuring the Company operates with an appropriate corporate governance structure
- ensuring the Company operates in accordance with its objects and the Industry Memorandum of Understanding
- ensuring the Company meets its obligations under the MLA/Commonwealth Deed of Agreement

Directors may, with the Chairman's approval, obtain independent professional advice on matters arising in the course of their Board and committee duties. Directors have unlimited access to company records and information.

Board meetings

The Board met 11 times during the year. While meeting agendas are formulated monthly, the Board also has an annual agenda which sets items to be considered and reviewed throughout the year. These items include monthly reviews of the Company's financial position and management reports and a detailed review of each of the Company's strategic imperatives and 'Health Checks'. Health Checks are detailed reviews of allocated topics and include:

- State of the industry (industry dynamics and challenges)
- State of the nation (industry outlook and forecasts)
- Consumer trends
- Human resources
- R&D programs

Each month the Board has a general strategic discussion relating to a key topic identified by the Board as part of an 'Issues Forum'. In addition, the Board participated in two strategic planning sessions with management.

The annual agenda also sets key review dates for items which must come before the Board under the categories of performance, compliance and governance.

Management attends and provides input into issues arising in Board meetings relevant to their portfolios. Directors regularly meet with management and have regular exposure to other employees through presentations given at Board meetings and attendance by directors at industry meetings, forums and workshops.

Board evaluation

The Board evaluates its performance annually. The performance review is facilitated by a Board review specialist. This year's review focussed on the effectiveness of the Board as a whole and involved each director completing a survey. Observations from the survey responses were reported to, and discussed, by the Board.

Board training

The Board participated in a tailored corporate governance training workshop in March 2007, and expects to undertake further formal governance training next year. A comprehensive induction program was conducted, and attended by all directors, in February 2008. As part of the induction program directors received an overview of each business unit as well as the operations of the Company as a whole.

Independence

The Board considers each director's independence. An independent director is considered to be a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In assessing independence, the Board considers whether a director has a business or other relationship with the Company either directly, or indirectly.

The Board considers that all the non-executive directors are independent.

Conflicts of interest

Each director provides information about their business and other interests to the Board at the time of their appointment. This information is regularly updated and the Company maintains a standing notice of director interests which it distributes with Board papers whenever a change is made to the notice.

In accordance with the Corporations Act, a director with a material personal interest in a matter is prevented from voting on the matter at a Board meeting or being present while the matter is discussed, unless the Board resolves otherwise.

BOARD COMMITTEES

There are three Board committees:

- Audit Committee
- Membership Committee
- Remuneration Committee

All Board committees are comprised solely of non-executive directors, with management attending committee meetings by invitation only.

A program of committee meetings is developed at the beginning of each year and committees also meet when required. The Chair of each committee provides a verbal update of each committee meeting to the Board and minutes of all committee meetings are provided in the Board papers.

The role of each committee is set out in the committee charters, which are regularly reviewed. The members of each committee, together with each member's attendance at meetings are set out in the Director's report on page 51.

Audit Committee

The Audit Committee oversees the Company's corporate governance program and has oversight responsibility of the Company's financial reporting, internal control structure, risk management and the internal and external audit functions. In accordance with company policy, the chair of the committee is not the Chairman of the Board. The Audit Committee is required to meet at least three times a year and meets separately with the external auditor at least once each year.

The Audit Committee is responsible for making recommendations to the Board for the approval of:

- the annual audit plan
- annual financial statements
- the external auditor's report on the annual financial statements
- the external auditor's report on the Company's compliance with the Commonwealth Deed of Agreement

The Audit Committee is also responsible for making recommendations to the Board about the appointment of the Company's auditors.

The Audit Committee reviews the adequacy and effectiveness of internal controls, including the Company's

policies and procedures, to assess, monitor and manage business risk and legal and ethical compliance programs. It also reviews the Company's foreign exchange and treasury management and oversees the Company's risk management program. During the year the Audit Committee recommended to the Board the implementation of the Company's Risk Management Plan, Fraud Control Plan and Intellectual Property Plan. Further information about the Company's risk management activities is on page 47.

Remuneration Committee

The Remuneration Committee oversees remuneration practices across the Company. The Committee reviews the policies and systems in place for managing remuneration to ensure they are appropriate and consistent with company objectives. The responsibilities of the Remuneration Committee include the review of:

- processes and guidelines for annual staff remuneration reviews and making recommendations to the Board accordingly
- the remuneration package of the Managing Director and making recommendations to the Board in this regard
- remuneration packages for the general managers and other executives nominated by the Committee, in consultation with the Managing Director
- any bonus or special incentive plans and making recommendations to the Board in this regard
- company policies relevant to any human resource issues and activities that impact on remuneration and compensation

During the year the Remuneration Committee had oversight of the MLA Collective Agreement 2008-2011.

Membership Committee

The Membership Committee reviews applications for membership of the Company and makes recommendations on the management of the membership program to the Board. The Membership Committee also reviews the policies and systems in place for membership recruitment and management to ensure they are consistent with company objectives.

In meeting its responsibilities the Membership Committee:

- considers applications for membership of the Company and recommends to the Board that such applications be accepted or otherwise
- reviews the processes and systems in place for the recruitment of members and the management of the members register
- reviews legal and regulatory matters that may have a material impact on membership

The 2007-08 membership target was 45,000 members with new membership activities for most of the year restricted to targeting new members through MLA events and the website.

Late in the year we conducted an active membership drive centred on an email-based campaign to Livestock Production Assurance (LPA) accredited producers who were not MLA

members. In addition we placed advertisements in Rural Press and on ImparjaTV. The response to the campaign was strong with membership rising by 727 producers in June to finish the year at 44,898.

SELECTION COMMITTEE

The role of the Selection Committee is to report to members of the Company on the suitability of candidates for re-election or election to the office of director at general meetings. The Selection Committee consists of:

- three persons elected by members of the Company
- three persons appointed by Peak Councils
- three directors

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

The composition of the Selection Committee, together with each member's attendance at meetings is set out in the Directors' report on page 51.

REPORTING FRAMEWORK

The Company is party to a Deed of Agreement with the Commonwealth of Australia through its Department of Agriculture, Fisheries and Forestry (Deed). The Deed regulates the Company's expenditure of levy funds and matching funds and provides a framework under which the Company must report to the Department. Key reporting obligations include:

- Corporate Plan (known as the Strategic Plan): a 3–5 year strategic plan which sets out the Company's objectives, performance indicators and resource allocations.
- Annual Operating Plan: linked to the Strategic Plan, the Annual Operating Plan covers intended operations of the Company for the current year and R&D and marketing programs and activities to be undertaken.
- Risk Management Plan: specifies measures to manage risk.
- Fraud Control Plan: sets out measures to minimise the risk of fraud within the Company.
- Intellectual Property Plan: specifies procedures for the management, adoption and commercialisation of intellectual property.

These plans are regularly reviewed and updated.

FINANCIAL AND RISK MANAGEMENT

During the year, the Company consolidated its risk management policies and assessments in its Risk Management Plan (the Plan). The Plan outlines the process followed to identify risks and categorises risks as 'strategic risks' or 'operational risks'. Individual risks have been identified, assessed, categorised and entered into a Business Risk Register, which forms part of the Plan. The Audit Committee receives reports twice a year on compliance with the Plan and conducts an annual review of the Plan.

Other key risk management activities undertaken throughout the year included:

- external review of SAP controls
- external review of the Company's foreign exchange strategy
- IT security audit
- review of authority levels

The Board has received a written declaration from the Managing Director and Chief Financial Officer that the financial reports represent a true and fair view, in all material respects, of the Company's financial condition and operating results and are in accordance with relevant accounting standards.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board has implemented a Code of business conduct and ethics (the Code), which embodies the Company's values and sets out the principles which must be met to ensure that the Company meets its commitments to all stakeholders. Key principles outlined in the Code are:

- Acting with openness, integrity and fairness
- Protecting our business and using company resources appropriately
- Protecting confidential information
- Acting responsibly towards individuals
- Acting responsibly in relation to safety, health and the environment
- Avoiding conflicts of interest
- Integrity in financial reporting
- Acting responsibly to members, stakeholders and the community
- Complying with the law

The Code also establishes a reporting framework to enable employees to report any breach of the Code. All employees are required to confirm that they have read and understood the Code each year. A copy of the Code is provided to all new employees on commencement and is a feature of the formal induction training which is provided at least twice a year.

REMUNERATION AND PERFORMANCE ARRANGEMENTS

At the year 2000 annual general meeting, a total limit of \$500,000 was set for directors' remuneration (excluding the Managing Director). The Remuneration Committee undertakes an annual review of directors' fees.

The remuneration arrangements for each member of the senior management team, including the Managing Director, comprise both fixed and performance-based remuneration.

The remuneration packages for the senior management team are reviewed each year and include a performance based component to ensure the remuneration structure:

- Aligns management effort with organisational objectives
- Attracts, retains and motivates quality management personnel

COMMUNICATING WITH MEMBERS

We are committed to effectively communicating with members with a strategy that seeks to:

- create awareness of MLA and its activities amongst MLA members
- demonstrate the relevance and value of the Company and its programs
- proactively engage members to take advantage of the opportunities created by the Company in partnership with industry and government

In implementing this strategy we employ a variety of communication tactics including radio and print media, magazines and publications, the corporate website and events. Added to this stable in 2007-08 was the launch of MLA's *feedbackTV* DVD.

The success of these efforts is measured through member surveys, media and website monitoring, publication orders and increases in membership.

MLA employs a policy of ensuring all members have the opportunity to participate in our annual general meeting (AGM) by rotating its location around the nation. The 2007 AGM was held in Rockhampton, Queensland and was preceded by Adelaide, SA (2006), Melbourne, Victoria (2005) and Tamworth, NSW (2004).

To encourage greater participation in the Company's activities in 2007 we held a National Beef Industry Forum in conjunction with the AGM, attracting 650 people to attend. We also held successful Meat Profit Days in Perth and Kyneton exposing over 600 producers to information and opportunities from other producers and industry speakers. *Feedback* magazine remains a key source of information for members on the Company's investment in research and marketing activities with 89 per cent of members rating it "useful" and 73 per cent considering it either "good" or "excellent".

Our 2006-07 annual report was made available online through our corporate website as well as in hard copy for members who requested it. Our online annual report won the inaugural 2008 Australasian Reporting Awards Electronic (online) Reporting Award, while our hard copy report again secured a silver award. This independent and rigorous assessment of our annual reporting provides valuable feedback that is incorporated into future annual reports.

MLA's website at www.mla.com.au provides information on on-farm tools and resources, post-farm research programs, domestic and international marketing campaign activities, market information and links to key industry systems such as the National Livestock Identification System and Livestock Production Assurance.

We are undertaking work to strengthen the site's capacity to provide tools to livestock producers with a re-launch of the site in 2009. The site is consistently ranked in the Top 10 by website monitoring and ranking organisation Hitwise, peaking at number three in January 2008.

DIRECTORS' REPORT



(LEFT TO RIGHT) Michael Carroll, Peter Trefort, Christopher Hudson, Peter Boyden, David Palmer, Don Heatley, John Wyld, Bernie Bindon, Lucinda Corrigan, Paul Troja and Jay Simms

The Board of Directors of Meat & Livestock Australia Limited ("MLA" or "the Company") has pleasure in submitting its report for the financial year ended 30 June 2008.

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. All directors were in office for the entire year unless otherwise stated.

ARTHUR MACEDON (DON) HEATLEY (Chairman)

Director since 1998

Mr Heatley is a Queensland beef producer and a past member of the Cattle Council of Australia. He operates cattle breeding and fattening properties in North Queensland. His production focus is the US and Japanese beef markets and the live cattle export trade. During 2007 Mr Heatley was Chairman of the Selection Committee. Mr Heatley has been Chairman of MLA since 2005.

DAVID WILLIAM PALMER (Managing Director)

Grad Dip Mgmt (AGSM)

Director since 2006

Prior to becoming the company's Managing Director, Mr Palmer was MLA's regional manager for North America and has held several positions with both MLA and its predecessor organisation, Australian Meat & Live-Stock Corporation. Previously he was Executive Director of the Cattle Council of Australia. Mr Palmer comes from a livestock production background. Mr Palmer is a Director of AUS-MEAT Limited and MLA Donor Company Limited.

BERNARD (BERNIE) MICHAEL BINDON

BRur Sc, MRur Sc, DRur Sc (NE), PhD (Syd), FASAP, FAAABG

Director since 2006

Professor Bindon was the Chief Executive Officer of the Cattle and Beef CRC from 1993 until 2005. Prior to this he spent 31 years in various senior positions with CSIRO livestock research. He has been recognised for his contribution to the beef industry through the Beef Improvement Association's Howard Yelland Award (2000) and the Rural Press/Rabobank Beef Achiever of the Year Award (2005). Professor Bindon is a member of the Audit and Selection Committees.

PETER RODERICK BOYDEN BSc (Maths)

Director since 2005

Mr Boyden is the Managing Director of Boyden & Associates (a business mentoring, planning and strategic development consultancy) and a mentoring faculty member of Merryck & Co (a specialist senior executive mentoring business). Previously Mr Boyden was the Managing Director of Unilever Australasia Foods, Executive Director of the Australian Food and Grocery Council, and Marketing Director for Unilever Australasia. He is a non-executive director of Foods Standards Australia New Zealand, Dairy Innovation Australia and Stuart Alexander Pty Ltd. Mr Boyden was a member of the Selection Committee during the year and is Chairman of the Remuneration Committee.

MICHAEL CARROLL B Ag Sc, MBA, MAICD

Director since 2007

Mr Carroll serves a range of agribusiness companies in a board and consulting capacity. Previously Mr Carroll worked for National Australia Bank (NAB) in a number of roles, including being responsible for establishing and leading NAB's Agribusiness division. Mr Carroll comes from a family which has been involved in farming for over 130 years and has his own property in western Victoria. Mr Carroll is a member of the Audit and Selection Committees.

LUCINDA LEE FLINDERS CORRIGAN

B Sc Agr (Hons 1) FAICD

Director since 2007

Ms Corrigan is currently a director and partner of Rennylea Pastoral Company, a leading beef genetics business in southern New South Wales that produces Angus seedstock for high quality national and international markets. Previously she was extensively involved in the CRC for Plant Based Management of Dryland Salinity, the CRC for Cattle and Beef Quality and the Beef CRC as a committee member and a board member. Ms Corrigan is currently the Deputy Chair of the CRC for Future Farm Industries. Ms Corrigan is Chair of the Membership Committee and a Director of MLA Donor Company Limited.

CHRISTOPHER BURGOYNE HUDSON

BSc (Hons) MSc, PhD, FTSE, FAIFST, FIAFoST

Director since 2000

Professor Hudson is a Director of Food Science Australia. Professor Hudson holds visiting professorial appointments at the Universities of Queensland and Wollongong. He is a past president of the Australian Institute of Food Science and Technology and served as Chairman of the Australian Food Safety Centre of Excellence. Professor Hudson is a Director of MLA Donor Company Limited and a member of the Remuneration Committee.

JOHN (JAY) FIELD SIMMS

BAG Sc (Livestock Production)

Director since 2005

Mr Simms owns and manages a cattle property in north-west Queensland. He currently represents MLA on the Northern Beef Production Industry Committee and the North Australia Beef Research Council. Previously he was the Chair of the West Queensland Beef Research Committee, owned and operated export yards in Broome, WA, as well as grazing stock for live export. Mr Simms is a member of the Membership Committee.

PETER JAMES TREFORT

Director since 2003

Mr Trefort manages his family's property at Narrogin in Western Australia. He is a Director of Hillside Meats, Elderstone Nominees Pty Ltd, Narrogin Agricultural College. He has worked extensively developing on-farm and processing R&D strategy with the Department of Agriculture (WA), University of WA and Murdoch (WA). In 2007, Mr Trefort received an Honorary Doctorate in Science from Murdoch University. Mr Trefort is a Director of AUS-MEAT Limited and Chairman of the Selection Committee.

PAUL ANTHONY TROJA

Director since 2003

Mr Troja is General Manager and a Director of Rockdale Beef Pty Limited. Previously he held various roles in production, marketing and industry administration for the Angliss Group and the Australian Meat & Livestock Corporation. Mr Troja is Chairman of the Audit Committee.

(JOHN) HENRY JOHN WYLD

Director since 2007

Mr Wyld has been extensively involved in the cattle and sheep industries for a number of decades and was involved in establishing MLA. Previously Mr Wyld was a Director of Austops Limited, Victorian Producers Co-op Limited, CRC for Beef Quality and the Australian Meat & Livestock Corporation. Mr Wyld was also President of the Cattle Council of Australia and the VFF Pastoral Group and Chairman of the NLIS Executive Committee. Mr Wyld currently operates cattle and sheep properties in South Gippsland and western Victoria. Mr Wyld is a member of the Membership and Remuneration Committees.

Directors retired or resigned during the year

WAYNE ROBERT JACKSON BEc, FCPA, FAICD

Retired November 2007

Mr Jackson is Chairman of Minter Ellison Lawyers (SA/NT). Previously he was Chief Executive Officer and Commissioner of the Australian Football League, managing director of SA Brewery Ltd and Thomas Hardy & Sons Pty Limited and Executive Director of BRL Hardy Limited. Mr Jackson also produces vealers and prime lambs on his property at Willalooka, South Australia. He is a member of the South Australian Lotteries Commission and was a member of the South Australian Economic Development Board until December 2007. Mr Jackson was Chairman of the Remuneration Committee and a member of the Audit Committee.

PETER ROBERT MILLIKEN BSc (Ag)

Retired November 2007

Mr Milliken is a lamb producer at Hay, NSW. He participated in the Australian Rural Leadership Program and was active in forming *EDGEnetwork*, a producer training program. Mr Milliken was a director of MLA Donor Company Limited and Chairman of the Membership Committee.

IAN DOUGLAS STUART WATSON

Retired November 2007

Mr Watson was an inaugural Director of MLA. He is a seedstock and commercial sheep and cattle producer in NSW and consults to three leading NSW pastoral companies. In 2003 he received the Howard Yelland Award for his contribution to the beef industry. Mr Watson was foundation Chairman of the Membership Committee and was a member of the Selection Committee.

COMPANY SECRETARIES

RACHEL DEBECK BA, LLB (Hons)

Appointed July 2006

Ms Debeck has experience in banking and finance, corporate and commercial law. Prior to joining MLA, Ms Debeck was a legal secondee to MLA from Banki Haddock Fiora Lawyers. Prior to joining Banki Haddock Fiora, Ms Debeck was a lawyer at Mallesons Stephen Jaques, a leading international commercial law firm. Ms Debeck is the Company Secretary and legal counsel.

LAURENCE ROBINSON CPA

Appointed October 2006

Mr Robinson brings extensive experience in financial and corporate management to MLA. Previously he worked as Finance Director in a publicly listed photographic company and in the oil industry, both in Australia and overseas, before joining Dairy Farmers as Chief Financial Officer, and recently as their senior adviser. Mr Robinson is the General Manager for Corporate services and the Company Secretary.

MLA DONOR COMPANY LIMITED

The business activities of MLA Donor Company Limited are overseen by a separate board of directors. The current members of the Board are Ms Corrigan, Professor Hudson, Mr Palmer and Mr Robinson. Mr Milliken was also a director during the year and retired in November 2007.

DIRECTORS MEETINGS

During the year the Company held 11 meetings of directors. The attendances of the directors at meetings of the Board and of its committees were:

	Board of directors	Committees of the board of directors		
	Full board	Audit	Membership	Remuneration
B.M. Bindon	11	4	–	–
P.R. Boyden	10 (11)	–	–	2
M. Carroll(a)	6 (6)	1 (1)	–	–
L. L.F.Corrigan(a)		6 (6)	–	3 (3)
A.M. Heatley	11	–	–	–
C.B. Hudson	11	–	–	2
W.R. Jackson(b)		5 (5)	2 (2)	–
P.R. Milliken(b)		5 (5)	–	1(1)
D.W. Palmer	11	–	–	–
J.F. Simms	11	–	4	–
P.J. Trefort	10 (11)	–	1 (1)	–
P.A. Troja	11	4	–	–
I.D.S. Watson(b)		5 (5)	–	–
H.J. Wyld(a)		6 (6)	–	3 (3)

a) Mr Carroll, Ms Corrigan and Mr Wyld were appointed on 22 November 2007.

b) Mr Jackson, Mr Milliken and Mr Watson retired on 22 November 2007.

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

SELECTION COMMITTEE

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

MLA Directors

Peter Trefort (Chair) 1(1)

Bernie Bindon 1(1)

Michael Carroll 0(1)

Peak Council representatives

Bill Bray 2(3)

Malcolm Foster 3(3)

Christopher Groves 3(3)

MLA Member elected representatives

Scott Anderson 3(3)

John Armstrong 3(3)

Jason Shearer-Smith 3(3)

In 2007, three other MLA directors sat on the committee. These directors and their attendance at meetings were:

Peter Boyden 2(2), Don Heatley 2(2) and Ian Watson 2(2).

NATURE OF OPERATIONS

The major activities of the Group during the financial year comprised:

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

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

REVIEW AND RESULTS OF OPERATIONS

Operating result for the period

The operating result of the Group for the financial year was a surplus of \$5,772,000 (2007: surplus of \$2,233,000).

Group overview

The Group earned total revenue of \$162,857,000 (2007: \$161,766,000) which is comprised of the following:

- Transaction levies \$93,873,000 (2007: \$98,177,000)
- Research and development matching grants \$34,511,000 (2007: \$35,661,000)
- Other income and revenues \$34,473,000 (2007: \$27,928,000)

Total income received/receivable was more than total expenditure, which resulted in an operating surplus of \$5,772,000 for the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not particularly exposed to any environmental regulations.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

ROUNDING OF AMOUNTS

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1, 165 Walker Street
North Sydney
New South Wales 2060
(02) 9463 9333

AUDITOR INDEPENDENCE

The auditor's independence declaration which forms part of the Directors' report for the financial year ended 30 June 2008 has been received and can be found following this report.

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



A. M. Heatley
Director



D. W. Palmer
Director

Sydney
19 September 2008

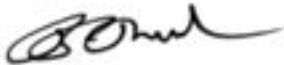
AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF MEAT & LIVESTOCK AUSTRALIA LIMITED

In relation to our audit of the financial report of Meat & Livestock Australia Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Brian R. Blood

Partner

19 September 2008

INCOME STATEMENT

YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
CONTINUING OPERATIONS					
REVENUES FROM ORDINARY ACTIVITIES	3	162,857	161,766	162,857	161,766
EXPENDITURE FROM ORDINARY ACTIVITIES					
Markets and consumers		60,421	64,736	60,421	64,736
Product initiatives		18,049	17,381	18,049	17,381
Community concerns		12,854	13,008	12,854	13,008
Whole of chain efficiency		27,308	31,401	27,308	31,401
R&D partnerships		16,335	11,372	16,335	11,372
Strategic R&D		8,198	8,730	8,198	8,730
Corporate services		9,238	8,713	9,238	8,713
Communications		3,860	3,204	3,860	3,204
Other		822	988	822	988
Total expenditure		157,085	159,533	157,085	159,533
NET SURPLUS FROM ORDINARY ACTIVITIES	18	5,772	2,233	5,772	2,233
TOTAL CHANGE IN MEMBERS' FUNDS		5,772	2,233	5,772	2,233

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

BALANCE SHEET

AS AT 30 JUNE 2008

	Notes	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
CURRENT ASSETS					
Cash and cash equivalents	24	58,705	49,177	58,705	49,160
Trade and other receivables	7	24,560	25,526	24,560	25,543
Prepayments and deposits	8	476	856	476	856
TOTAL CURRENT ASSETS		83,741	75,559	83,741	75,559
NON-CURRENT ASSETS					
Investment in associate	9	–	–	–	–
Investment in subsidiary	10	–	–	–	–
Property, plant and equipment	11	1,323	1,963	1,323	1,963
Intangible assets	12	2,369	2,462	2,369	2,462
TOTAL NON-CURRENT ASSETS		3,692	4,425	3,692	4,425
TOTAL ASSETS		87,433	79,984	87,433	79,984
CURRENT LIABILITIES					
Trade and other payables	13	32,668	33,519	32,668	33,519
Provisions	14	986	1,100	986	1,100
Other liabilities	15	6,778	4,115	6,778	4,115
TOTAL CURRENT LIABILITIES		40,432	38,734	40,432	38,734
NON-CURRENT LIABILITIES					
Other payables	16	70	–	70	–
Provisions	17	942	924	942	924
TOTAL NON-CURRENT LIABILITIES		1,012	924	1,012	924
TOTAL LIABILITIES		41,444	39,658	41,444	39,658
NET ASSETS		45,989	40,326	45,989	40,326
EQUITY - MEMBERS' FUNDS					
Contributed equity	27	9,031	9,031	9,031	9,031
Retained surplus	18	37,874	32,102	37,874	32,102
Cash flow hedge reserve	19	(916)	(807)	(916)	(807)
TOTAL EQUITY - MEMBERS' FUNDS		45,989	40,326	45,989	40,326

The accompanying notes form an integral part of this Balance sheet.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash flow hedges					
(Loss) taken to equity	19	(916)	(807)	(916)	(807)
Transferred to income statement for the year		807	(97)	807	(97)
NET (LOSS) RECOGNISED DIRECTLY IN EQUITY		(109)	(904)	(109)	(904)
Surplus for the year		5,772	2,233	5,772	2,233
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		5,663	1,329	5,663	1,329

The accompanying notes form an integral part of this Statement of recognised income and expense.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Levies collected		92,942	99,229	92,942	99,229
Research and development matching grants		39,060	38,077	39,060	38,077
Receipts from subsidiary		–	–	11,488	7,086
Receipts from processors and live exporters		10,935	12,248	10,935	12,248
Other receipts		17,236	12,457	5,765	5,395
Payments to suppliers and employees		(153,313)	(145,572)	(153,313)	(145,572)
NET CASH FLOWS FROM OPERATING ACTIVITIES	24(b)	6,860	16,439	6,877	16,463
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		11	44	11	44
Purchase of property, plant and equipment		(551)	(662)	(551)	(662)
Purchase of software		(435)	(1,187)	(435)	(1,187)
Interest received		3,643	2,079	3,643	2,059
NET CASH FLOWS FROM INVESTING ACTIVITIES		2,668	274	2,668	254
NET INCREASE IN CASH HELD		9,528	16,713	9,545	16,717
Add opening cash brought forward		49,177	32,464	49,160	32,443
CLOSING CASH CARRIED FORWARD	24(a)	58,705	49,177	58,705	49,160

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

1. CORPORATE INFORMATION

The financial report of Meat & Livestock Australia Limited ("MLA" or "the Company") for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 19 September 2008.

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

MLA (the parent) is a company limited by guarantee incorporated in Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report is presented in Australian dollars.

(b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not effective have not been adopted by the Group for the annual reporting period ending 30 June 2008 and the directors have not considered their likely impact.

Adoption of new accounting standard

The Group has adopted *AASB7 Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected disclosure in the financial statements. There has been no effect on the results or the financial position of the entity.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Meat & Livestock Australia Limited and its subsidiary, MLA Donor Company Limited (the Group).

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies.

A subsidiary is fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of MLA Donor Company Limited are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions have been eliminated in full.

(d) Cash and cash equivalents

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

For the purposes of the Statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Included in the balance of cash and cash equivalents are funds received from the Commonwealth Government in relation to the National Livestock Identification System (NLIS). These funds are to be distributed as directed by the NLIS Review Committee and the Minister generally to State Governments based on approved business plans.

(e) Trade and other receivables

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

(f) Taxes

Income tax

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

Goods and Services Tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance sheet.

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

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

(g) Revenue recognition

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

- Transaction levies – revenue is recognised in the period to which it relates based on confirmations received from the Levies and Revenue Service who collect and distribute levies to the Company.
- Research and development matching grants – revenue is recognised for the matching funding from the Department of Agriculture, Fisheries and Forestry (DAFF) to the extent that the approved eligible research and development expenditure has been incurred. Accrued matching grants represent unclaimed funding for the amount incurred on research and development.
- R&D partnership income, processor and live exporter contributions are recognised as revenue to the extent that the expenditure that the revenue relates to has been incurred.
- Interest income is taken up as income on an accrual basis.

(h) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(i) Derivative financial instruments and hedging

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

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

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

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

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

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

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

Cash flow hedges

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

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

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(j) Foreign currency translation

Both the functional and presentation currency of the Company and its subsidiary is Australian dollars (\$). Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency by applying the budget exchange rate and subsequently revaluing it to the average exchange rate of the month. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences in the consolidated financial report are taken to the income statement.

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

(k) Impairment of assets

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

(l) Intangible Assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangibles are amortised as follows:

Computer software 5 years

(m) Leases

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

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

(n) Property, plant and equipment

Cost

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

Depreciation

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

	Life
Leasehold Improvements	Remaining term of lease
Plant and Equipment	2-5 years
Furniture and Fittings	3-5 years

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

Derecognition and disposal

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(o) Trade and other payables

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

(p) Unearned income

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

(q) 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.

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee and period of service. The Commonwealth Government bond rates are used in determining the present value of the future cash outflows.

(r) Rent free period

The office lease in North Sydney was renegotiated in 2008 to include a rent-free period. The benefit of the rent-free period is being amortised on a straight-line basis over the sixty four month lease term.

(s) Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associate is an entity over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

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

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

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

3. REVENUE FROM ORDINARY ACTIVITIES

	Notes	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Revenues from operating activities					
Transaction levies	4	93,873	98,177	93,873	98,177
R&D matching grants		34,511	35,661	34,511	35,661
Other income	5	31,111	25,767	31,119	25,787
Total revenues from operating activities		159,495	159,605	159,503	159,625
Revenues from non-operating activities					
Bank interest		3,354	2,151	3,346	2,131
Net gain on disposal of property, plant and equipment		8	10	8	10
Total revenues from non-operating activities		3,362	2,161	3,354	2,141
Total revenues from ordinary activities		162,857	161,766	162,857	161,766

4. TRANSACTION LEVIES

Transaction levies:					
– Grain fed cattle		7,812	9,927	7,812	9,927
– Grass fed cattle		56,478	59,051	56,478	59,051
– Lambs		25,713	25,071	25,713	25,071
– Sheep		3,522	3,711	3,522	3,711
– Goats		348	417	348	417
Total transaction levies		93,873	98,177	93,873	98,177

5. OTHER INCOME

Processor contributions		10,675	11,099	10,675	11,099
Live exporter contributions		1,405	1,093	1,405	1,093
Co-operative funding		4,164	3,022	4,164	3,022
R&D partnership income		7,312	5,686	–	–
Income from subsidiary		–	–	7,320	5,706
Commonwealth government grants		2,310	720	2,310	720
Sale of products or services		2,552	2,080	2,552	2,080
National vendor declarations		1,655	1,625	1,655	1,625
Other		1,038	442	1,038	442
Total other income		31,111	25,767	31,119	25,787

6. EXPENSES AND LOSSES/(GAINS)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Depreciation and amortisation of non-current assets included in the income statement:				
Leasehold improvements	296	316	296	316
Plant and equipment	874	930	874	930
Furniture and fittings	17	25	17	25
Amortisation of intangible assets	528	175	528	175
Total depreciation and amortisation of non-current assets	1,715	1,446	1,715	1,446
Bad and doubtful debts – trade debtors	12	13	12	13
Operating lease rentals included in the income statement	2,993	2,873	2,993	2,873
Employee benefit expense:				
Wages and salaries	21,504	22,099	21,504	22,099
Workers compensation costs	175	197	175	197
Annual leave provision	1,243	1,228	1,243	1,228
Long service leave provision	45	453	45	453
Superannuation expense	1,601	1,578	1,601	1,578
Other post employment benefits	94	150	94	150
Termination expenses	71	690	71	690
Net foreign exchange (gain)/loss	(19)	26	(19)	26

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade receivables	7,624	3,719	7,624	3,719
Allowance for impairment of receivables (a)	(24)	(12)	(24)	(12)
Trade receivables, net	7,600	3,707	7,600	3,707
Accrued revenue				
– Levies (b)	7,133	6,202	7,133	6,202
– R&D matching grants (b)	6,852	12,014	6,852	12,014
– Other (b)	2,751	3,281	2,751	3,281
Total accrued revenue	16,736	21,497	16,736	21,497
Receivable from Subsidiary	–	–	–	17
Goods and Services Tax	126	248	126	248
Other Receivables	98	74	98	74
Total current receivables, net	24,560	25,526	24,560	25,543

(a) Allowance for impairment of receivables

A provision for impairment loss is recognised when there is objective evidence that a trade receivable is individually impaired (refer Note 2(e)) Financial difficulties of the debtor or defaulting in payments are considered objective evidence of impairment. As at 30 June 2008, trade receivables at nominal value of \$11,738 (2007: \$12,385) were individually impaired and fully provided for.

Movements in the provision for impairment loss were as follows:

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
At the beginning of the financial year	12	4	12	4
Charge for the year	12	12	12	12
Amounts written off	–	(4)	–	(4)
At 30 June	24	12	24	12

As at 30 June 2008, the ageing analysis of trade receivables (net of impairment) is as follows:

Consolidated and Parent

Trade receivables (net of impairment)	Total	Current	Past due but not impaired				
			1–30 days	31–60 days	61–90 days	91–120 days	>120 days
\$000							
2008	7,600	5,537	141	1,203	210	205	304
2007	3,707	2,667	701	121	13	61	144

Receivables past due but not impaired for Consolidated and Parent are: \$2,063,000 (2007: \$1,040,000). Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these balances will be received when due.

(b) Interest rate risk

Trade debtors, R&D matching grants, levies and other accrued revenue are non-interest bearing and generally on 14 to 30 day terms.

(c) Security

The Group does not hold any collateral or security on trade receivables.

(d) Credit risk

The carrying value at the reporting date approximate the fair value for each class of receivable. Details regarding credit risk exposure are disclosed in Note 28.

8. PREPAYMENTS AND DEPOSITS

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Deferred option premiums	–	20	–	20
Prepayments	322	664	322	664
Deposits	154	172	154	172
Total prepayments and deposits	476	856	476	856

9. INVESTMENT IN ASSOCIATE

Unlisted:				
Aus-Meat Limited	–	–	–	–

AUS-MEAT Limited became an associated entity in 1998/99 and is jointly owned (50% each) by MLA and Australian Meat Processor Corporation Limited.

AUS-MEAT Limited is an independent company limited by guarantee with operations split into two principal areas, the Standards division and the Services division. It is incorporated in Australia.

MLA has a continuing commitment to support AUS-MEAT Limited. The contribution for the financial year ended 30 June 2008 was \$650,000 (2007: \$650,000).

Summary results of the associate entity

	AUS-MEAT Limited	
	2008 \$000	2007 \$000
Revenue	7,537	6,997
Accumulated (deficit) at beginning of the year	(40)	(231)
Net surplus for the year	47	191
Accumulated surplus / (deficit) at end of the year	7	(40)

Financial summary of associated entity

Total current assets	2,118	5,603
Total non current assets	4,225	872
Total current liabilities	1,486	1,322
Total non current liabilities	60	75
Net assets	4,797	5,078

The investment in AUS-MEAT Limited has been taken up at nil value (2007:\$nil). There is no entitlement to a share of the net results or net assets except in the event of a winding up of the entity.

10. INVESTMENT IN SUBSIDIARY

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Interest in controlled entity	–	–	–	–

MLA Donor Company Limited is wholly owned by MLA. This company was incorporated in Australia on 6 August 1998 and is limited by guarantee. If the company is wound up, its Constitution states that MLA is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the company.

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Plant and equipment				
At cost	4,439	4,164	4,439	4,164
Accumulated depreciation	(3,217)	(2,570)	(3,217)	(2,570)
Total plant and equipment	1,222	1,594	1,222	1,594
Furniture and fittings				
At cost	260	259	260	259
Accumulated depreciation	(228)	(218)	(228)	(218)
Total furniture and fittings	32	41	32	41
Leasehold improvements				
At cost	3,973	3,936	3,973	3,936
Accumulated depreciation	(3,904)	(3,608)	(3,904)	(3,608)
Total leasehold improvements	69	328	69	328
Total property, plant and equipment				
At cost	8,672	8,359	8,672	8,359
Accumulated depreciation	(7,349)	(6,396)	(7,349)	(6,396)
Total written down value	1,323	1,963	1,323	1,963
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.				
Plant and equipment				
Carrying amount at beginning	1,594	1,942	1,594	1,942
Additions	502	616	502	616
Disposals	–	(34)	–	(34)
Depreciation expense	(874)	(930)	(874)	(930)
	1,222	1,594	1,222	1,594
Furniture and fittings				
Carrying amount at beginning	41	64	41	64
Additions	11	2	11	2
Disposals	(3)	–	(3)	–
Depreciation expense	(17)	(25)	(17)	(25)
	32	41	32	41
Leasehold improvements				
Carrying amount at beginning	328	600	328	600
Additions	37	44	37	44
Depreciation expense	(296)	(316)	(296)	(316)
	69	328	69	328

12. INTANGIBLE ASSETS

	Notes	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Software					
At cost		3,072	2,637	3,072	2,637
Accumulated amortisation		(703)	(175)	(703)	(175)
Total software		2,369	2,462	2,369	2,462
Reconciliation					
Carrying amount at beginning		2,462	1,450	2,462	1,450
Additions		435	1,187	435	1,187
Amortisation expense		(528)	(175)	(528)	(175)
		2,369	2,462	2,369	2,462

13. TRADE AND OTHER PAYABLES (CURRENT)

Trade payables(a)		9,907	7,144	9,907	7,144
Accrued R&D and other creditors(a)		12,553	16,725	12,553	16,725
Funds held on behalf of the Commonwealth(b)		6,916	6,309	6,916	6,309
Rent-free period	2(r)	17	188	17	188
Derivative financial instruments(c)		916	830	916	830
Employee entitlements					
– Annual leave		2,059	1,985	2,059	1,985
– Other		300	338	300	338
Total current trade and other payables		32,668	33,519	32,668	33,519

- (a) Trade payables, accrued R&D and other creditors are non-interest bearing and are normally settled on 30 day terms. In the case of accrued R&D, any payments are further subject to milestones being satisfactorily completed. Where other creditors and accruals include balances that are denominated in a foreign currency that has not been effectively hedged, these balances have been further disclosed in Note 20.
- (b) The Company has entered into arrangements with the Commonwealth Government, through the Department of Agriculture, Forestry and Fisheries to receive grants in relation to the National Livestock Identification System (NLIS). The funds are to be distributed as directed by the NLIS Review Committee and the Minister, generally to State Governments based on approved business plans. Funds (including interest) totalling \$14,596,722 (2007: \$11,683,929) have been received or invoiced, and net payments of \$7,680,953 (2007: \$5,374,935) have been made. The whole amount is classified as current as MLA is required to distribute the funds as directed by the NLIS review committee and the Minister and this direction may occur at any time.
- (c) Pursuant to Note 2(i), the Group remeasured to fair value its outstanding forward currency and option contracts as at year end. An amount of \$915,882 (2007: \$807,239) was taken to equity with the difference to income statement.

14. PROVISIONS (CURRENT)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Employee entitlements				
– Long service leave	936	1,050	936	1,050
Other provisions	50	50	50	50
Total current provisions	986	1,100	986	1,100

Movements in provisions:

Consolidated and Parent

	Long service leave \$000	Other provisions \$000	Total \$000
Carrying amount at the beginning of the financial year	1,050	50	1,100
Additional provisions / (written back)	(17)	–	(17)
Paid	(141)	–	(141)
Amounts transferred from non-current during the year	44	–	44
Carrying amount at the end of the financial year	936	50	986

15. OTHER LIABILITIES (CURRENT)

	Notes	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Unearned income		6,351	3,323	6,351	3,323
Other		427	792	427	792
Total current other liabilities		6,778	4,115	6,778	4,115

16. TRADE AND OTHER PAYABLES (NON-CURRENT)

	Notes	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Rent-free period	2(r)	70	–	70	–
Total non-current trade and other payables		70	–	70	–

17. PROVISIONS (NON-CURRENT)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Employee entitlements				
– Long service leave	942	924	942	924
Total non-current provisions	942	924	942	924

Movements in provisions:

	Consolidated and Parent		
		Long service leave \$000	Total \$000
Carrying amount at the beginning of the financial year		924	924
Additional provisions/(written back)		82	82
Paid		(20)	(20)
Amounts transferred to current during the year		(44)	(44)
Carrying amount at the end of the financial year		942	942

18. RETAINED SURPLUS

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Retained surplus at the beginning of the financial year	32,102	29,869	32,102	29,869
Net surplus	5,772	2,233	5,772	2,233
Retained surplus at the end of the financial year	37,874	32,102	37,874	32,102

19. CASH FLOW HEDGE RESERVE

At the beginning of the financial year	(807)	97	(807)	97
Net (loss) on cash flow hedges	(916)	(807)	(916)	(807)
Transfer of cashflow hedge reserve to Income statement	807	(97)	807	(97)
Total cash flow hedge reserve (a)	(916)	(807)	(916)	(807)

(a) The full amount of hedged cash flows as at 30 June 2008 are expected to affect the income statement within one year.

Gains and losses on the effective portions of derivatives designated as cash flow hedges are directly recognised in equity (the cash flow hedge reserve) and are transferred to current year earnings when the cash flows affect the income statement. As at 30 June 2008, a loss of \$915,882 (2007: \$807,239) was recognised in the cash flow hedge reserve. The Company did not have any portion of cash flow hedges deemed ineffective and recognised in the Income Statement.

There are no fair value hedges.

20. FOREIGN CURRENCY EXPOSURE

The Company takes out option contracts and forward foreign exchange contracts in United States Dollars, Japanese Yen and Korean Won to minimise the short-term impact of currency fluctuations on overseas programs (refer note 28). The Australian dollar equivalent of other foreign currency monetary items included in the Balance Sheet that are not hedged are set out below.

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current assets:				
– Bahrain dinars	138	33	138	33
– Euro	30	12	30	12
– Chinese renminbi	68	43	68	43
	236	88	236	88
Current liabilities:				
– Bahrain dinars	211	60	211	60
– Euro	51	103	51	103
	262	163	262	163

21. EMPLOYEE ENTITLEMENTS

The aggregate employee benefit liability is comprised of:

Provisions – current (refer note 14)	936	1,050	936	1,050
Provisions – non current (refer note 17)	942	924	942	924
Payables – current (refer note 13)	2,359	2,323	2,359	2,323
	4,237	4,297	4,237	4,297
The number of full-time equivalent employees as at 30 June	238.2	240.6	238.2	240.6

22. REMUNERATION OF AUDITORS

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Amounts received or due and receivable by Ernst & Young for:				
– auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	133,100	140,500	127,100	135,000
– other services in relation to the entity and any other entity in the consolidated entity:				
• tax compliance	11,674	10,475	11,674	10,475
• other non-audit services (a)	27,768	139,465	27,768	139,465
	172,542	290,440	166,542	284,940
(a) Summary of the other non-audit fees incurred are:				
NLIS forensic investigation	–	81,779	–	81,779
Levies handling and voting entitlement review	–	40,397	–	40,397
NLIS grant audits	12,094	10,289	12,094	10,289
Deed of Agreement	7,400	7,000	7,400	7,000
AASB 7 Financial instruments: disclosures	8,274	–	8,274	–
	27,768	139,465	27,768	139,465

23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel

(i) Directors

Arthur Macedon Heatley – Chairman	
David William Palmer – Managing Director	
Bernard (Bernie) Michael Bindon	
Peter Roderick Boyden	
Michael Carroll	(appointed 22 November 2007)
Lucinda Lee Flinders Corrigan	(appointed 22 November 2007)
Christopher Burgoyne Hudson	
John (Jay) Field Simms	
Peter James Trefort	
Paul Anthony Troja	
(John) Henry John Wyld	(appointed 22 November 2007)
Wayne Robert Jackson	(retired 22 November 2007)
Peter Robert Milliken	(retired 22 November 2007)
Ian Douglas Stuart Watson	(retired 22 November 2007)

(ii) Executives

Peter Barnard	General Manager – International Markets and Economic Services
Allan Bloxson	General Manager – Industry Systems
Scott Hansen	General Manager – Corporate Communications and Livestock Exports
Ian Johnsson	General Manager – Livestock Production Innovation
Christine Pitt	General Manager – Client and Innovation Services
Laurence Robinson	General Manager – Corporate Services
David Thomason	General Manager – Marketing

(iii) Compensation of key management personnel by categories

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Directors				
Short-term benefits	941,652	864,399	941,652	864,399
Post employment benefits	54,058	53,435	54,058	53,435
Other long-term benefits	11,913	22,806	11,913	22,806
(a)	1,007,623	940,640	1,007,623	940,640
Executives (b)				
Short-term benefits	2,018,739	2,590,494	2,018,739	2,590,494
Post employment benefits	91,904	108,489	91,904	108,489
Other long-term benefits	27,687	68,167	27,687	68,167
(a)	2,138,330	2,767,150	2,138,330	2,767,150

(a) Compensation includes all benefits paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. Compensation includes wages, salaries, superannuation and other employees' provisions.

(b) Executive compensation refers to all compensation earned by the General Managers of the Company with the exception of the Managing Director whose compensation has been included under Directors' compensation.

(b) Related party transactions

Directors of the Group and directors of its related parties, or their director-related entities, conduct transactions with entities within the Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances. These transactions include the following and have been quantified below where the transactions are considered likely to be of interest to users of these financial statements:

- Professor Bindon is an adjunct professor at the University of New England. The Company has paid \$1,459,514 (2007:\$1,690,388) to the University of New England for scholarships and to carry out R&D projects.
- Professor Hudson is a director of Food Science Australia. The Company has paid \$2,433,902 (2007: \$2,797,149) to Food Science Australia to carry out R&D projects. Food Science Australia also paid \$518 (2007: \$515) to the Company for reimbursement of expenses.

Professor Hudson is an adjunct professor at the University of Queensland and a Professorial Fellow at the University of Wollongong. The Company has paid \$2,010,444 (2007: \$1,707,518) to the University of Queensland and \$55,600 (2007: \$101,176) to the University of Wollongong to carry out R&D projects.

- Ms Corrigan is Deputy Chair of Future Farm Industries CRC Limited to which the Company paid \$115,000 (2007: \$nil) as contribution towards R&D projects.
- Mr Troja is a director of Itoham Pty Ltd and Rockdale Beef Pty Ltd.

Itoham paid the Company \$6,696 in 2007 for participation in industry events. The Company also paid Itoham \$615 (2007: \$nil) for reimbursement of expenses.

Rockdale Beef has paid the Company \$210,663 (2007: \$132,422) as contributions towards R&D partnership projects, MSA licence fee, grading services and NLRS subscriptions. The Company also paid Rockdale Beef \$282,805 (2007: \$301,290) mainly to carry out R&D partnership projects.

A representative of Rockdale Beef sits on the council of Australian Lot Feeders' Association (ALFA). The Company has paid \$58,551 (2007: \$101,744) to ALFA, primarily for the expense reimbursement of its quarterly survey costs. The Company has received \$20,000 from ALFA in 2007 for R&D projects.

(c) Wholly-owned group transactions

The parent entity entered into the following transactions during the year with its only controlled entity being MLA Donor Company Limited.

- MLA Donor Company Limited has paid \$11,487,915 (2007: \$7,085,668) to the Company which related to R&D partnership income and management fees.

24. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash on hand	5,831	5,142	5,831	5,125
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	7,083	6,096	7,083	6,096
Short term money market deposits	45,791	37,939	45,791	37,939
Closing cash balance	58,705	49,177	58,705	49,160
(b) Reconciliation of net cash from operating activities to net surplus				
Net surplus	5,772	2,233	5,772	2,233
Adjustments for:				
Net gain on disposal of property, plant and equipment	(8)	(10)	(8)	(10)
Depreciation expense	1,187	1,271	1,187	1,271
Amortisation expense	528	175	528	175
Interest received	(3,643)	(2,079)	(3,643)	(2,059)
Change in assets and liabilities:				
(Increase)/decrease in assets:				
– Decrease in trade and other receivables	966	2,237	983	2,241
– Decrease in prepayments and deposits	380	1,515	380	1,515
Increase/(decrease) in liabilities:				
– (Decrease)/increase in trade and other payables	(781)	8,574	(781)	8,574
– Increase in other liabilities	2,663	2,704	2,663	2,704
– (Decrease) in provisions	(204)	(181)	(204)	(181)
Net cash from operating activities	6,860	16,439	6,877	16,463

25. EXPENDITURE COMMITMENTS

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Expenditure (primarily research and development) contracted for is payable as follows:				
– Not later than one year	32,940	31,730	19,234	24,482
– Later than one year but not later than five years	27,355	24,250	19,692	19,770
– Later than five years	819	336	733	335
Aggregate R&D expenditure contracted for at balance date	61,114	56,316	39,659	44,587
Operating lease expenditure contracted for is payable as follows:				
– Not later than one year	2,901	2,428	2,901	2,428
– Later than one year but not later than five years	9,234	1,058	9,234	1,058
Aggregate lease expenditure contracted for at balance date (a)	12,135	3,486	12,135	3,486

(a) The operating lease commitments include leases for properties, motor vehicles and maintenance with terms ranging from one to five years.

26. MEMBERS' FUNDS

The Company is incorporated in Australia and is a company limited by guarantee. If the Company is wound up, its Constitution states that each member is required to contribute a maximum of \$5 each towards meeting any outstanding obligations of the Company. At 30 June 2008, the number of members was 44,898 (2007: 43,401).

27. CONTRIBUTED EQUITY

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Capital contribution	9,031	9,031	9,031	9,031

This amount represents contributions from the Commonwealth Government as initial working capital and property, plant and equipment at written down value transferred from the Australian Meat and Live-stock Corporation and the Meat Research Corporation at nil consideration.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MLA's principal financial instruments include derivatives, cash and cash equivalents.

The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. MLA enters into derivative transactions, including forward currency contracts and currency option contracts. The purpose is to manage the currency risks arising from the Group's overseas operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below. Oversight responsibility for identification and control of financial risks rests with the Audit Committee under the authority of the Board.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in note 2 to the financial statements.

Risk exposures and responses

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposit holding with a floating interest rate. Cash at bank earns interest at floating rates based on daily bank deposit rates. On call deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group's exposure to interest rate risk and the effective interest rates of financial assets as at the reporting date are as follows:

Consolidated and Parent

	Floating interest rate \$000	Fixed interest rate maturing in 1 year or less \$000	Effective interest rate Floating %	Fixed %
2008				
Financial assets				
Cash assets	1,528	–	6.75	–
Cash assets – NLIS	6	–	6.75	–
On call deposits	3,533	–	7.15	–
On call deposits – NLIS	7,077	–	7.15	–
Term deposit – rental guarantee	385	–	7.15	–
Bills of exchange	–	45,406	–	7.80
2007				
Financial assets				
Cash assets	1,748	–	5.75	–
Cash assets – NLIS	76	–	5.75	–
On call deposits	2,243	–	6.15	–
On call deposits – NLIS	6,020	–	6.15	–
Term deposit – rental guarantee	385	–	6.15	–
Bills of exchange	–	37,554	–	6.36

The fair value of cash and short-term deposits as at the reporting date is \$58,705,000 (2007: \$49,177,000).

Sensitivity Analysis:

At 30 June 2008, if interest rates moved, as illustrated in the table below, with all other variables held constant, the effect on the Group's net surplus and equity would have been as follows:

	Consolidated and Parent			
	Surplus		Equity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
+0.25% (25 basis points)	144	120	144	120
-0.25% (25 basis points)	(144)	(120)	(144)	(120)

Foreign currency risk

The Group has a policy of hedging a proportion of the offshore component of its annual expenditure. In doing so, it works within Board approved risk management bands which establish the upper and lower limits of hedge cover for each period out on a rolling twelve month basis. The objective is to ensure that the annual budget allocation for offshore expenditure is optimised within an acceptable risk framework.

Forward exchange contracts and options are purchased to hedge a majority of the Australian dollar value of US dollar, Japanese yen and Korean won payments arising from the activities of overseas branches. These contracts hedge highly probable forecasted future cash outflows and they are timed to mature when the payments are scheduled to be made.

Foreign exchange contracts commit the Group to purchase specific amounts of US dollars, Japanese yen or Korean won at an agreed rate of exchange maturing at specific times up to 12 months from balance date.

Option contracts give the Group the right to purchase specific amounts of US dollars and Japanese yen at an agreed rate of exchange maturing at specific times up to 12 months from balance date. The remaining time value of unexpired option premiums paid as at year end (2008: \$Nil; 2007: \$20,000) have been deferred onto the Balance Sheet (refer Note 8).

At 30 June 2008, the Group held forward exchange contracts and options contracts designated as hedges of forecasted future cash outflows to the overseas offices. The following tables summarise by currency the Australian dollar value of forward foreign exchange contracts and options contracts. The "buy" amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies under forward contracts and the right to purchase foreign currencies under options contracts.

a) Foreign exchange – forward contracts

	Consolidated and Parent			
	Average exchange rate		Buy amount	
	2008	2007	2008 \$000	2007 \$000
United States dollars				
Maturing in:				
3 months or less	0.8769	0.7653	1,596	1,490
Over 3 to 12 months	0.9067	0.8024	3,198	3,302
			4,794	4,792
Japanese yen				
Maturing in:				
3 months or less	93.86	94.23	2,344	424
Over 3 to 12 months	93.58	92.59	4,007	864
			6,351	1,288
Korean won				
Maturing in:				
3 months or less	807.00	734.35	800	1,450
Over 3 to 12 months	854.03	747.96	1,254	2,370
			2,054	3,820

(b) Foreign exchange – collar options

	Average strike rate				Buy amount	
	2008 Floor	2008 Ceiling	2007 Floor	2007 Ceiling	2008 \$000	2007 \$000
Japanese yen						
Expiring in:						
3 months or less	–	–	86.64	90.09	–	877
Over 3 to 12 months	–	–	92.44	96.35	–	3,145
					–	4,022

Sensitivity analysis:

There is minimal sensitivity to foreign currency risk exposures on the Group's net surplus/deficit for the year and on equity as overseas spending is subject to a fixed budget which is determined in Australian dollars. Any such movements in foreign exchange rates will not impact the fixed budget and will only have an impact on the amount of funding available for the projects of the overseas branches. As there is no material impact on the net surplus/deficit or equity in local currency, a sensitivity analysis has not been prepared.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from the potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group's objectives in relation to credit risk are to ensure minimum impairment of its financial assets and minimise the possibility of loss.

The Group trades primarily with government related bodies, recognised creditworthy third parties and highly credit-rated financial institutions that have minimal risk of default. No collateral is held as security.

All receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of these assets.

Liquidity risk

Pursuant to its reserving policy, the Group maintains minimum levels of reserves by specie. The Group’s objective is to invest the surplus funds represented by these reserves in financial instruments with maturities that match its forecast payment obligations. The surplus funds are invested primarily in bank bills with differing maturity terms that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The table below summarises the maturity profile of the Group’s financial liabilities as at the reporting date based on contractual undiscounted repayment obligations.

	Consolidated and Parent	
	Less than 6 months \$000	6 to 12 months \$000
Financial liabilities as at 30 June 2008		
Trade and other payables	22,460	–
Funds held on behalf of the Commonwealth	3,850	3,066
Derivative financial instruments	786	130

Net fair values

The carrying values of all financial assets and liabilities approximate their fair value at the balance date. The net fair value of a financial asset is the amount at which the asset could be exchanged in a current transaction between knowledgeable and willing parties after allowing for transaction costs. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. There is no specific valuation technique utilised for the valuation of all other financial assets and liabilities.

29. FINANCING ARRANGEMENTS

MLA has access to two funding facilities which are available under special circumstances in response to industry crises from the Red Meat Advisory Council Limited (RMAC).

A \$0.5 million (2007: \$0.5 million) emergency fund can be accessed by MLA for scoping purposes following consultation with the affected species sector/sectors. In addition, a \$5 million (2007: \$5 million) contingency fund for the management of industry crises may be accessible. Use of this facility requires a two-thirds majority decision of RMAC directors with terms and conditions as agreed by RMAC and the Commonwealth Government. No amount has been withdrawn from these funding facilities.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Meat & Livestock Australia Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards 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



A. M. Heatley

Director



D. W. Palmer

Director

Sydney

19 September 2008

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEAT & LIVESTOCK AUSTRALIA LIMITED

We have audited the accompanying financial report of Meat & Livestock Australia Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expenses and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Meat & Livestock Australia Limited is in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the financial position of Meat & Livestock Australia Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



Ernst & Young



Brian Blood

Partner

Sydney

19 September 2008

In preparing our annual report we reference a number of our planning and evaluation documents. These are publicly available via our website at www.mla.com.au or by phoning 1800 675 717:

- *MLA strategic plan 2007–2011*
- *MLA annual operating plan 2007–08*
- *MLA annual operating plan final report 2007–08*
- *MLA annual operating plan 2008–09*
- *MLA evaluation series*

GLOSSARY

ABS	Australian Bureau of Statistics
AMIC	Australian Meat Industry Council
AMPC	Australian Meat Processor Corporation
AWI	Australian Wool Innovation
BSE	bovine spongiform encephalopathy (mad cow disease)
CRC	Co-operative Research Centre
DAFF	Department of Agriculture, Forestry and Fisheries
eMTC	Electronic Meat Transfer Certificate
FMD	foot and mouth disease
FTA	free trade agreement
ICA	industry collaborative agreement
KPI	key performance indicator
LPA	Livestock Production Assurance
MINTRAC	Meat Industry Training Advisory Council
MLA	Meat & Livestock Australia
MoU	Memorandum of Understanding
MSA	Meat Standards Australia
NLIS	National Livestock Identification System
NLRS	National Livestock Reporting Service
NVD	national vendor declaration
OH&S	occupational health and safety
QA	quality assurance
R&D	research and development
WCRF	World Cancer Research Fund
WTO	World Trade Organization

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MLA ANNUAL REPORT 2007–08

Meat & Livestock Australia supports the red meat and livestock industry by working collaboratively to build demand, increase market access and develop a competitive advantage through research and capacity building.

Practical information and tools from our activities are promoted through:

- publications
- events
- media
- online

For more information on publications, events, media activities and our programs go to www.mla.com.au or call 1800 675 717.

Auditors

Ernst & Young

Bankers

Commonwealth Bank of Australia

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