



Partners from paddock to plate

**MLA annual report 2008-09**

## Who we are

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 and exporters of red meat and livestock.

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.

**In 2008-09, MLA continued to partner with all sectors of the red meat supply chain to improve market access, grow demand, increase competitiveness and sustainability and build the industry's capabilities from paddock to plate. This partnership has seen Australia retain its position as the world's largest red meat and livestock exporter.**

## Our vision

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

## 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

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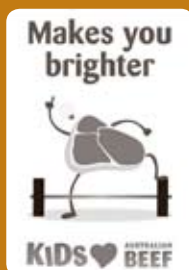
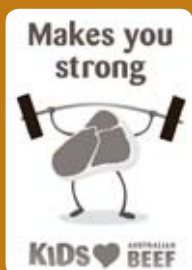
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# Highlights for 2008-09

## Increasing market access



Our new campaign to simultaneously drive demand for Australian live cattle and beef in Indonesia highlighted the nutritional benefits and eating quality of Australian beef contributing to a 30 per cent increase in live cattle exports to the region – page 22

We worked collaboratively with government and industry to help ensure Australian beef industry priorities were represented in negotiations for the Australia/Korea Free Trade Agreement – page 21

A hardware upgrade for the National Livestock Identification System database enhanced its robustness, reliability and the volume of transactions completed within three minutes – page 21

## Growing demand



A new first-of-its-kind microwavable roast beef product, which received a 2008 Food Magazine Challenge Award, has been developed and is set to launch next year – page 30

Exports of Australian red meat increased in value by 15 per cent to reach a record \$6.6 billion in 2008-09 – page 24

We launched a new communications strategy to promote the environmental credentials of the industry to metropolitan Australia – page 26

## Enhancing competitiveness and sustainability



We developed and launched LAMB2020 – a new breeding index that can help speed genetic progress and produce lambs \$8-10 a head more profitable – page 35

A standardised methodology for lifecycle analysis was established and provides more accurate data on water use in Australian red meat production – page 37

We increased our range of risk assessment products with the Australian Forward Cattle Trading Standard to assist in controlling price and supply for young and finished cattle – page 38

## Increasing industry capability

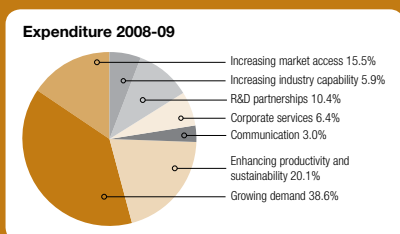


We motivated producers to trial or apply research and development outcomes on-farm with 61 per cent making a management change after participating in an MLA course – page 41

More than 2,600 producers have accessed our new online BeefSpecs calculator, developed with the Beef CRC, to better meet market specification and increase carcass compliance rates – saving up to \$30 a head – page 41

We partnered with eight companies to develop the new Collaborative Innovation Strategy program to improve innovation capability – page 42

## Operational and financial performance



Total expenditure for 2008-09 was \$146.8m – a decrease of 6.5% on 2007-08 reflecting a reduction in planned expenditure for the year in light of the forecast reduction of levy fund receipts – page 16

Our membership grew 2.8 per cent during the year to reach 46,156 accounting for approximately 82 per cent of red meat producers and red meat production – page 12

As part of our evaluation program, independent assessment was completed on our nutrition portfolio and on-farm efficiency for beef – page 8

A year ago, it was anyone's guess how the financial and economic crises would affect demand for Australian red meat. Now, the landscape is a little clearer. Australia is coming out of the situation somewhat bruised and battered, but it could have been far worse. Product could have been discounted more heavily and the longevity of the credit crisis could have been more prolonged. In the thick of it all the Australian red meat and livestock sector remained resilient and forged a path amidst the turmoil to capitalise on new and emerging opportunities.

## Our consumer

**Consumers around the world have changed their spending patterns.** Many white tablecloth restaurants are struggling to fill seats; casual dining establishments are offering 'recession menus'; while fast food outlets are seeing queues out the door. In an effort to reduce the weekly household budget, consumers are also 'eating in' more often with retail sales performing well as a result. Though the financial and economic downturn has slowed our industry's momentum, we certainly haven't stalled. Australia's red meat businesses have put in a lot of hard work to position their product in multiple segments across multiple markets – from high-end foodservice to quick service restaurants, and retail outlets to wet markets. Australian beef and lamb enjoys a good profile and broad access meaning that when one market is constrained, other markets tend to respond.

Remarkably, demand for Australian lamb and mutton remained very strong this year, seeing the record books re-written for mutton prices, while lambs in the saleyard posted historic highs. The value of lamb exports rose 21 per cent in 2008-09 to \$996 million as the impact of the global financial crisis was more than offset by the lower Australian dollar (A\$) and reduced supplies from New Zealand. The robust demand for lamb was also witnessed at home with Australian consumers spending \$2.2 billion on lamb, up \$100 million on a year earlier.

Beef hasn't fared so well. Though the value of exports rose 16 per cent over the past year, this masks the subdued cattle prices and lacklustre demand in some segments, particularly with the appreciating A\$ over the first half of 2009. Despite rising, the A\$ remained lower than the previous year, however the benefits of the cheaper currency were largely captured by importers or consumers in our overseas markets. While the cheaper beef prices have assisted sales of Australian product in key markets, they have failed to flow through to Australian cattle and export prices. The financial crisis has also changed the way many importers do business, now tightly managing their inventory positions and often trading from day to day to avoid over-purchasing. This is continuing to have a dampening effect on the market. The silver lining over the past year has been the robust performance of our exports to South-East Asia and the Middle East, with most countries in these regions continuing to post positive economic growth.

The future for beef demand is flecked with opportunities and challenges. Australia is already in an enviable position in the global beef trading arena with freedom from major diseases; access to all major markets; a strong presence in key markets; a high ranking for health, hygiene, shelf life and safety; and a 'clean and green' image. The restoration of global economic growth, prospects of a continuation in growth in beef supplies and the world's burgeoning middle class further offer some golden opportunities for our industry.

However, casting a shadow over this is intensifying competition for available land from encroaching urban areas and other agricultural products, the looming threat of competitor nations and our heavy reliance on just a handful of key export markets, particularly for the livestock export trade.

Though these challenges bite at our heels, they have failed to restrain our industry in developing and forging new customer relationships, providing a top shelf product and being responsive to customer requirements.

## Our community

### Livestock exports

**Our industry has made great inroads into raising animal welfare standards and improving the handling of Australian livestock in key export markets over the years.** In fact, over 99 per cent of Australian livestock that board a ship walk off fit and healthy. We must maintain these standards and demonstrate to the world our best practice animal welfare status to fortify this important trade – a trade which yielded over \$1 billion in export revenue in 2008-09.

We cannot downplay the fact that the sentiments of the Australian public can influence the direction of our industry. I applaud the Australian Government and Minister Burke for their public support of the livestock export trade. Such support goes a long way in the eyes of the Australian public. We must continue to focus our energies on maintaining community and government support for the trade by reinforcing our industry's animal welfare credentials.

### The Carbon Pollution Reduction Scheme

**A product's carbon footprint is becoming a more important consideration for consumers when making their purchasing decisions.** Our industry's footprint is well and truly on the radar screens of some groups in our community. Misinformation about the red meat industry's environmental footprint has the potential to knock the breath out of demand prospects for red meat. If left unchecked, it may also emerge as a market access barrier.

In essence, the Government's Carbon Pollution Reduction Scheme (CPRS) reflects the sentiment of Australian consumers. Economic modelling indicates that the CPRS would be detrimental to our industry: its introduction would see the cost of farm inputs rise while red meat production, exports, processing margins and employment would fall. This is a scenario our industry can ill afford.

The red meat industry is Australia's seventh largest export goods earner and therefore our role in providing a secure food source for the masses must be strongly considered in this

debate. It must also be recognised that our industry can make a valuable contribution to mitigating emissions through natural carbon cycles on farm and via improved pasture.

### Food security

**Wherever my travels take me in this job the topic of food security often surfaces in conversations.** This issue is perhaps most visible in the livestock export trade with food security very high on the agenda of the governments in Indonesia and the Middle East – regions with fast growing populations. Nations around the globe view Australia as a country that ‘ticks the boxes’ in regards to quality and reliability of food supply. As the world’s population continues to balloon, so too will the opportunities to deliver Australian red meat and livestock to the world’s table.

### Our industry

**One of the unique features of our industry is our collective, coordinated and cooperative approach to marketing, research and development and issues management.** Our pooled resources allow us to capture opportunities and at the same time, manage the emerging threats. The gains from this approach often achieve what would not be possible by commercial enterprises on their own.

Over the decades, research, development and extension have been crucial in supporting the development of our beef and sheepmeat industries, and it is important that we continue to seek improvements in the collaboration, efficacy and cost-efficiency across all government and non-government research, development and extension (RD&E) agencies. A National RD&E Strategy is being developed to provide a common direction, planning and guidance for delivering the priority R&D needs of beef and sheepmeat industries, as well as the resources required to meet those needs.

R&D priorities for the sheepmeat industry surround the big challenge of meeting the long-term demand for lamb by arresting the liquidation of the sheep flock and ensuring a balanced flock composition. While sheep numbers are now at their lowest level in over a century in response to declining

wool prices and strong demand for mutton and live sheep – the ewe base remains fundamentally strong. It is vital that producers maintain and enhance this foundation to ensure the long-term sustainability of our prime lamb industry.

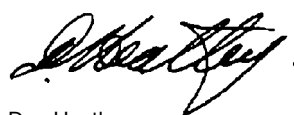
And there is more work ahead of us in producing beef more efficiently through genetic improvement, and more effective grazing and animal management. The ability of cattle operations, particularly in the south, to turn a profit in a high input cost environment – exacerbated by drought – is also proving to be challenging and an important area of extension work for the industry.

### Picture of success

**I see a bright future for our industry provided we keep our sleeves rolled up and continue to invest in growing recognition of the systems that underpin our products.**

In five year’s time I see Japanese and Korean consumers eating as much beef as they did before the discovery of BSE in the US. I see a more diverse mix of markets for the livestock export trade – with Indonesia no longer dominating the live cattle trade; new destinations for boxed beef and lamb; and greater volumes of all our products going to currently emerging markets such as Russia and South-East Asia. Domestically I see beef maintaining its status as Australia’s favourite protein while our love affair with lamb will also continue. To supply these growing markets I envisage the continuation of our strong tradition in productivity, animal husbandry and resource management improvements that will ensure the sustainability of our great industry.

This ambitious target is no less than what we must strive for. I truly believe it is within reach. MLA is investing in the future by funding marketing, research and development and communications initiatives to help bring this vision to life and keep our industry positioned to meet customer requirements and community expectations.



Don Heatley  
Chairman



Don Heatley, MLA  
Chairman, at the  
National Farmers  
Federation Congress  
in Brisbane,  
21-23 June 2009

# Managing Director's report

The trading environment for Australia's red meat and livestock industry during 2008-09 was one of major global economic instability, upping the ante on deliverables from its service company – Meat & Livestock Australia – and calling on a unity of purpose for all sectors of the industry.

When individual enterprises are feeling the pinch, the need for efficient and effective management of the industry's pooled investment becomes even more critical in order to develop services and solutions for industry-wide benefit.

Working collaboratively with industry and government, MLA continued to develop opportunities this year to increase market access and demand for red meat, and enhance the industry's capability to outperform competitors on quality, safety, reliability of supply and consumer appeal.

## Increasing market access

**Open access to markets is vital for our export focused industry. In the current global environment dominated by rising protectionism, our efforts to minimise trade barriers and counter harmful trading arrangements are critical.**

While liberalising trade routes globally is hindered at the World Trade Organization, the red meat industry is forging ahead to improve its access arrangements via bilateral or free trade agreements (FTAs) with key markets. MLA provided the government with information and supported the industry to position red meat and livestock interests as a priority in negotiations. This year saw the conclusion of ASEAN and Chile FTAs with positive outcomes for Australian beef and the start of the Korea FTA negotiations with beef a priority issue – both for industry and government.

Crucial to access negotiations is the industry's certificate of trust – the National Livestock Identification System – also a key point of differentiation in increasingly food safety cautious markets. The system is a prime example of collaborative investment achieving industry-wide benefit, with two of



David Palmer, MLA Managing Director, speaking with producers at the Beef-Up forum in Boonah, 4 June 2009

Japan's largest food retailers – McDonald's and AEON supermarkets – underpinning their major marketing campaigns with our systems to reassure their customers.

## Growing demand

**With the economic downturn influencing consumer purchasing patterns, MLA marketing campaigns responded to maintain customer loyalty and minimise consumers 'trading down' or out of the red meat category.**

In the domestic market, MLA's beef campaign featuring Laurie Lawrence and *Entice* magazine aimed to build cooking confidence with beef and encourage customers to trial new recipes and cuts. The success of our advertising for beef and lamb, and generic promotion of red meat, is backed by years of cooperative industry effort to:

- lift the quality of beef and lamb through programs such as Meat Standards Australia;
- improve presentation at retail with support from the Red Meat Networking Club, now supporting nearly 50 per cent of Australian retail butchers; and
- communicate the positive nutritional attributes of red meat and the integrity of the industry itself.

Each of these initiatives would be unsuccessful without collective industry effort and the strong combination has averted any real slide in domestic expenditure on red meat, with just a slight dip of two per cent in what could have been a much tougher year.

These same foundations have ensured our foothold in other mature markets such as Japan, Korea and the US. To further grow our momentum in these markets we are maximising our use of industry funds with commercial investment through our industry collaborative agreement program (ICA). While not a new concept – with joint funding having been the winning formula behind the US lamb market growing from almost nothing 15 years ago to the \$300 million market we enjoy today – this year we co-invested \$4.2 million with 46 exporters in a flexible new international approach to target specific market segments and build customer demand and loyalty for Australian beef and lamb.

This strategy also allows us to diversify industry investments and look to emerging opportunities. The lower A\$ in the first half of 2008-09 and easing in competition from South American suppliers, in combination with our strategic promotions to build awareness and loyalty to Australian red meat, were key factors in the resurgence of exports to the Middle East, South-East Asia and Russia. Our investment in the Halal brand in the Middle East – a market that saw Australian beef and lamb exports grow 80 per cent and 28 per cent respectively this year – is an example of how our investments in these markets now form the backbone of future success in growing our market share for the longer term prosperity of the industry.

The Indonesian market is a case in point as it has emerged as our fourth largest export market by volume, with live cattle exports growing nearly 30 per cent and boxed beef exports growing 20 per cent on 2007-08. With a population of 237 million and a growing middle class arising from rapid urbanisation, the

consumption potential in this market is vast. The industry sought to capitalise on this opportunity this year via an integrated nutrition campaign to promote our live cattle exports and beef and increase the profile of beef in Indonesian diets.

A growing challenge to our industry is the increasing interest from communities around the globe in how their food is produced, and MLA has substantially boosted its activities to promote the red meat industry's environmental credentials. Our efforts are well under way in the domestic market with the campaign 'Our environment. Our commitment.' running at opportune times throughout the year, such as World Environment Day, where we declared on behalf of industry that 'Where we live, every day is environment day' in metro print and online media, reaching a cumulative audience of 17.4 million.

## Enhancing competitiveness and sustainability

**A cursory look at fluctuating gross profit margins in the red meat industry suggests there is great potential for improvement should businesses harness the opportunities created by their levy investment.**

The intense pressures of the previous two years with ongoing drought, high input costs and competition from cropping have somewhat eased in the past year, but the effects will continue to be felt for years to come.

Our investment in research, development and extension aims to consistently deliver a responsive portfolio that meets industry and individual business needs now and into the future.

A number of new tools – such as the BeefSpecs calculator, LAMB2020 index and new integrated pest management techniques in feedlots – emerged from the R&D pipeline this year to assist producers increase their margins in a climate of stable but relatively modest livestock prices.

The foundations for genetic/genomic research have been well established and are now delivering up to \$20 million and \$17.5 million additional industry value for the beef and lamb sectors respectively. The commercial sector is now partnering in the development and delivery of genetic applications and tools, and so our investments in this area will begin to refocus on independent verification and evaluation.

The MLA Donor Company (MDC) is a vehicle to drive the commercial development and delivery of research outcomes and this year MDC investments drew an additional \$28.3 million on 104 projects.

The Australian Government is a critical partner in our R&D portfolio providing 50 per cent of our \$62.8 million investment. With the Government's increased scrutiny of industry's role in environmental management, they have increased their investments with a particular focus on climate change research. This additional \$11.25 million is funding 18 new projects managed by MLA to provide a dual benefit – investigate methane emission reduction from livestock which, if successful, also has the capacity to increase livestock productivity.

## Increasing industry capability

Continual development of a skilled and engaged workforce is fundamental to the long-term health and viability of the industry and the rural communities in which it operates.

More than 12,000 producers tapped into our workshops, publications, events and online communications during the year with 61 per cent of them making management changes as a result, and 80 per cent reporting a positive impact.

In addition, we partnered with eight red meat companies via Collaborative Innovation Strategies to implement change management programs within their businesses to drive new efficiencies and develop the innovative culture of the industry as a whole.

## MLA operations

In 2008-09, we maintained a solid financial position reflecting the company's sound fiscal management. Revenue increased by 0.3 per cent to \$163.4m including an increase in levy income of \$4.2m. Meanwhile total expenditure fell 6.5 per cent to \$146.8m due to an underspend in certain program areas. An increase in levy receipts in the latter part of the year led to a larger than forecast surplus of \$16.5m, taking MLA's retained surplus to \$54.4m.

At the core of the company's success is the hard work, commitment and dedication of staff. I commend and thank our staff for consistently delivering and continually striving to improve efficiencies within the company and the wider industry – always remembering and valuing where the money comes from.

## Looking forward

**The shared goal for our industry – for producers, processors, the government and industry bodies – is to grow the profitability and sustainability of red meat production.**

MLA constantly anticipates challenges and seeks opportunities on behalf of the Australian red meat industry, and in 2009-10 our focus will be on:

1. Ensuring the industry's environmental credentials are proudly asserted to the community to protect red meat's status as a preferred protein.
2. Continuing to invest industry and government funds into programs and initiatives designed to increase productivity throughout the market chain. Productivity gains are fundamental to industry viability and business reinvestment.
3. Vigorously promoting our product and meeting varying consumer requirements to expand our markets for the longer term prosperity of the industry.
4. Striving for an optimal free trade agreement outcome with Korea that will see the Australian industry gain at least parity of access with our major competitor in the region – the US.



David Palmer  
Managing Director

# About MLA

## How we work

The Australian meat and livestock industry operates within a complex, highly competitive local and global market. The industry faces pressure from other protein products, competing red meat supplying countries, the environment and increasing community and government scrutiny. 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.

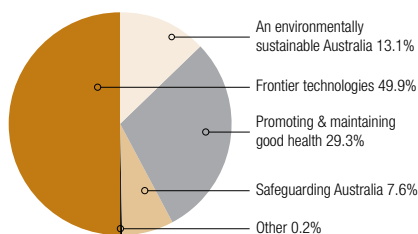
The focus and direction of our marketing, research and development effort is provided by the industry peak councils' *Meat Industry Strategic Plan 2004–2009 (MISP)* and is closely aligned to the Australian Government's national and rural research priorities.

The imperatives of the MISP address three key industry drivers: markets and consumers – creating access advantages, value-added products and marketing programs; product – focusing on food safety and eating quality; and supply chain – addressing community concerns and whole-of-chain efficiencies.

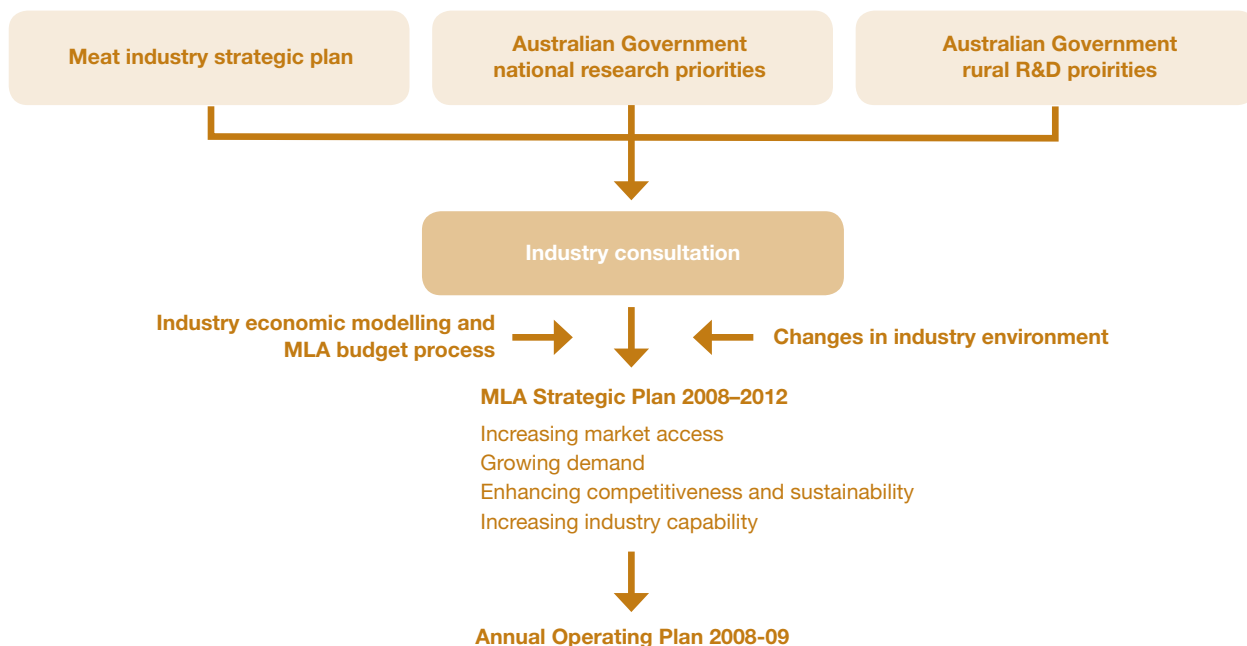
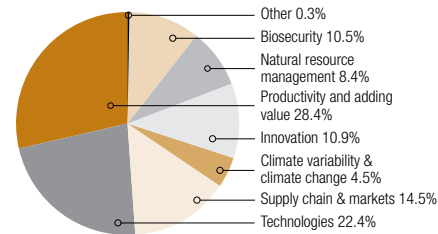
## Our priority alignment

MLA's \$62.8 million R&D investment aligned to the Australian Government national and rural research priorities for 2008-09.

National R&D priorities



Rural R&D priorities



## MLA Strategic Plan 2008–2012

MLA's five year strategic plan is a dynamic plan that the MLA Board and Executive Committee review annually to ensure it remains relevant to industry, government, community and consumer needs. During 2008-09 our *MLA Strategic Plan 2007–2011* was reviewed and in light of shifts in industry and government priorities as well as a consolidation and re-alignment of MLA objectives, it was updated with the *MLA Strategic Plan 2008–2012*. Changes involved splitting the 'aggressive promotion in the marketplace' objective into two

separate objectives – one for the domestic market and one for export markets; and grouping 'improving biosecurity and animal health' with the 'improving animal welfare' objective. The *MLA Strategic Plan* forms the basis for developing closely aligned annual operating plans. 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'.



## 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 2008-09 Annual Operating Plan, drawn out of the *MLA Strategic Plan 2008-2012*, is assessed in the Review of Operations on pages 18-42, which 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.

## Our partnership with industry and government

Producers in different industries, along with private and government organisations face many of the same issues. 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.

Collaboration is important to:

- maximise the return on MLA investments
- avoid duplication and generate synergies with other research investors
- maximise delivery to producers through collaborative efforts

Some of our successful collaborations during the year included:

- Australian beef industry priorities recognised in the negotiations for an Australia-Korea FTA – see page 21
- Establishment of a comprehensive portfolio of research under the Australian Government's Reducing Emissions from Livestock program – see page 36
- Development and release of the BeefSpecs calculator – see page 41

## Expanding investment opportunities

MLA's fully-owned subsidiary, MLA Donor Company Limited (MDC), provided a vehicle for attracting commercial investment of \$28.3 million in innovation in 2008-09, bringing the total value of the current portfolio of approved projects to more than \$49.6 million.

Since its inception in 1999, the R&D partnership program has approved in excess of 400 projects valued at \$107.7 million from all parts of the industry supply chain including processors, value-adders, breed societies, large pastoral companies and technology providers. In addition, MDC has formed international alliances that have assisted in accelerating Australia's access to valuable intellectual property at a much lower cost than would otherwise have been possible.

MDC initiatives are clearly integrated with the overall objectives of our five year strategic plan.

Benefits arising from MDC projects successfully commercialised include:

- improved sustainability on and off farm
- higher standards of occupational health and safety
- new value-added products that facilitate access to new international markets and increased export earnings
- enhanced employment opportunities for young professionals in the industry, and reduced production costs leading to a more competitive industry

The portfolio of 104 projects approved last year is diverse and the outcomes of key projects are detailed in the Review of Operations.

MDC INVESTMENTS			
	2008-09	2007-08	↑↓
New contracts	\$28.3m (104)	\$22.0m (89)	↑ 28.6%
Completed and terminated contracts	\$17.8m (78)	\$21.4m (49)	↓ 16.8%
Live contracts @ 30/06	\$49.6m (138)	\$39.5m (112)	↑ 25.6%

## INVESTMENT



MDC HIGHLIGHTS FROM 2008-09				
Objective	Measure	Highlight	Benefit	Future
Increase industry's R&D investment, innovation culture and capability	Implement a balanced portfolio of R&D partnerships	104 projects approved valued at \$28.3m across all sectors of industry	Continued research without relying on industry levy funds	Further investment in tailored collaborative innovation strategies
	Facilitate adoption and uptake of partnership project outcomes	Commercially available robotic technologies	R&D partnerships bridge the adoption capability gap	Develop innovative products, processes and new business models
	Support an innovation culture and capability	The Innovation Manager Network officially launched	Opportunities in the red meat industry recognised by upcoming professionals	

## How we evaluate our work

Evaluating our performance is critical to demonstrate the value of our work and its impact on the industry and broader community.

On top of measuring our performance annually through key performance indicators, we also evaluate our work against its contribution to industry, impact on the Australian community and environment and the efficiency of the services we provide.

To ensure our programs and activities deliver value to our stakeholders, we invested in the development of an independent evaluation framework. The framework, developed

by the Centre for International Economics, enables objective assessment of program outcomes against our strategic imperatives – to increase market access; build demand; enhance competitive advantage; and increase industry capability. The framework also reports on the alignment of our programs with the Australian Government’s rural research and development priorities.

Independent evaluation of programs across our portfolio of work began in 2006-07 and this year independent evaluation of our nutrition and on-farm efficiency for beef programs was conducted.

Program	Promise	Progress	Performance
Enhancing the nutritional reputation of red meat	Sustain domestic demand for red meat; research the impact of red meat diets on health and wellbeing.	Increased demand for red meat; increased domestic consumer expenditure; increased knowledge of health benefits associated with including red meat in the diet.	The \$43 million <sup>#</sup> invested by MLA’s Nutrition program (2001-07) maintained consumer and healthcare profession confidence in red meat despite ongoing challenges. It is likely to have contributed substantially to increasing demand for beef and lamb.
Increasing cost efficiency and productivity in beef production	Improved performance and/or product quality at farm level; ensure feedlots remain a viable and sustainable pathway to market for producers.	High adoption of information and tools, and strong participation in extension activities are enabling a large proportion of beef producers and lot feeders to apply R&D outputs to their livestock operations.	The \$75 million <sup>#</sup> invested by MLA between 2000 and 2007 has contributed to improved on-farm productivity, product quality and feedlot sustainability.  <b>An additional \$374 million* in industry value equating to a 3.4:1 benefit-cost ratio has been achieved.</b>

# Actual cash flow expenditure over the life of program

\* Benefit estimates are expressed in real dollar terms at time of analysis over 15 years 2001-2015

Source:

CIE / MLA Evaluation Series:

- Red meat nutrition marketing, 2008
- Increasing efficiency and productivity in beef production, 2009



# Corporate sustainability

Every aspect of our work strives to achieve economic gains for Australia's red meat and livestock industry, as well as direct and indirect consumer, community and environmental benefits.

## Our staff

The quality and competency of our staff is paramount to delivering on our mission of providing world-class services and solutions for the Australian red meat industry. Our business planning centres on the ability of our people to explore and develop solutions to meet current and future industry challenges.

## Our workforce

At 30 June 2009 we employed 235.1 full time equivalent staff: 203.1 in Australia and 32 overseas, a two per cent decrease from 2007-08.

Profile at 30 June 2009	Number of employees	% of workforce
<b>Total staff</b>	<b>235.1</b>	<b>100</b>
Men	127	54
Women	108.1	46
Full-time staff	221	94
Part-time staff	14.1	6
Australian based staff	203.1	86
Overseas based staff	32	14

From our staff of 235.1, 54 per cent come from a rural background through family affiliation, previous experience in the industry or tertiary qualifications.

Voluntary employee turnover was 13.2 per cent or 32 employees this year – a drop of more than 8 per cent on the previous year. Contributing to this decrease in staff turnover was the development of an HR strategy that includes ongoing succession planning and talent management which has increased internal staff promotions, and targeted benchmarking that ensures remuneration is in line with the market.

## Workforce sustainability

At an executive level, we linked succession planning and talent management to our business planning by developing cross-functional project teams to facilitate growth and promotion within the company.

Through our employee development policy, we encourage staff to undertake external education to enhance their skill-set, professional development and continue their career growth which ultimately benefits our business outcomes.

## Health, safety and wellbeing

The health and wellbeing of our staff is of paramount concern. We regularly review occupational health and safety management systems particularly for risk areas like saleyards and abattoirs to ensure we conform to legislation and the Australian Standard. We provided access to Q-Fever vaccinations where required by employees, through the medical provider Health Services Australia. Q-Fever is an industry specific disease that may be contracted from animals.

During the year there were three injuries resulting in time loss of 610.05 hours in total. There were no reports of sex-based harassment or discrimination.

## Engaging our people

We conducted a staff survey to ascertain levels of employee engagement and job satisfaction, and to identify what we are doing well and where improvement needs to be made.

The survey recorded a high participation rate of 192 employees, or 82 per cent of our workforce compared to 75 per cent in 2006. The survey showed that managers are strongly appreciated by staff and that staff are engaged in their work. It also revealed employees believe they work in a positive company culture, that it is a rewarding place to work with good learning and development opportunities. Our culture was shown to have:

1. Strong teams
2. Caring and supportive relationships
3. Managers with integrity who display good judgment
4. Staff commitment to the industry and stakeholders
5. Engaged employees

We addressed areas of improvement identified in the survey by offering staff training and development throughout the year and encouraging enhanced communication to all staff via a range of team meetings and all-staff presentations.

Regular face-to-face communication and involvement is imperative to aid employees in understanding our business direction and industry challenges. We hold regular staff briefings to facilitate interaction and ownership of industry and company initiatives.



"I've been with MLA for three-and-a-half years. I'm responsible for ensuring our IT systems help staff to achieve their business objectives."

Catherine Stokes,  
IT support

## Our organisation structure

We operate in partnership with industry and government to deliver world-class products and programs.

### The Australian Government

The Australian Government sets high priority R&D objectives covering community, industry and environmental concerns. These are addressed via our Memorandum of Understanding and Commonwealth Deed of Agreement.

### Industry peak councils

The following peak councils provide policy direction, scrutinise budgets and monitor our performance on behalf of the red meat industry:

- Australian Lot Feeders' Association
- Australian Livestock Exporters' Council
- Australian Meat Industry Council
- Cattle Council of Australia
- Goat Industry Council of Australia
- Sheepmeat Council of Australia
- Red Meat Advisory Council

### Our Board of Directors

The Board sets strategic priorities and direction for the company, approves and monitors progress against the strategic plan, evaluates performance and budgets, and oversees risk management and compliance. For our current Board members and their profiles see the Corporate Governance Statement on page 44.

## Where we're located

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

MLA's executive team: (L to R) 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 Executive Committee

The Managing Director and seven General Managers make up our Executive Committee, which is responsible for guiding MLA's performance through the development of key strategies, business plans and policies, and ensuring we meet our corporate objectives.

### Managing Director: David Palmer

#### Corporate services

Provides support services, risk management, corporate governance, budget, planning and financial reporting to MLA management and stakeholders.

#### General Manager: Laurie Robinson, CPA

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.

#### Industry systems

Underpins Australia's reputation as a supplier of safe, quality red meat with the management, communication and development of industry systems.

#### General Manager: Allan Bloxsom

Allan has 40 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 domestically and in the international arena.

#### Marketing

Grows demand and promotes the quality, safety and nutritional value of Australian red meat in the domestic market.

#### General Manager: David Thomason, BBus

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 support MLA's reputation for marketing excellence.

#### Corporate communications and livestock exports

Aims to ensure all key stakeholders are aware of the role of MLA in the red meat and livestock industry, the opportunities created by MLA's programs and their potential benefits to industry.

#### General Manager: Scott Hansen,

B Rur Sc, Grad Cert Comm

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.

#### International markets and economic services

Works with industry and government to protect and increase access to international markets. Provides market information and analysis that supports the Australian red meat and livestock industry. The activities of overseas regional offices support the development of strong supply chains and customer loyalty to Australian red meat and livestock by promoting its quality, safety and nutritional value.

#### General Manager: Peter Barnard,

PhD Econ

Peter, through his contribution to market access outcomes and to comprehensive market analysis is well-respected within the agribusiness sector and government. He has many years' experience in agricultural policy formulation as well as being a major participant in international forums on the global red meat industry and its opportunities.

#### Livestock production innovation

Conducts R&D targeted at improving on-farm practices to develop a competitive advantage for the red meat industry; and delivers programs to extend the results of R&D to industry, creating opportunities for profitable and sustainable red meat production.

#### General Manager: Ian Johnsson,

B Rur Sc, PhD

Ian joined MLA in January 2007, bringing with him over 30 years of agricultural research experience. His hands-on research in the livestock arena, combined with his senior management roles with MLA's predecessor organisations and more recently Australian Pork Limited has put him in a good position to oversee and develop the on-farm research portfolio for the red meat and livestock industry.

#### Client and innovation services

Fosters an industry-wide culture of continuous improvement, innovation and increased professionalism by partnering with processors to develop and implement successful innovation strategies for R&D and marketing.

#### General Manager: Christine Pitt,

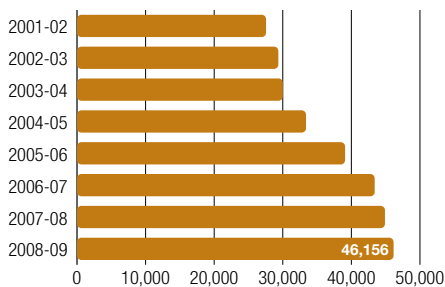
DBA MHA BSc MAICD

Christine held a number of senior positions in retail, manufacturing and financial service 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.

## Our members

Our membership underpins our ability to effectively communicate key industry initiatives and company information that contributes to whole-of-industry improvements. MLA members account for approximately 82 per cent of Australian red meat livestock producers and red meat production.\* During 2008-09, we relied on organic growth which saw membership increase by 1,258 (2.8 per cent) to reach 46,156 falling slightly short of our original target of 47,000.

### Membership continued to increase



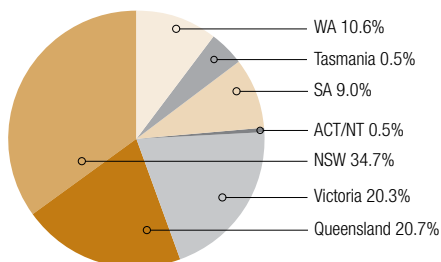
### Members by activity and location

MEMBERS BY ACTIVITY			
Type	2008-09	2007-08	% change
Cattle (grassfed)	39,062	37,878	3.1
Cattle (grainfed)	4,962	4,847	2.4
Sheep/prime lambs	17,030	16,777	1.5
Sheep only	10,074	10,183	-1.1
Goats	2,248	2,217	1.4

Note: Some members fall into more than one sector

The percentage of members by location remained relatively stable this year with the exception of NSW and the ACT – a result of standardising post codes to Australia Post criteria – and Tasmania, which recorded a 13 per cent increase in membership. This was driven by increased producer registrations in the Meat Standards Australia program.

### Members from each state



## How we communicate with our members



*FeedbackTV* – won the Queensland Rural Industry Training Council Award at the 2008 Rabobank Red Meat Awards.



Beef Australia 2009 – we hosted forums for young producers and the broader industry offering insights into attracting and retaining staff and the Beef Marketing Funding Committee review of the cattle transaction levy.



Annual Report 2007-08 – met the criteria for a Silver Award in the Australasian Reporting Awards and was a finalist in the Online (electronic) reporting category.

Our communication efforts through integrated media, publications, events and online continued to perform strongly for members, ensuring 98 per cent were aware of our activities\*\*. We achieved steady improvement in how members rated our communications (from a favourability mean of 3.38 out of 5 in 2007 to 3.55 in 2008)\*\* and the information that helps them increase the profitability of their enterprises (from 3.01 to 3.32 in 2008)\*\*.



We are a foundation partner in Beef Australia. The 2009 event attracted 68,000 people.

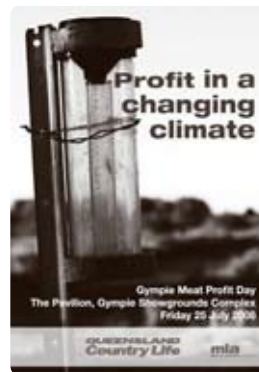
We continued our partnership with the Rural Press Group this year in three joint features – ‘Boost your bottom line’ and ‘Profit from spring’ in *The Land* and ‘Profit in a changing climate’ in *Queensland Country Life*. These features allowed us to reach our current membership in a preferred medium\*\* with commentary about the key activities impacting on the industry including people management, production and marketing.

Our magazines *feedback* and *Prograzier* are providing 75 per cent of readers with information that has a positive impact on their business management\*\*. In addition, we have encouraged increased uptake of specialist titles, particularly on-farm business best practice, by introducing a seasonal catalogue targeted to each sector of the industry. *FeedbackTV* – our 45-minute TV show-style information DVD – was cemented as a regular communication channel, with four episodes produced during 2008-09.

Key industry event Beef Australia 2009 provided an opportunity to showcase MLA and its activities to 68,000 people involved in Australia’s cattle industry. As foundation sponsors of the event, we ran two forums presenting relevant industry issues including the beef levy review and pertinent R&D for cattle production systems; operated an interactive display; and provided speakers for key information sessions.

Two Meat Profit Days – in Orange, NSW and Gympie, Queensland – rated well amongst the 850 producers who attended and provided insights into key production issues and how to better manage them. We continued our involvement with popular community events to more cost effectively run an additional five MLA-focused forums for 250 stakeholders in NSW, SA and Victoria.

Significant headway was made in redeveloping our corporate website this year to improve its useability and relevance to our key stakeholders. The user needs analysis research, information architecture and wire frame development stages have been completed, and the creative design process



**Rural Press features allowed us to communicate with our members in a preferred medium.**

and selection of a new content management system are now underway. We are due to launch the new site in early 2010.

While visitation to the current MLA website remained stable this year with 42,000 unique visitors a month, efforts were made to improve targeting of our electronic communications through more advanced audience segmentation and tailoring of information by region, season and production system, which resulted in a trebling in the number of publications downloaded.

For more details on our communication policy and how it is reflected in our strategy see page 47 in the Corporate Governance Statement on communicating with members.

\* ABARE, *MLA comparisons*

\*\* *Taverner Research: MLA Member Communications Survey 2008*



**The Meat Profit Day in Orange NSW provided insights into key production issues and how best to manage them for the 370 producers who attended.**

## The Australian community

The \$62.8 million invested in 2008-09 for research and development delivered a range of outcomes – not just for the red meat industry but for its consumers and the community in which it operates.

### Future science

Australia's innovation capability influences the productive performance of the national economy and contributes to higher living standards.\* We support and foster the future capability of the research community through scholarships and training.

Investing in red meat R&D not only benefits our industry directly but contributes to the broader bank of scientific knowledge in Australia. We completed 382 R&D projects during the year and began 194 and in parallel we supported 21 researchers through our postgraduate and scholarship program, which bridges education with agricultural research. More than 220 postgraduate students have been supported through MLA and its predecessor organisations since 1975. The scholarship program supports students undertaking postgraduate studies for the three years of their candidature.

R&D INVESTMENTS			
No. of projects	2008-09	2007-08	↑ ↓
New contracts	\$27.3m (194)	\$33.5m (412)	↓ 18.5%
Completed and terminated contracts	\$47.4m (382)	\$31.1m (436)	↑ 52.4%
Live contracts at 30/06	\$75.1m (276)	\$99.1m (464)	↓ 24.2%

Students' projects are varied and cover a wide range of industry-related topics, and include all areas of interest in our on- and off-farm R&D programs.

TRAINING FUTURE RESEARCHERS			
	2008-09	2007-08	% change
Scholarship	\$429,251 (18)	\$411,585 (23)	↑ 4%
Postdoctoral	\$311,741 (3)	\$243,710 (3)	↑ 28%
Total	\$740,992	\$655,295	↑ 13%

While our overall investment has increased, the reduction in scholarship numbers is due to a refocus within scientist training from postgraduate scholarships to postdoctoral fellowships.

### Working better

Another issue we are seeking to address is staff turnover and the resulting instability for businesses in Australia's rural economy. Around 42 per cent of employees are expected to leave our industry over the next five years costing an estimated \$327 million. In conjunction with Australian Wool Innovation we conducted a survey on nearly 1,000 employees to find out critical factors that could improve job satisfaction. The results released this year recommended employers take a professional approach to staff development including systems for rewarding

good performance, better communication, fair pay and future job certainty.

Work-related injuries are an important issue for businesses in our industry and the communities in which they operate. Research in occupational health and safety issues has delivered solutions that minimise work injuries and gives job access to a broader group of people in the community. A key project we jointly delivered this year was the 'boning arm' – an operator assisted beef boning machine that reduces the number and severity of occupational, health and safety problems on food processing lines. Installed in five plants, this device also increases yield gains and chain speed efficiency adding up to a total of \$4.53 per head processed.

### Eating well

We work in consultation with key experts, policy makers and leading health organisations to ensure dietary recommendations relating to red meat are consistent, credible, and importantly, based on accurate information. Throughout the year we continued partnership programs with the Heart Foundation and the Dietitians Association of Australia; facilitated workshops on food policy and the environment; and contributed to discussions on relevant food and nutrition policy.

Importantly our body of scientific evidence continued to contribute to the clinical management of chronic diet-related conditions, particularly weight management and diabetes which currently cost the nation \$6 billion annually.\*\* During the year we also collated and communicated evidence on eating patterns and behaviour shown to contribute to better health outcomes, including prevention of childhood obesity as well as prevention of important nutrient deficiencies, such as iron and zinc. The evidence indicated that toddlers and women of child-bearing age are at risk of low iron and zinc and that iron deficiency may decrease their required cognitive function.

\* Council of Rural Research and Development Corporations' Chairs Submission to the national Innovation System Review, 2007

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



**An MLA and AWI funded survey suggested that employers should take a professional approach to staff development to reduce instability in their business and the broader rural community.**



## Protecting the environment

### Industry stewardship

Both in Australia and overseas, consumers are increasing their awareness of, and interest in, the ethics of food production – particularly as it relates to environmental sustainability. However, this increased focus on environment and the factors contributing to climate change is frequently based on unreliable data resulting in public misinformation.

This year we developed a strategy to equip our industry and government with the science, knowledge and capacity to appropriately respond to climate change challenges and opportunities. In turn building knowledge and trust amongst the community that industry are environmentally responsible and responding appropriately to climate challenges.

This strategy straddles four key areas:

1. Research that evaluates our industry's environmental performance and investigates options to mitigate and manage the risks of seasonal to longer term climate variability and change.
2. Informing policy makers with scientifically defensible information to ensure fair treatment of agriculture (livestock) in government policy development as well as implementation.
3. Community communications to inform environmental discussion and debate with balanced and accurate information about the industry.
4. Trade advocacy in our international markets to pro-actively raise awareness of the Australian red meat industry's management of the environment and to ensure our customers continue to value the Australian red meat industry's clean, green production systems.

We work and co-invest with industry, government and other research agencies to sustainably manage Australia's vital natural resources to improve the condition of the environment as well as the performance of individual enterprises. A major boost was given to our portfolio of research by the Australian Government this year under its Australia's Farming Future Climate Change Research Program, (\$11.25 million for reducing emissions from livestock and \$2.6 million for northern and southern livestock systems adaptation over four years): This increased our portfolio of environmental research to \$7.8 million covering 30 projects.

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

### Minimising our corporate footprint

A core focus of our programs is to develop and deliver information that can help the red meat and livestock industry sustainably manage the environment in which it operates. While MLA itself has negligible environmental impact, we actively implement activities to minimise our corporate footprint.

Our day-to-day operations require our people to travel around the country and the world to ensure the industry and our trading partners are informed of new developments, challenges and opportunities. This year we worked to reduce our required travel to gain financial and environmental benefits without adversely impacting on our business and the competitive position of the industry. Our staff reduced their travel last year which resulted in a 13 per cent reduction in travel costs compared to 2007-08.

At the Sydney head office building improvements were made for greater efficiency in:

- waste recycling: new paper and waste recycling bins were introduced
- water: new water efficient toilets were installed
- energy: upgrades were made to our lighting and air conditioning system to reduce energy consumption

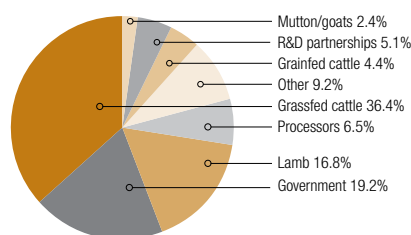
We continued our effort to electronically publish our materials to minimise our use of paper. We again reduced the number of hard copy annual reports this year from 3,000 in 2007-08 to 2,500 this year. Hard copy publications distributed to members reduced dramatically this year from 116,073 to 54,568 this year – a reduction of an estimated 92 tonnes of paper. At the same time, we increased use of electronic publications with 73,000 downloaded during 2008-09 compared with 27,000 in 2007-08. All offset printed publications are produced on environmentally friendly paper (Spicer's Monza recycled – 55 per cent recycled content and Forest Stewardship Council mixed source certified and ISO 14001 Environmental Accreditation and Envirocare – 100 per cent recycled).

## Our financial position

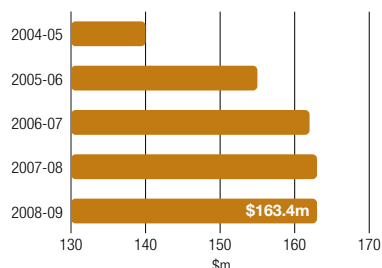
### Revenue

Total revenue for 2008-09 was \$163.4m – an increase of 0.3 per cent on 2007-08 (\$162.9m). Within that, there were significant variances with increases in levy income of \$4.2m (grainfed +\$3.0m, lamb +\$1.7m, grassfed -\$0.6m), government grants of \$1.2m and research & development contributions through the MLA Donor Company of \$1.0m – this was offset by National Vendor Declaration (NVD) income now being received by AUS-MEAT (\$1.7m) and a fall in income for services (\$0.4m).

Revenue 2008-09



Revenue over five years



### Retained surplus

The strong increase in levy receipts over the latter part of the year resulted in the company achieving a larger surplus than planned of \$16.5m, compared to a surplus of \$5.8m in 2007-08. The retained surplus as at 30 June 2009 was \$54.4m (2008: \$37.9m). This surplus is broken down by species as follows:

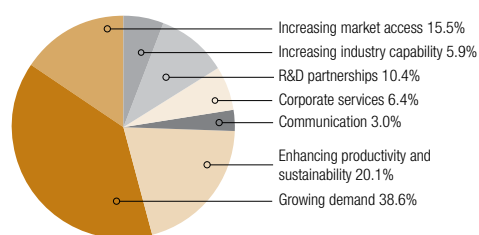
Grassfed cattle	\$29.1m
Grainfed cattle	\$3.4m
Lambs	\$18.4m
Sheep	\$2.7m
Goats	\$0.8m

More detailed information can be found in the Financial Report from page 43.

### Expenditure

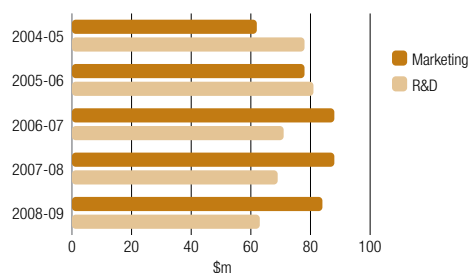
Total expenditure for 2008-09 was \$146.8m – a decrease of 6.5 per cent on 2007-08 (\$157.1 million). In the main, this reflected a reduction in planned expenditure for the year in light of the forecast reduction of levy fund receipts at the beginning of the year. There has been a further underspend in Enhancing competitiveness and sustainability (-\$1.5m) and Increasing industry capability (-\$1.2m) as a result of delayed milestones and expenditure deferred as a consequence.

Expenditure 2008-09



Strategic imperative	2008-09 \$m	2007-08 \$m
Increasing market access	22.8	23.8
Growing demand	57.3	62.8
Enhancing productivity and sustainability	29.6	31.1
Increasing industry capability	8.7	10.0
R&D partnerships	15.2	16.3
Corporate services	9.4	9.2
Corporate communications	3.8	3.9

Expenditure over five years



**FIVE YEARS AT A GLANCE**

	2008-09	2007-08	2006-07	2005-06	2004-05
<b>Australian red meat and livestock industry</b>					
Industry value*	\$16.5bn	\$15.6bn	\$15.9bn	\$15.0bn	\$14.7bn
Australian consumer expenditure on beef	\$6.4bn	\$6.7bn	\$6.6bn	\$6.4bn	\$6.0bn
Australian consumer expenditure on lamb	\$2.2bn	\$2.1bn	\$2.0bn	\$1.8bn	\$1.7bn
Value of beef exports	\$5.1bn	\$4.4bn	\$4.9bn	\$4.5bn	\$4.9bn
Value of lamb exports	\$996.2m	\$822.2m	\$778.0m	\$781.9m	\$700.5m
Value of goatmeat exports	\$72.3m	\$55.2m	\$76.8m	\$82.2m	\$70.6m
Value of live cattle exports	\$653.4m	\$540.7m	\$496.9m	\$403.9m	\$464.0m
Value of live sheep exports	\$340.1m	\$287.2m	\$289.6m	\$297.1m	\$210.2m
Total national cattle herd size (head)**	27.3m	28.0m	28.4m	27.8m	27.5m
Total national sheep flock size (head)**	76.9m	85.7m	91.0m	101.1m	101.3m
Annual production of beef (carcase weight tonnes)	2.15m	2.15m	2.23m	2.08m	2.16m
Annual production of lamb (carcase weight tonnes)	422,945	435,392	412,585	381,838	354,291
<b>Meat &amp; Livestock Australia</b>					
Revenue total	\$163.4m	\$162.9m	\$161.8m	\$154.6m	\$140.2m
Levies income	\$98.1m	\$93.9m	\$98.2m	\$82.0m	\$72.2m
Government contributions	\$31.4m	\$34.5m	\$35.7m	\$41.8m	\$40.0m
Processor contributions	\$10.6m	\$10.7m	\$11.1m	\$11.6m	\$11.9m
Livestock exporter contributions	\$2.0m	\$1.6m	\$1.1m	\$1.2m	\$1.1m
Expenditure total	\$146.8m	\$157.1m	\$159.5m	\$158.6m	\$139.7m
R&D	\$62.8m	\$69.0m	\$71.3m	\$80.6m	\$78.0m
Marketing	\$84.0m	\$88.1m	\$88.2m	\$78.0m	\$61.7m
Corporate services	\$9.4m	\$9.2m	\$8.7m	\$8.7m	\$7.7m
Surplus (current year)	\$16.5m	\$5.8m	\$2.2m	-\$4.0m	\$0.5m
Surplus (retained)	\$54.4m	\$37.9m	\$32.1m	\$29.9m	\$33.9m
Staff	235	238	241	254	234
Membership	46,156	44,898	43,401	39,086	33,391

Source: MLA, ABS, ABARE, DAFF, DCC

\* Includes value of domestic and export beef, lamb and mutton as well as live cattle and sheep exports.

\*\* As at 1 July 2008

# Review of operations

Following is a report of our activities and outcomes for the 2008-09 financial year, aligned with our four imperatives and structured according to our five-year strategic plan.

# Increasing market access

- 20 2008-09 highlights
- 20 Our operating environment
- 21 Ensuring our integrity
- 21 Breaking down barriers
- 22 Taking care onboard and in port



“I have had a long association with MLA in advocating improvements in market access for the red meat and livestock industry. This partnership has secured trade reform in a number of key overseas markets and delivered new commercial opportunities for Australian exporters.”

Virginia Greville, Australian Ambassador to Chile with MLA Manager – International Markets & Trade Services Andrew McCallum

# Increasing market access

## INVESTMENT



Guided by the Australian Government research priorities:

- Productivity and adding value
- Supply chain and markets

HIGHLIGHTS 2008-09				
Objective	Measure	Highlight	Benefit	Future
Enhance product integrity Investment: \$12.8m	High level of satisfaction with our contribution to the development of meat integrity and safety systems	NLIS database upgrade enhances volume of transactions completed within three minutes	Accurate traceability system that underpins Australia's food safety	NLIS Ltd will continue its responsibilities for database operations and support services
Maintain and liberalise access to world meat markets Investment: \$3.5m	Independent evaluations conclude that MLA has contributed to the maintenance and improvement of market access	Negotiations commence on an Australia/Korea FTA	Australian beef industry priorities recognised in the negotiations for the FTA	Industry priorities remain prominent in trade negotiations
Maximise market options for the livestock export trade Investment: \$6.5m	Market access for livestock exports maintained	Ensured the appropriate transport of 10,000 Australian sheep via the 'in the ute, not the boot' campaign	Improved welfare practices in port of destination for Australian livestock	Expanded campaign to other regions and livestock from other importing countries

## Our operating environment

Securing improvements in market access remains a critical issue for Australia's export-dependent red meat industries.

However, with the global economy in turmoil, there have been moves by some countries towards protectionism – with increasing pressures to put up trade barriers.

A predicted export downturn has resulted in calls for the ongoing Doha Round of World Trade Organization talks to be concluded as soon as possible. The ensuing tariff reductions, lower domestic support measures and the elimination of export subsidies offer positive stimuli to global recovery efforts.

In essence, there has been no more important time to press for trade reform. Not just in light of the threat of new barriers but also due to efforts by some of our competitors to obtain preferential access via bilateral trade agreements.

Over the past few years there has been a plethora of free trade agreement negotiations – some of which present major threats to the Australian red meat industry's competitiveness. Industry continues to support the Australian Government in securing preferential, or at the very least parity of access, for red meat via bilateral and/or regional trade initiatives.

Close monitoring of prospective 'technical' impediments is also required to accompany these efforts. Import protocols, labelling regulations, product standards and sanitary concerns all have the potential to stifle the red meat trade. Close cooperation across the supply chain, with governments and importing agencies is necessary to minimise the risk of trade interruption.

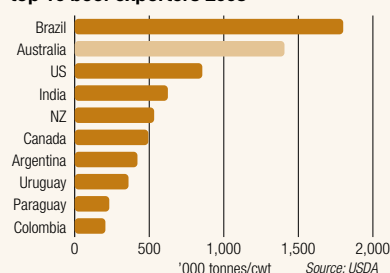
## Future challenges and opportunities

As competition in world meat markets increases, Australia must differentiate its meat from other supplying nations in order to maintain market access. A vital area of differentiation is for Australia to be considered a leader in the supply of safe and wholesome red meat products.

Priorities over the next year include:

- securing increases in access under the WTO Doha Round for sheepmeat into the EU and beef into North Asia
- ensuring red meat is a recipient of Free Trade Agreement import liberalisation in two priority markets – Japan and Korea

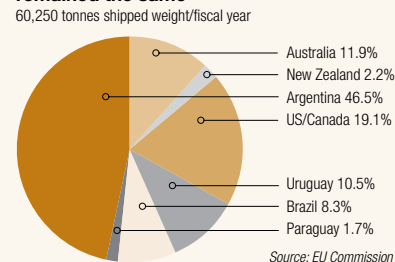
Australia ranked second in the world's top 10 beef exporters 2008



Australia ranked second in the world's top 10 sheepmeat exporters 2008



EU high quality beef import quotas remained the same



Australia retained its position as the world's largest exporter of red meat and livestock

We work with industry and government to ensure Australian red meat and livestock have ongoing access to international markets by enhancing the integrity of our product and improving existing conditions to enter international markets.

## Ensuring our integrity

### Enhance product integrity

Underpinning the integrity of Australian livestock and red meat is industry's national traceability system – the National Livestock Identification System (NLIS). The NLIS database and help desk, which are our responsibility, underwent a number of improvements during 2008-09.

The NLIS database, which averaged 220,000 transactions a month during 2008-09, had a hardware upgrade to enhance the robustness, reliability and performance of the system. The upgrade resulted in a significant improvement in processing times, with 99.5 per cent of all standard transactions processed within three minutes compared to 96.7 per cent in 2007-08.

Upgrades also accommodated mob-based movements for sheep and goats, and enabled uploads of scanned National Vendor Declarations (NVDs) with the movement. Simultaneously, a PIC (property identification code) Register Search was developed to assist recording of these mob-based movements.

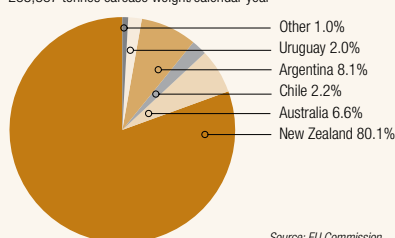
We surveyed NLIS database users on our helpdesk services and found 97 per cent of the 450 online respondents were satisfied or very satisfied that helpdesk staff were helpful in resolving their issue.

Following consultations with government and industry bodies regarding the appropriate long-term structure and operation of the NLIS database, on 1 April 2009 MLA created a wholly-owned subsidiary company, NLIS Ltd, which has taken over the responsibility for administration of the database. NLIS Ltd will continue to be responsible for database operations and support services.

The electronic NVD program eDEC™ was also upgraded during the year to take into account industry feedback. The new and improved eDEC™ increased uptake by almost 50 per cent compared to 2007-08.

### EU sheepmeat import quotas remained the same

283,387 tonnes carcass weight/calendar year



## Breaking down barriers

### Maintain and liberalise access to world meat markets

Creating platforms to access overseas markets and increase market share by reducing barriers to trade is key to our engagement with governments and their work in formulating policy positions on trade agreements.

Negotiations for an Australia-Korea Free Trade Agreement (FTA) commenced on 18 May 2009 and saw the inclusion of red meat and livestock industry priorities. In partnership with the Australian Embassy in Seoul, the Department of Foreign Affairs and Trade (DFAT), the Department of Agriculture, Fisheries and Forestry (DAFF) and the Australian beef industry, we worked on an advocacy program to expedite commencement of FTA negotiations. This was essential to ultimately position Australian beef for at least parity of access to that given to United States (US) beef under the Korea-US FTA to ensure we remain competitive in our third largest beef export market.

ASEAN (Association of South-East Asian Nations) is an important trading region for Australian red meat and livestock, and the signing of the ASEAN-Australia-New Zealand FTA in February 2009 will improve the competitiveness of the industry in the region. The ASEAN FTA was the largest FTA Australia has been party to, and it concluded a negotiation process that began in March 2005. The FTA paves the way for tariffs on most Australian livestock and red meat exports to be either bound at zero per cent or be phased down to zero per cent over a period of time. The Australia-ASEAN FTA is due to commence no later than 1 January 2010.

The Australia-Chile FTA came into effect on 6 March 2009 removing the six per cent tariff previously applicable to livestock and red meat. In 2008-09 Australia exported 8,529 tonnes swt of chilled beef to Chile.

We continued our advocacy activities in association with the World Trade Organization (WTO) talks – particularly for sheepmeat into the European Union, although there was no significant progress in 2008-09 and the much-delayed negotiations will spill over into 2010 at least.



Upgrades to NLIS included mob-based movements of sheep and goats.

## Taking care onboard and in port

### Maximise market options for the livestock export trade

We partner with industry to ensure access for our livestock exports in overseas markets, and to see that Australian livestock are well looked after in all aspects of their journey.

Working in collaboration with LiveCorp, our proactive role in raising animal welfare standards and improving handling of Australian livestock in key export markets continued, particularly in the Middle East. The 'in the ute, not the boot' initiative launched in December 2008 to coincide with Eid Al Adha, the biggest feast on the Muslim calendar, helped ensure more than 10,000 Australian sheep sold from the Bahrain Livestock Company (BLC) were transported appropriately. This campaign will be launched in other key markets to ensure Australian livestock are transported correctly, and to improve the welfare of all animals including Australian, local domestic livestock and those imported from other countries. The campaign complements our existing work across key markets, which includes training and educating locals about how to best work with Australian livestock, facility and equipment upgrades, and elevating the importance of animal welfare.

This year we delivered a program to drive demand for both Australian cattle and beef products in Indonesia – one of our major growth markets. The combined livestock exports and boxed beef campaign was based on research conducted in 2007 which exposed a need for promotional messages to focus on the nutritional qualities of beef to increase consumption from the current level of two kilograms per person.

In parallel to the print advertising campaign, we:

- trained 942 wet market butchers in beef handling, hygiene and presentation skills
- gave beef knowledge lectures to 1,475 students, retailers and government officials
- conducted 183 days of cooking demonstrations in wet markets and retail outlets with recipe booklet giveaways which emphasised the 'safe and nutritious' attributes of our product

Live cattle exports to Indonesia increased by 28.7 per cent in 2008-09 compared to the previous year to reach 704,069 head.

Our efforts to increase support in the Australian community for the livestock export trade led to the development of new

display and support material, and new advertising and feature articles in key consumer publications such as *The Good Weekend*. Other activities included:

- attending Royal Shows in Perth, Sydney and Darwin to provide metropolitan communities with the facts about the trade
- launching our industry information kits and distributing them at events, to Members of Parliament, media and the public
- launching our *YouTube* channel with six industry videos highlighting the industry's commitment to animal welfare and the export process from farm to in-market – this channel has received thousands of views and continues to grow
- continuing our press campaign featuring industry ambassadors demonstrating the industry's commitment to animal welfare and the importance of the trade to the livelihoods of Australian farming families and communities

Over the past 12 months community support towards the trade has remained steady however those opposing the trade have decreased significantly.

Continued improvements in the livestock export industry ensured regulatory benchmarks (mortalities less than one per cent for cattle and less than two per cent for sheep/goats) and industry benchmarks (mortalities less than 0.2 per cent for cattle and less than one per cent for sheep/goats) for successful animal shipments were exceeded in 2008.

- 99.16 per cent of all live sheep arrived at their destination fit and healthy, a 0.13 percentage point improvement on 2007
- 99.88 per cent of cattle arrived in good condition, a 0.02 percentage point decline on 2007

A review of live goat export practices and performance was carried out to look at the preparation of goats prior to export and identify any knowledge gaps for research. As a result, a best practice guide for the preparation of goats for export was drafted and distributed for industry consideration. In addition, we worked with LiveCorp to develop two mechanisms that benefit animal welfare in the air export segment of the livestock export industry – a single best practice standard for stock crate design and a recommendation for a mechanism for self regulation.



A proactive animal welfare campaign in Bahrain helped ensure 10,000 Australian sheep were transported appropriately.



A print ad for the Indonesian market to promote Australian beef's 'safe and nutritious' attributes and how it can assist a child's development.



# Growing demand

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“We’ve got a home grown product that can’t be beaten. Beef doesn’t rest on its laurels – it delivers on taste and wellbeing. I am in there with MLA helping raise the bar by getting that message out there.”

Laurie Lawrence with MLA Marketing Officer Tiana Diep

# Growing demand

## INVESTMENT



- Guided by the Australian Government research priorities:
- Productivity and adding value
  - Supply chain and markets
  - Promoting and maintaining good health

HIGHLIGHTS 2008-09				
Objective	Measure	Highlight	Benefit	Future
Improve eating quality Investment: \$5.5m	Consumer satisfaction scores maintained at high levels	MSA beef and sheepmeat grading numbers increased 16.7% (beef) and 73% (lamb)	Strengthened consumer confidence in buying beef and lamb	Maintain consumer momentum with continuing positive messages about quality
Enhance the nutritional value of red meat Investment: \$7.8m	Improve consumer attitudes towards red meat	Red meat trimmed of visible fat has less than 4% saturated fat and earns the Heart Foundation Tick of approval	Reduced misconceptions about red meat and promotion of its health benefits	Strengthen consumer understanding of the importance of eating red meat 3-4 times a week
Develop new products Investment: \$1.4m	New value-added meat and non-meat products and ingredients achieve greater end-user adoption and market success	'Tomahawk' – the 2.5kg steak launched for a new shared dining experience in the foodservice sector	An innovative and cost-effective dining option to encourage more red meat meals	Further convenience meal ideas developed using new enabling technologies to enhance the value of alternative cuts
Promote industry integrity Investment: \$1.6m	Consumers perceive the red meat industry as being responsible stewards of the environment	91% of visitors to the 'Food Farm' agreed producers are committed to protecting the environment, up from 71% in 2007	Building community knowledge underpins our efforts to maintain community trust	Increased focus on responding to attacks on industry's environmental credentials
Aggressive promotion in the domestic market Investment: \$15.8m	Consumer attitude and behaviour goals achieved	Despite the global financial crisis, domestic consumer expenditure fell marginally with Australians spending \$8.9bn on red meat	Maximise opportunities to grow consumer demand for red meat	Reinvigorate promotional campaigns for beef and lamb to capture emerging consumer trends
Aggressive promotion in export markets Investment: \$25.2m	Growth in diversification of beef markets and consolidation of existing sheepmeat markets	Record exports for Australian red meat increasing in value by 15%	Increased demand for Australian red meat overseas	Continue to grow Australia's share of existing red meat markets and establish new valuable markets for our beef, sheepmeat and goatmeat products

## Our operating environment

Demand for Australian red meat has been buoyant over the past decade, with the value of red meat sales (both domestic and export) rising over 75 per cent from \$9.4 billion in 1998-99 to an estimated \$16.5 billion in 2008-09. This has been due, in part, to growth in demand from Asia and North America, and disease barriers which have restricted competition in key markets.

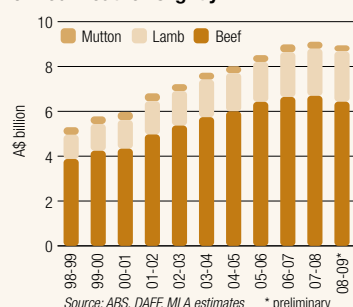
In addition, local demand for red meat has lifted appreciably, reversing the downward trend evident over previous decades.

This is a result of:

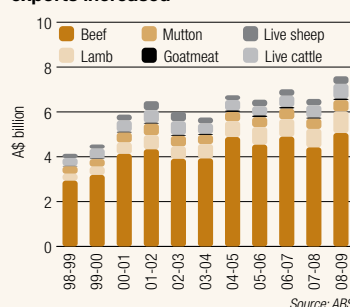
- more positive nutritional and dietary image
- economic growth and strong consumer spending generally
- a lift in the quality of beef
- improved product presentation and marketing
- successful industry promotional campaigns

However, the global financial crisis and associated currency volatility put strain on international meat trading pressuring many red meat importers and exporters during 2008-09.

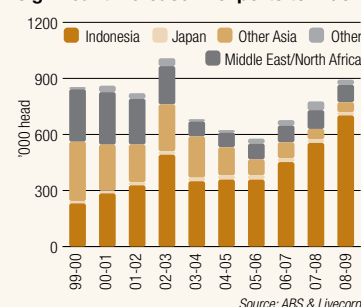
**Australian consumer expenditure on red meat fell slightly**



**Value of the Australian red meat exports increased**



**Live cattle exports reached their second highest level in a decade, mainly due to a significant increase in exports to Indonesia**



In addition, there was falling consumer spending in response to an easing in global economic growth and inflationary pressures, and the return of US beef to our key export markets.

Fortunately, the impact of these trading difficulties on overall sales value was more than offset by the lower A\$, easing in competition from South America, and a consequent resurgence in exports to the Middle East, Russia and South Asia.

The value of red meat sales (domestic and export) rebounded by an estimated 5.3 per cent in 2008-09, following a 2 per cent decline in 2007-08. Red meat export value rose 15 per cent in 2008-09, and 6 per cent since the 2006-07 peak, due to the lower A\$, despite pressure on the US, Japan, Korea and Russia markets.

Severe household inflationary pressures and a weakening economy saw a dip in domestic expenditure on red meat during 2008-09, down an estimated two per cent to around \$8.9 billion. In an effort to cut spending, Australians are eating out less, cooking at home more and shifting to cheaper meals, meats and cuts. As a result middle and upper foodservice outlets are under pressure, while the retail trade is holding well, except on higher priced products, particularly prime beef cuts.

### Future challenges and opportunities

There is no doubt the economic downturn is seriously influencing consumer behaviour in the short-term; but in the long-term, recessions have a smaller impact on broad consumer trends than might be expected.

Driven by obesity, environmental fears and a sense of detachment, and spurred on by recent economic woes, there are increasing signs that consumers in more affluent nations such as Australia, Europe and the US are moving back-to-basics and reducing consumption. As people reconnect with cooking straightforward meals from scratch and at home the red meat industry is in a good position.

A multitude of emerging trends represent both challenges and opportunities for growth in our markets – such as the ageing society in Japan and Australia; the increased role of males in household shopping and cooking; a resurgence of independent retailers; and the growth of ‘enviro-conscious consumption’.

In addition, the Australian industry will compete more vigorously with significant volumes of cheaper product entering

our overseas markets from South America and India; and will need to defend its position in major North Asian markets in the face of the US return.

### Collaboration with the commercial beef sector

Our international beef industry collaborative agreement (ICA) program is a vital component of our overall marketing strategy for Australian beef. This year we developed and implemented ICAs with 46 exporters valued at \$4.2 million – leveraging MLA's levy funds on a 50:50 basis with commercial partners. Where our generic marketing focuses on red meat attributes such as safety and product ordering systems, ICAs maximise the industry's capability to target specific trade and consumer segments and build customer demand and loyalty for individual beef suppliers and their branded products. This in turn aims to build market growth and overall loyalty to Australian beef. While the program has evolved from country-specific ICAs, which we have been conducting for a number of years, our new international approach gives exporter participants the flexibility to adjust their investment across markets as relevant to their specific business goals. An adjunct to the program is the development of marketing capabilities across the supply chain, especially at the exporter level. Similar collaborative approaches are taken in the domestic market where MLA makes co-funding available to encourage and support commercial initiatives that improve consumer satisfaction with red meat, generate and launch high appeal new products, raise retailing standards and develop new outlets for beef.

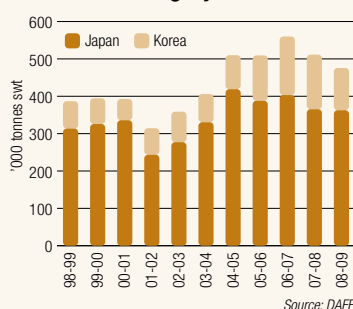
- MLA contribution in each region where ICAs have been conducted

Europe	\$49,776
Japan	\$571,619
Korea	\$312,305
Middle East	\$30,380
North America	\$588,431
SEA & China	\$456,454
International	\$103,512

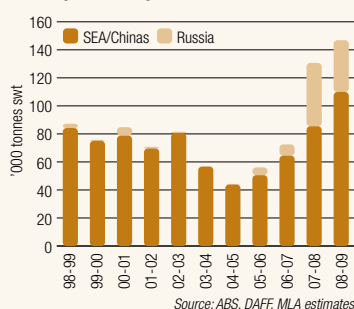
- Total investments

MLA funds as at 2008-09	\$2,112,477
Participant funds as at 2008-09	\$2,112,477
Total	\$4,224,954

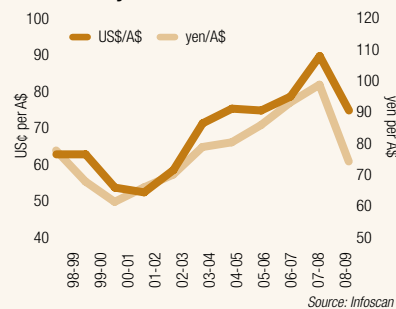
**Australian beef exports to Japan remained steady while exports to Korea declined slightly**



**Australian beef exports to SEA/Chinas and Russia increased significantly in the past two years**



**Value of the A\$ 1998-2009: substantially declined in 2008-09**



Our domestic and international marketing programs aim to grow demand for Australian red meat and address any impediments to consumption in major markets.

## Our commitment

### Promote industry integrity

With increasing consumer interest in the ethics of food production, particularly environmental sustainability, we bolstered our integrity communications program with a strategy to promote the environmental credentials of Australia's sheep and cattle industries.

We began our environment communications with two major bursts of advertising targeted at urban audiences. The first coincided with 'Earth Hour' on 28 March 2008 – with print ads in the *Sydney Morning Herald* and *The Age* declaring 'Every hour is earth hour for Australia's livestock producers'. The second was a nationwide print and online ad campaign in the lead up to World Environment Day on 5 June bearing the message 'Where we live, every day is environment day.' The advertising reached a cumulative audience of 17.4 million. The World Environment Day campaign was also the vehicle for promoting our *Care to know more* brochure and website information which received 1,000 hits during the week of the campaign.

We again addressed the disconnect between rural and urban communities with our 'Food Farm' and 'FarmDay' initiatives to build understanding and trust.

Just over 319,000 people traced the journey of red meat from 'paddock to plate' in the Food Farm at the 2009 Sydney Royal Easter Show. We are a major supporter of the 'Food Farm'; now in its third year, providing visitors with a unique integration of live animals, industry information, interactive games, meat cuts and carcass displays, butchery and celebrity cooking demonstrations under the theme 'Where does our food come from?'

A record number of 730 families participated in 'FarmDay' this year, giving city families the opportunity to visit a working property and gain hands-on experience of life on the land. Associated media coverage of 'Farm Day' succeeded in reaching a cumulative audience of eight million.

## Amazing food gets a tick

### Enhance the nutritional value of red meat

Our nutrition program played a vital role in reinforcing to consumers and healthcare professionals that eating red meat 3-4 times a week is an essential part of a healthy, balanced diet.

This year we bolstered the evidence for including red meat in the diet, with five MLA-funded nutrition research studies accepted in peer reviewed journals and six published proceedings. They were also presented at 17 conferences attended by 1,000 dietitians and healthcare professionals. In addition the results of these studies were published in *Vital*, our quarterly newsletter which is sent to more than 3,500 healthcare professionals.

We trialled a new advertising communications strategy this year by sponsoring Channel 10's popular television show 'Are you smarter than a fifth grader?'. The concept provided an effective avenue for promoting the nutritional attributes of red meat to mums over an 11 week period. The campaign included: running our 'Red meat. We were meant to eat it.' Sam Neill library ad; 10 second billboards during the program; and an SMS viewer competition. The campaign and ongoing work of the nutrition portfolio maintained the number of mums limiting red meat consumption for health reasons with the figure steady at 35 per cent (compared to 57 per cent in 2002).

Consumer response to the nutrition campaigns for 2008-09 showed 84 per cent of those surveyed 'believe red meat is an essential part of a healthy diet'; 74 per cent 'view red meat as being beneficial for a healthy mind'; and 72 per cent 'believe we are meant to eat red meat 3-4 times a week'.

A challenge next year will be to reinforce the evidence that eating red meat 3-4 times a week is an essential part of the diet and to maintain the recommendation in the National Dietary Guidelines.

Research commissioned by MLA showed that trimming fat from red meat is a common practice amongst consumers, and to encourage continued trimming, we worked with the Heart Foundation to develop a brochure outlining how red meat earns the Heart Foundation Tick of approval. When meat is trimmed of visible fat and has less than 4 per cent saturated fat it earns the Tick. This brochure was distributed to over 3,000 butcher shops and IGA supermarkets.



Our World Environment Day advertising reached a cumulative audience of 17.4 million Australians.



MLA developed and distributed the "Red meat and the Heart Foundation Tick" brochure explaining why trimmed red meat is a healthy option.



MLA's consumer website – [www.themainmeal.com.au](http://www.themainmeal.com.au) now offers users a fresher, sleeker and more user-friendly design.

## Enticing consumers to red meat

### Aggressive promotion in the domestic market

Consumer purse-tightening due to the global financial crisis helped further drive the trend to eat at home, and provided us with a unique opportunity to shift the focus of our marketing campaigns to capture a renewed interest in cooking from scratch\*.

We revamped our consumer website – [www.themainmeal.com.au](http://www.themainmeal.com.au), offering a fresher and more user-friendly website to inspire red meat meal creations. The site attracted 21,000 unique visitors a month and subscriptions to the site's e-newsletter increased from 32,000 in 2007-08 to 34,515.

### Beef

The centrepiece of our beef marketing effort this year was *Entice* magazine – our quarterly seasonal recipe guide for easy-to-cook meals at home distributed to one million consumers through butcher stores and supermarkets across Australia.

Our winter 2008 beef casserole television commercial, 'Beef – Get into it.', did not reach the desired impact levels, so we quickly revised the concept, tested a new one in South Australia and relaunched nationally in early 2009. We ran two ads under the new concept (one for mince and one for casseroles) which featured well known Australian swimming coach Laurie Lawrence and promoted *Entice* – which is proving to be effective at building beef cooking confidence, knowledge and recipe trial amongst consumers.

Roy Morgan research showed that beef consumption rose during and following the campaign, with average beef serves in February/March 2009 reaching 44.7 million a week (up from 42.8 million in 2008).

### Lamb

Leading lamb advocate Sam Kekovich not only cemented the tradition of eating lamb on Australia Day in 2009 but his 'nephew' fronted our new Mother's Day campaign in April/May.



Sam Kekovich fronted our Mother's Day campaign increasing lamb roast serves by three per cent.

The Australia Day campaign attracted an estimated additional \$5 million of media exposure on top of paid advertising and saw consumption rebound from an early January slump due to declining economic conditions. There was an average of 21.1m serves of lamb a week in February, down slightly from 21.6m in February 2008. The Mother's Day campaign included a consumer educational focus via point-of-sale material, PR activities and post-it notes on the covers of *The Sydney Morning Herald* and *The Age* newspapers highlighting how easy it is to cook a lamb roast. Serves of lamb or lamb roasts increased by three per cent to 22.25 million over the promotional period\*\*.

## Counter attack

### Aggressive promotion in the domestic market

Our Red Meat Networking Club, a national network of butcher retailers, continued to expand this year boasting 1,605 members, 17 per cent up on 2007-08 and representing about 48 per cent of all Australian butchers. Developed in 2003, this initiative's success in raising retail standards to drive demand for red meat was recognised, being nominated as a finalist at the 2008 Australian Marketing Institute Awards for excellence in marketing.

Our Counter Attack program aims to provide consumers with a greater choice at the butcher counter with quick-cook and easy-cook beef meals. In 2008-09, we ran 32 workshops for 698 butchers, who reported a better knowledge of value adding and skills from the program. In total, the program has seen 1,055 butchers participate in 47 workshops since its launch in 2007. We produced *Beef up your profits vol 3*, a butcher manual on value-adding, and nearly 700 copies have been distributed through the workshop program.

A new initiative next year will focus on increasing the menu share of non-loin cuts such as rump eye side, brisket, oyster blade and chuck roll, by increasing foodservice knowledge of how to utilise these cuts in a restaurant, in addition to collaborating with wholesalers to ensure the availability of these cuts to foodservice. Our efforts in the foodservice industry were recognised this year when we won the national service provider award at the annual Foodservice Suppliers Association of Australia Awards of Excellence.

\* *The Real Food Trend*, commissioned by MLA and conducted by Roy Morgan and Julie Dang & Associates, 2008

\*\* Roy Morgan data



We have distributed 700 copies to help butchers improve their value-adding of red meat.

We collaborate with Australian exporters to promote the positive attributes of Australian red meat and address the diversity of international consumer needs.

## International

### Aggressive promotion in export markets

#### Japan

Our strategy in the Japanese market has always revolved around Australia's clean, natural and safe production methods supported by industry's robust traceability system – the National Livestock Identification System (NLIS) – and this year the message was strongly endorsed by two major Japanese companies.

We assisted McDonald's Japan in coordinating 40 Japanese media and consumer representatives on an inspection tour of Australia's through-chain traceability process. The tour formed the basis of a nationwide television and print media campaign focused on NLIS and Australia's beef safety systems from farm to export. Their 90 second TV commercial, as well as information on the food giant's website informed Japanese consumers about Australia's strict food safety management standards and how NLIS works from a tagged animal on-farm through to the local McDonald's restaurant.

AEON, Japan's leading retailer with a strong business commitment to Australian beef, also leveraged the good reputation of our product by working alongside MLA to roll out 'Australia Fair' nationwide at their front-runner Jusco supermarkets, featuring Australian beef as flagship products to demonstrate their commitment to safety and quality.

Throughout the year we also ran 41 cooking school classes, 15 school education programs, two technical skills seminars for hotel professionals, and collaborated with six major retail chains to conduct 14 customised promotions for Australian beef over peak consumption periods such as Father's Day and Christmas.

#### Korea

In an initiative to counter the return to the market by US beef, we teamed with major Korean supermarket E-mart, who have 118 outlets throughout Korea and sell around 600 tonnes of

Australian beef a month, to develop and distribute 42,000 free 2009 calendars to customers. The initiative aimed to generate long-term loyalty to our product by encouraging repeat purchases through monthly vouchers, and ensured that E-mart continued to stock Australian beef for 12 months of the campaign during the return of US beef to the retail market.

We supported McDonald's Korea and Lotteria fast food restaurants in August 2008 to run their national campaign reassuring customers – "Don't worry, we only use Australian beef" – with use of the prominently featured Australian beef – clean and safe logo in all aspects of their marketing campaigns both in-store and in the media. The campaign was aimed at calming public anxiety about eating US beef after their almost five-year absence due to BSE and assured them about the Australian origins of the beef at these outlets.

To break down barriers to consumption of lamb, a non-traditional meat for Koreans, we launched our new Korean lamb website [www.ilovelamb.com](http://www.ilovelamb.com) in December 2008. Designed to educate web-savvy Korean consumers on Australian lamb, it features recipes; cooking tips; and communicates the health benefits of eating lamb with a column from leading Korean oriental medical practitioner, Jung Ji-Haeng. Already there have been 3,365 unique visitors to the site. Over the longer term lamb exports to Korea could rise to as much as 6,000–8,000 tonnes from a base of 2,113 tonnes in 2008-09.

#### North America

The normal challenges of promoting Australian red meat in the world's largest beef market were compounded this year by the severity of the impact of the global financial crisis on American consumers, who responded by trading down or out of the beef category.

Our strategy to grow beef demand in North America continues to focus on growing niche markets and in collaboration with Australian exporters and US importers has seen the US evolve from a singularly focused grinding beef market into a more complex one with a growing appetite for imported chilled red meat. Chilled beef has increased from 0.6 per cent in 1998-99 to 12.3 per cent of exports to the US in 2008 or 34,724 tonnes. Lamb decreased nine per cent in 2008-09 compared with the previous year to 38,178 tonnes.

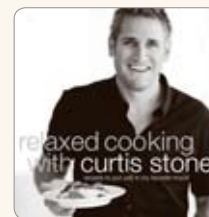
Our business development activities through these partnerships opened the doors to new restaurant chains and



The McDonald's TV commercial informed Japanese consumers about the Australian red meat industry's food safety management via NLIS.



We partnered with Korea's largest supermarket chain to promote loyalty and repeat sales of Australian beef.



Our Easter campaign to promote Australian lamb consumption in the US reached a cumulative audience of 6.5 million.

retail outlets for Australian beef, including organic and grassfed beef into two top-end retail chains in the US.

We launched a program to get lamb on menus in quick serve and casual dining operations, encouraging consumers to trial it at an affordable price and in a familiar format such as a hamburger.

We partnered with American distributors and Australian chef Curtis Stone, to keep Australian lamb 'top of mind' with consumers in the lead up to Easter – a peak consumption period for lamb. The campaign featured one of Chef Stone's lamb recipes run in three regional newspapers – reaching 4.7 million readers; a satellite media tour (SMT) broadcast by 19 television stations with a cumulative viewing audience of 1.8 million; and our own e-newsletter to 56,000 consumers – showcasing the chef, book and recipe. The concurrent retail promotional activities by participating commercial partners all contributed to strong lamb sales.

### Russia

On the back of a strong economy buoyed by the energy sector for the first half of 2008-09, Russia, the second largest beef importer in the world, continued to open its kitchens to Australian beef with imports of 35,149 tonnes in 2008-09. While quality steak restaurants in the major cities have generated demand for Australian chilled and high quality product, market access continued to present challenges. Credit restrictions due to the rapid economic downturn in the latter part of the year led to a drop in demand.

In our efforts to build awareness and loyalty we showcased Australian beef and lamb at two key trade events, World Food Fair and Prodexpo; worked closely with leading importers and chefs associations; and joined a newly formed BBQ club in Moscow to gain key influential food contacts in this emerging market. We hosted a series of barbecues and social cooking competitions to showcase Australian product to the growing five-star Russian foodservice sector, and ran five master classes for over 100 chefs to demonstrate its versatility and quality.



We are focusing on the high growth cities of Beijing and Shanghai to increase the sales of Australian beef and lamb in China.

### South East Asia and China

We implemented a strategic shift in the South-East Asia and China region during the year towards emerging markets such as mainland China, Indonesia, The Philippines, Malaysia and Thailand and away from mature markets including Hong Kong and Singapore.

In China, consumer research identified the opportunity to grow sales by focusing on the under 35 age group – who eat out often, try to replicate restaurant meals at home and eat Western cuisine. We built relationships with key importers and distributors who supply retailers and foodservice outlets in Beijing and Shanghai, provided training on the quality and versatility of Australian beef and lamb, and ran promotions with restaurants and retailers in these high growth cities.

As a result there has been:

- an increase in the number of retail chains (4) and outlets (19) stocking Australian beef
- a diversification of the cuts of Australian beef being retailed
- an increase in shelf space of Australian beef
- improved awareness of the Australian beef being retailed

For more information on our joint marketing activities in Indonesia see page 22.

### Middle East

Confidence in the quality, safety and reliability of Australian red meat products is a driving force behind the growth of our exports to this burgeoning market, with 80 per cent and 28 per cent increases for beef and lamb, respectively during 2008-09.

Improving loyalty to Australian product was the focus of our activities with several of the major retailing and foodservice groups across the region. We ran 13 training workshops for 237 butchers and chefs to build a better understanding of Australian red meat. We demonstrated how to use alternative cuts to the traditional beef striploin and rib eye, and lamb rack, and reinforced our reputation as producers of clean, safe product supported by the Australian Halal brand.

Our food safety standards in the region were reinforced at four seminars attended by 100 food and meat inspectors from regional municipalities, designed to provide a clear understanding of Australia's food safety systems, the Halal program and the role the Australian Government plays to ensure the integrity of our programs.



We conducted 13 training workshops for 237 chefs and butchers in the Middle East to improve understanding and use of Australian red meat.

## Satisfaction guaranteed

### Improve eating quality

The Meat Standards Australia (MSA) program plays a vital role in guaranteeing consumer satisfaction and consistent eating quality. MSA continued to grow in 2008-09 with a total of 39 plants grading cattle. An increase in the number of large processors offering price grid premiums for MSA cattle motivated 2,700 producers to sign up for MSA bringing the total to 13,937 producers. Beef grading numbers increased by 16.7 per cent in the last 12 months, to 979,228 head.

MSA sheepmeat grading numbers increased from a base of 7,000 a month in 2007-08 and are now averaging up to 13,000 per month. Processor interest in the program is building with eight processors now using the science to underpin their lamb brands – up from three in 2007-08.

Our international MSA program – Eating Quality Assured (EQA) – continued to provide in-market training for the EQA system, as well as brand support for the seven participating exporters. EQA logos and trademarks – the foundation to build recognition of EQA with the trade – were developed.

An eating quality R&D committee was formed to oversee further enhancements to the MSA grading model. In its first major task, the committee agreed to commence an expansive consumer sensory trial to validate a number of on- and off-farm processes that will continue to enhance the grading model.

The MSA R&D Pathways team updated the master version of the MSA beef model by:

- incorporating cooking methods – *yakiniku* and *shabu shabu*
- enhancing prediction for the eating quality effect of carcasses with MSA marbling scores between 500 and 800
- showing MSA carcasses may be graded at the 5th and 6th rib, in addition to the previous sites identified between the 10th and 13th rib

The latest 'Meat Expectations' survey we conducted in July 2009 showed that consumer measures of beef and lamb quality remain high. The average quality rating of Australian beef is 8.0 out of 10, and 7.7 out of 10 for Australian lamb – some of our best results to date. In addition, 85 per cent of Australian grocery buyers say they trust their normal butcher or supermarket to sell good quality beef, and 87 per cent say the same for lamb.

## Consistent and convenient meals

### Develop new products

Developing new products and processing technologies is an important part of growing demand, meeting the needs of consumers and maximising the value of lesser used cuts to increase overall value.

A technical project with CSIRO has identified a breakthrough in the tenderisation of lower value cuts using an emerging technology known as High Pressure Processing (HPP). In a world first, the study – which aims to understand the biochemical basis of HPP tenderisation – discovered a new non-ingredient mechanism to significantly improve the eating quality of high connective tissue cuts. This development may enable additive-free ready-to-eat meats to be manufactured with improved presentation and minimal purge in the package. The convenience, consistency and enhanced quality of the product using this process is a first of its kind as no other non-ingredient method currently exists.

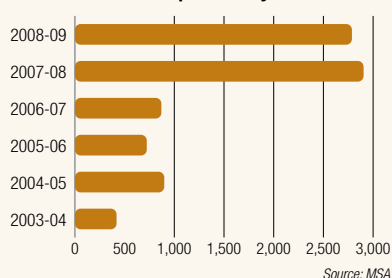
A new microwaveable beef product, which received a Food Magazine Challenge Award in 2008, is in the final stages of development and is expected to be launched next year. It is the first microwavable beef product of its kind to be produced for retail in Australia. Preliminary retail feedback on prototype samples is set to be incorporated into product design.

We have demonstrated the commercial feasibility of a process for producing shelf-stable liquid bone stock and liquid beef extract for the foodservice and flavour industries; sheep placenta extract for the cosmetic and cosmeceutical industries; and we are supporting the development of chondroitin sulphate supplements, used for aching joints, from co-products.

In a project to increase the value of offal, we have demonstrated the ability to amplify the bioactive levels of these co-product tissues by up to 40-fold offering potential in developing high value bioactive ingredients for the food and pharmaceutical industries. Future work will focus on development of a commercially feasible version of the technology.

To assist the foodservice sector tackle the current economic climate, we launched a new dining experience known as the 'Tomahawk' in May 2009. The Tomahawk has received a firm commitment from several outlets and we are negotiating with processors to accommodate the increased bone length.

Producers signing up to MSA has significantly increased over the past two years



We developed the new Eating Quality Assured (EQA) trademark to build its recognition among the trade.

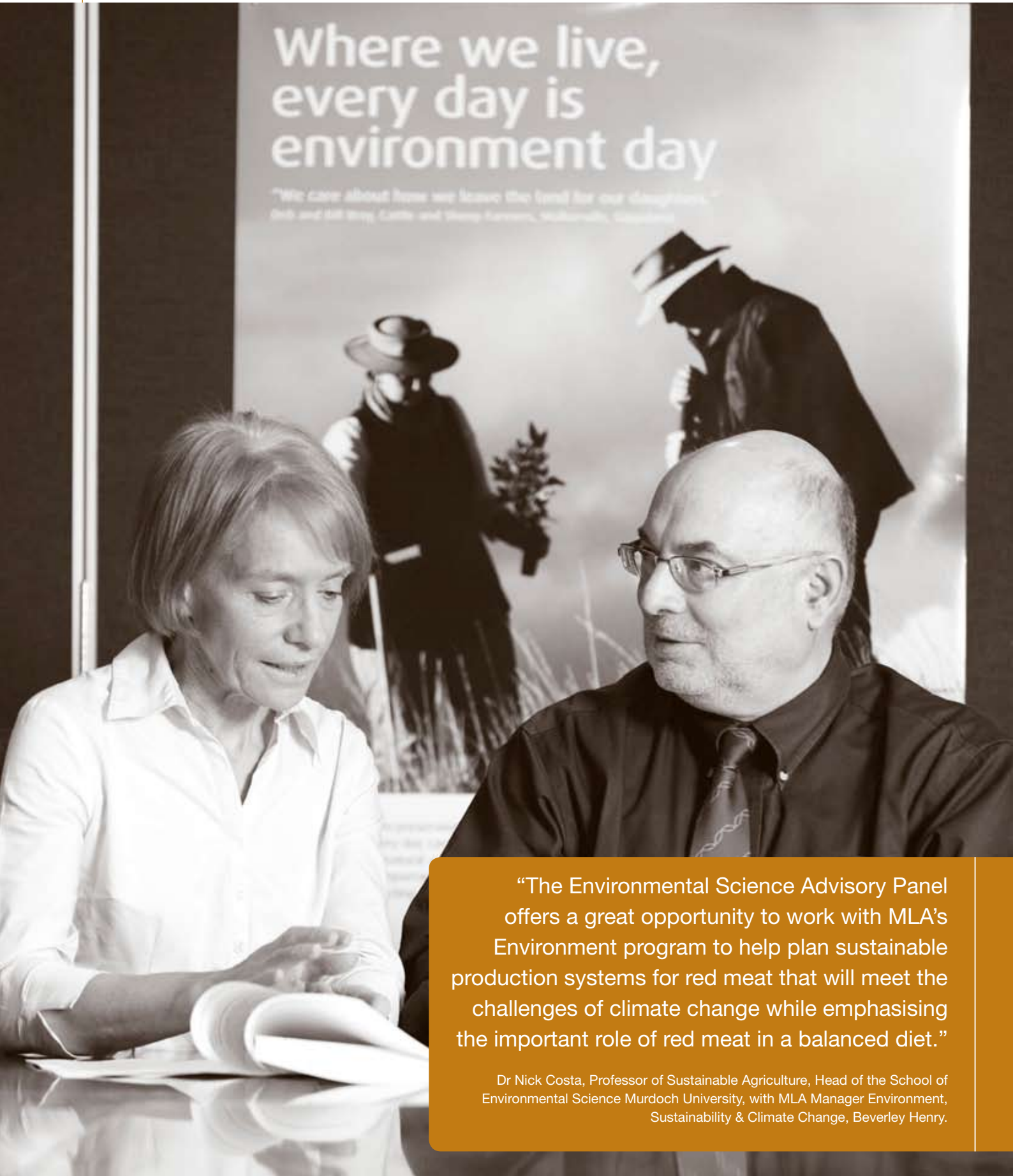


Microwaveable beef received a Food Magazine Challenge Award in 2008.



# Enhancing competitiveness and sustainability

- 32 2008-09 highlights
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- 36 Looking after the land
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Where we live,  
every day is  
environment day

"We care about how we leave the land for our daughters."  
Bob and Bill Gray, Cattle and Sheep Farmers, Walkermulloch, Queensland

"The Environmental Science Advisory Panel offers a great opportunity to work with MLA's Environment program to help plan sustainable production systems for red meat that will meet the challenges of climate change while emphasising the important role of red meat in a balanced diet."

Dr Nick Costa, Professor of Sustainable Agriculture, Head of the School of Environmental Science Murdoch University, with MLA Manager Environment, Sustainability & Climate Change, Beverley Henry.

# Enhancing competitiveness and sustainability

## INVESTMENT

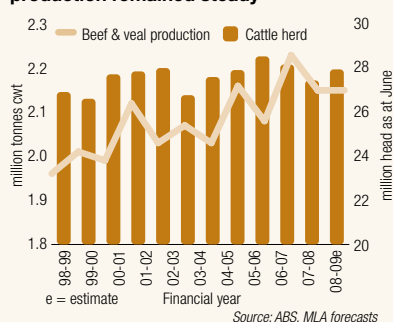


Guided by the Australian Government research priorities:

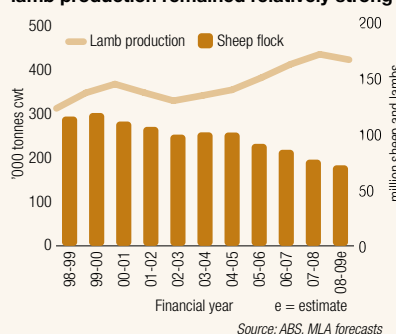
- Productivity and adding value
- Supply chain and markets
- Natural resource management
- Climate variability and climate change
- Technology

HIGHLIGHTS 2008-09				
Objective	Measure	Highlight	Benefit	Future
Increase cost efficiency and productivity – on-farm Investment: \$7.7m	Measured improvement in productivity and/or product quality at individual farm or feedlot level attributable to new tools and technologies	Marker-assisted tenderness estimated breeding values for Brahman cattle	Overcome breed and environment hurdles to improve the eating quality of beef	The methodology will be used on other traits and in other breeds in future
Increase cost efficiency and productivity – off-farm Investment: \$2.0m	Tools and technologies available and used to minimise negative OH&S outcomes in the processing industry	A new robotic boning machine developed that reduces OH&S problems and increases beef yields	Cost benefit of \$4.53 a head using the machine and a broader spectrum of employees able to do the job	Development of further applications of manual assist devices to key meat processing operations
Improve industry and market information Investment: \$4.3m	Increased availability and use of risk management tools	The Australian Forward Cattle Trading Standard developed and launched	Better farm and supply chain production and marketing decisions	Emphasis on increasing uptake of forward cattle trading standard and other risk management alternatives
Ensure sustainability Investment: \$7.5m	Measured improvement in environmental management	A standardised methodology for lifecycle analysis established and assessment completed on water use in Australian red meat production	More accurate data and reporting on water use	Lifecycle analysis for greenhouse gas emissions and energy use
Science for the future Investment: \$4.6m	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	The development and commercial release of a sheep 55K SNP DNA marker chip for researchers	Speeding the discovery of DNA markers associated with production traits	The development and release of an industry SNP chip for breeders to speed genetic progress
Improve biosecurity, animal health and welfare Investment: \$3.5m	Increase in application of practices in response to changes in national animal welfare standards	An integrated pest management (IPM) approach to control nuisance fly populations in feedlots	Feedlot fly populations can be reduced by around 40 per cent	Delivery of industry fact sheets detailing integrated pest management and commercial development of parasitic wasps and fungal bio-pesticides

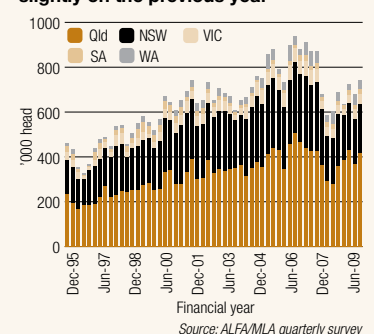
**Australian cattle herd increased while production remained steady**



**The sheep flock declined significantly while lamb production remained relatively strong**



**Cattle numbers on feed increased slightly on the previous year**



## Our operating environment

The challenging climatic conditions across Australia this decade are having significant impacts on the cattle herd and sheep flocks and on the geographic spread and nature of red meat production in Australia.

In particular, the seven- to eight-year drought in southern Australia has depleted the productive potential of southern cattle herds, based generally on British breeds, contributing to a contraction of 1 million in the national herd since 2006. Also, it has contributed substantially to the 42 million or 35 per cent contraction in the national sheep flock since 2000, and general shift from livestock to cropping.

In contrast, monsoon rains in north Queensland, the Northern Territory and Kimberley (WA) have led to a significant shift in the cattle herd towards the north. As this has coincided with a surge in demand for quality beef for North Asia and the domestic market, it has contributed to a shift in northern breeds towards *Bos Taurus/Bos Indicus*-cross cattle and a general improvement in cattle feeding and husbandry. This has included greater specialisation into cow-calf breeding operations, finishing farms and feedlots.

These breeding and feeding changes have been necessary to boost the northern herd productivity, helping to lift beef production from around 2.1 million to 2.2 million tonnes since 2003-04, despite the ongoing southern drought and depletion of the national herd.

After expanding by around 27 per cent from 2003-04 to 2006-07, cattle feedlot output has been hit hard by the combination of high grain costs and a demand decline in North Asia over the past two years. Feedlots have responded by cutting aggregate cattle output by 14 per cent between 2006-07 and 2008-09, and reducing days on feed.

With the national sheep flock falling rapidly, the expansion of lamb supply has required a major shift in the flock composition from fine wool towards first- and second-cross lamb production and far greater specialisation in feeding, with the development of a lamb growing and lot feeding sector. Hence, lamb slaughter has expanded by 11 per cent over the last three years, while the flock has shrunk by 24 per cent over the same period.

## Future challenges and opportunities

Declining terms of trade for producers, and ongoing cost pressures for processors who need to meet customer expectations in increasingly competitive markets, mean that all sectors of the industry must strive for continuous improvement. Key priorities include:

- increasing reproductive rates
- decreasing mortality rates
- reducing age at sale
- lowering cost of production
- strengthening supply chains

Australia's variable and changing climate means producers will need new tools to assist their management of the nation's natural resource base. Government and community scrutiny of industry's environmental and animal welfare management will increase and we will need to provide fact-based evidence on the impact of the red meat industry to counter increasing misinformation in the community, both domestically and overseas.

The challenge of rebuilding the national flock to ensure that current strong demand can be maintained into the future, will focus on making managing sheep easier and demonstrating the economic imperative for profitable sheep enterprises.

**Breeding and feeding changes have boosted northern herd productivity, helping to lift beef production from around 2.1 million tonnes to 2.2 million tonnes.**



The long-term prosperity of the red meat industry is critically dependent on increasing efficiency, innovations to improve productivity in an environmentally responsible manner, and access to the best information. Our research and development focuses on delivering new tools and technologies to enhance the competitiveness and sustainability of the industry.

## Healthy animals, healthy industry

*Improving biosecurity, animal health and welfare  
Increase cost efficiency and productivity – on-farm*

The Australian livestock industry has a unique global advantage in its freedom from key animal diseases and good reputation for welfare. We support the industry with R&D to continually scrutinise and modify its practices to ensure this status remains.

### Feedlot cattle

Our assessment of the effectiveness of an integrated pest management (IPM) approach to control nuisance fly populations has shown feedlot fly populations can be reduced by around 40 per cent. We are now developing fact sheets detailing the IPM approach for circulation to industry. In addition, our collaboration with commercial companies has enabled the development of parasitic wasps and fungal bio-pesticides to advance to commercial production and pre-registration stages, respectively.

We were unable to deliver a prototype solution and application technology for enzymatic feedlot dag removal this year – an issue that currently costs industry about \$15 per affected animal. Earlier favourable results with the enzyme mix on hides with dags could not be replicated in laboratory trials, so we did not proceed to testing on live animals. However we are negotiating to research an alternative enzyme treatment process.

### Putting the screws on flies

Old world screw worm fly is a serious disease threat to the Australian beef industry and in the event of an incursion, loss of stock, treatment and management would cost industry more than \$900m. We have significantly improved surveillance and diagnosis of this exotic disease in two projects undertaken by the Queensland Department of Employment, Economic Development and Innovation (DEEDI) this year. Improved trap design and a quantitative DNA-based test procedure will enable improved detection of screw-worm fly DNA. National implementation by Animal Health Australia through the Screw-Worm Fly reference group will be undertaken by DEEDI.

### Cash cow

Herd reproductive performance is a key profit driver of northern beef productivity and through our 'Cash Cow' project we are investigating the relative importance of the many factors that impact reproductive performance. We completed the first year of the four-year project with data collected from 85 properties for 52,000 animals across northern Australia. Flooding in the Gulf area of Queensland disrupted data collection for some of the collaborating properties.

### Healthy sheep

We completed a final report on best practice husbandry for sheep covering castration, tail docking and vaccination procedures which is currently being reviewed by peak councils. Following the review and approval of the report, we will produce and distribute a user guide for producers next year.

We joined the Australian Lamb Finishers and the Sheepmeat Council of Australia, and provided funding for the development of the Australian lamb industry's first National Code of Practice for Intensive Sheep and Lamb Finishing. Following industry-wide consultation during the year, we completed a draft report and sought feedback from all stakeholders. We will continue to work with industry to ensure the Code can be nationally endorsed next year.



Our assessment of integrated pest management showed feedlot fly populations can be reduced by 40 per cent.



We completed the first year of data collection from 85 properties for 52,000 animals to improve our understanding of reproduction in the north.

Making genetic improvement cheaper, quicker and better targeted to meet consumer requirements are goals of our co-investments in the Beef CRC, SheepGenomics and the Sheep CRC which are working to discover and validate new gene markers that can identify important livestock production traits.

## Gaining ground in genetics

*Increase cost efficiency and productivity – on-farm*

*Science for the future*

### Sheep genetics

Sheep Genetics, the joint MLA and Australian Wool Innovation (AWI) program, reached a major milestone during the year with more than 1.5 million terminal sires registered on LAMBPLAN – the national genetic evaluation program for the Australian prime lamb industry – making it the world’s largest genetic evaluation service for sheep. In addition, our investment in the Sheep CRC information nucleus flock delivered robust data for our ongoing research into new traits for breech and body wrinkle, eating quality and worm resistance, and across-flock linkages.

In November 2008, we responded to market feedback and introduced the LAMB2020 index – a new breeding index that includes desirable traits such as parasite resistance, increased muscle and optimal birthweight. It can help speed genetic progress and produce lambs that are \$8–10/head more profitable than progeny from an average ram.

We revamped the Sheep Genetics website – [www.sheepgenetics.org.au](http://www.sheepgenetics.org.au) – to assist sheep producers to continue to improve their flock’s genetic progress. It allows custom searches for animals with up to six different breeding values suited to their enterprise, and locates the breeders who can supply them.

A sheep 55K SNP chip was developed, released and is now being used to search for DNA markers associated with production traits for future use in the stud sector.

### Beef genetics

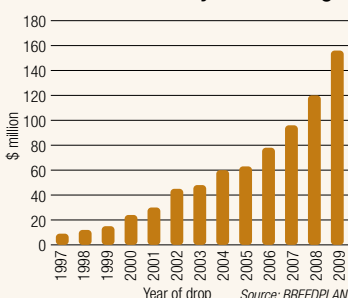
Accelerating genetic improvement in the beef industry is expected to increase on-farm income by up to \$35 million\* in 2009. Our investments in BREEDPLAN and the Beef CRC are delivering a suite of tools that can assist producers speed their genetic progress.

Our ongoing investment in the Beef CRC’s Maternal Productivity Project is investigating the relationship between carcass quality and maternal efficiency. Early indications are that caution may be needed in reducing fat reserves in cows, but that at the same time selection for net feed intake improves the efficiency of the cow-calf unit. Breeders’ attitudes on traits that impact profitability in various environments was also investigated, which will lead to the development of prediction tools for commercial producers via BREEDPLAN.

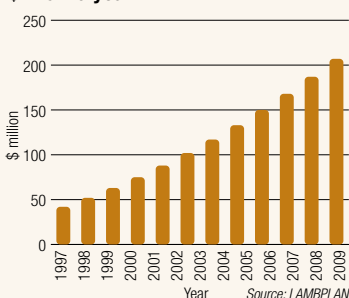
With meat tenderness crucial to consumer acceptance, Pfizer Animal Genetics and our investment in the Beef CRC saw the calibration and release of a new beef tenderness marker-assisted estimated breeding value (EBVm) for the Brahman breed. The tenderness EBVm can assist producers overcome breed and environment hurdles and improve the eating quality of the beef they produce. There are 132 Brahman bulls on the BREEDPLAN website with high accuracy EBVm values and the methodology used to incorporate marker information into BREEDPLAN will be used on other traits and in other breeds in future.

\* McDonald, A., *International Benchmarking of Genetic Trends of the Australian Beef Cattle Seedstock Industry, 2007, MLA*

**Aggregate on-farm value of beef genetic improvement is returning an additional \$15–20m a year on average**



**Additional on-farm value due to LAMBPLAN is growing by about \$17.5m a year**



These charts show a simple estimate of the trend in additional on-farm income generated from genetic change through BREEDPLAN and LAMBPLAN.

Our environment, sustainability and climate change portfolio is critical to provide a fact-based platform for a sustainable industry and to address misinformation in the community.

## Looking after the land

### *Increase cost efficiency and productivity – on-farm Ensuring sustainability*

We invest in developing new pasture species and grazing management techniques that withstand the variability of Australia's seasons and improve livestock performance but it can often take years to understand and reap the full benefit.

In conjunction with the NSW Department of Primary Industries and AgResearch in New Zealand our support of a 12-year plant breeding program, which concluded this year, delivered three new white clover cultivars targeting a drier adaptation zone and three elite lines currently undergoing merit testing. These new lines can help restore soil fertility to pastures in decline, improve feed quality and boost animal productivity.

The University of Queensland also completed research on the development of psyllid-resistant leucaena, however, due to heterogeneity in psyllid-resistance in the final breeding lines, a further two rounds of breeding and selection are required.

In our joint plant improvement program with the Future Farming Industries Cooperative Research Centre (FFI CRC) we delivered elite lines of cocksfoot, tall fescue and a sub tropical grass for merit testing by a partner seed company over the next three years. Our collaboration with FFI CRC and AWI in the EverGraze project saw nearly 4,000 producers, consultants and advisors participate in the program's 58 research and demonstration sites, which are seeking to reduce impacts on natural resources while concurrently increasing the productivity and profitability of the grazing systems in the southern high rainfall zone.

Pastures Australia, a collaboration between MLA and four other research and development organisations, is seeking to improve the reliability of pasture improvement information for producers. A significant achievement this year has been the successful engagement of seven seed companies to establish and co-fund a pilot regional cultivar testing network,

which will enable producers to select species adapted to their region. Linkages with the seed companies allow improved plant breeding processes and the utilisation of new genetic tools and breeding technologies to reduce the time taken to develop new varieties and demonstrate their genetic gain over standard industry varieties.

We embarked on the first phase of a project to help cattle graziers across northern Australia improve land management for both environmental sustainability and profit. The Northern Grazing Systems project incorporates the results of existing research with producer knowledge and whole-property economic modelling to identify a range of grazing management options. The Australian Government's Caring for our Country Open Grants program provided just under \$300,000 for the first phase and a further \$1.4 million from their Australia's Farming Future Climate Change Research Program.

## Our environment our commitment

### *Ensuring sustainability Increase cost efficiency and productivity – off-farm*

### A changing climate

To boost our understanding, address the risk and capture the opportunities associated with climate change and seasonal variability, we successfully established a portfolio of 18 research projects under the Australian Government's *Reducing Emissions from Livestock Research Program*. The projects aim to develop knowledge, research and monitoring tools to assist livestock producers boost their productivity and at the same time reduce their greenhouse gas emissions; as well as assist industry to negotiate a viable position in Australia's emerging climate change policy that will allow continued profitable production.

We continued to provide technical advice as part of our role on government committees looking at national climate change policies and supported the National Farmers' Federation and peak councils in the development of industry policies for negotiating positions on the role of agriculture in the Carbon Pollution Reduction Scheme (CPRS), alternative measures for contributing to emissions reduction and to international greenhouse gas accounting rules.

In a partnership under the Managing Climate Variability program, we collaboratively funded, developed and delivered



'Trophy' a new white clover cultivar – the results of a 12 year breeding program partly funded by MLA.



A series of 30 information fact sheets helped inform and assist Australian farmers manage climate risk.

training for 65 leading regional farmers as part of the Masters of Climate project and over 650 farmers, agribusiness consultants and state agency staff in *Farmer Forums*. We produced 30 online information fact sheets and a series of magazine and media articles to inform and assist Australian farmers manage climate risk and access models that provide more accurate seasonal forecasts.

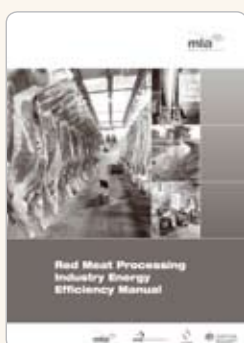
Soil carbon is an indicator of soil health and productive capability. To assess the impact of management practices on soil carbon stocks in Australian grazing lands, we began a review of variability in soil carbon over time, sampling intensity, statistical sensitivity, and sampling and analysis costs this year.

### Water and energy

In 2008-09 we partnered with the University of New South Wales to conduct a lifecycle assessment study for three southern Australian meat supply chains to provide an Australian context to the data being used publicly on the industry's environmental impacts. The resulting paper, *Accounting for Water Use in Australian Red Meat Production*, has been accepted for publication in the *International Journal of Life Cycle Assessment*. It shows that between 18 and 540 litres of water is used to produce a kilogram of beef or lamb depending on when and where the animals were raised.

We invested in research which demonstrated that biofilm disruption can increase the efficiency of conventional chlorine treatment in washing and sterilising equipment and that demineralisation technology can reduce water use in the processing sector. Further experiments are underway to assess combinations of treatments and quantify water use reductions.

We also instigated an initiative to ensure efficient use of water and energy in the processing sector and effective response to the Government's CPRS. An independent study was commissioned to estimate the potential effect of the CPRS on the processing sector, estimating a cost impact of more than \$54m per year on that sector alone. We have supported work in the processing sector to minimise energy usage including an energy audit of 12 processing plants. The results of the audit were captured in our *Energy Efficiency Manual*, which has been distributed to 300 processors.



**Our Energy Efficiency Manual has been distributed to 300 processors to help them minimise energy usage.**

## Processing innovation

### *Increase cost efficiency and productivity – off-farm*

Our portfolio in the processing sector is focused on delivering innovations to capture improvements in occupational health and safety, cost of production and increased yield to ensure the industry's ongoing global competitiveness.

We facilitated a collaborative partnership through the MLA Donor Company with the Northern Co-operative Meat Company (NMC) and Scott Automation and delivered an innovative beef boning machine that removes strain on employees by improving adherence to cutting lines, eliminates food safety concerns and increases beef yield. We commissioned a report to evaluate the benefit of this new robotic boning machine which showed an overall benefit of an additional \$4.53 per head processed via yield gains, increased chain speed on the boning floor by three per cent, reduced OH&S costs and increased benefits to the labour force. The technology was shown to pay for itself within one year for the first adopter.

Preliminary research and development on a holistic objective carcass measurement system for supply chains showed the concept is technically feasible with the proposed system having the potential to deliver a beef supply chain benefit of \$16.80 per head and \$1.05 for sheep.



**A collaborative partnership delivered an innovative beef boning machine, which improves occupational health and safety, as well as yield.**

## Market watch

### Improve industry and market information

We are committed to providing the highest standard of timely and relevant market information to ensure our stakeholders are informed on market conditions and expected turning points that assist with their planning, decision making and performance management. To meet our commitment we measured our performance against a Stakeholder Service Standard this year and found we met it 98 per cent of the time.

The usefulness of our information was assessed and we found the most widely used market information by MLA members is commodity prices with 66 per cent indicating they find it useful particularly when selling\*. Market projections and forecasts were the next most widely used resources signifying their value to on-farm decision making. We also consulted 60 red meat and livestock industry players to assess how our market information assisted them to make business decisions. The majority were supportive of the market information program and valued various information and data outputs produced by it.

Our *Australian cattle and sheep industry projections* were released in late January amidst an increasingly difficult global economic climate and tough climatic conditions in rural Australia. The projections were widely reported throughout rural and financial media and importantly the analysis stood up for the first half of 2009.

We established an industry Lamb Forecasting Advisory Committee to assist in making the crucial forecasts of lamb supply more accurate and useful in production and pricing decisions by producers, processors and exporters.

With timeliness an ever important factor in decision making on farms and in plants, in late 2008 we introduced a new mobile SMS service to provide industry with instant daily market information including daily price indicators.

Subscriptions to our weekly market information newsletter *Meat & Livestock Weekly (MLW)* increased by 27 per cent this year to 3,853 including a 52 per cent increase in email subscribers alone. This is in keeping with our aim to deliver more timely and useful market information.

The content of *MLW*, *Industry Overview* and *Livelink* publications was altered to make them more useful, while we replaced our series of *Market Briefs* with the more targeted *Red Meat Market Reports* series and commenced a monthly *Global Trimmings Report*.

The MLA Global Red Meat Database was extended to cover more regions and to fill in gaps in core data series. This can now be accessed on the MLA website along with upgraded ABARE/MLA farm financial and physical database.

We have increased the range of products for controlling price and supply for young and finished cattle; in particular our Australian Forward Cattle Trading Standard (AFCTS) is routinely being used by several companies in their forward contracting. Activities during 2009-10 will focus on:

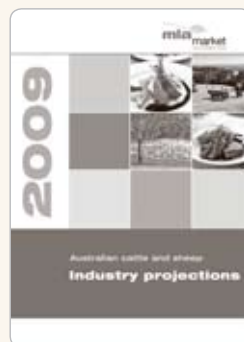
- increasing uptake of the AFCTS through business development activities targeting supply chains
- facilitating the development and uptake of other risk management alternatives
- extending the range of market information to assist in risk management decision-making

At just one contract per day, trading in the MLA/SFE Cattle Futures contract is critically low and continues to be constrained by the lack of buyer uptake.

\* September 2008, Member Communications Survey, Taverner Research commissioned by MLA



**We launched a new SMS service to provide industry with instant daily market information.**

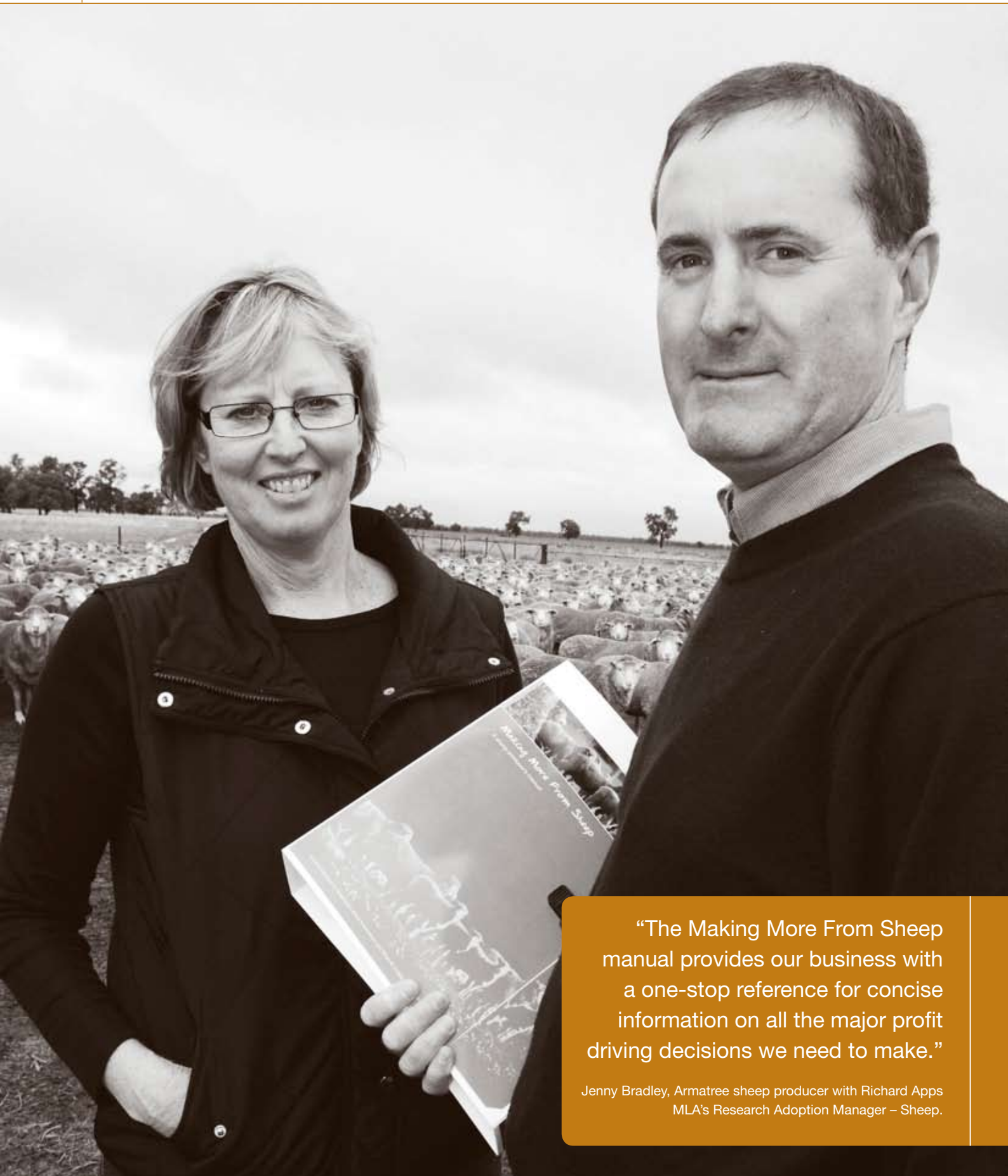


**Our Australian cattle and sheep industry projections provided forecasts for supply and demand and examined likely threats and opportunities for the industry.**



# Increasing industry capability

- 40 2008-09 highlights
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“The Making More From Sheep manual provides our business with a one-stop reference for concise information on all the major profit driving decisions we need to make.”

Jenny Bradley, Armatree sheep producer with Richard Apps  
MLA's Research Adoption Manager – Sheep.

# Increasing industry capability

## INVESTMENT



- Guided by the Australian Government research priorities:
- Innovation skills
  - Technology

HIGHLIGHTS 2008-09				
Objective	Measure	Highlight	Benefit	Future
Increase adoption of R&D outcomes Investment: \$5.8m	Measured change in adoption of new technologies, processes and management practices that improve productivity and/or sustainability throughout the value chain	61% of producers changed management practices as a result of participating in our activities during 2008-09	Improved, sustainable management systems to increase production and profit	Increased commitment to foster producer engagement in a variety of MLA learning activities to support the adoption of improved management practices and innovative technologies
Build world-class skills and innovation capability Investment: \$2.9m	Increase in the number of people in each industry sector who have undertaken training or skill development through MLA-funded or associated programs	Eight organisations signed on to our Collaborative Innovation Strategy and over 9,500 people engaged with our professional development program	Improve the innovation capability of organisations and supply chains	Further participation of additional collaborative partners will increase total industry R&D investment with increased uptake of R&D outcomes to wider industry
		30% average increase in the number of red meat producers undertaking training and/or skill development through MLA flagship* programs	Producers more confident and capable to make key management decisions for improved, sustainable profit and/or productivity gains	Ongoing commitment to invest in the development and delivery of innovative skill development programs for red meat producers

\* MLA flagship programs include More Beef from Pastures, Beef Up and Making More From Sheep

## Our operating environment

After a particularly tough period in the previous two years, the profitability of both cattle and prime lamb farms improved on average during 2008-09, as the long drought receded in most areas and key farm costs (grain, fuel and interest) came off their 2007-08 peaks.

The red meat industry's productive capacity has levelled out, after production reached record levels over the 2006-07 and 2007-08 period. Record high land prices and general farm input costs, a fall in feedlot activity, ongoing drought and strong competition for land from cropping, have combined to lower farm incomes and prevent further output expansion.

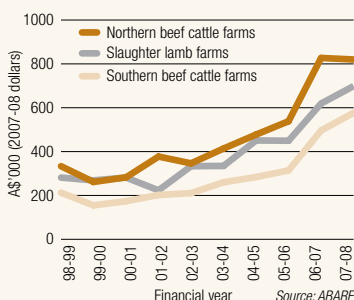
Despite the impact of the above factors and falling cattle and wool prices on farm business profits over recent years, both cattle and prime lamb producers have been actively buying additional land and undertaking other investments aimed at further raising farm productivity.

Hence, prime lamb producers, northern cattle producers and lot feeders would appear to be well placed to expand output over coming years, particularly given the improved seasonal conditions and lower grain costs. Southern cattle producers and mixed farms reliant on wool returns are likely to require a few years of better seasonal conditions before output can be expanded appreciably.

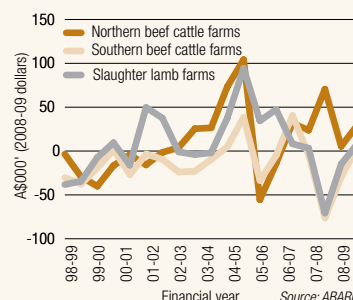
## Future challenges and opportunities

The dynamic and often hostile competitive environment in which the red meat industry operates will continue to challenge its ability to capture competitive advantage through constant innovation and increased capability to deliver on any new advances. Continual development of a skilled and engaged workforce will be fundamental to the long-term health and viability of rural communities.

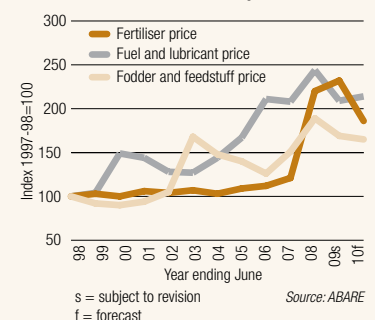
Farm debt



Farm business profit is improving on average



The price of fuel, fodder and feedstuff decreased while fertiliser prices rose

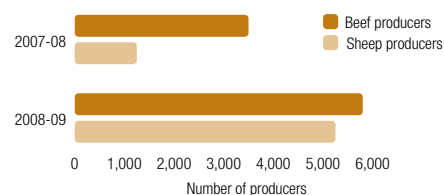


We facilitate adoption of our research and development through a range of publications, events, workshops and online communications.

## Research changes practice

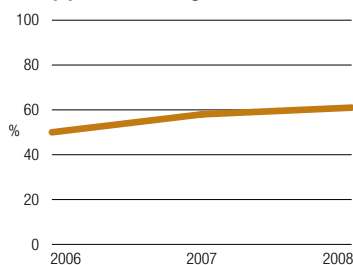
### Increase adoption of R&D outcomes

#### Producer engagement in MLA development and extension activities



The noticeable increase in sheep producer engagement comes as a result of the first full year of Making More From Sheep.

#### Yearly practice change on-farm



We have consistently achieved around 60 per cent practice change among producers engaged with our programs.

### Influence on-farm

We have continued to influence producers to trial or apply R&D outcomes on farms. Practice change on-farm has steadily climbed and this year has seen:

- 61 per cent making management changes as a result of course participation
- 80 per cent adopting a practice change reported it had a positive impact

Building on the achievements of previous years, the 2009 Axiom KPI survey indicates participants in MLA activities have made changes to improve enterprise production and/or business performance, including:

- 76 per cent of producers measuring pasture availability and adjusting stocking rate accordingly
- 28 per cent of targeted producers increasing the area of land sown to perennial pasture, on average by 10.5 per cent of the total property area

### Resourcing information

Our tools and publications deliver practical applications of R&D to producers and during the year we distributed 54,568 publications and an additional 73,000 were downloaded from our website.

We expanded the circulation to our quarterly magazine *Prograzier* from 21,436 to 34,300 by automating distribution to all of our members in southern Australia. An independent survey conducted during the year by Taverner Research on *Prograzier* showed that 48 per cent of readers had either changed the direction of their property plans, directly applied their learning or sought more information or training.

With up to 25 per cent of Australian cattle failing to meet specification targets costing up to \$30 a head, we funded the development and launch of the BeefSpecs calculator. BeefSpecs is an on-farm prediction tool designed by the Beef CRC to assist cattle producers in making more accurate management decisions to increase carcase compliance rates. The calculator has been accessed by 2,633 industry stakeholders via our website and we have demonstrated it to more than 400 producers at field days throughout Australia. Enhancements to be launched in 2009-10 will extend its application to heifers and *Bos indicus* and *B.indicus* x *B.taurus* breed types, as well as a 'feedlot ready' version to facilitate automated, crush-side live animal assessment.

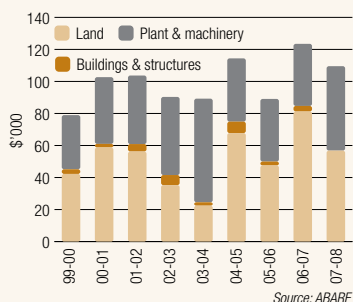
Staff turnover in the agriculture sector of the Australian workforce is expected to cost the industry about \$327 million over the next five years in recruitment, retraining and lost productivity. In partnership with Australian Wool Innovation (AWI) we jointly funded a study on how employers can cost-effectively attract and retain staff, and during the year we delivered the results at a range of events, media and in our magazines.

With weeds costing the livestock industry \$1.5 billion a year\*, we collaborated with AWI to develop a suite of detailed practical weed control guides and producer case studies within the 3D approach – deliberation, diversity and diligence. In addition, we distributed 264 copies of *A practical guide to biological control of Paterson's curse* – our new interactive CD on how to use biological control to manage Paterson's curse which infests over 30 million hectares in southern Australia.

\* *Sindon et al. 2003 Calculated from total control costs and yield losses in the livestock industry*

### Composition of farm capital purchases: average for lambs sold for slaughter

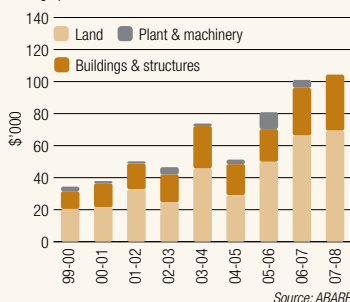
Average per farm 2007-08 dollars



Source: ABARE

### Composition of farm capital purchases: average for beef southern Australia

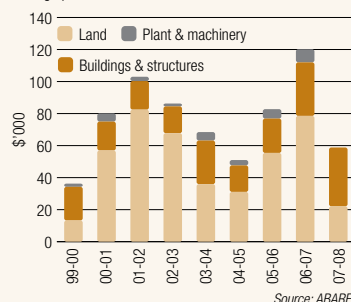
Average per farm 2007-08 dollars



Source: ABARE

### Composition of farm capital purchases: average for beef northern Australia

Average per farm 2007-08 dollars



Source: ABARE

## Participating in change

Beef Up forums were again a popular learning initiative during the year with 504 producers attending the 14 forums held across the northern region to discover options to improve reproductive performance, liveweight gain, grazing land management and succession planning. Thirty-six per cent of producers indicated that they have changed one or more management practices as a result of their participation in Beef Up forums.

More Beef from Pastures (MBfP) engaged 5,362 producers across southern Australia at 137 events during the year. MBfP, which encompasses information and learning activities for various aspects of southern beef production, resulted in 48 per cent of producers changing an on-farm practice in 2008-09. MBfP e-newsletter subscriptions increased by 50 per cent during the year reaching 2,055 producers and industry stakeholders.

Making More From Sheep (MMFS), a program developed in conjunction with Australian Wool Innovation (AWI) and 250 leading sheep and wool producers and technical experts, saw 3,464 lamb and sheep producers participate in program activities which included 191 workshops/seminars and two national webinars. In addition, *The producer's manual* was ordered by 1,400 Australian sheep producers, 1,050 were downloaded from the website and 980 manual CDs were distributed. The website attracted 66,700 people, with 'Planning for success' proving to be the most popular module. After participating in MMFS, 56 per cent producers\* indicated they had changed a practice.

## Engaging producers

### *Build world class skills and innovation capability*

To stimulate producer participation and uptake of applied research, we funded five new Producer Demonstration Sites (PDS) involving 60 producers seeking to better utilise Meat Standards Australia (MSA) feedback to assist management. This takes the number of PDS projects operating in the northern beef region to 17.

We continued to support 12 Producer-Initiated Research and Development (PIRD) projects operating in southern Australia. These group learning projects, involving over 100 producers, are investigating options for sustainably increasing the amount of beef produced per hectare. However, we are phasing PIRDs out in favour of the PDS model to enable more rigorous project design as well as adequate support for groups.

## Processing professional development

### *Build world class skills and innovation capability*

We partnered with eight companies as part of the new Collaborative Innovation Strategy program to rapidly improve the innovation capability of organisations and supply chains this year.

As a result of this program:

- Five companies employed dedicated Innovation Managers to develop their company innovation strategy, innovation metrics and implement a change management program to facilitate a more innovative culture within the respective organisations.
- Individual companies increased their co-investment in R&D with MLA from \$0 up to \$3.3 million dollars each and successfully commercialised new technologies such as the aitch bone and knuckle puller manual assist.
- Companies are implementing their own graduate program as a result of strategy and succession planning with one company committed to more than 10 positions from a zero base.
- We developed and piloted the industry's first innovation network – the 'Red Meat Industry Innovation Network' – which has received positive feedback from the eight processing and automation companies represented. The network will ensure access to cutting edge technology, tools, personal and professional development and the ability to interact with idea generators throughout Australia and the world.

The Collaborative Innovation Strategy program will continue to grow as more companies sign on to participate, with 18 partnering companies expected by the end of 2009-10. A focus on involving pastoral companies and large producers and developing alternative models will continue.

We reviewed the promotion of the processing industry to ensure it remains an appealing career destination for young people. Our findings showed the current program compares extremely well with programs offered in competing industries. A steering committee consisting of MLA, industry members, current graduates and employers was appointed and a plan developed for next year, as part of a whole-of-industry approach to further improving the professional development program and ensuring it remains relevant to industry.

\* 2009 KPI survey – Axiom



**Five new Producer Demonstration Sites are aimed at stimulating uptake of applied research.**

# Financial report

for the year ended 30 June 2009

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# Corporate governance statement

Our corporate governance framework is established to ensure that 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 have had regard to 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](http://www.mla.com.au).

## The Board

### Composition

The Board currently comprises 11 directors, with the Managing Director the only executive director. The Board resolved in May 2009 to reduce the number of directors by one, effective from the 2009 annual general meeting. 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 46.

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 pages 48–51.

### 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 included monthly review of the Company's financial position and management reports, a detailed review of each of the Company's strategic imperatives and 'Health Checks'. Health Checks are detailed reviews of allocated topics and included:

- 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 a strategic planning session 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 on a regular basis with a formal performance review undertaken annually. This year's performance review was facilitated by a Board review specialist, with the review focusing on the effectiveness of the Board as a whole and the performance of individual directors. The review involved interviews with each director and the Board review specialist. Observations from the review were reported to, and discussed, by the Board.

### Board training

The Board participated in a tailored corporate governance training workshop in April 2009, which was facilitated by the *Australian Institute of Company Directors*. The workshop focused on the role of an MLA director and the Board, as well as effective board meetings and governance.

A key outcome of the workshop was the development by the Board of a document outlining the Board's Operating Values and Principles, which includes Board paper and meeting guidelines and how the Board will measure its performance.

A comprehensive induction program was conducted for our new director at the beginning of 2009. As part of the induction program

the general managers provided 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 48.

### 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. The Audit Committee also oversees 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 46.

### 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

### 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

In 2008-09 new membership activities were mostly restricted to targeting producers through MLA events. This saw membership grow to a final year figure of 46,156 members.

## 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 48.

## 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 once a year on compliance with the Plan and conducts an annual review of the Plan.

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 2008 annual general meeting, members passed a resolution increasing the total limit for directors' remuneration (excluding the Managing Director) from \$500,000 to \$750,000. The Remuneration Committee reviews directors' fees on a regular basis with no increase in payments to directors occurring since 2004 and in recognition of the economic environment no increase in directors' fees has been implemented since the total limit was increased last year.

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 implement a member communication 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, events and our *feedbackTV* DVDs.

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 2008 AGM was held in Orange, NSW and was preceded by Rockhampton, Queensland (2007), Adelaide, SA (2006), and Melbourne, Victoria (2005).

Events play an important role in giving members information and the direct opportunity to contribute to the direction of the company. In 2008-09 we held successful Meat Profit Days in Gympie and Orange, attracting almost 850 people. We also held forums in association with the tri-annual Beef Australia expo in Rockhampton where the independent Beef Marketing Funding Committee released its review into the cattle transaction levy.

For the second year, our 2007-08 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 was a finalist in the 2009 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](http://www.mla.com.au) provides information on on-farm tools and resources, post-farm research programs, domestic and international marketing activities, market information and links to websites for key industry systems such as Meat Standards Australia, the National Livestock Identification System and Livestock Production Assurance.

The site is consistently ranked in the Top 10 by website monitoring company *Hitwise* and maintained 42,000 unique visitors a month during 2008-09.

Our flagship magazine *feedback*, and DVD program *feedbackTV* continue to demonstrate the breadth of research and marketing activities that the company undertakes on behalf of the industry.

# Directors' report

The Board of Directors of Meat & Livestock Australia Limited ("MLA" or "the Company") has pleasure in submitting its report for the financial year ended 30 June 2009.

## 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.

### Names, qualifications, experience and special responsibilities

**(Don) Arthur Macedon 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. Mr Heatley is 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 is chairman of the Remuneration Committee.

**(Grant) Stuart Grant Burbidge** B App Sc (Wool and Pastoral) Hon, GAICD  
Director since 2008

Mr Burbidge is from Tarcutta on the South West Slopes of New South Wales and currently runs a flock of 20,000 sheep and 350 head of cattle. He has 28 years experience as a livestock producer. Mr Burbidge also provides strategic management advice to several other agricultural enterprises. Mr Burbidge was a founding director of Grass Farms Australia, a group of companies specialising in investment, management and labour hire in agriculture, and was the managing director of Agropraisals Pty Ltd, a company which conducted research and development for agrochemical companies. Mr Burbidge is a member of the Membership and Remuneration Committees.

**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.

Left to right: Michael Carroll, Peter Trefort, Chris Hudson, Peter Boyden, David Palmer, Don Heatley, John Wyld, Bernie Bindon, Lucinda Corrigan, Paul Troja, Grant Burbidge



**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 and chair of the Advisory Committee, EH Graham Centre for Agricultural Innovation at Charles Sturt University. 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 an adjunct professor at the University of Queensland. He recently retired as a director of Food Science Australia, an appointment held for 11 years. 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.

**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 was a director of AUS-MEAT Limited during the year and chairman of the Selection Committee in 2008.

**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 and a director of National Livestock Identification System Limited.

**(John) Henry John Wyld** FAICD  
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 was a member of the Membership and Remuneration Committees during the year and is a director of AUS-MEAT Limited and National Livestock Identification System Limited.

### Directors retired or resigned during the year

**John (Jay) Field Simms** BAg Sc (Livestock Production)  
Retired November 2008

Mr Simms owns and manages a cattle property in north-west Queensland. He has represented 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 was a member of the Membership Committee.

### Company secretaries

**Rachel Debeck** BA LLB (Hons), GAICD  
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 Lucinda Corrigan, Professor Christopher Hudson, Mr David Palmer and Mr Laurence Robinson.

## National Livestock Identification System Limited

During the year, the company set up this new subsidiary to house the business activities of the division that was responsible for livestock identification and tracking. The business activities of National Livestock Identification System Limited are overseen by a separate board of directors. The current members of the board are Mr John Wyld, Mr Paul Troja, Mr Ian Feldtmann, Mr Peter Milne and Mr Allan Bloxsom.

## 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 [11]	4	–	–
P R Boyden	9 [11]	–	–	2
S G Burbidge (a)	6 [6]	–	3 [3]	1 [1]
M Carroll	10 [11]	4	–	–
L L F Corrigan	11 [11]	–	4	–
A M Heatley	11 [11]	–	–	–
C B Hudson	11 [11]	–	–	2
D W Palmer	11 [11]	–	–	–
J F Simms (b)	4 [5]	–	1 [1]	–
P J Trefort	10 [11]	–	3 [3]	–
P A Troja	11 [11]	4	–	–
H J Wyld	11 [11]	–	1 [1]	1 [1]

(a) Mr Burbidge was appointed on 13 November 2008.

(b) Mr Simms retired on 13 November 2008.

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

Don Heatley (Chair) 1 (1)

Bernie Bindon 3 (3)

Michael Carroll 3 (3)

### Peak Council representatives

Greg Brown 1 (1)

Jim Cudmore 1 (1)

Kate Joseph 1 (1)

### MLA Member elected representatives

Robert Green 1 (1)

Kerry Corish 1 (1)

Warren Barnett 0 (1)

During 2008, Peter Trefort chaired the Selection Committee. Retiring members of the Selection Committee and their attendance at meetings during 2008 were: *MLA Directors*: Peter Trefort 2 (2); *Peak Council representatives*: Bill Bray 2 (2), Malcolm Foster 2 (2), Chris Groves 2 (2); *MLA Member elected representatives*: Scott Anderson 2 (2), John Armstong 2 (2), Jason Shearer-Smith 1 (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 \$16,546,000 (2008: surplus of \$5,772,000).

### Group overview

The Group earned total revenue of \$163,387,000 (2008: \$162,857,000) which is comprised of the following:

- Transaction levies \$98,068,000 (2008: \$93,873,000)
- Research and development matching grants \$31,443,000 (2008: \$34,511,000)
- Other income and revenues \$33,876,000 (2008: \$34,473,000)

Total income received/receivable was more than total expenditure, which resulted in an operating surplus of \$16,546,000 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 does not have a material exposure to any environmental regulations.

## Indemnification and insurance of Directors and officers

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

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

## Rounding of amounts

The 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.

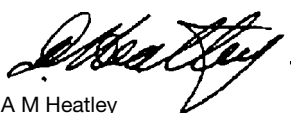
## Registered office and principal place of business

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 2009 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, 10 September 2009

# Auditor's independence declaration



**ERNST & YOUNG**

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680 George Street  
Sydney NSW 2000 Australia  
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Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
www.ey.com/au

## 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 2009, 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

Rob Lewis  
Partner  
Sydney  
Date: 10 September 2009

Liability limited by a scheme approved  
under Professional Standards Legislation

# Income statement

Year ended 30 June 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>CONTINUING OPERATIONS</b>					
<b>REVENUES FROM ORDINARY ACTIVITIES</b>	3	<b>163,387</b>	162,857	<b>163,387</b>	162,857
<b>EXPENDITURE FROM ORDINARY ACTIVITIES</b>					
Increasing market access		<b>22,791</b>	23,830	<b>22,791</b>	23,830
Growing demand		<b>56,717</b>	62,130	<b>56,717</b>	62,130
Enhancing competitiveness and sustainability		<b>29,580</b>	31,105	<b>29,580</b>	31,105
Increasing industry capability		<b>8,683</b>	9,938	<b>8,683</b>	9,938
Communications		<b>3,772</b>	3,860	<b>3,772</b>	3,860
Other		<b>650</b>	650	<b>650</b>	650
R&D partnerships		<b>15,232</b>	16,335	<b>15,232</b>	16,335
Corporate costs		<b>9,416</b>	9,237	<b>9,416</b>	9,237
Total expenditure		<b>146,841</b>	157,085	<b>146,841</b>	157,085
<b>NET SURPLUS FROM ORDINARY ACTIVITIES</b>	18	<b>16,546</b>	5,772	<b>16,546</b>	5,772
<b>TOTAL CHANGE IN MEMBERS' FUNDS</b>		<b>16,546</b>	5,772	<b>16,546</b>	5,772

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

# Balance sheet

As at 30 June 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	24	73,635	58,705	73,635	58,705
Trade and other receivables	7	25,892	24,560	25,892	24,560
Prepayments and deposits	8	838	476	838	476
<b>TOTAL CURRENT ASSETS</b>		<b>100,365</b>	83,741	<b>100,365</b>	83,741
<b>NON-CURRENT ASSETS</b>					
Investment in associate	9	-	-	-	-
Investments in subsidiaries	10	-	-	-	-
Property, plant and equipment	11	1,064	1,323	1,064	1,323
Intangible assets	12	2,325	2,369	2,325	2,369
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,389</b>	3,692	<b>3,389</b>	3,692
<b>TOTAL ASSETS</b>		<b>103,754</b>	87,433	<b>103,754</b>	87,433
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	30,911	32,668	30,975	32,668
Provisions	14	1,478	986	1,478	986
Other liabilities	15	7,421	6,778	7,408	6,778
<b>TOTAL CURRENT LIABILITIES</b>		<b>39,810</b>	40,432	<b>39,861</b>	40,432
<b>NON-CURRENT LIABILITIES</b>					
Other payables	16	427	70	427	70
Provisions	17	733	942	682	942
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,160</b>	1,012	<b>1,109</b>	1,012
<b>TOTAL LIABILITIES</b>		<b>40,970</b>	41,444	<b>40,970</b>	41,444
<b>NET ASSETS</b>		<b>62,784</b>	45,989	<b>62,784</b>	45,989
<b>EQUITY – MEMBERS' FUNDS</b>					
Contributed equity	27	9,031	9,031	9,031	9,031
Retained surplus	18	54,420	37,874	54,420	37,874
Cash flow hedge reserve	19	(667)	(916)	(667)	(916)
<b>TOTAL EQUITY – MEMBERS' FUNDS</b>		<b>62,784</b>	45,989	<b>62,784</b>	45,989

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



# Statement of recognised income and expense

Year ended 30 June 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Cash flow hedges					
(Loss) taken to equity	19	(667)	(916)	(667)	(916)
Transferred to income statement for the year		916	807	916	807
<b>NET PROFIT/(LOSS) RECOGNISED DIRECTLY IN EQUITY</b>		<b>249</b>	<b>(109)</b>	<b>249</b>	<b>(109)</b>
Surplus for the year		<b>16,546</b>	5,772	<b>16,546</b>	5,772
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR</b>		<b>16,795</b>	5,663	<b>16,795</b>	5,663

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

# Statement of cash flows

Year ended 30 June 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Levies collected		<b>98,244</b>	92,942	<b>98,244</b>	92,942
Research and development matching grants		<b>30,611</b>	39,060	<b>30,611</b>	39,060
Receipts from subsidiary		–	–	<b>13,002</b>	11,488
Receipts from processors and live exporters		<b>12,544</b>	10,935	<b>12,544</b>	10,935
Other receipts		<b>17,978</b>	17,236	<b>4,986</b>	5,765
Payments to suppliers and employees		<b>(146,109)</b>	(153,313)	<b>(146,109)</b>	(153,313)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	24(b)	<b>13,268</b>	6,860	<b>13,278</b>	6,877
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of property, plant and equipment		<b>5</b>	11	<b>5</b>	11
Purchase of property, plant and equipment		<b>(490)</b>	(551)	<b>(490)</b>	(551)
Purchase of software		<b>(535)</b>	(435)	<b>(535)</b>	(435)
Interest received		<b>2,682</b>	3,643	<b>2,672</b>	3,643
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>1,662</b>	2,668	<b>1,652</b>	2,668
<b>NET INCREASE IN CASH HELD</b>		<b>14,930</b>	9,528	<b>14,930</b>	9,545
Add opening cash brought forward		<b>58,705</b>	49,177	<b>58,705</b>	49,160
<b>CLOSING CASH CARRIED FORWARD</b>	24(a)	<b>73,635</b>	58,705	<b>73,635</b>	58,705

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

# Notes to the financial statements

Year ended 30 June 2009

## 1. CORPORATE INFORMATION

The financial report of Meat & Livestock Australia Limited ("MLA" or "the Company") for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 10 September 2009.

MLA has prepared a consolidated financial report incorporating the Company and the entities 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 on page 50.

## 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 2009 and the directors having considered the changes to the accounting standards and other than potential disclosure adjustments, do not believe there will be a material impact to the financial statements.

### (c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Meat & Livestock Australia Limited and its subsidiaries (as outlined in Note 10) as at 30 June each year (the Group).

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 the subsidiaries 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 two 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.

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

### (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 1–5 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 64-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 on page 63.

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

	Notes	Consolidated		Parent	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>3. REVENUE FROM ORDINARY ACTIVITIES</b>					
<b>Revenues from operating activities</b>					
Transaction levies	4	<b>98,068</b>	93,873	<b>98,068</b>	93,873
R&D matching grants		<b>31,443</b>	34,511	<b>31,443</b>	34,511
Other income	5	<b>30,935</b>	31,111	<b>30,940</b>	31,119
Total revenues from operating activities		<b>160,446</b>	159,495	<b>160,451</b>	159,503
<b>Revenues from non-operating activities</b>					
Bank interest		<b>2,936</b>	3,354	<b>2,931</b>	3,346
Net gain on disposal of property, plant and equipment		<b>5</b>	8	<b>5</b>	8
Total revenues from non-operating activities		<b>2,941</b>	3,362	<b>2,936</b>	3,354
Total revenues from ordinary activities		<b>163,387</b>	162,857	<b>163,387</b>	162,857
<b>4. TRANSACTION LEVIES</b>					
Transaction levies:					
– Grainfed cattle		<b>7,220</b>	7,812	<b>7,220</b>	7,812
– Grassfed cattle		<b>59,486</b>	56,478	<b>59,486</b>	56,478
– Lambs		<b>27,498</b>	25,713	<b>27,498</b>	25,713
– Sheep		<b>3,408</b>	3,522	<b>3,408</b>	3,522
– Goats		<b>456</b>	348	<b>456</b>	348
Total transaction levies		<b>98,068</b>	93,873	<b>98,068</b>	93,873
<b>5. OTHER INCOME</b>					
Processor contributions		<b>10,554</b>	10,675	<b>10,554</b>	10,675
Live exporter contributions		<b>1,963</b>	1,405	<b>1,963</b>	1,405
Co-operative funding		<b>3,500</b>	4,164	<b>3,500</b>	4,164
R&D partnership income		<b>8,279</b>	7,312	–	–
Income from subsidiary		–	–	<b>8,284</b>	7,320
Commonwealth Government grants		<b>3,473</b>	2,310	<b>3,473</b>	2,310
Sale of products or services		<b>2,133</b>	2,552	<b>2,133</b>	2,552
National vendor declarations		–	1,655	–	1,655
Other		<b>1,033</b>	1,038	<b>1,033</b>	1,038
Total other income		<b>30,935</b>	31,111	<b>30,940</b>	31,119

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>6. EXPENSES AND LOSSES</b>				
Depreciation and amortisation of non-current assets included in the income statement:				
Leasehold improvements	74	296	74	296
Plant and equipment	649	874	649	874
Furniture and fittings	16	17	16	17
Amortisation of intangible assets	579	528	579	528
Total depreciation and amortisation of non-current assets	1,318	1,715	1,318	1,715
Bad and doubtful debts – trade debtors	41	12	41	12
Loss on sale of assets	10	3	10	3
Operating lease rentals included in the income statement	3,140	2,993	3,140	2,993
Employee benefit expense:				
Wages and salaries	21,457	21,504	21,040	21,504
Workers compensation costs	57	175	50	175
Annual leave provision	1,294	1,243	1,257	1,243
Long service leave provision	411	45	403	45
Superannuation expense	1,640	1,601	1,603	1,601
Other post employment benefits	117	94	117	94
Termination expenses	137	71	137	71
<b>7. TRADE AND OTHER RECEIVABLES (CURRENT)</b>				
Trade receivables	6,532	7,624	6,532	7,624
Allowance for impairment of receivables (a)	(65)	(24)	(65)	(24)
Trade receivables, net	6,467	7,600	6,467	7,600
Accrued revenue				
– Levies (b)	6,957	7,133	6,957	7,133
– R&D matching grants (b)	7,683	6,852	7,683	6,852
– Other (b)	3,528	2,751	3,528	2,751
Total accrued revenue	18,168	16,736	18,168	16,736
Goods and Services Tax	1,093	126	1,093	126
Other receivables	164	98	164	98
Total current receivables, net	25,892	24,560	25,892	24,560

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

## 7. TRADE AND OTHER RECEIVABLES (CURRENT) *(continued)*

### (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 2009, trade receivables at nominal value of \$41,333 (2008: \$24,123) were individually impaired and fully provided for.

Movements in the provision for impairment loss were as follows:

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
At the beginning of the financial year	24	12	24	12
Charge for the year	41	12	41	12
Amounts written off	-	-	-	-
At 30 June	65	24	65	24

As at 30 June 2009, the ageing analysis of trade receivables (net of impairment) is as follows:

Consolidated and Parent	Total \$000	Current \$000	Past due but not impaired				
			1-30 days \$000	31-60 days \$000	61-90 days \$000	91-120 days \$000	>120 days \$000
Trade receivables (net of impairment)							
2009	6,467	5,051	652	187	294	74	209
2008	7,600	5,537	141	1,203	210	205	304

Receivables past due but not impaired for Consolidated and Parent are: \$1,416,000 (2008: \$2,063,000). 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 on page 74.

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Prepayments	624	322	624	322
Deposits	214	154	214	154
Total prepayments and deposits	838	476	838	476

## 8. PREPAYMENTS AND DEPOSITS



	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>9. INVESTMENT IN ASSOCIATE</b>				
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 2009 was \$650,000 (2008: \$650,000).

	AUS-MEAT Limited	
	2009 \$000	2008 \$000
Revenue	8,562	7,537
Accumulated surplus/(deficit) at beginning of the year	7	(40)
Net surplus for the year	313	47
Accumulated surplus at end of the year	320	7

#### Financial summary of associated entity

Total current assets	2,514	2,118
Total non current assets	3,959	4,225
Total current liabilities	1,483	1,486
Total non current liabilities	77	60
Net assets	4,913	4,797

The investment in AUS-MEAT Limited has been taken up at nil value (2008: \$nil). There is no entitlement to a share of the net results or net assets except in the event of winding up of the entity.

#### 10. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Meat & Livestock Australia Limited and the subsidiaries listed in the following table.

Name	% Equity Interest		Investment (\$000)	
	2009	2008	2009	2008
a) MLA Donor Company Limited	100	100	-	-
b) National Livestock Identification System Limited	100	-	-	-

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

b) National Livestock Identification System Limited (NLIS) was incorporated in Australia on 24 December 2008 and is limited by guarantee.

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Plant and equipment</b>				
At cost	4,568	4,439	4,568	4,439
Accumulated depreciation	(3,772)	(3,217)	(3,772)	(3,217)
Total plant and equipment	796	1,222	796	1,222
<b>Furniture and fittings</b>				
At cost	281	260	281	260
Accumulated depreciation	(212)	(228)	(212)	(228)
Total furniture and fittings	69	32	69	32
<b>Leasehold improvements</b>				
At cost	4,069	3,973	4,069	3,973
Accumulated depreciation	(3,870)	(3,904)	(3,870)	(3,904)
Total leasehold improvements	199	69	199	69
<b>Total property, plant and equipment</b>				
At cost	8,918	8,672	8,918	8,672
Accumulated depreciation	(7,854)	(7,349)	(7,854)	(7,349)
Total written down value	1,064	1,323	1,064	1,323
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.				
<b>Plant and equipment</b>				
Carrying amount at beginning	1,222	1,594	1,222	1,594
Additions	226	502	226	502
Disposals	(3)	–	(3)	–
Depreciation expense	(649)	(874)	(649)	(874)
	796	1,222	796	1,222
<b>Furniture and fittings</b>				
Carrying amount at beginning	32	41	32	41
Additions	53	11	53	11
Disposals	–	(3)	–	(3)
Depreciation expense	(16)	(17)	(16)	(17)
	69	32	69	32
<b>Leasehold improvements</b>				
Carrying amount at beginning	69	328	69	328
Additions	211	37	211	37
Disposals	(7)	–	(7)	–
Depreciation expense	(74)	(296)	(74)	(296)
	199	69	199	69

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>12. INTANGIBLE ASSETS</b>				
<b>Software</b>				
<b>At cost</b>	<b>3,612</b>	3,072	<b>3,612</b>	3,072
<b>Accumulated amortisation</b>	<b>(1,287)</b>	(703)	<b>(1,287)</b>	(703)
Total software	<b>2,325</b>	2,369	<b>2,325</b>	2,369
Reconciliation				
Carrying amount at beginning	<b>2,369</b>	2,462	<b>2,369</b>	2,462
Additions	<b>535</b>	435	<b>535</b>	435
Amortisation expense	<b>(579)</b>	(528)	<b>(579)</b>	(528)
	<b>2,325</b>	2,369	<b>2,325</b>	2,369
<b>13. TRADE AND OTHER PAYABLES (CURRENT)</b>				
Trade payables (a)	<b>14,489</b>	9,907	<b>14,489</b>	9,907
Accrued R&D and other creditors (a)	<b>9,614</b>	12,553	<b>9,614</b>	12,553
Funds held on behalf of the Commonwealth (b)	<b>3,553</b>	6,916	<b>3,553</b>	6,916
Rent-free period (Refer note 2r)	<b>131</b>	17	<b>131</b>	17
Derivative financial instruments (c)	<b>667</b>	916	<b>667</b>	916
Amounts due to controlled entities	<b>-</b>	-	<b>198</b>	-
Employee entitlements				
- Annual leave	<b>2,097</b>	2,059	<b>1,963</b>	2,059
- Other	<b>360</b>	300	<b>360</b>	300
Total current trade and other payables	<b>30,911</b>	32,668	<b>30,975</b>	32,668

(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 on page 67.

(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) and Climate Change. These funds are to be distributed as follows:

- NLIS Grants: as directed by the NLIS Review Committee and the Minister, generally to State Governments based on approved business plans. Funds (including interest) totalling \$14,937,715 (2008: \$14,596,722) have been received or invoiced, and net payments of \$13,426,760 (2008: \$7,680,953) 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.
- Climate change grants: Pursuant to an agreement entered into during 2009, MLA is to receive grants over four financial years for managing the Reducing Emissions from Livestock program. Funds totalling \$3,628,251 have been received and net payments of \$1,586,174 made during the June 2009 year. The balance has been classified as current as MLA will be distributing the funds per the agreements with the Department of Agriculture, Forestry and Fisheries and the sub-contracted research organisations.

(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 \$666,965 (2008: \$915,882) was taken to equity with the difference to income statement.

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>14. PROVISIONS (CURRENT)</b>				
Employee entitlements				
– Long service leave	1,428	936	1,428	936
Other provisions	50	50	50	50
Total current provisions	1,478	986	1,478	986

	Consolidated and Parent		
	Long service leave \$000	Other provisions \$000	Total \$000
<b>Movements in provisions:</b>			
Carrying amount at the beginning of the financial year	936	50	986
Additional provisions	362	–	362
Paid	(69)	–	(69)
Amounts transferred from non-current during the year	199	–	199
Carrying amount at the end of the financial year	1,428	50	1,478

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>15. OTHER LIABILITIES (CURRENT)</b>				
Unearned income	6,917	6,351	6,917	6,351
Other	504	427	491	427
Total current other liabilities	7,421	6,778	7,408	6,778

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>16. TRADE AND OTHER PAYABLES (NON-CURRENT)</b>				
Rent-free period (Refer note 2r)	427	70	427	70
Total non-current trade and other payables	427	70	427	70

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>17. PROVISIONS (NON-CURRENT)</b>				
Employee entitlements				
– Long service leave	733	942	682	942
Total non-current provisions	733	942	682	942

	Consolidated and Parent	
	Long service leave \$000	Total \$000
<b>Movements in provisions:</b>		
Carrying amount at the beginning of the financial year	942	942
Additional provisions	39	39
Paid	(49)	(49)
Amounts transferred to current during the year	(199)	(199)
Carrying amount at the end of the financial year	733	733

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>18. RETAINED SURPLUS</b>				
Retained surplus at the beginning of the financial year	37,874	32,102	37,874	32,102
Net surplus	16,546	5,772	16,546	5,772
Retained surplus at the end of the financial year	54,420	37,874	54,420	37,874
<b>19. CASH FLOW HEDGE RESERVE</b>				
At the beginning of the financial year	(916)	(807)	(916)	(807)
Net (loss) on cash flow hedges	(667)	(916)	(667)	(916)
Transfer of cash flow hedge reserve to Income statement	916	807	916	807
Total cashflow hedge reserve (a)	(667)	(916)	(667)	(916)

(a) The full amount of hedged cash flows as at 30 June 2009 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 2009, a loss of \$666,965 (2008: \$915,882) 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 on page 72). 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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current assets:				
– Bahrain dinars	43	138	43	138
– Euro	69	30	69	30
– Chinese renminbi	56	68	56	68
	168	236	168	236
Current liabilities:				
– Bahrain dinars	76	211	76	211
– Euro	7	51	7	51
	83	262	83	262
<b>21. EMPLOYEE ENTITLEMENTS</b>				
The aggregate employee benefit liability is comprised of:				
Provisions – current (refer note 14)	1,428	936	1,428	936
Provisions – non current (refer note 17)	733	942	682	942
Payables – current (refer note 13)	2,457	2,359	2,323	2,359
	4,618	4,237	4,433	4,237
The number of full-time equivalent employees as at 30 June	235.1	238.2	209.3	238.2

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>22. REMUNERATION OF AUDITORS</b>				
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	<b>129,000</b>	133,100	<b>123,000</b>	127,100
– other services in relation to the entity and any other entity in the consolidated entity:				
• tax compliance	<b>9,000</b>	11,674	<b>9,000</b>	11,674
• other non-audit services (a)	<b>21,200</b>	27,768	<b>21,200</b>	27,768
	<b>159,200</b>	172,542	<b>153,200</b>	166,542
(a) Summary of the other non-audit fees incurred are:				
Grant audits	<b>11,700</b>	12,094	<b>11,700</b>	12,094
AASB 7 Financial instruments: disclosures	–	8,274	–	8,274
Other	<b>9,500</b>	7,400	<b>9,500</b>	7,400
	<b>21,200</b>	27,768	<b>21,200</b>	27,768

## 23. DIRECTOR AND EXECUTIVE DISCLOSURES

### (a) Details of key management personnel

#### (i) Directors

(Don) Arthur Macedon Heatley – Chairman  
 David William Palmer – Managing Director  
 Bernard (Bernie) Michael Bindon  
 Peter Roderick Boyden  
 (Grant) Stuart Grant Burbidge (appointed 13 November 2008)  
 Michael Carroll  
 Lucinda Lee Flinders Corrigan  
 Christopher Burgoyne Hudson  
 Peter James Trefort  
 Paul Anthony Troja  
 (John) Henry John Wyld  
 John (Jay) Field Simms (retired 13 November 2008)

#### (ii) Executives

Peter Barnard General Manager – International Markets and Economic Services  
 Allan Bloxsom 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

## 23. DIRECTOR AND EXECUTIVE DISCLOSURES *(continued)*

### (iii) Compensation of key management personnel by categories

Notes	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Directors</b>				
	933,944	941,652	933,944	941,652
	54,202	54,058	54,202	54,058
	15,644	11,913	15,644	11,913
(a)	<b>1,003,790</b>	1,007,623	<b>1,003,790</b>	1,007,623
<b>Executives (b)</b>				
	2,094,053	2,018,739	2,094,053	2,018,739
	96,214	91,904	96,214	91,904
	44,500	27,687	44,500	27,687
(a)	<b>2,234,767</b>	2,138,330	<b>2,234,767</b>	2,138,330

(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 \$1,168,817 (2008:\$1,459,514) to the University of New England for scholarships and to carry out R&D projects.
- Mr Burbidge is a member of the Advisory Board at Charles Sturt University: Fred Morley Centre. The Company has paid \$257,180 (2008: \$230,825) to Charles Sturt University to carry out R&D projects. Charles Sturt University paid the Company \$568 (2008: \$nil) for support costs. Mr Burbidge has paid the Company \$840 (2008: \$nil) for MERINOSELECT subscriptions and database charges.
- Ms Corrigan is Deputy Chair of Future Farm Industries CRC Limited to which the Company paid \$922,992 (2008: \$802,492) as contribution towards R&D projects.
- Professor Hudson was a director of Food Science Australia until 30 June 2009. The Company has paid \$1,483,658 (2008: \$2,433,902) to Food Science Australia to carry out R&D projects. Food Science Australia also paid \$518 to the Company in 2008 for reimbursement of expenses. Professor Hudson is an adjunct professor at the University of Queensland and was a Professorial Fellow at the University of Wollongong. The Company has paid \$888,254 (2008: \$2,010,444) to the University of Queensland as well as \$55,600 in 2008 to the University of Wollongong to carry out R&D projects. University of Queensland has reimbursed the Company \$287,417 (2008: \$nil) from the proceeds of the sale of cattle upon completion of a research project.
- Mr Troja is a director of Rockdale Beef Pty Ltd and was a director of Itoham Pty Ltd.  
Rockdale Beef has paid the Company \$195,760 (2008: \$210,663) as contributions towards R&D partnership projects, MSA licence fee, grading services and NLRS subscriptions. The Company also paid Rockdale Beef \$115,648 (2008: \$282,805) to carry out R&D partnership projects and reimbursement of expenses.  
The Company paid Itoham \$17,203 (2008: \$615) for overseas promotions and reimbursement of expenses.

### (c) Wholly-owned group transactions

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

- MLA Donor Company Limited has paid \$13,002,009 (2008: \$11,487,915) to the Company which related to R&D partnership income, management fees and bank interest.

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>24. NOTES TO THE STATEMENT OF CASH FLOWS</b>				
<b>(a) Reconciliation of cash</b>				
Cash on hand	9,645	5,831	9,645	5,831
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	1,511	7,083	1,511	7,083
Funds held on behalf of Commonwealth for climate change research	2,042	–	2,042	–
Short term money market deposits	60,437	45,791	60,437	45,791
Closing cash balance	73,635	58,705	73,635	58,705
<b>(b) Reconciliation of net cash from operating activities to net surplus</b>				
Net surplus	16,546	5,772	16,546	5,772
Adjustments for:				
Net loss/(gain) on disposal of property, plant and equipment	5	(8)	5	(8)
Depreciation expense	739	1,187	739	1,187
Amortisation expense	579	528	579	528
Interest received	(2,682)	(3,643)	(2,672)	(3,643)
Change in assets and liabilities:				
(Increase)/decrease in assets:				
– (Increase)/decrease in trade and other receivables	(1,332)	966	(1,332)	983
– (Increase)/decrease in prepayments and deposits	(362)	380	(362)	380
Increase/(decrease) in liabilities:				
– (Decrease) in trade and other payables	(1,400)	(781)	(1,337)	(781)
– Increase in other liabilities	643	2,663	630	2,663
– Increase/(decrease) in provisions	532	(204)	482	(204)
Net cash from operating activities	13,268	6,860	13,278	6,877



	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>25. EXPENDITURE COMMITMENTS</b>				
<b>Expenditure (primarily research and development) contracted for is payable as follows:</b>				
– Not later than one year	40,886	32,940	40,886	19,234
– Later than one year but not later than five years	54,046	27,355	54,046	19,692
– Later than five years	569	819	569	733
Aggregate R&D expenditure contracted for at balance date (a)	95,501	61,114	95,501	39,659
<b>Operating lease expenditure contracted for is payable as follows:</b>				
– Not later than one year	2,963	2,901	2,963	2,901
– Later than one year but not later than five years	7,584	9,234	7,584	9,234
Aggregate lease expenditure contracted for at balance date (b)	10,547	12,135	10,547	12,135

(a) The expenditure commitments of its subsidiary, MLA Donor Company, has been recognised under the parent company with effect from the 2008-09 accounts.

(b) 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 2009, the number of members was 46,156 (2008: 44,898).

## 27. CONTRIBUTED EQUITY

	Consolidated		Parent	
	2009 \$000	2008 \$000	2009 \$000	2008 \$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.

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

## 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 on page 57.

## 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 \$000	Effective interest rate	
			Floating %	Fixed %
<b>2009</b>				
Financial assets				
Cash assets	3,707		2.50	
Cash assets – NLIS	8		2.50	
On call deposits	2,600		2.90	
On call deposits – NLIS	2,302		2.90	
On call deposits – Climate Change	2,042		2.90	
Term deposit – rental guarantee	422		2.90	
Bills of exchange	–	60,015		3.25
<b>2008</b>				
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

The fair value of cash and short-term deposits as at the reporting date is \$73,635,000 (2008: \$58,705,000).

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Sensitivity analysis:

At 30 June 2009, 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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
+1.00% (2008: +0.25%)	688	144	688	144
-1.00% (2008: -0.25%)	(688)	(144)	(688)	(144)

### 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.

The Group is primarily exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies and uses derivative financial instruments to manage these specifically identified foreign currency exposures.

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

Foreign exchange contracts commit the Group to purchase specific amounts of 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 Group has not purchased any option contracts in the last two years.

At 30 June 2009, the Group held forward exchange contracts designated as hedges of forecasted future cash outflows to the overseas offices. The tables on page 74 summarise, by currency, the Australian dollar value of forward foreign exchange contracts. The 'buy' amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies under forward contracts.

# Notes to the financial statements *(continued)*

Year ended 30 June 2009

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Foreign exchange – forward contracts

	Consolidated and Parent			
	Average exchange rate		Buy amount	
	2009	2008	2009 \$000	2008 \$000
<b>United States dollars</b>				
Maturing in:				
3 months or less	<b>0.7095</b>	0.8769	<b>712</b>	1,596
Over 3 to 12 months	<b>0.7338</b>	0.9067	<b>2,249</b>	3,198
			<b>2,961</b>	4,794
<b>Japanese yen</b>				
Maturing in:				
3 months or less	<b>72.21</b>	93.86	<b>1,662</b>	2,344
Over 3 to 12 months	<b>72.30</b>	93.58	<b>2,628</b>	4,007
			<b>4,290</b>	6,351
<b>Korean won</b>				
Maturing in:				
3 months or less	<b>919.07</b>	807.00	<b>870</b>	800
Over 3 to 12 months	<b>919.23</b>	854.03	<b>1,088</b>	1,254
			<b>1,958</b>	2,054

#### 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.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 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
<b>Financial liabilities as at 30 June 2009</b>		
Trade and other payables	24,103	–
Funds held on behalf of the Commonwealth	3,553	–
Derivative financial instruments	559	108

### 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 (2008: \$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 (2008: \$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

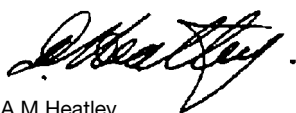
### Directors' declaration

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 2009 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  
10 September 2009

# Independent auditor's report

to the members of Meat & Livestock Australia Limited



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001  
Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
www.ey.com/au

## 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 2009, 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 2009 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

Rob Lewis  
Partner  
Sydney  
Date: 10 September 2009

Liability limited by a scheme approved  
under Professional Standards Legislation

# Useful information

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](http://www.mla.com.au) or by phoning 1800 675 717:

- *MLA strategic plan 2008–2012*
- *MLA annual operating plan 2008-09*
- *MLA evaluation series*

## Glossary

AFCTS	Australian Forward Cattle Trading Standard
AMLC	Australian Meat and Live-stock Corporation
ASEAN	Association of South-East Asian Nations
AQIS	Australian Quarantine and Inspection Service
AWI	Australian Wool Innovation
BLC	Bahrain Livestock Company
BSE	bovine spongiform encephalopathy (mad cow disease)
CPRS	Carbon Pollution Reduction Scheme
CRC	Cooperative Research Centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Department of Agriculture, Forestry and Fisheries
DFAT	Department of Foreign Affairs and Trade
DEEDI	Department of Employment, Economic Development and Innovation
EBVs	Estimated breeding values
EU	European Union
eDEC	Electronic declaration
EQA	eating quality assured
FTA	Free trade agreement
HPP	high pressure processing
IPM	integrated pest management
KPI	key performance indicator
MBfP	More Beef from Pastures
MDC	MLA Donor Company Limited
MLA	Meat & Livestock Australia
MMFS	Making More From Sheep
MRC	Meat Research Corporation
MSA	Meat Standards Australia
NCMC	Northern Co-operative Meat Company
NLIS	National Livestock Identification System
NVD	National Vendor Declaration
OH&S	Occupational health and safety
PIC	Property Identification Code
PIRD	Producer Initiated Research and Development
PDS	Producer Demonstration Sites
QDPI&F	Queensland Department of Primary Industries and Fisheries
R&D	research and development
SARDI	South Australian Research and Development Institute
SFE	Sydney Futures Exchange
US	United States
WTO	World Trade Organization

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## Feedback on MLA's annual report 2008-09

We aim to meet the needs and expectations of our stakeholders in future reports and so would appreciate your comments on this year's annual report.

Fax to: 1800 022 040

Mail: using the reply paid envelope included in your AGM pack or to  
Meat & Livestock Australia Limited, Reply Paid 3561, Melbourne VIC 8060

I am a:

- MLA member/livestock producer
- Government employee
- Consumer/member of the community

Other \_\_\_\_\_

My main interest in the report is:

- Chairman's report
- Managing Director's report
- About MLA
- Corporate sustainability
- Review of operations
  - Increasing market access
  - Growing demand
  - Enhancing competitiveness and sustainability
  - Increasing capability
- Corporate Governance Statement
- Financial Statements

How would you rate our performance over the last 12 months?

	Operational	Financial	Corporate governance
Below average			
Average			
Above average			

How do you rate our annual report?

- Poor    Average    Very good    Excellent

Was there anything we didn't cover in this report that you would like to see included?

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Do you have any other comments or suggestions?

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Thank you for your time.

**For more information on MLA and its programs go to [www.mla.com.au](http://www.mla.com.au)**





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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 building capability.

Practical information and tools from our activities are promoted through:

- magazines, fact sheets and other publications
- events, workshops and forums
- print and broadcast media
- websites and email
- our member DVD – *feedbackTV*

We encourage feedback on our annual report and other communications programs and can be contacted via email at [info@mla.com.au](mailto:info@mla.com.au) or called on 1800 675 717.

For more information on publications, events, media activities and our programs go to [www.mla.com.au](http://www.mla.com.au).

#### **Auditors**

Ernst & Young

#### **Bankers**

Commonwealth Bank of Australia

#### **Meat & Livestock Australia Limited**

**ABN 39 081 678 364**

#### **Registered address:**

Level 1, 165 Walker Street  
North Sydney NSW 2060

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MLA's annual report is also available online at [www.mla.com.au/annualreport](http://www.mla.com.au/annualreport)

MLA's Annual Report 2008-09 is printed on environmentally friendly paper which is 50 per cent recycled, elementally chlorine-free and made of wood fibre from sustainable forests. It meets ISO 14001 environmental management standards.