



MLA annual report

2004-2005

SNAPSHOT

1	Highlights
2	Our mission and strategy
2	Our values
2	How we work
3	What we do
3	Where we're located
4	Who benefits from our work
5	Our membership and staff
6	Market overview
7	Financial discussion and analysis
8	Chairman's report
10	Managing director's report
12	REVIEW OF OPERATIONS
13	Markets and consumers
14	Domestic trade and consumer promotion
16	Export trade and consumer promotion
18	Market access
19	Red meat innovation
20	Co-products
21	Product initiatives
22	Meat safety and issues management
24	Meat Standards Australia
25	Community concerns
26	Environment – resource management
27	Animal welfare – on-farm
28	Animal welfare – live export
29	Whole-of-chain efficiency
30	Improving productivity
34	Adoption and capacity
36	Supply chain management
37	Market information
39	Strategic research and development
43	Other initiatives
44	Industry and corporate communication
46	Research and development partnerships
46	Goat industry programs
47	Live export standards
48	Corporate services
49	CORPORATE GOVERNANCE
50	Directors' report
52	Corporate governance statement
55	Auditor independence declaration
57	FINANCIAL STATEMENTS
58	Statement of financial performance
59	Statement of financial position
60	Statement of cash flows
61	Notes to the financial statements
79	Directors' declaration
80	Independent audit report

WHO WE ARE

Meat & Livestock Australia Limited (MLA) is a producer-owned company. We provide services to the entire red meat industry including producers, processors, retailers, exporters and live exporters.

MLA was formed in 1998 following the merging of the statutory corporations Australian Meat & Live-stock Corporation and Meat Research Corporation.

We are funded by:

- ✦ transaction levies paid on livestock sales
- ✦ federal government dollar-for-dollar funds for investment in R&D
- ✦ cooperative contributions from individual processors, wholesalers, foodservice operators and retailers
- ✦ contributions by processor and live export industry bodies

HOW WE PLAN AND REPORT

MLA's planning and reporting process reflects the high level of importance we place on accountability and transparency.

Our **Industry Programs Plan** is developed with industry, through workshops and taskforces, and is aligned with the meat industry strategic plan. It sets out our activities for the year ahead. A summary of the plan disseminated to our members through *feedback*, our members' magazine.

A **progress report** for the June to December half is published in March and sent to key industry stakeholders.

Our **annual report** on the year's activities is published in October and sent to industry stakeholders and all MLA members.

The structure of all these documents remains consistent to make it easier to track progress and see what activities are planned to address industry imperatives.

Each document is placed on our website at www.mla.com.au

HIGHLIGHTS FOR THE YEAR

Building demand

- ✦ Strong domestic markets improved further with a 3.9% increase in the value of consumer expenditure on red meat products.
- ✦ Our 'Red Meat. Feel Good' and 'We Love Our Lamb' advertisements received advertising awards for their effectiveness and impact.
- ✦ The value of red meat and livestock exports increased 15%.
- ✦ Exports to Japan increased 40%, reaching \$2.45bn.
- ✦ Promotions marking the third anniversary of our Hoju Chungjung Woo brand in Korea engaged over 450,000 consumers and boosted sales 26% for the month-long celebrations.

Increasing market access

- ✦ Free trade agreements with the US and Thailand came into effect, eliminating the US\$4.4/kg tariff on Australian beef and most tariffs on sheepmeat.
- ✦ Memorandums of understanding were signed with the United Arab Emirates, Kuwait and Saudi Arabia, boosting access for Australian products.

Competitive advantage from paddock to plate

- ✦ The \$15m Grain & Graze collaborative program commenced with three national and nine regional projects commissioned.
- ✦ Around 6,000 producers attended our More Beef from Pastures and Prime Time forums on productivity improvements for their production systems.
- ✦ New water use, soil and feedbase efficiency indicators developed, now producers can monitor their environmental and resource management performance.
- ✦ Around 150,000 properties provisionally registered and 37,500 fully accredited under the Livestock Production Assurance program.
- ✦ Delivery of the MSA Express hot grading model offers significant benefits for processors.
- ✦ New red meat 'ready-to-eat' chilled meals launched with current sales indicating a potential new market worth over \$20m.
- ✦ The early stage of new sheep processing technology showed potential productivity improvements of up to \$1.5m.
- ✦ A workshop of leading national and international researchers was conducted to develop a framework to objectively measure animal welfare.

OUR MISSION AND STRATEGY

Our mission is for world leadership for the Australian red meat and livestock industry.

Our strategy to achieve this mission is to:

- + build demand
- + increase market access
- + develop a competitive advantage from 'paddock to plate'

OUR VALUES

A code of conduct and an expressed list of values underpin our behaviour. Our values are to:

- + act collaboratively with our stakeholders
- + seek excellence in all we do
- + act with urgency
- + deliver value cost-effectively
- + work as a team

HOW WE WORK

Working in consultation with industry, we develop and deliver research and development (R&D), marketing and market access programs to service the red meat and livestock industry. Our programs are aligned with the government's national and rural research priorities to create an innovative, sustainable industry that delivers benefits to the whole community.

National and rural research priority	MLA program
Sustainable natural resource management	<ul style="list-style-type: none"> • Plant management for dryland salinity • Grain & Graze • EverGraze • Sustainable grazing for saline land • Perennial pasture improvement • Environmental management systems • Off-farm efficiency
Improving trade and market access	<ul style="list-style-type: none"> • Export marketing and promotion • Market access
Use of frontier technologies	<ul style="list-style-type: none"> • R&D partnerships • Strategic R&D • Co-products • Improving productivity (on and off-farm)
Improving competitiveness through whole of industry approach	<ul style="list-style-type: none"> • Supply chain initiatives • Meat Standards Australia • Red meat innovation • Improving productivity (on and off-farm) • Sheepmeat eating quality • Meat electronics
Maintaining and improving confidence in the integrity of Australian agriculture and promoting good health	<ul style="list-style-type: none"> • Meat safety/issues management • Domestic marketing and promotion • Red meat innovation • Nutrition research
Protecting Australia from invasive diseases	<ul style="list-style-type: none"> • National arbovirus monitoring and pests • TSE tests
Creating an innovative culture	<ul style="list-style-type: none"> • Adoption and capacity • EDGENetwork • Partners in innovation • Producer initiated R&D and other on-farm demonstrations • Post-graduate training

MLA supports a number of Co-operative Research Centres (CRCs).

WHAT WE DO

BUILD DEMAND

Both domestically and internationally we promote the high quality of Australian red meat, its versatility and enjoyment, and value for money, with a particular focus on the important nutritional role red meat has in a healthy diet. Promotional activities are undertaken directly with retail consumers as well as foodservice outlets such as hotels and restaurant chains. We work to develop brand recognition in our export markets for Australian red meat and livestock and to position our products as high quality, premium products offering enhanced consumer enjoyment.

MARKET ACCESS

Australia is the world's largest exporter of red meat and livestock, exporting to more than 100 countries. Exports represent 60% of the industry's trade, making it critical to protect and expand our access.

To increase market access, we work closely with industry and government providing the background information that supports Australia's position in access negotiations.

Australia's 'clean, natural' image and our reputation as a supplier of safe, quality red meat underpins our export marketing activities.

DEVELOP COMPETITIVE ADVANTAGE

We conduct R&D throughout the supply chain to develop a competitive advantage for the industry. On-farm R&D projects include natural resource management, animal health and welfare, feedlot management, meat quality, animal genetics for improved efficiency, strategic science and environmental management. Off-farm R&D activity includes environmental management, eco-efficiency, product development, health and safety, education and training, technology development and commercialisation, food safety and microbiological research, and co-product innovations such as new blood fractions and rendering process technologies.

MARKET INTELLIGENCE

We gather, compile, analyse and publish market information and market intelligence. We play a major role in providing information to producers, processors, consumers and students, as well as peak councils and government, about industry developments. We also form links between overseas markets and the local industry, and provide expert advice on industry issues.

WHERE WE ARE LOCATED

Our staff is based strategically to leverage the best possible access to both stakeholders and markets.



WHO BENEFITS FROM OUR WORK

Every aspect of our work is geared to providing economic benefits for Australia's red meat and livestock industry, however much of our work has direct and indirect environmental and social benefits.

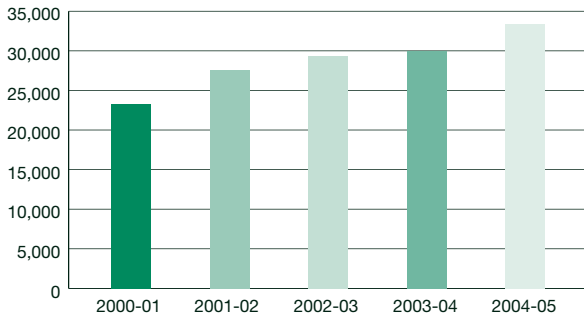
Target group	MLA's work	Benefits		
		Economic	Environment	Social
Producers	<ul style="list-style-type: none"> We investigate and provide science-based and management solutions to help improve the productivity and sustainability of farming enterprises (page 30). We promote red meat and shore up market access to build demand (page 13). We collect and disseminate market information that supports business decisions (page 37). 	✓	✓	✓
Processors	<ul style="list-style-type: none"> We provide science-based and management solutions to improve processing efficiency, plant management and occupational health and safety (page 32). We investigate new and innovative uses for co-products to gain maximum use of the carcass and provide new, untapped markets (page 20). 	✓	✓	✓
Exporters	<ul style="list-style-type: none"> We work to maintain and increase market access (page 18). We undertake promotional activities and build relationships in overseas markets to support Australian products (page 16). 	✓		✓
Live exports	<ul style="list-style-type: none"> We work with the industry, locally and in overseas markets, to improve animal welfare and maintain and grow markets (page 27). 	✓		✓
Government	<ul style="list-style-type: none"> We align our programs with government's priorities and collaborate with other RDCs to maximise government's and industry's return on investment (page 2). 	✓		✓
Environment	<ul style="list-style-type: none"> We work with government and industry to provide science-based solutions to minimise the impact on the environment (page 26). 		✓	
Retailers	<ul style="list-style-type: none"> We promote red meat and provide point-of-sale materials and in-store support (page 14). We develop innovative red meat products and meal ideas that respond to consumer trends (page 19). 	✓		✓
Consumers	<ul style="list-style-type: none"> We undertake science-based research and provide information on red meat's health and nutritional value (page 15). We develop innovative red meat meal solutions and packaging to meet changing consumer trends (page 19). We conduct scientific research, provide information and support management practices to promote food safety through the whole supply chain (page 22). 	✓		✓
Community	<ul style="list-style-type: none"> We invest in the development of world-class scientists and researchers to build Australia's research and development human capabilities (overall). We foster growth in the value of Australian red meat and livestock, both in Australia and overseas, now valued at \$14.1bn (overall). We support Australia's red meat and livestock industry, which provides economic stimulation in rural, regional and metropolitan Australia (overall). We support and advise government in trade negotiations, and undertake research to provide economic rationale used in negotiations to improve market access (page 18). 	✓		✓
Staff	<ul style="list-style-type: none"> We have policies to ensure a fair and safe workplace that supports staff development and further education (page 48). We have policies, procedures and governance activities to ensure our fiscal, environmental and social responsibilities are met (page 49). 	✓	✓	✓

OUR MEMBERS AND STAFF

Membership numbers

Cattle, sheep and goat producers who pay livestock transaction levies can become MLA members. At 30 June 2005, we had 33,391 members. This represents a strong growth of 11% in the last year, and 43% over five years.

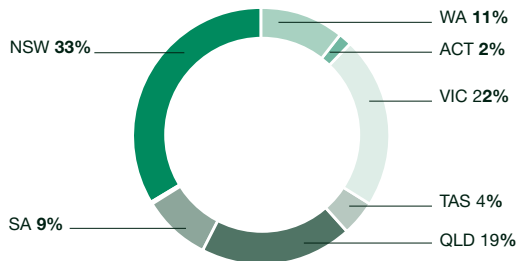
Membership growth



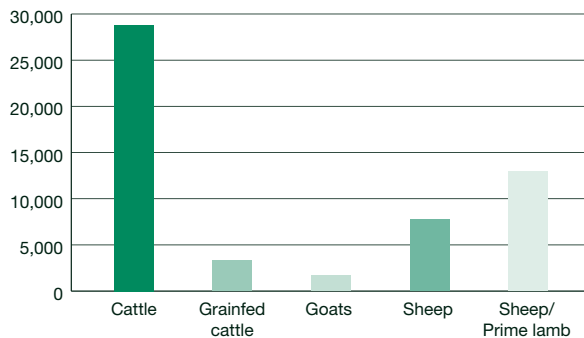
Members by location and activity

Although membership has increased substantially over the last five years, the profile of members by location and activity has remained relatively static. This reflects the industry generally.

Members by location



Members by activity



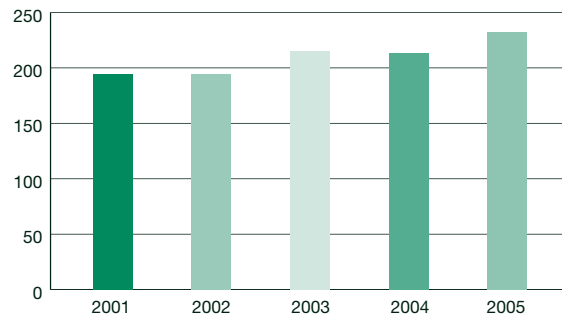
* A member may be involved in more than one activity.

Our staff

The strength of any organisation lies in its staff. Here are some quick facts on our staff:

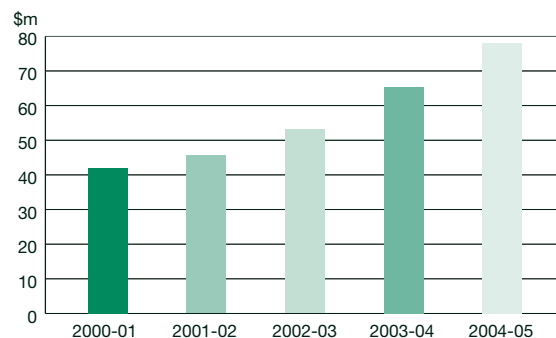
- 232 staff globally
- 193 permanent employees
- 39 fixed-term employees
- 222 full-time equivalent
- 55% male
- 45% female
- 56% of employees have a rural background (defined as holding tertiary qualifications, affiliation through family, or previous employment in the agriculture industry)
- 96% hold post secondary qualifications (diplomas, undergraduate, postgraduate degrees, etc)
- 45% have qualifications in a rural discipline such as agricultural science or agricultural economics

The table below shows growth in staff numbers over the last five years. Increased staff levels (20%) reflects the increase in our R&D and marketing investment (52%) shown in the table at the bottom.



Investment in R&D

One of the most notable factors in MLA's progress is the growth in research and development investment. Over the last five years our expenditure on R&D has increased 86% (for more details on expenditure, see Financial analysis and discussion on page 7).



MARKET OVERVIEW

Cattle producer incomes

Cattle producer incomes rose in 2004-05, to historically high levels, due to a record cattle price (up 10%) and increased turn-off.

However, years of drought coupled with high cattle prices have seen a growing disparity in beef farm incomes. Larger specialist family beef farms and corporate operations have generally maintained reasonable income levels (above historical averages) throughout the past five years, despite the run of poor seasons. In contrast, producers forced to de-stock over the drought have struggled without adequate cattle to sell, and with high expenditures on replacement cows and heifers, fodder and agistment.

Domestic beef demand

Estimated consumer expenditure on beef grew by \$1.9bn, or 47%, between 2000-01 and 2004-05, to a record \$6.0bn, associated with strong consumer spending generally, a lift in the quality of beef, improved presentation, marketing and promotion and more positive nutritional and dietary attitudes to red meat.

Beef exports

Extraordinary demand for Australian beef from Japan and Korea (due to the absence of US beef) and high US domestic beef prices, pushed the value of beef exports to a record \$4.4bn in 2004-05, up 21%. Despite constrained supplies, export volumes rose 10%, to 948,000 tonnes, the second highest level behind 2000-01 (when the A\$ was almost 30% lower).

Lamb producer incomes

Returns to specialist prime lamb producers in 2004-05 remained at historically high levels, with an estimated 19% jump in average farm cash income (after adjusting for inflation) to \$62,000 per farm – 77% higher than the average over the preceding 15 years (ABARE). This was due to record lamb prices (up a further 5%), as the prolonged drought prevented lamb supplies from responding to the growing local and overseas interest in the product.

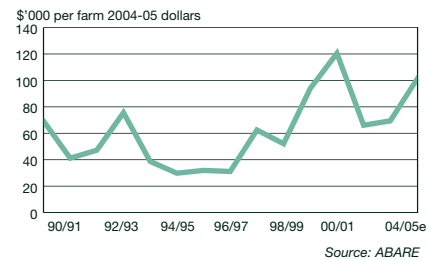
Domestic lamb demand

Domestic demand for lamb has risen appreciably in each of the past seven years, with expenditure on lamb lifting 70% between 1997-98 and 2004-05 to a record \$1.7bn. Better lamb quality, improved product presentation and marketing, a general lift in the health image of red meat and a strong economy have all combined to raise the price consumers are willing to pay for lamb.

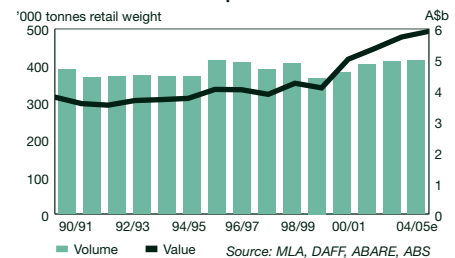
Lamb exports

The value of lamb exports rose a further 11% in 2004-05, to a record \$642m, with volume also a record – up 9% to 123,000 tonnes. Global demand for Australian lamb remains very strong, with tight global supplies of sheepmeats and beef lifting the need for lamb in a wide range of markets. The value of Australian exports rose to all major markets, particularly to the US (up 12%) and Japan (up 15%), but also to China, the Middle East and South Africa (ABS).

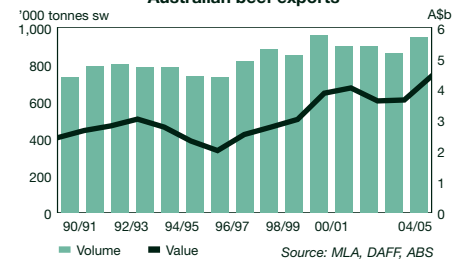
Real beef farm gross cash income



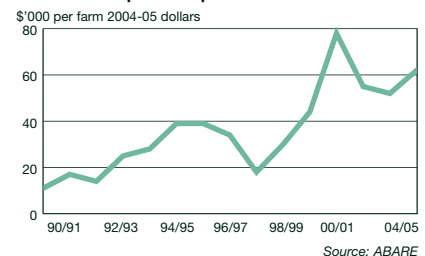
Consumer expenditure on beef



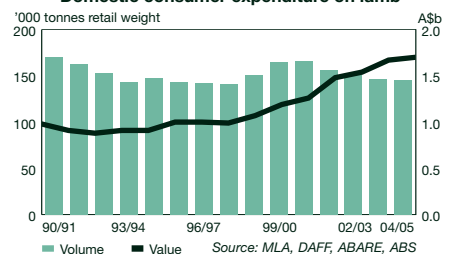
Australian beef exports



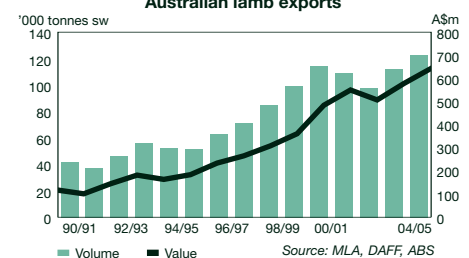
Real farm gross cash incomes on specialist prime lamb farms



Domestic consumer expenditure on lamb



Australian lamb exports



FINANCIAL DISCUSSION AND ANALYSIS

Revenue

Total revenue for 2004-05 was \$140.2m (2003-04 \$136.5m), representing a minor increase of 2.7%. The largest increase came from R&D matching grants from federal government, which were higher as a result of increased R&D expenditure.

Expenditure

Total expenditure for 2004-05 was \$139.7m (2003-04 \$130.5m), representing an increase of 7%. The main increase was in R&D expenditure, particularly in the Community concerns, Whole of chain efficiency and Strategic R&D programs.

	2004-05 \$000	2003-04 \$000
REVENUES FROM ORDINARY ACTIVITIES	140,194	136,519
EXPENDITURE		
Markets and consumers	44,326	44,030
Product initiatives	17,738	15,826
Community concerns	12,360	9,782
Whole of chain efficiency	30,589	27,115
R&D partnerships	13,087	15,781
Strategic R&D	9,576	6,127
Corporate services	7,741	7,272
Other	4,234	4,520
Total expenditure	139,651	130,453
NET SURPLUS FROM ORDINARY ACTIVITIES	543	6,066

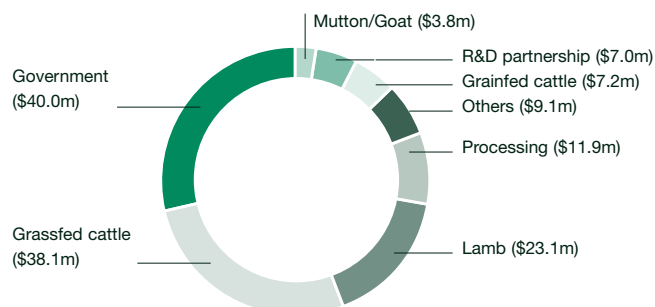
Retained surplus

The excess of revenue over expenditure during the year resulted in a surplus of \$0.5m (2003-04 surplus \$6.1m). Retained surplus as at 30 June 2005 was \$33.9m (\$33.4m at 30 June 2004). This surplus is broken down by species as follows:

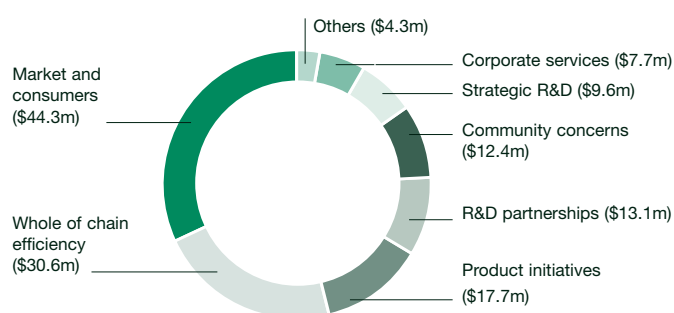
Grassfed cattle	\$10.5m
Grainfed cattle	\$5.5m
Lambs	\$15.4m
Sheep	\$1.6m
Goats	\$0.9m

More detailed information can be found in the Financial Report on page 57.

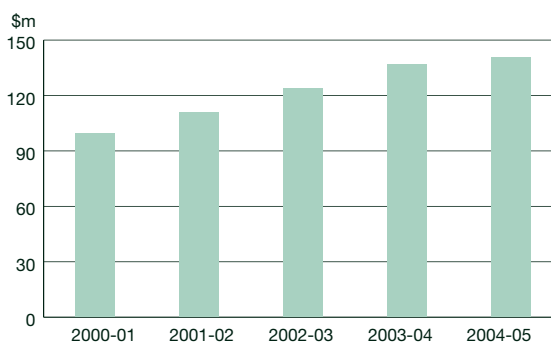
Revenue 2004-05



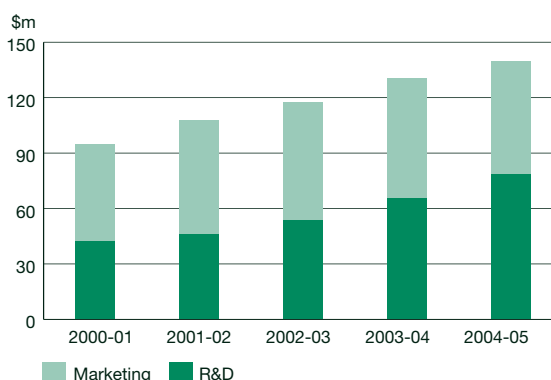
Expenditure 2004-05



Revenue over 5 years



Expenditure over 5 years



David Crombie
Chairman



AN INDUSTRY PERSPECTIVE

The past twelve months have been turbulent times. The emergence of BSE has disrupted trade flows in North Asia, SARS and terrorism have affected tourism, the Australian dollar has appreciated strongly and we had to contend with unprecedented drought conditions.

Through all of this the industry has been resilient, with production holding up and prices at record levels. The domestic retail value of red meat increased 3.9% in the past 12 months, while the value of our meat and livestock exports increased 15%.

Some would argue that we just happened to be in the right place at the right time. But the red meat industry's success is not simply good luck. Our success is a result of consistent hard work by industry to improve our product quality and range, broadening of our choice of markets, improvements to our efficiency through research and supply flexibility through feedlot expansion and live exports. At the same time, we have enhanced our reputation for clean, natural and safe products.

As an industry we must remember that none of our markets are guaranteed, even though beef is now Australia's number one agricultural export. Japanese sales topped \$2bn for the first time and, in the absence of the US, we have achieved 90% market share of imports. For the first time, Japanese consumers are eating more Australian beef than domestic product. In Korea, the value of our beef exports has risen almost 50%, and the US remains strong with growth at the quality end of both beef and lamb markets.

To maintain our success we need to work together, and this is where industry funding is vital. Individual producers cannot influence global issues but, armed with transaction levies and with government support, MLA can.

Lamb is setting new records in the US and is gaining a strong foothold in both Japan and China. Goatmeat is performing well and continues to be constrained by supply. At home we have seen another shift in demand with Australians maintaining red meat consumption at higher prices. This is good news.

Despite this, we cannot afford to be complacent. We received a 'free kick' in North Asia but the US will be back, South America is coming, and at home our meal competitors are busy producing convenient, low cost meals to attract new consumer interest.

The challenges ahead

Our competitive edge on the demand side is that we are within the Pacific basin where the fastest growing economies are located. On the supply side, we have a natural, safe production system and we can deliver reliable product to demanding quality specifications. We need to protect this reputation with credible systems that differentiate our product offerings so we are not forced to compete on price alone against competitors with a lower cost base.

To maintain our success we need to work together, and this is where industry funding is vital. Individual producers cannot influence global issues but, armed with transaction levies and with government support, MLA can. MLA can push for wider markets; MLA can fund research to provide the tools to improve efficiency; and MLA can put in place programs to grow consumer demand.

We need to recognise also that consumers are constantly changing. Looking forward this creates opportunities – and challenges. Consumers are working harder and are looking for convenience. They are also better educated and face more meal choices than ever before. All of these threaten the traditional position of red meat in the Australian diet.

Generational differences are also significant. Young consumers are driven by different values and behaviours, and they expect choice, quality and integrity. We need to understand these motivations to ensure our products meet their needs and are delivered appropriately. We also face the challenge of increasing urbanisation. With growing numbers of Australians having only ever lived in cities, there is potential for an increasing disconnect between urban and regional Australia. Urban Australians have romantic notions and some concerns about the bush, but generally they do not understand what we do.

The good news is that there is a high level of goodwill and trust – a community ‘trust tank’.

There are, however, leaks in the tank. These stem from dissatisfaction about food quality, misinformation about nutrition, and concerns about the management of natural resources and animal welfare. Many of these issues are already on the MLA radar and programs are being developed to address them.

Our best defence against extreme or uninformed views is to improve community understanding and ensure we constantly ‘top up’ the trust tank through credible and ethical systems that create new and improved levels of community confidence and support.

Future opportunities

As an industry we have achieved a lot over the past decade in moving towards a consumer demand focus. Much of this has been through developing shorter supply chains and improving through-chain accountability and product quality. By shortening the distance between the producer and the consumer we can improve our efficiency and our ability to respond rapidly to consumer signals. In a highly competitive environment it is vital that we heed consumer demands and reward appropriate performance.

As our terms of trade are squeezed and as pricing increasingly reflects the real cost of the natural resources and skilled labour used in production, the red meat industry needs to continue improving and differentiating its product and driving towards greater efficiencies. The results to date are impressive – agricultural output has doubled over the past 30 years with reduced labour and capital inputs – this trend must continue if we are to stay in business.

Also, with our maturing Australian economy, the relative importance of agriculture within GDP is declining, now 3% compared to 14% in the 1960s. However, agriculture’s share of merchandise exports remains impressive at 24%, with beef, sheep and goatmeat the major contributors. We are world leaders with our systems and technologies; and we are responsible custodians of a large part of Australia’s natural resources. We need to articulate our vision, our values and our successes to the wider community and so maintain their confidence and their support.

The role of MLA

Your company, MLA, plays a key role in helping the red meat industry address these challenges. MLA is about creating opportunities, influencing the environment within which we operate and creating tools to allow the various industry segments to manage their businesses better.

So how do we measure the performance of MLA? The best measure is growth in demand. It is not about kilograms per head of domestic consumption, nor is it access into a new market or any other single indicator. It is about growing the total value of the industry. By this measure the red meat industry has been extremely successful. Since 1997-98, the total value of the domestic and export red meat sales has grown from \$9.1bn to \$14.1bn, an increase of 55%. This is a stunning result.

It was on this positive note that I felt secure in announcing in August that I had decided not to stand for re-election at this AGM. I would like to thank the current and previous boards, MLA staff and you, the members, for your support over the years. MLA is a great team. It has been an enormous privilege to be involved and I feel confident that I am leaving the organisation in good shape.

I am also in no doubt that our industry is well placed to meet the challenges ahead. We have the vision of where we want to be, we have the systems and tools in place and most importantly, as an industry, we have the vitality and energy to get there. Thank you for the opportunity.



David Crombie
Chairman

Mark Spurr
Managing director



AN OPERATIONAL PERSPECTIVE

This has been a dynamic year, with the big issues being the prolonged lockout of the US and Canada in North Asian markets and the ongoing drought.

Overall, it has been a strong year for the cattle, sheep and goat industries. The supply side demonstrated impressive resilience, while demand proved to be very strong both domestically and in our export markets.

Throughout the year, MLA played an important role in creating opportunities for the industry and differentiating its products.

Operationally, we are in a good position. Revenue increased to \$140.2m and expenditure was \$139.7m resulting in an increase in reserves of \$0.5m to \$33.9m.

Encouragingly, our membership rose 11% this year reaching 33,391, an increase of 43% over the last five years.

Building demand

Both the domestic retail and foodservice markets were buoyant this year. Our demand creation activities maintained strong domestic demand, contributing to a further 3.9% increase in the value of retail consumer expenditure on red meat.

Research into the ongoing 'Red Meat. Feel Good.' advertising campaign indicated it is still very influential in improving customer satisfaction with red meat products and generating support within the health community. This campaign and the 'We Love Our Lamb' promotions were recognised in the 2005 Advertising Effectiveness Awards for their significant impact on consumer attitudes. The controversial Sam Kekovich Australia Day advertisement also generated invaluable media comment and was awarded a coveted Bronze Lion at the Cannes International Advertising Festival.

On-farm, we are investing collaboratively to improve the sustainability of farming systems. Throughout Australia we have been working with producers, actively developing and delivering regional solutions for soil, water and biodiversity management.

Internationally, the absence of the US and Canada significantly boosted Australia's performance. Past work placed the industry in a good position to capitalise on this opportunity, and it did so impressively. MLA also continued working to strengthen Australia's position in existing markets. This year marked the third anniversary of the Hoju Chungjung Woo brand in Korea and we launched a major promotion to mark the event, with over 450,000 consumers entering the accompanying consumer competition.

In Japan, MLA's promotional activities continue to be well received. Our supply chain partners actively sought to capitalise on our promotions and this should assist Australia to maintain its market share when the US inevitably returns.

Exports to the Middle East and South-East Asia declined this year, mainly due to cheaper Brazilian imports and a move by some Australian exporters to capitalise on the absence of the US and Canada in higher value markets. Similarly, there was a decline in the number of sheep and beef available for the live trade due to higher domestic livestock prices, and the ban on exports to Saudi Arabia also had an impact.

Increased market access

Australia remains the largest global exporter of red meat and livestock, with our product currently accepted in over 100 countries. Despite this success, our goal is to increase our level of market access. To that end, MLA continues to work with the Federal Government on the World Trade Organization Doha Round, but progress remains slow.

In the bilateral arena, free trade agreements (FTAs) with the US and Thailand came into effect this year, and the push for more FTAs continues. In the live trade, memorandums of understanding were signed with the United Arab Emirates, Kuwait, Saudi Arabia and Jordan, securing access into these markets.

Importantly, MLA's work on market access issues is highly regarded within government, ensuring the industry's views are heard at the highest levels. A survey this year indicated 92% of government and 89% of industry respondents rated MLA's assistance with market access issues as excellent or very good.

An essential part of maintaining market access is product safety, with our customers increasingly demanding rigorous verification systems for product integrity. The National Livestock Identification System (NLIS) and

the Livestock Production Assurance (LPA) food safety program are vital for this. The Australian industry is leading the world with traceability systems development. The enormity of the national rollout of NLIS is a challenge. MLA plays a significant role in NLIS by ensuring a secure and robust database and we will continue to be diligent in its ongoing development.

Despite the major cultural change represented by LPA, an unexpectedly large number of producers (approximately 150,000) signed up during the year. This is testament to the determination of the industry to demonstrate that it has robust systems in place to ensure product integrity and food safety.

Competitive advantage from paddock to plate

A major part of MLA's role is undertaking innovative R&D that delivers real benefits and tools to the red meat industry. Our activities this year ranged from supply chain initiatives to genetic advances and natural resource management.

In the genetics field, both BREEDPLAN and LAMBPLAN are showing significant rates of genetic progress, while LAMBPLAN and Merino Genetics Australia are to be relaunched as Sheep Genetics Australia to better capitalise on their ground-breaking work.

On-farm, we are investing collaboratively to improve the sustainability of farming systems. Throughout Australia we have been working with producers, actively developing and delivering regional solutions for soil, water and biodiversity management. Work is well underway in four northern Australian regions through the Grazing Land Management program, and in southern Australia through a number of programs such as the Sustainable Grazing for Saline Land and the Grain & Graze.

We have also been active in seeking to improve animal welfare using a strategy of developing more objective measurement, alternative stunning techniques and increasing the use of restraining boxes.

In the area of basic research, MLA commissioned major projects in meat electronics and soil biology, while our capacity building initiatives in the More Beef from Pastures and Prime Time programs attracted around 6,000 producer participants. Post Prime Time forum surveys indicated 89% of sheep producers planned changes in their management practices after these events, highlighting the importance of delivering relevant research findings and assisting producers implement on-farm change.

Further along the supply chain, MLA continues to emphasise value adding to red meat products. We are working closely with major supermarket chains to build demand for these products and to promote further adoption of Meat Standards Australia.

Co-products are also an important area of activity. Through developments in this area we will be able to increase the value of the total carcass.

By providing timely information that is relevant to the industry's business decisions, MLA aims to create new opportunities for producers and other stakeholders. To this end, a survey during the year showed 96% of respondents rated MLA's National Livestock Reporting Service as being extremely or quite useful.

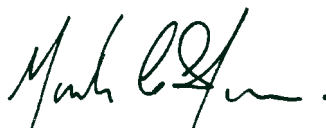
We recognise the valued contribution of the Federal Government through matching dollar investment in R&D programs, totalling \$39m this year.

Best practice organisation

MLA's Good to Great program, now in its third year, focuses on organisational excellence. As part of the program, our ongoing cost savings project has now identified \$5m in cost savings. Corporate costs continue to be well controlled, representing only 5.5% of total expenditure.

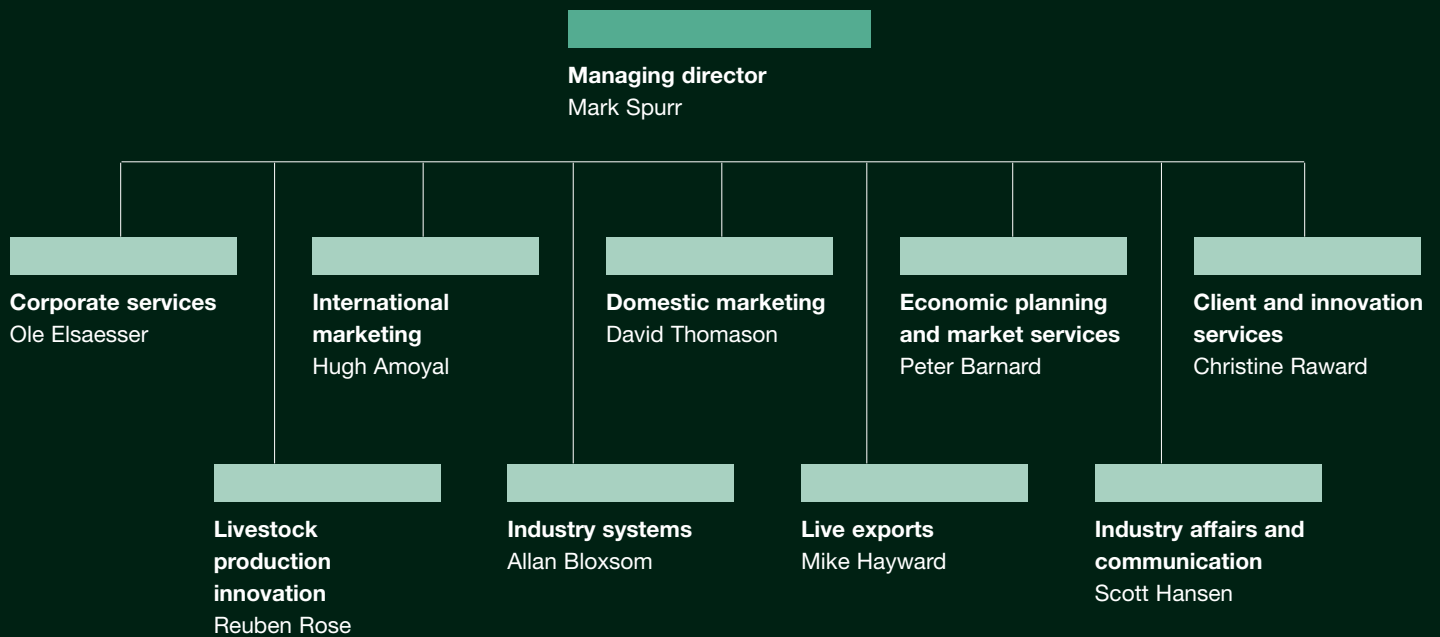
Without the hard work and dedication of MLA's staff and collaborative partners, we would not have been able to achieve these pleasing results, or make such a significant contribution to the ongoing success of the industry. I would like to thank everyone for their valuable contributions during the year.

The pages that follow provide more detail on MLA's activities this year, designed to support the growth and ongoing profitability of this flagship Australian industry.



Mark Spurr
Managing director

REVIEW OF OPERATIONS



MLA's operational structure supports our strategy of growing demand, increasing market access and developing a competitive advantage, while allowing for particular focus on industry and market segments.

MARKETS AND CONSUMERS



A guest at a dinner party brings an imaginary friend "Stuart". The obliging hostess gives "Stuart" a serve of lamb that is happily devoured by his companion.

Our work in promoting red meat is often headlined by entertaining promotions such as the 'Stuart' ad (shown here) from our 'We Love our Lamb' campaign. This work is supported by extensive in-store promotions, collaboration with retailers and foodservice, nutritional research and education, and product and co-product development.

Complementing international marketing activities is our continuous effort to maintain and increase Australia's access to markets, currently at more than 100 around the world.

We love our Lamb

MARKETS AND CONSUMERS

David Thomason BBus
General manager, marketing

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



Domestic trade and consumer promotion

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> ✦ Grow consumer demand for beef and sheepmeat in the domestic market. 	<ul style="list-style-type: none"> ✦ Reduce barriers to consumption by driving positive attitudinal change. ✦ Grow lamb's household meal share by 0.5 pts. ✦ Maintain beef consumer satisfaction scores at 84%, grow lamb to 80%. 	<ul style="list-style-type: none"> ✦ Achieved target in 3 out of 4 key attitude measures. ✦ Lamb's share of household serves up only 0.1pts for year due to severe product shortage in the first quarter, but on target since. ✦ Consumer satisfaction scores for both beef and lamb at 80%. 	<ul style="list-style-type: none"> ✦ Consumer expenditure on red meat up \$291m to a record \$8.0bn. ✦ Strengthened retailer commitment to the red meat category will continue to pay off into the future. ✦ Favourable nutrition research outcomes will assist further promotion. 	<ul style="list-style-type: none"> ✦ Launch of the next phase of 'Red Meat. Feel Good.' campaign (assisted by levy increase). ✦ Development and launch of new beef meals promotional campaign (from levy increase). ✦ Roll-out of Sheepmeat Eating Quality program.

Domestic demand for beef remains strong, with consumer expenditure up \$260m on the previous year to reach \$6.0bn. Much of this is due to the continuing impact of our nutrition campaign in support of both beef and lamb. Demand for sheepmeat is also strong, with expenditure breaking through the \$2bn mark for the first time.

Sheepmeat

Assisting recovery from a severe shortage of lamb at the beginning of the year, our spring campaign featured a new TV commercial with 'Stuart', the imaginary friend. It achieved widespread awareness and engagement with the target audience, successfully encouraging them to put lamb back onto their dinner plates.

Our Australia Day promotion featured 'Sam Kekovich' with his treatise on how it is 'un-Australian' to not have lamb on your barbeque. This irreverent approach achieved extensive media coverage and community awareness and our annual Australia Day promotion is building lamb into an iconic Australian product.

Our Australia Day 'We Love our Lamb' ad, featuring Sam Kekovich, not only achieved extensive media coverage here, it also won the Bronze Lion Award at the 2005 Cannes festival.

Beef

With limited funds available for specific beef promotion, our focus is on the food media who play an important role in driving food trends. To maintain our strong relationships with this influential group, we introduced a regular web-based publication, *Well Red*. This new publication complements our specific campaign briefings keeping food writers informed about beef, lamb and goatmeat issues.





The Total Wellbeing Diet, underpinned by nutrition research conducted by the CSIRO, hit the bestseller list with 190,000 copies sold in the first three months.

Nutrition

The 'Red Meat. Feel Good' media campaign featuring our Singing Butchers and Soccer Coach television commercials continued, supported by major barbecue point-of-sale and Kids Vitality promotions. These promotions play an important role in reinforcing our nutrition messages and influencing meal decisions made in-store.

The Total Wellbeing Diet promotion continued in the *Australian Women's Weekly* in January before its launch in book form in May. In addition to Penguin's promotional campaign, MLA supported the launch with a national point-of-sale campaign with butchers and online consumer promotions, helping to ensure it immediately topped the Australian bestseller lists.

New nutrition research was commissioned this year in eight priority areas and our new communications program to health professionals was launched with encouraging early results.



The Singing Butchers have become icons in promoting the health and vitality messages about red meat.

Trade

At the retail level, we continued to work with participating retailers to raise industry standards in presentation, range, quality, promotion and customer service. Both major supermarket chains featured their meat categories in brand-building media campaigns, recognising the important role this category plays in influencing consumer shopping patterns.

During the year our Red Meat Networking Club of 850 progressive retail butchers participated in market tours, business counselling and consumer promotions to create opportunities and support for their businesses.

This year our network of opinion-leading foodservice professionals, Chefs Tables, expanded into all states. These professionals act as ambassadors for beef, lamb and goatmeat, helping to positioning them as fashionable and appealing menu items.

Higher prices have had an impact on lamb's market share in the foodservice sector, with many outlets now looking to secondary cuts to represent lamb on their menus.

The wholesale and distribution networks within the foodservice industry form an integral part of our activities in this area and our shared work plans include quality improvement, branding, packaging and promotional activities.

Eating quality management

Meat Standard Australia (MSA) underpinned brands continue to benefit from our marketing support. This year several independent supermarket groups launched their own beef brands underpinned by the MSA criteria and MSA continues to gain new outlets in the foodservice trade. The major supermarket chains continue to extend MSA science into the pathways, practices and standards within their supply chain specifications.

During the year several major retailers embraced the sheepmeat eating quality (SMEQ) science, building it into their product specifications and processing practices. Two branded lamb programs were launched to the retail and foodservice sectors, providing valuable commercial data on the acceptance of lamb brands underpinned by SMEQ.

Market research

Consumer studies were undertaken during the year to track campaign impacts, identify and test new product opportunities, and develop campaigns for both beef and sheepmeat. In addition, a segmentation study was completed to identify relevant, actionable consumer segments offering opportunities to grow servings of both beef and lamb.

MARKETS AND CONSUMERS

Hugh Amoyal BBus MBA

General manager, international marketing

Hugh joined MLA in April 2004 to promote and grow demand for Australian red meat overseas. His extensive sales and marketing experience gained in the international consumer goods and professional products sectors will provide further drive to our export efforts.



Export trade and consumer promotion

Program objectives	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Optimise Australia's export market position through a globally focused series of programs. Expand demand for Australian lamb in emerging and traditional markets through the implementation of a global positioning strategy for lamb. 	<ul style="list-style-type: none"> Australian share of Korean and Japanese chilled beef market remains above 50% after US re-entry. Secure two new US retail accounts for Australian chilled beef. Grow the export sales value of Australian lamb by at least 3%. 	<ul style="list-style-type: none"> Over 90% share of imported chilled beef in Korea and Japan. (No US re-entry.) Two new chilled beef accounts. Australian lamb exports increased 10% in volume terms. 	<ul style="list-style-type: none"> Beef market position in North Asia now very strong with distribution in all sectors at record levels. Lamb sales continue to grow despite tight supplies. Australia's image continues to improve in line with product quality. 	<ul style="list-style-type: none"> New retailer programs to increase loyalty to Australian exporters. New consumer programs in international markets to improve product positioning and consumption. (To be supported by increased levy.)

Beef

North America

The US remained the second largest market for Australian beef, accounting for 39% of total exports. Chilled beef volumes, which have experienced strong growth in recent years, were lower in 2004-05 as exporters took advantage of the absence of US beef in North Asian markets.

A major success in the foodservice market was the decision by the sixth largest fast food chain in the US to begin using Australian beef. To capitalise on this success, MLA developed a direct mail program highlighting the benefits of Australian beef for foodservice applications.

Japan

Exports to Japan broke new records and increased 40% this year, worth approximately \$2.45bn, up \$696m on last year.

At the retail level, MLA estimates over 9,000 Japanese outlets regularly sell Aussie Beef and 40 million Aussie Beef stickers were distributed to apply to our products. In foodservice, we developed menu promotions, supported major chef cooking competitions and organised trade and company missions to Australia.

A new Aussie Cuts Manual was distributed to Japanese butchers and tasting seminars were held to educate the trade and media about the key attributes of Aussie Beef. We also organised tie-ups with various media outlets and

distributed information promoting the safe, delicious image of Aussie Beef.

Korea

Beef exports rose 48% this year, reaching \$524m. This reflects a 21% increase in volumes as well as the higher price Koreans are willing to pay for our quality beef.

The third anniversary of our Korean beef brand, Hoju Chungjung Woo (HCW), was marked by a consumer competition, retail promotions and education on the nutritional benefits of Australian beef. Sales over the month-long event increased by 26%, or \$2.9m.

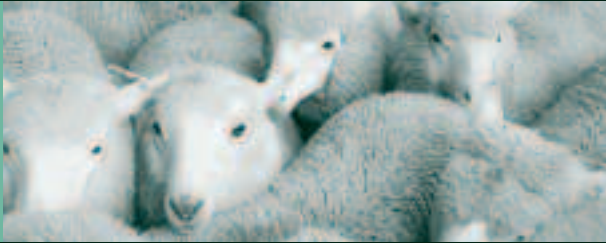
Recognition of the HCW brand continues to grow and this year we received the prestigious Hankook Ilbo Best Brand Award, recognising marketing effectiveness and consumer brand awareness.

South Asia

Overall there was a decline in exports to this market due to the stronger Australian dollar and pressure from cheaper alternative markets. However, our position as market leader in retail chilled beef was maintained.

Australian chilled beef continued to perform strongly in the Hong Kong retail sector, but competitor pricing advantages in the frozen sector saw Australian product receive only limited shelf space.

In China, Australian beef has a premium positioning and is only used in luxury hotels and retail stores in large cities.



Our promotion of lamb in the US included the introduction of a new logo and tagline reinforcing the attributes of lamb – fresh, easy and delicious.

Europe

This year saw the best performance by beef exports into the EU for many years. The EU high quality beef quota was all but filled, with the UK taking 72%, Denmark 25% and Benelux 2%.

The Russian foodservice sector has taken to Australian chilled beef in lieu of US beef, but how much of this will be retained when US product returns is uncertain.

Middle East

There was a continuing decline in exports to most markets in this region, although the UAE had a small increase in grainfed beef.

Foodservice and retail promotions were held in Dubai and Bahrain, with technical training and demonstrations held in Mauritius, UAE, Oman, Bahrain and Qatar.

MLA also organised Australian visits for media groups from Bahrain and South Africa targeting the halal integrity of our product.

Sheepmeat

North America

The US remains Australia's largest market for lamb exports accounting for 29% of total exports. Volumes rose 8% and chilled vacuum packed lamb now accounts for 69% of exports to the US.

Our promotional activities this year included advertising in high profile consumer magazines to convince consumers lamb is a great choice for quick and easy everyday meals. We also introduced a new Australian lamb logo and tagline, 'Australian Lamb – Fresh, Easy and Delicious'. Other activities included in-store sampling, new point-of-sale materials and on-pack stickers. A new consumer recipe book, *Simply Delicious – Australian Lamb for Any Occasion*, was also launched.

MLA continues to build relationships with key US food media via product samplings, distribution of seasonal lamb recipes and chef sponsorships such as the *Food Arts* 'Share Our Strength' Championship BBQ and Cookout.

Japan

Lamb export sales to Japan increased by 16% this year, with chilled lamb exports increasing 26%.

To leverage the recognition that Aussie Beef has in Japan, most promotional activities for beef this year also included lamb products. Aussie Lamb was included in the Harumi Kurihara campaign; this was the first time lamb had been included in a national retail promotion.



To encourage Japanese consumers to cook with Aussie Lamb, new recipe leaflets were available through local retail outlets and an Aussie Cuts manual was distributed to foodservice organizations.

South Asia

This year chilled lamb sales to Taiwan increased by over 60%, mostly in the retail sector. Australia dominates this market, receiving 95% of shelf space in the chilled sector and 90% in the frozen sector.

In foodservice, Australian lamb and mutton supplies around 90% of the chilled product and 60% of frozen. However, penetration into the Taiwanese food service sector remains relatively static due to high prices.

In China, lamb exports increased around 26% this year, with most of the increase coming from breast and flap and rack cap cuts, which suit the popular hotpot market.

Europe

Again this year our EU lamb quota was fully utilised, with mutton taking 42% of the shipments. Mutton exports to Russia increased 270%.

Chilled lamb tastings and in-store demonstrations were conducted in Belgium and Holland, while lamb was highlighted at the SIAL Food Show in Paris during October.

The new lamb logo developed for the US market was launched in Europe at Christmas, with a good reaction from both supermarkets and customers.

Middle East

During the year chef competitions and promotions with luxury hotel chains were held in Dubai and Mauritius to promote lamb. At the retail level, promotions were conducted in conjunction with importers to raise awareness of chilled lamb cuts and carcasses.

In addition, a number of training events were held in the region, with over 200 participants receiving technical advice and practical demonstrations.

The findings from consumer research undertaken in Saudi Arabia and UAE this year will be used to refocus the regional market strategy and raise awareness about halal integrity.

MARKETS AND CONSUMERS

Peter Barnard PhD Econ
General manager, economic planning and market services

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



Market access

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> ✦ Ensure access for Australian beef, sheepmeat, goatmeat and livestock to international markets is maintained and, where possible, improved. 	<ul style="list-style-type: none"> ✦ Maintain and improve market access. ✦ MLA market access work rated highly by industry and government stakeholders. ✦ Veterinary protocols for Australian livestock exports are improved. 	<ul style="list-style-type: none"> ✦ Existing access rights maintained. ✦ 89% of industry, 92% of government rate our market access work as excellent/very good. ✦ Veterinary protocols enhanced for live cattle exported to Indonesia and China. 	<ul style="list-style-type: none"> ✦ Improved access to international markets, eg increased number of export abattoirs servicing China, and the Saudi Arabian live trade reopened. 	<ul style="list-style-type: none"> ✦ Position industry for the WTO Doha Round. ✦ Partner government on FTA negotiations – ASEAN, China, Malaysia and UAE. ✦ Progress bilateral red meat and livestock access impediments.

MLA works closely with stakeholders and the wider industry to achieve a co-ordinated position on trade access priorities and partners Australian Government trade negotiators to secure access improvements.

This year there were a number of successes with existing access conditions maintained and veterinary protocols improved.

The World Trade Organization (WTO) Doha Round continues to present an opportunity for trade liberalisation. Important developments this year included agreement on an agricultural framework text to guide the negotiations. We have actively participated in the WTO process and have made representations in Canberra and Geneva on industry priorities. We also commissioned research on structural adjustment options associated with trade reform, and analysed the impact of liberalising sheepmeat access into the European Union (EU).

A major access development this year was the Australia/US Free Trade Agreement (FTA) coming into force on 1 January 2005. This immediately eliminated the US\$4.4¢/kg tariff on Australian beef and eliminated most tariffs on sheepmeat. We were also involved in a number of other access issues across North America including 'country of origin labelling' in the US, maintaining our access into Canada and enhancing dialogue with trade officials in Mexico.

In North Asia, we worked closely with Australian Government representatives on BSE testing requirements in Japan and proposed changes to Japan's traceability and country of origin labelling regulations. We closely monitored the likelihood of the Japanese beef safeguard being triggered and, at the invitation of the Australian

Government, participated at the annual Australia/Japan beef talks. This gave Australia the opportunity to raise strong objections to implementing the safeguard. In Korea, work commenced on labelling protocols for organic beef.

Potential preferential trade agreements and technical issues dominated our access activities in South Asia. These included monitoring implementation of the Australia/Thailand FTA and lodging submissions on proposed FTAs with ASEAN, China and Malaysia. We liaised closely with AQIS on the accreditation of export abattoirs seeking to service the China market, and similar work was undertaken in relation to Malaysia.

In Europe and Russia we interacted with various government agencies and Australian Government representatives on a range of issues including compensation for prior trade performance following the enlargement of the EU, potential changes to Australia's EU high quality beef specification, labelling requirements in Switzerland and the issue of import permits in Russia.

In the Middle East, we addressed a number of technical issues covering labelling, packaging, shelf-life, food safety and product handling. We lodged a submission with the Australian Government on industry's objectives for an FTA with the United Arab Emirates (UAE) and provided input to a government inquiry into Australia's trade with North Africa. We also developed an action plan to support a technical Memorandum of Understanding (MoU) with Saudi Arabia and were involved in MoUs with the UAE, Kuwait and Jordan. Our work in the Asia Pacific region secured improvements in live cattle veterinary protocols applying to our trade with both Indonesia and China.



We collaborate with retailers to develop innovative meal solutions that add value to red meat, particularly the lower value cuts.

Red meat innovation

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Ensure the industry is in the best possible position to capture the benefits of value adding, including increasing consumer demand, maximising the value added and increasing use of whole carcass. 	<ul style="list-style-type: none"> One economically viable, cutting edge technology generating significant returns. At least one supermarket committed to developing new value added products. Identify a new market for value added products. 	<ul style="list-style-type: none"> Re-formed meat technology ready for trial production. New chilled, ready-to-eat meals sold in a major supermarket. Identified aged care as a new market opportunity for value added meat products. 	<ul style="list-style-type: none"> New technology increases use of whole carcass and demand for low value cuts. New ready-to-eat meals have increased sales by \$20m. Aged care market opportunity currently \$450m and forecast to be \$650m by 2016. 	<ul style="list-style-type: none"> Commercialising re-formed meat technology. Continuing work on edible meat coating to counter negative consumer reactions. Investigating using natural ingredients in processed meats to reduce cholesterol absorption.

Value adding to red meat offers a range of benefits, both to consumers and the red meat industry. Through our Red Meat Innovation program we identify potential opportunities and weaknesses and develop innovative products and solutions.

Growing consumer demand

Appearance is an important factor for consumers. For red meat products 'meat drip', that accumulates in retail meat packs, is considered unsightly. We are researching an edible coating to seal the surface of meat cuts to reduce or even eliminate meat drip making the product more appealing to consumers.

Consumers also prefer the appearance of meat products in Modified Atmosphere Packaging (MAP). Recent research shows that carbon monoxide in the MAP gas mixture substantially improves meat colour. We conducted research to gauge consumer reaction to carbon monoxide in MAP products and found that the majority are willing to purchase, but those with young children would have health concerns.

A cost-effective means of increasing meat tenderness through aging is the short-term storage of chilled meat cuts in vacuum packaging. However, sulphur dioxide occurs under these conditions and it is classed as an illegal additive to meat products. We are working to show proof that the gas is naturally occurring, not a food additive.

Increasing carcass utilisation

Work continues on Meat Strip Alignment Technology. This technology re-forms low value meat cuts into product

that can substitute for higher value table cuts in foodservice applications making it competitive on price, easier to cook and more consistently tender. The technology is still in the developmental stage. While early trials have been successful, more work is required before full commercialisation.

Maximising value added

We have been working with a major supermarket chain to identify opportunities to increase demand through new value added red meat products from lower value cuts. A number of new products have been launched including ready-to-eat chilled meals based on lamb shanks and ribs, and a range of flavoured, marinated lamb steaks. Demand for these new products has increased with current sales indicating a potential new market worth over \$20m per annum.

We also partnered with one of the top red meat value adders to develop a range of shredded beef and lamb products that are chilled and ready-to-eat in a tub with a barbeque sauce.

New markets

Recent market research has identified aged care as a significant new market opportunity for value added red meat products. Currently, red meat is the third choice for operators after chicken and fish due to a range of factors including cost and ease of cooking and consumption. We are now working on improving the competitive advantage of red meat products relative to other protein sources across all of these factors. Good opportunities exist to increase consumer demand and market share.



Co-products

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Ensure the industry is well positioned to capture maximum value from a range of co-product opportunities and to take advantage of Australia's positioning as a 'clean and natural' source of high value/high integrity raw materials. 	<ul style="list-style-type: none"> Increase the average price of domestic meat and bone meal by 5%. Ensure rendered co-products (or raw materials) are directed into non-feed applications. Develop new extraction technologies for the pharmaceutical and biotech industries. 	<ul style="list-style-type: none"> Global oversupply of soy protein saw price of meat and bone meal decrease by 11%. Pharmaceutical supply chain traceability integrity project underway for high value bioactives. Strategy for recovery of blood from halal slaughtered animals for pharmaceutical use. 	<ul style="list-style-type: none"> Supply chain integrity opens new market for high value bioactives. Blood recovery technologies will provide opportunities for product innovations. Waste biomass and low value product are attractive sources of raw materials for energy generation. 	<ul style="list-style-type: none"> Position industry as a supplier of high quality raw materials to the premium pet food market. Further development of bovine tissue extracts for wound healing. Implement blood recovery technology for pharmaceutical applications.

Building demand for co-products

MLA, in partnership with the Australian Renderer's Association, developed an international marketing strategy for Australian meat and bone meal. This follows a highly successful series workshops to develop the Chinese market.

We also worked this year to develop the pet food market. Red meat proteins are uniquely suited to premium pet food products, but poor perception of the quality of this as raw materials has been an obstacle. With the Pet Food Industry Association of Australia, we undertook a study and have now identified several technical and training solutions that have the potential to improve co-product quality for pet food customers.

Protecting market access

Specified risk materials (SRM) are the parts of an animal deemed to have the greatest risk of being infected by prion proteins (linked to BSE). Although it is unlikely that any infected animals will be found in Australia, we developed a contingency plan for managing the recovery and safe disposal of SRM. We partnered with Australian Dehydration Technologies to develop what is now considered as a world leading technology.

New non-feed co-product applications

Waste biomass and low value product streams from the meat industry are attractive sources of raw materials for generating 'green energy'.

The conversion of animal fats (tallow) into biodiesel is one

example of how a low value co-product can be used to create a high value, environmentally sound product. With commercial partners, we developed a process for manufacturing biodiesel from tallow and developed a supply chain for the product.

Pharmaceutical supply chain integrity

Traceability systems based on NLIS (National Livestock Identification System) have positioned Australia to be a preferred supplier of high value blood products. Blood recovered during processing is used in the pharmaceutical and biotechnology industry, often in the manufacture of drugs for human use, consequently integrity is critical.

In conjunction with a major serum producer we developed a product traceability system to support our reputation as a state of the art supplier of foetal blood products. This world leading system cost-effectively traces product batches to individual animals and provides the basis for full traceability from the animal through to product lots used in the manufacture of drugs.

Applications for tissue extracts

Our collaboration with New Zealand-based Industrial Research Limited has produced results showing the application of our tissue extract to wound surfaces reduced healing time by 30%, relative to controls. If further tests prove positive, it is thought that this bioactive healing compound will be offered to consumers as a cream available over-the-counter from pharmacists.

PRODUCT INITIATIVES



We all want to be sure the food we eat is high quality and nutritious.

Food safety is integral to consumer confidence in our Australian red meat products. Our programs address all aspects of food safety from on-farm practices, through to hygienic processing and packaging. These safeguards not only give confidence to Australian consumers, they provide a platform for access to markets around the world.



Meat safety and issues management

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> † Ensure integrity and safety of beef and sheepmeat. 	<ul style="list-style-type: none"> † Complete legal audit and review of NLIS Database and integrate NFIS. † Demonstrated an improvement in microbiological quality of Australian export meat. † Work on regulatory changes that deliver major cost savings to processors. 	<ul style="list-style-type: none"> † Legal audit of NLIS database completed and preparations underway for NLIS – Sheep. † National survey of microbiological quality showed major reductions in counts. † Food safety modelling used to provide science-based evidence of food safety. 	<ul style="list-style-type: none"> † NLIS audit underpins the system integrity and provides protection for future expansions. † Microbiological survey results reinforced positive industry image. † Food safety modelling and process innovation create major savings for processors. 	<ul style="list-style-type: none"> † Studies into livestock contamination during transport and lairage to use new bacterial sampling methods. † Further expand food safety modelling to deliver major cost savings. † Produce SAFEMEAT position paper on biotechnologies.

Prionics research

A test for detection of ruminant DNA in meat and bone meal was developed this year and sent to SAFEMEAT and DAFF to assist in their work developing BSE control and freedom assurance strategies. In addition, a project on surveillance of TSEs started, it involves sampling from a wide range of ‘at risk’ animals.

Microbiological food safety in meat processing

A survey, commenced in 1995, continues to confirm the excellent hygiene of Australian meat products and highlights the improvements made from industry’s ongoing investment in food safety systems. Our standards compare favourably to those applied in other countries, and our product quality exceeds the requirements of major export customers. AQIS has provided the survey results to importing countries conducting reviews of Australia’s processing systems. The results have also generated considerable media interest and have been used by exporters as an international marketing tool to support customer confidence in our food safety message.

Retail

New studies confirm a low incidence of antibiotic resistance in bacteria from abattoir samples and this work is now being repeated at the retail level. This outcome has been achieved despite researchers using new, more sensitive sampling methods.

Feedlots

Feedlot trials were undertaken on the effect of alternate feeding strategies to reduce the incidence of pathogenic bacteria in grainfed cattle. The work showed that while it is possible to change the bacteria in favour of lower risk micro-organisms, it is impractical to try to sustain these circumstances during transport and processing.

Smallgoods

A risk assessment shows that the *Listeria monocytogenes* pathogen may pose a food safety risk in smallgoods products. Recent work has identified effective risk control mechanisms for this pathogen and regulators are using the findings to develop a new standards.

Food safety modelling for process innovation promises major savings for meat processors

Innovation in meat processing has been limited by the traditional ‘prescriptive approach’ to regulatory control, but the recent rewriting of the Export Control Orders (ECO) using an ‘outcomes-based approach’ has created an opportunity to introduce new scientifically-based requirements for meat chilling. AQIS has introduced a Refrigeration Index (RI) for meat exporters based on our computer model as a way of predicting the safety of meat chilling processes. This improves control and confidence when considering new process innovations and opens up

Allan Bloxom

General manager, industry systems

Allan has over 35 years industry experience in the red meat industry having worked in or with various sectors of the supply chain. With this experience, Allan lends strong leadership to industry systems that provide the foundation for differentiating Australia's 'clean and natural' red meat products both at home and in the international arena.



opportunities for substantial operational cost savings while maintaining the highest microbiological standards.

The hot boning process provides efficiencies and cost reductions, but there have been concerns about the increased food safety risks. The food safety modelling tool provides greater confidence in the safety of hot boned meat products and AQIS has used it for market access negotiations with importing countries.

We have also taken advantage of the new approach to regulation by helping processors to gain approval for an alternative knife sanitation process. Findings from our work have the potential to generate operating cost savings for processors of up to \$10m per annum through reduced water and energy use and a lower incidence of worker injury.

National Livestock Identification System (NLIS)

MLA's role in the NLIS involves maintenance of the system database and provision of information to the industry. This year over 24,000 information products were distributed, with workshops and tours conducted for producers, saleyard operators, agents and processors. We also administered a \$2m federal grant for training, rumen bolus recovery and database development. In preparation for further national implementation, MLA commissioned external 'health checks' of the operations and security of the NLIS database.

National Vendor Declarations (NVD)

A public trial of the NVD scanning project commenced in July 2005 to showcase the system's ability to scan written information and create data for pre-sale catalogues. Posters on how to complete cattle and sheep NVDs were distributed to saleyards and stock agents to assist the industry with implementation of the new system.

Livestock Production Assurance (LPA)

By 30 June, approximately 150,000 property identification codes (PICs) were provisionally registered and around 37,500 fully accredited, while over 500 PIC audit reports were received. Most reports related to lack of risk assessment, while chemical usage recordkeeping and information on introduced livestock also needed improvement.

Issues management

During the year, MLA worked hard on building relationships with major users and non-users of Australian beef and sheepmeat and delivered several presentations on product quality assurance and safety. Working in conjunction with the industry's business development and trade marketing, we sought to deliver positive messages about the safety of our product and provide up to date technical information.

MLA also gathered intelligence on international developments, monitored issues relating to Australian meat safety issues overseas and arranged trade visits to promote our position on animal and product integrity.



Through the year we conducted workshops to make sure producers know what they need to do to comply with NLIS and LPA requirements. Here Doug McNaught, NLIS technical officer, talks to producers at Longreach, Qld, about NLIS.

PRODUCT INITIATIVES



Meat Standards Australia

Program objective

- ✦ To have the world's best beef eating quality grading and labelling system and continue expanding the MSA model to deliver eating quality outcomes to a wider range of beef cattle through ongoing R&D.

KPIs

- ✦ Deliver hot grading model.
- ✦ Deliver MSA grading to additional major beef processors and training to additional industry representatives.

Outcomes

- ✦ MSA Express (hot grading model) introduced to capture and process data on the slaughter floor.
- ✦ Establishment of eChiller program.
- ✦ 17% increase in grading numbers, and 10,000 industry personnel trained.

Industry benefits

- ✦ **Hot grading offers significant time savings for processors.**
- ✦ **Electronic correlation removes subjective element from MSA grading process.**
- ✦ **Older animals now eligible for MSA grading, providing higher MSA product volumes.**

Future activities

- ✦ Continued expansion of MSA grading training.
- ✦ Develop and launch MSA sheepmeat program.
- ✦ Implement grading for 4 to 8-tooth cattle.

MSA grading

Four additional plants commenced Meat Standards Australia (MSA) grading this year, bringing the total number of plants in Australia to 38. Grading numbers also increased, rising 17% or over 92,800 head from the previous year. Significantly, commercial grading commenced for the first time in Tasmania with the launch of the Van Diemens Beef brand, which is graded at Devonport City Abattoir. The program was also expanded with the development of 20 additional 'cut by cook' combinations, making a total of 135 combinations now available for every carcass.

Industry training in MSA requirements also expanded, with an additional 2,200 personnel trained in over 4,700 MSA modules. At the processor level, plant staff can be trained in their area of responsibility, with 260 plant personnel completing training during the year. In the retail, foodservice and wholesale sectors, MSA training is designed to help eliminate consumer disappointment with eating quality and capture value through using muscle seaming and cooking methods. This year over 1,790 personnel from 180 locations completed modules covering these topics.

The accuracy of MSA field graders has always been a concern and the 'licence' to grade has now been strengthened through collaboration between AUS-MEAT and MSA to create an electronic correlation program. The eChiller program removes an element of subjective

assessment in grading and allows graders anywhere to correlate their work to the defined standards, improving efficiency and reducing monitoring costs.

Quality initiatives

After extensive R&D, MSA Express (Hot Grading Model) was introduced this year. The new model offers alternatives for collecting carcass attributes prior to chilling, creating flexibility for processors whilst maintaining integrity of the MSA program. Slaughter floor collection is less time consuming for processors, with the current model requiring measurement after carcass chilling.

To extend the MSA grading program to older cattle, consumer eating quality trials were conducted this year. Previously, data was limited to cuts from animals with a maturity score of 300 (approximately 42 months), with older animals ineligible to be graded. Consumers sampled cuts from cattle with maturity scores up to 590, and prepared using cooking methods including grilling, roasting, corning, casserole, stir-fry and thin slice. This sampling has made it possible to identify cuts meeting the consumer standard and eligibility for an MSA eating quality grade and will enable processors to grade animals of all ages.

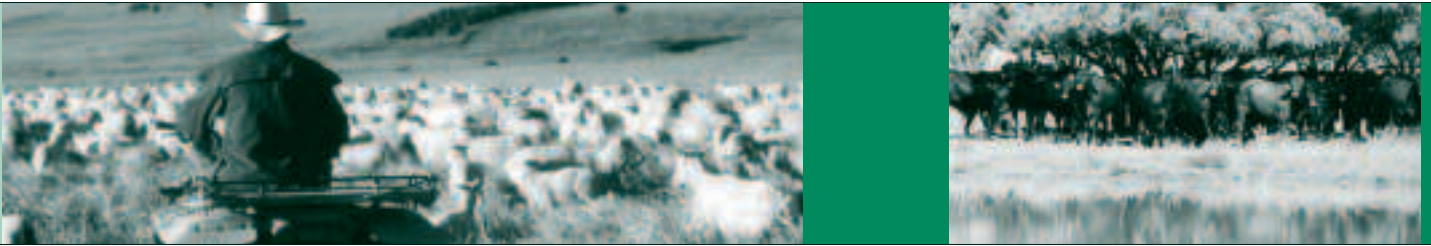
COMMUNITY CONCERNS



Photo courtesy of AgForce Qld - taken by member
Rachelle Cameron, 'Nive Downs', Charleville

Community concerns over the environment and animal welfare are heightened as we learn more about human impact on the world in which we live. As an industry that depends on environmental sustainability and the health and welfare of our livestock, these issues are paramount. Livestock producers are both part of the industry and part of the community and, as such, are acutely aware of the need to address these issues.

COMMUNITY CONCERNS



Environment – resource management

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Undertake research into priority environmental issues for the red meat industry and implement appropriate communication and commercialisation initiatives to support industry adoption of research outcomes. 	<ul style="list-style-type: none"> Produce best practice recommendations for four northern Australian regions. Establish seven Grain & Graze projects addressing regional NRM priority issues. Develop a weeds R&D strategy and contract three component projects. 	<ul style="list-style-type: none"> Best practice recommendations produced for four northern regions. Nine Grain & Graze projects developed to address regional issues. Five weed projects commenced, addressing strategic weeds nationally. 	<ul style="list-style-type: none"> Improved relevance and adoption by delivery R&D via producer groups Improved R&D impact through collaborations such as Grain & Graze. Improved sustainability through new weed control solutions. 	<ul style="list-style-type: none"> Complete best practice environmental guidelines for processors. Develop Environmental Management System program. Investigate novel ways to reduce greenhouse gas emissions from ruminants.

Farming systems R&D

In the southern region, several collaborative projects started this year including Grain & Graze in the cereal zone, and EverGraze in the high rainfall zone.

Grain & Graze is a collaboration with Australian Wool Innovation, Land and Water Australia and Grains Research and Development Corporation. It aims to increase productivity while reducing water recharge and enhancing the condition of farm and catchment biodiversity. Currently there are three national projects – feedbase and soils, whole farm economic analysis and social impacts – and nine regional projects which work collaboratively with catchment management authorities.

Evergraze seeks to improve profitability and reduce water recharge by developing management solutions using perennial pastures.

In northern Australia we worked with regional groups to identify key natural resource management issues. Projects addressing key issues include a grazing trial to determine the benefits of cell grazing, and a cross-rural RDC investment into climate variability. In addition, we produced best practice recommendations for the Cape River catchment, Northern Gulf region, the Sturt Plateau and the Victoria River district.

Weed control and biodiversity

We developed a weed strategy which focuses on emerging weeds and new approaches to old and poorly controlled

weeds. Collaborating with Australian Wool Innovation, we initiated projects to investigate the control of unpalatable grasses in the high rainfall zone and solanaceous weeds in the cereal zone. We also initiated projects to improve industry's understanding of Lippia and the adoption drivers for weed management.

In northern Australia we started work on evaluating biocontrol agents for Giant Rats Tail grass.

Water use and water quality

As part of the Grain & Graze program, a biodiversity strategy was developed. The strategy aims to help producers improve their understanding of biodiversity and the role it can play in on-farm meat production. Information and practical tools will be developed to manage on-farm biodiversity.

Our research on the impact of grazing on water quality in the Fitzroy and Burdekin catchments continues. Work to date has mainly focused on management approaches to reduce erosion and is published in a management guide, *Keeping It in Place*.

This year's environmental performance review of the processing sector compared results to a similar 1998 study. The key finding was an overall reduction in water usage, generation of less wastewater and a reduction in noise and odour complaints. The survey showed that average raw water use has decreased by 11%. Importantly, results also show a significant shift in management's attitude towards environmental sustainability.



Animal welfare – on-farm

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Supporting productivity, product quality and market access by providing tools and knowledge to improve the wellbeing of Australian livestock and address issues of community concern. 	<ul style="list-style-type: none"> Develop an animal welfare training package for transport operators. Survey of Australian perceptions of animal welfare completed. Three significant R&D projects contracted and underway to achieve these objectives. 	<ul style="list-style-type: none"> Guide for WA producers and transporters to assist selection of animals for transport. Research into public and industry perceptions of animal welfare underway. Contracted 14 projects on welfare practices to address community concerns. 	<ul style="list-style-type: none"> Evidence-based science for improved animal welfare outcomes. Better animal welfare with increased productivity, product quality and market access. Community/consumer issues understood and addressed. 	<ul style="list-style-type: none"> Continue to explore land transport and animal welfare link. Identify objective measures of animal welfare. Submit heat load risk assessment software to National Feedlot Accreditation Scheme.

A strategy for livestock production animal welfare R&D was developed in consultation with industry stakeholders, government, researchers and animal welfare groups. The strategy identifies six R&D priority areas:

- objective measures of animal welfare
- practical risk management approach to land transport
- uptake of animal welfare best practice
- welfare implications of animal husbandry and the development of tools or practices
- trends in public perception of animal welfare
- training and education packages

Measuring animal welfare

We are currently developing a framework to objectively measure animal welfare, allowing producers to optimise their practices while providing assurance to consumers, markets and regulatory authorities. During the year, a workshop with national and international researchers and representatives from Australian Pork, Dairy Australia, Australian Egg Corporation, Meat and Wool New Zealand, RSPCA, Australian Veterinary Association and DAFF explored the framework concept. The workshop received significant media attention and a strong collaborative approach has developed between the Australian and international research teams and the EU Welfare Quality project.

In another initiative, we developed software to help feedlot operators assess the heat load risk in their

operation. This tool will become part of a suite of initiatives to help industry and regulators manage feedlot heat stress and will be incorporated into the National Feedlot Accreditation Scheme.

Consultation has also begun on developing a voluntary on-farm animal welfare quality assurance program that will fit within LPA level 2 and support the use of best practice so producers can be recognised for their animal welfare standards on-farm.

Land transportation

Understanding the relationship between land transportation practices and animal welfare is a key R&D priority area. MLA has contracted a long-term project to develop a practical risk management tool for transportation under Australian conditions. In addition, a guide to assist decision-making on transportation was released in WA. It details pre-transport preparation and guidelines for assessing animal suitability so welfare outcomes can be improved. The booklet received strong support and we are currently determining interest in other states.

Capacity building

To further the industry's collaborative efforts, three research fellowships were funded to allow researchers to collaborate with overseas research teams and build our local research capacity. We have also focused on supporting PhD studies in animal welfare to further build Australia's R&D capacity.

COMMUNITY CONCERNS

Mike Hayward BSc Ag MCom
General manager, live exports

After teaching farm management and agriculture policy, Mike worked as a research economist for NSW Department of Agriculture. Joining MLA in 1979, he has held a number of senior roles including managing the Tokyo office. With his experience in overseas markets he now provides leadership in our live exports program.



Animal welfare – live export

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Improve the welfare of livestock during the process of export, from assembly on-farm through to transport overseas, and after arrival in the destination market. 	<ul style="list-style-type: none"> Satisfactory animal handling in at least 50% of Middle East feedlots and Indonesian abattoirs. Progress the use of stunning during slaughter in the Middle East. Improve community attitudes towards the live trade. 	<ul style="list-style-type: none"> Two thirds of Australian cattle exported to Indonesia processed in restraining boxes. Animal handling in at least 50% of feedlots in the Middle East rated satisfactory. Public support for the live exports remains an issue. 	<ul style="list-style-type: none"> Improved welfare outcome will ensure the sustainability of the live trade. Better welfare practices improve public perceptions and support for the live trade. Appropriate practices avoid targeting by global activist groups. 	<ul style="list-style-type: none"> Development of a communications strategy to improve industry and community perceptions of the live trade. Review of the economic value of the live export trade. Project on halal slaughtering with stunning.

Markets

Providing support in our live export markets is an important way of ensuring the long-term viability of the live trade. Our work to assist customers in the Middle East and Asia to improve their animal welfare practices is important in ensuring live export sustainability.

Although our research indicates feedlot handling in Bahrain, UAE, Qatar, Kuwait and Jordan is acceptable, the use of stunning remains problematic. We provided input into new abattoir designs in Jordan and Qatar that included stunning facilities. The challenge will be to get other countries to follow this lead.

During the year a technical consultant visited the Bahrain Livestock Company to provide training in basic animal handling techniques. Pilot livestock nutrition courses were also delivered to customers around the region.

Egyptian officials visited Australia this year to inspect local abattoirs and livestock handling facilities, and they were encouraged to adopt Australian animal welfare systems. With the resumption of cattle exports to Egypt in April, it will be important to continue providing support in this market.

An animal welfare audit in Indonesia found 66% of Australian cattle were processed in restraining boxes. Progress was made on the introduction of stunning in the Philippines and technical support was provided to abattoirs in Indonesia and Malaysia.

Communications

A survey undertaken in June 2005 indicated that public support for the live export trade had not improved. However, earlier qualitative research show that attitudes improved dramatically after respondents were exposed to key messages about improvements in the trade since the Keniry report.

A major issue that emerged this year involved a worldwide campaign by an animal rights group targeting the mulesing of Merino sheep and the live trade. This campaign resulted in the formation of a crisis management alliance with the wool industry. Unfortunately, this diverted resources from developing a broader communications strategy for the live trade.

Research and development

Our other activities this year included improving the design of receival and processing facilities at Indonesian abattoirs for better animal welfare and processing efficiency, and developing alternative methods for measuring animal welfare during live export. A number of potential indicators have been identified, with testing under simulated shipboard conditions currently in progress.

We are also researching the current ban on lambs and sheep transported more than 800km, exported from Adelaide and Portland during certain periods of the year. This will provide a rigorous science base in setting standards and conditions for export of sheep in winter months.

WHOLE OF CHAIN EFFICIENCY



To provide the best opportunities for the Australian red meat industry to prosper and grow, our programs look at every step in the supply chain – and the supply chain in its entirety. We often use the term ‘from paddock to plate’ which reflects the scope of our work as we look to improve efficiencies for the benefit of the whole of the industry.

WHOLE OF CHAIN EFFICIENCY



Improving productivity

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> ✦ To improve the productivity, profitability and sustainability of the red meat industry. 	<ul style="list-style-type: none"> ✦ Initiate 2 projects to manipulate rumen microbial populations to increase productivity and animal health. ✦ Increase lamb/sheep productivity by 4% by linking superior genetics, grazing, finishing and market specifications. ✦ Implement 3 new processing automation technologies. 	<ul style="list-style-type: none"> ✦ Projects underway focusing on microbial organisms from other species, eg kangaroos. ✦ Prime Time forums delivered linkages between genetics, nutrition and marketing for lamb producers ✦ Five new automation technologies implemented in the processing sector. 	<ul style="list-style-type: none"> ✦ Findings could help improve feed efficiency and lift productivity. ✦ Most producers at Prime Time forums intended implementing findings for productivity gains. ✦ Processing automation will achieve significant cost savings for the sector. 	<ul style="list-style-type: none"> ✦ Launch of Sheep Genetics Australia service. ✦ Super Beef/Super Lamb projects in genetic, management impacts on functional, nutritional value. ✦ Trial and promote beef boning technology for traceability and cost savings.

Northern beef

This year MLA's Northern Beef program has worked to identify the key drivers of productivity for producers in northern Australia.

For northern beef producers, two new projects to increase reproductive efficiency of first and second calf heifers have been established in the Northern Territory and WA, with local producer groups acting in an advisory role. We also produced a major manual on the use of water medicators, *Water medication – a guide for beef producers*, which has been widely distributed.

Negotiations are currently underway for commercialisation of the Near Infrared Reflectance Spectroscopy tool developed by MLA and CSIRO, which will enable producers to estimate the quality of the diet consumed by cattle to make supplementation planning and monitoring more accurate.

New diagnostic tests developed for vibriosis, trichomoniasis and three-day sickness have been delivered to diagnostic labs around Australia, although a new test for leptospirosis is still in the development phase. The study into the economic impact of three-day sickness on northern beef herds is continuing on NAPCo and AACo properties (a third party has terminated its involvement, which may delay completion of the project). Negotiations with AQIS have also delayed a project to test the efficacy of an experimental one-shot three-day sickness vaccine.

A review of cattle tick research needs was completed this year and it recommended further research into crossbreeding and gene markers through the Beef CRC, support for a peak body to decide tick control policy and research priorities, and development of adviser tools.

Positive outcomes are emerging from a range of beef genetics projects, with the latest industry and BREEDPLAN statistics showing the average rate of genetic progress, weighted across all breeds, is now approximately \$1.70 per cow joined per year, up 67% on the average for the five-year period ending 2001. This is on track to achieve a doubling of the rate of genetic gain across the industry by 2006.

Development of a simple new blood test using IGF-1 (insulin-like growth factor-1) will significantly increase the industry's capacity to select for improved feed efficiency.

New projects were started focusing on manipulating the rumen microbial population to increase productivity and animal health. These are focused on the introduction of novel microbial organisms from other species such as kangaroos into the rumen and on the role of specific supplements to increase productivity.

Southern beef

Results from the Regional Combinations project within the Beef CRC continue to highlight the strength of estimated breeding values (EBVs) in accurately predicting

Dr Reuben Rose DVSc PhD FRCVS MACVSc
General manager, livestock production innovation

Having grown up on the land, then practising as a vet, Reuben pursued his academic career in the UK, France and the US and was Dean of Veterinary Science at the University of Sydney. This, along with his distinguished contribution to research, provides solid foundation for his management of our significant on-farm R&D portfolio.



progeny performance. The outcome of this work is being packaged for the More Beef from Pastures program to help producers better meet market specifications.

Calf scours is a time-consuming and expensive problem for southern beef producers, with new research showing it costs an average of \$7 per calf or \$19 per breeding cow. Best practice guidelines are currently being developed to assist producers, veterinarians and diagnostic laboratories dealing with calf scour outbreaks.

Good progress is being made in increasing the rate of genetic gain in the beef seed stock sector, with results showing a 50% increase in the period 2001–2004 in the rate of progress in \$Index compared with 1996–2000. This improvement flows directly to commercial producers via better bulls.

The More Beef from Pastures program has been effective in achieving involvement of consultants and advisors across southern Australia. New tools for assessing likely climatic outcomes and predicting pasture growth are now being trialled with producers.

MLA continued to invest in the Beef Cooperative Research Centre (CRC), this year contributing around \$1m.

Lamb, sheep and goats

A key goal of MLA in lamb and sheepmeat production systems is to ensure they are optimising the use of superior genetics, grazing and lamb finishing systems to increase their productivity and better meet the requirements of the market. These management solutions are presented to lamb producers at Prime Time forums. This year's forums presented new information about the links between genetics, nutrition and marketing, and the scope for significant productivity increases through changes in on-farm management practices.

Our sheep genetics projects aimed at developing temperament EBVs are progressing well and the interim results suggest there are significant genetic differences within and between sheep breeds for lamb survival, mothering ability, internal parasite resistance and eating quality.

A study into the economic on-farm impact of ovine Johne's disease (OJD) suggested that annual death rates from OJD on infected farms averages 6.2%, more than double the 2–3% accepted overall mortality rate for Australian sheep flocks. Average economic losses due to OJD were estimated at \$66 per hectare per year, or around \$8 per DSE, resulting in a 6.4% reduction in

expected farm gross margin. A number of projects investigated the effectiveness of the OJD vaccine, with vaccination at marking or weaning found to reduce the death rate by about 90%. This has the potential to substantially improve the productivity and profitability of properties with OJD. Vaccination also delays shedding of OJD bacteria by approximately 12 months and reduces the percentage of sheep that shed by about 90%. Research projects are underway to assess the effectiveness of whole flock vaccination and the long-term impact of vaccination in flocks with differing levels of OJD infection.

Projects are also underway to investigate on-farm management options for improving internal parasite control in lamb production. The first of these is investigating nutritional supplementation as a worm control strategy and trial sites have been set up on farms in the NSW, SA and WA. Another study is investigating a variety of management options to reduce the impact of internal parasites on prime lamb productivity, with trial sites set up on commercial farms in SA and Victoria. Research into intensive grazing systems has highlighted the scope for significant reductions in parasite loads and hence reduced need for drenching due to research on pasture spelling periods. These benefits have come with no increase cost in production and the work is being extended into a number of regions.

Improving on-farm management of annual ryegrass toxicity is also being investigated, with the aim of delivering quality information for application at district level and to develop a risk management strategy and prediction tools.

Outcomes from the Sheepmeat Eating Quality R&D program have been released to industry, and significant elements already implemented by the processing sector. The research has shown significant improvement in eating quality of lamb over the past eight years.



MLA's *Tips & Tools* series delivers R&D outcomes to producers in an on-farm 'how to' format.

WHOLE OF CHAIN EFFICIENCY



LAMBPLAN, MGS and SGA

The Australian Sheep Genetics Database initiative, now called Sheep Genetics Australia (SGA), involves MLA and AWI working collaboratively to establish a national genetic analysis for the sheep industry, together with technical improvements in genetic analysis for all breeds. Work on SGA is progressing well, with a target launch date for the new SGA service (including LAMBPLAN and a newly developed Merino service – Merino Select) set for October 2005. As well as the considerable work that is going into the SGA initiative, industry use of LAMBPLAN and Merino Genetic Services continues to grow.

In addition, a new term – Australian sheep breeding value (ASBV) – has been trademarked to protect the integrity of information from SGA. The ASBV is designed to help provide higher standards of quality assurance, across-flock linkage and trait accuracies. The number of traits available for SGA has been expanded to a minimum of 48. In addition, Merino Select has been trademarked as the new product descriptor for the combined Merino analysis.

Feedlot

To improve the productivity of lot feeders, a project has been initiated to isolate the major starch utilising bacteria present in the rumen of grainfed cattle. The aim is to formulate a probiotic drench using these starch utilising bacteria and *Megasphaera elsdenii* YE34 for use across the whole sector. This should improve the efficiency of grain utilisation and reduce the incidence of lactic acidosis immediately after cattle are introduced to the feedlot.

Laboratory testing has also been carried out on the use of the fumigant ethanedinitrile for devitalising barley, wheat, sorghum and maize, as well as contaminant weed seeds, pathogens and insects. If successful, this project will then be trialled on a commercial scale with maize to provide the necessary data for signoff by Biosecurity Australia, enabling the import and movement of overseas grain during periods of drought.

Processing technology

Sheep

A recent review of work of the automation of sheep processing has shown that the 'pelt-o-matic' – sheep skin removal process – developed by MLA in 1998 has delivered significant industry benefit. Ten units have been installed representing adoption by 50% of the target market. Benefits of the technology include reduced OH&S risks for workers, reduced carcass defects and a 15% increase in skin value by eliminating defects from 'grain strain'. Although the original target market was mid-scale processors, a new market has now opened up with large-scale sheep processors considering the technology to enhance their high speed inverted dressing chains. If this opportunity is realised, the technology will be able to claim the status of world's best practice for sheep skin removal.

Work continues on the implementation of new automated technologies for sheep processing, including an automated Y-cutter and robotic kidney fat removal.

Robotic kidney fat remover –
yield trials and service support
improvement initiatives are
currently underway



Christine Raward BSc MHA MAICD

General manager, client and innovation services

Christine held a number of senior positions in both manufacturing and financial services companies before joining MLA. This put her in good stead to oversee our extensive off-farm R&D activities. Christine is also responsible for MLA Donor Company.



New technologies have been installed in sheep boning rooms including a sheep carcass primal cutting machine, which could revolutionise sheep boning room operations. The technology, still at the R&D stage, has shown potential productivity improvements that could reach \$1.5m per annum for a typical a large Australian processing facility. Early development has been in consultation with 14 processors and it is expected that the technology will be commercially available in 2009.

Beef

For beef processing, we are researching a range of alternative stunning techniques to address a number of emerging issues including:

- ✦ protecting market access for offal products to high value halal markets
- ✦ increasing community concerns regarding animal welfare
- ✦ escalating operating cost associated with the conventional techniques
- ✦ minimising the risk of brain tissue migrating through the circulatory system

Electrical stunning seems to be the most likely alternative, but its successful application requires an effective head restraint and electrode system. A prototype electrode system has been developed that can be retro-fitted in most plants. The prototype is currently being tested and refined in New Zealand before implementation in Australian plants.

Beef scribing is a technique used to pre-cut the carcass at appropriate points prior to boning, setting up the cutting line for all subsequent tasks. Incorrect scribing can substantially impact on yield. It is a difficult task, both physically and mentally, and so presents an excellent opportunity for robotic automation.

Partnering with a processor and an automation/robotics company, we delivered the first stages of this project. Using vision and sensing systems to fast track operator decisions, it allows the operator to maintain ultimate control over cutting paths. It is expected that adoption of this technology will be both rapid and wide-spread throughout the beef processing sector. Early estimates suggest that, when installed, the technology will pay for itself in less than one year, and the annual potential productivity improvements could be as high as \$850,000.

Goats

MLA is actively engaged in partnerships with major goat processors. In particular, we worked with Norvic foods to complete development of the world's leading 'skin on goat' processing technology. In goat boning, we are currently seeking tenders for proposed solutions to 'six-way cut' and 'cubing' processes for goats.

Occupational health and safety (OH&S)

Work is currently underway with both the NSW and Victorian governments to develop and implement best practice OH&S management systems in about 40 processing companies. Information from all of these sites is being used to compile a self-audit tool to share with all Australian meat processors to ensure ongoing improvement and sustainability of processing systems.

In partnership with an automation/robotics company, we are developing an operator aid for bandsaw users, 'Saw Stop', which can be retro-fitted to the 4000 bandsaws in use in the Australian meat industry. The project is still at the early R&D stage, but if successful, the device should eliminate the risk of amputations and severe lacerations from bandsaw accidents. We have engaged a pilot group of 20 processing companies and butcheries to advise on the next stage of development.

Employee retention

The meat processing sector is experiencing high rates of employee turnover. This impacts on the industry in a number of ways but, most importantly, it could put Australia's enviable food safety record at risk due to lack of appropriately trained processing operatives. We are working with the industry representatives and individual processors to develop strategies to address this issue. The first step was conducting three industry consultative forums to allow participants to provide feedback on their local plant situation to add to information provided by other industry groups. One of the main findings is that the industry is not very good at measuring its performance in this area. A project is now underway to collect data, including employee insights at both exit interviews and during induction. This will be used to develop plant-specific retention strategies.

WHOLE OF CHAIN EFFICIENCY



Adoption and capacity

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Communicate and help deliver tools and information based on MLA's R&D to livestock producers, lot feeders and processors. 	<ul style="list-style-type: none"> Increase producer awareness and participation in MLA tools and information services. Encourage increased adoption by producers of key best practices. Develop processor innovation strategies and improve innovation culture and capability. 	<ul style="list-style-type: none"> 17 Prime Time for Prime Lamb forums for 1,895 producers. Increased producer awareness, participation and adoption of key practices. Five processor innovation strategies are underway. 	<ul style="list-style-type: none"> New techniques will improve efficiency and productivity. Better on-farm capacity can improve farm health and safety. New technologies and information will improve industry sustainability. 	<ul style="list-style-type: none"> Implement changes to national training package for the processing sector. Increase reach and capacity building through major programs. Partner with intermediaries to disseminate information to producers.

Communications and delivery

Face-to-face activities are the most effective means of delivering R&D outcomes to producers. With this in mind we significantly increased our 'in-field' activities this year. A range of complementary communications such as media and publications supported these activities.

In a move away from project-based communication, we took a whole of business approach to our southern beef R&D in developing the More Beef from Pastures program.



Several new publications supported our in field activities.

The program, centred around a plain English producer's manual, covers eight different aspects of southern beef production. The manual, promoted through the media and rolled out to producers through 86 workshops, has been well received by more than 4,000 producers.

The Prime Time program was also a major success this year with nearly 2,700 producer attendances at forums/workshops around the country. These forums deliver new science and findings to producers, helping them to implement on-farm change. Each series of forums is targeted towards specific production systems within the sheep industry. Post forum surveys indicated 89% of attendees planned to make changes to their on-farm management or business practices as a result of attending.

The consolidated nature of the processing sector means that we can focus on key players and work closely with individual companies to promote R&D adoption. This year's activities included developing an innovation measurement framework, establishing an innovation manager network, and developing five company-focused innovation strategies.

Building capacity

MLA provides funding for a range of initiatives designed to build capacity. This year we supported Beefplan and Bestwool groups to improve their productivity, business practices and sustainability. We also provided major funding to The Sustainable Grazing on Saline Lands program.



MLA Meat Profit Days at Longreach, Queensland, and Deloraine, Tasmania attracted 670 attendees.

Our program of sponsorships and scholarships continued through the Nuffield and Australian Rural Leadership Scholarships and a Diploma in Rural Production. In addition, we supported six ongoing projects in collaboration with the Sheep CRC to encourage students to pursue a career in the sheep industry, and to update the skills and knowledge needed by teachers and students across the industry.

Participation in EDGENetwork courses was down on previous years due to the unavailability Farmbis funding.

This should improve next year with its reinstatement in all states except NSW.

In the processing sector, the Meat Industry National Training Advisory Council (MINTRAC) continued to develop new course content to meet emerging industry needs, including the Meat Processing Scholarship program.

Face to face events	Number of activities	Producers engaged
Prime Time for prime lambs forums	17	1,895
Prime Time – Wean more lambs workshops	24	418
Prime Time – Making more from Merinos	2	379
More Beef from Pastures	86	3,200
EDGENetwork	123	1397
Meat Profit Days	2	670
Producer trials		
More Beef from Pastures	11	186
Prime Time	7	187
Prime Time – Wean more lambs	14	752
Publications		
	Editions	Copies distributed
mlaPrograzier	4	15,000
More Beef from Pasture's – The producer's manual	1	4,000
Wean more lambs	1	4,500
Winning against seeds	1	11,300
The Lamb Guide	1	6,795
Water mediators – a guide for producers	1	662
Cost of production calculators (7,018 beef and 3,437 sheep)	1 each	10,455
Other		
Producer initiated R&D	90	3,667
Bestprac groups	25	312
Beefplan groups	12	110
Bestwool groups	75	2,400

This table is not all inclusive. It indicates the range and reach of our adoption and capacity building activities for the year.

WHOLE OF CHAIN EFFICIENCY



Supply chain management

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Assist the Australian red meat industry to achieve world leadership in supply chain management. 	<ul style="list-style-type: none"> Increase awareness, understanding, attitude, behaviour and adoption for producers and processors. Increase adoption of technologies and systems. Project expenditure in SCM partnership projects to increase by \$2 million. 	<ul style="list-style-type: none"> 11 case studies and 5 editions of <i>SCM Matters</i> published for dissemination. AQIS and AMIC endorsement of electronic version of the Meat Transfer Certificate close. Expenditure increased \$1.83m. 	<ul style="list-style-type: none"> Global competitive advantage through best practice supply chain management. Reduced costs and increased efficiency by using electronic information systems. Increased efficiencies through supply chain. 	<ul style="list-style-type: none"> Introduce best practice in 'lean thinking' supply chain management tools. Expose processors to on-farm R&D advances to improved competitive advantage for whole supply chain. Implement adoption plan for LivestockRecording.com.

Over the past few years MLA has been working on programs designed to create competitive advantage for the industry through improved supply chain management.

One major beef supply chain partner is currently implementing a system to manage more detailed information and make relevant production information available to the consumer. Early estimates show that savings of over \$10m per annum are achievable by integrating all sectors right through the supply chain.

Benchmarking activities

A major benchmarking survey was undertaken during the year to better understand the key performance indicators for producers and processors. This work is currently being analysed. In the past, much of the benchmarking work for lamb and sheepmeat production and marketing was conducted by state departments under MLA contract, but to rationalise data collection, this role has now been transferred to our National Livestock Reporting Service.

Adding value

Currently we are involved in a number of projects designed to deliver improved efficiencies right along the red meat supply chain. For example, one project is working on implementing innovative supply chain management techniques such as RFID, electronic information management (EIM), performance feedback and sheepmeat eating quality to maintain a consistent, competitive and profitable supply of lamb carcasses to the domestic market.

LivestockRecording.com (LR.com) integrates producers' on-farm systems with those used by supply chain partners

into one central management tool. In doing so, it can converge on-farm QA, product traceability and eating quality programs, such as NLIS, MSA, AUSMEAT, BREEDPLAN and CattleCare, with feedback to producers and animal husbandry records.

Work is also continuing on the Smart Trace technology platform, a near-real-time method of tracing and recording the temperature and location of perishable product shipments. Supply chain partners can use web-enabled information and communication systems to monitor and track product through global distribution networks.

Reducing costs

'Lean thinking' is a supply chain management tool that has great potential to deliver competitive advantage for supply chains. Two trials have been completed (one in beef and the other in lamb) and case studies will be presented to the industry during the coming year.

We are also continuing a partnership with the Queensland Department of State Development on the Qe Meat project. The project will assist our beef industry develop and implement globally competitive, electronic SCM practices compatible with our major international trading partners.

We are also trailing seamless information transfer across the supply chain using electronic information management technologies. A processor is currently undertaking a cost/benefit analysis of integrating industry standard data formats, bar coding and electronic messaging. Early estimates indicate potential savings of \$62 per load of 100 cattle and \$203 per shipment of cartons (672 cartons).



Market information

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Ensure the provision of effective, targeted market information, which adequately meets stakeholder needs. 	<ul style="list-style-type: none"> Produce and promote timely market information receiving widespread media coverage. Increase online market information users to 17,500 per month. Increase Cattle Futures contract trading by 120% and maintain awareness. 	<ul style="list-style-type: none"> Stakeholders better informed on market developments. Over 20,000 users accessing market information monthly. Increased use of price risk management strategies in the cattle and beef industries. 	<ul style="list-style-type: none"> Timely market information allows the industry to make informed business decisions. Cattle futures provide a useful tool for producers to manage risk. 	<ul style="list-style-type: none"> Complete development of NLRS database and integrate with MLA market information. Upload and enhance MLA market information on the new MLA website. Implement a business development program for risk management and cattle futures.

Market information

During the year, all of MLA's market information services were integrated into a single unit under the brand of MLA Market Information. The National Livestock Reporting Service (NLRS) was integrated with the Market Information Service, while retaining NLRS's emphasis on quality, independence and information integrity.

MLA's market information activities continue to be highly rated. In a survey this year, 96% of respondents rated our market information as 'extremely useful' (67%) or 'quite useful' (29%) to their business. Also 88% of respondents found the market information 'timely', while 95% stated it was relevant to their business decisions. Ratings for our saleyard reports and industry projections were also pleasing.

In November, we established a centralised meat safety website endorsed by SAFEMEAT. The site is produced in five languages (English, Japanese, Korean, Traditional Chinese and Simplified Chinese) and is designed to meet the needs of customers in the important markets Australian meat sales.

There were some delays in rolling out the enhanced EPMS database information service due to delays in finalising the MLA website, while work also continued on developing a live export reporting service. Use of the new internet based MLA market information exceeded 20,000 per month, with 46% of the total visits to the MLA site being to the market information section and NLRS attracting almost 50% of these visits.

Our SAFEMEAT website provides information about the integrity of our products for our customers around the world



WHOLE OF CHAIN EFFICIENCY



Assessments of the competitive position of the US, New Zealand and South American suppliers was covered extensively in *Market Briefs* and *Meat & Livestock Weekly*, while special research was undertaken into the China and India livestock sectors. Altogether, 22 *Market Briefs* were released covering Australian supply, domestic retail and foodservice, Japan, Korea, US beef and lamb, lot feeding, South America, South Asia and other markets.

This year there was an unprecedented uptake of MLA's *Meat & Livestock Weekly* and *Industry Overview*, and both underwent further improvements. Other market intelligence activities included the 2005 *cattle and sheep industry projections*, which were launched in early February and received unprecedented media coverage.

Industry surveys

As part of our activities to identify trends that impact on the industry, a major biennial Australian Foodservice Survey and biannual Foodservice Tracking Study were completed this year, showing growth in foodservice expenditure on beef and lamb.

Four ABARE brochures on the Australian beef and lamb industries were released, with data for 2003-04 being uploaded on the free MLA/ABARE farm survey data web site. The MLA/ALFA Lot Feeding survey was released for the June, September, December and March quarters, showing strong year to year growth with record throughput, particularly for Japan and Korea. The Lamb Survey for 2005 was conducted, with 13,000 questionnaires distributed and around 3,000 responses received.

Stan Watson, based in the NSW Hunter region, collecting market information.

Our network of livestock market officers attend livestock sales around the country gathering sale results. This information forms the basis of our market information service.



MLA/SFE Cattle Futures

Managing price and supply risk is an important goal, and MLA/SFE Cattle Futures provides an important tool for achieving this. Although trading of the Cattle Futures contract remains static, averaging five contracts per day, a recent survey showed awareness is high with 49% of producers and 73% of lot feeders indicating they were aware of the contract. Further, 6% of producers and 17% of lot feeders indicate they are likely to use the Cattle Futures contract to manage their price risk. To aid uptake, we have an extensive marketing and business development program, and offer price risk management workshops to help producers, lot feeders and other industry participants to manage their price risk.

Despite the low uptake, the program has helped to promote a culture of risk management, with complementary derivative and forward pricing tools increasing substantially. Further, the Eastern Young Cattle Indicator, used to cash settle the Cattle Futures contract, is now widely recognised as the benchmark for Australian cattle prices.

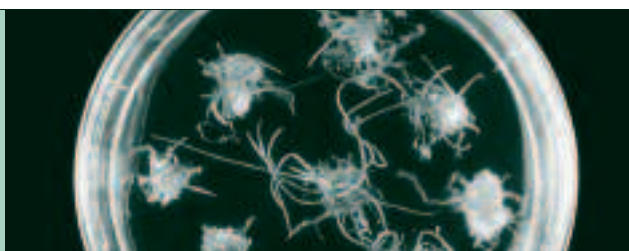
STRATEGIC RESEARCH AND DEVELOPMENT



MLA's Hutton Oddy (left) with producers Phil Clothier, George Carter, Graeme Golder, Guy Bowen and Robert Mortimer at a SheepGenomics program 'red carpet' day held at Faulkner Memorial Field Station to see the progeny of the DNA marker resource flock.

Strategic research and development plays an important role in providing ground breaking scientific work to improve productivity, fight disease and provide solutions to livestock production and pasture management issues.

STRATEGIC RESEARCH AND DEVELOPMENT



Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> Develop basic and emerging technologies to improve the productivity, profitability and sustainability of the red meat industry. 	<ul style="list-style-type: none"> Implement core technology projects in sheep genomics program. Commercialisation of at least one new gene marker for beef cattle. Assist the processing sector to improve efficiencies through adoption of Computer Process Management Systems (CPMS) technologies. 	<ul style="list-style-type: none"> Core technology projects and sheep gene mapping flock for genomics program established. A new gene marker for marbling was commercialised. Processing efficiency and eating quality improved through adoption of CPMS technologies. 	<ul style="list-style-type: none"> Development of new genomics technologies will improve productivity, product quality and animal welfare. Commercialisation of gene markers provides funding streams from R&D activities and improves industry outcomes. Adoption of new meat science technologies improves processor efficiency and eating quality. 	<ul style="list-style-type: none"> Delivery of web-based rain forecasting tool for expected pasture growth. Showcasing of Parasites Targets Program at the World Association for the Advancement of Veterinary Parasitology Conference. Completion of a draft sheep genome map in collaboration with US Department of Agriculture.

New on-farm technologies

MLA is involved in a range of R&D projects investigating new on-farm technologies designed to ensure the future growth of the industry. In the genetics area, SheepGENOMICS is a joint MLA/AWI investment of \$30m over five years with 10 research partners in Australian and New Zealand, and a strong US collaboration. The program is aimed at developing genomic technologies to improve production and the quality of meat and wool, as well as animal health. The first step has been to establish a gene mapping flock at Falkiner Memorial Field Station, where over 4,500 ewes were joined by artificial insemination to 17 selected sires. Following weaning in July, over 2,300 lambs have been individually identified, marked and measured for a range of industry traits.

MLA and AWI have also developed an international consortium to secure funds to end sequence the entire sheep bacterial artificial chromosome library, enabling development of a virtual sheep genome sequence.

We are also funding a range of research projects by the Beef CRC on marbling markers, marbling functional genomics and markers for net feed intake, while

collaborative research with the CSIRO and Genetics Solutions is evaluating marbling, tenderness and yield. In addition, Genetic Solutions is using the licensed technology and MSA samples to discover new genes for marbling and yield. This work led to the launch of a new gene marker for marbling (the six-star Gene Star Marbling marker) by Genetic Solutions in December. Patent applications for new tenderness markers have also been submitted.

Perennial ryegrass gene markers relating to productivity and drought tolerance are currently being identified and mapped, with the aim of eventually commercialising the findings.

Soil biology

With support from AWI and GRDC, MLA has commenced a pasture soil biology program to develop tools for managing soil biota to increase pasture productivity. Projects in this area include identifying beneficial and harmful soil organisms, developing rapid tests, and studies on the interaction of soil micro-organisms, roots and pasture types.



Johne's disease research

The University of Sydney project investigating early pathogenesis of ovine Johne's disease (OJD) made good progress this year and the skills and knowledge it is developing will be of long-term benefit to the industry. New methods are being applied to the study of OJD, including its enigmatic early infection stages. A range of assays are being investigated to develop tests capable of differentiating animals with active OJD infections from those recovering from the infection.

Gastro intestinal parasite biology

MLA and AWI have reviewed the Parasite Targets Program (PTP) and held meetings with the leading animal health pharmaceutical companies. A number of these companies have expressed interest in the PTP and their involvement will be vital in commercialising any new targets identified.

New sciences

By year end, a new web-based tool accessing historical and current rainfall data from over 3,800 sites in southern Australia will be available to help producers forecast potential pasture growth over coming months. Developed by the Bureau of Rural Sciences, the tool will be included in the More Beef from Pastures information suite.

Substantial progress was made this year on developing non-injectable methods for vaccination. The vaccine components have been produced in plants and are now being evaluated in animals in pen trials.



Our plant genomics work aims to develop pastures to maximise animal productivity and improve the landscape. Our work includes:

- ✦ Breeding new pasture plants – developing disease resistant, digestible and productive plant varieties to improve livestock productivity
- ✦ Discovering new genes – accelerating plant genetic improvement
- ✦ Tackling salinity and soil acidity – identifying and delivering plants that reduce salinity and soil acidity
- ✦ Weed control – using biocontrol agents to control weeds



Meat quality science and technology

We have now completed development of the first generation Computer Process Management System (CPMS). Although a number of modules have been developed as part of the first generation – low voltage, mid voltage, mid and high frequency modules – the modules with major commercial significance are the mid voltage stimulation equipment for sheep, and of high frequency electro-immobilisation equipment for beef.

A close partnership with our technology commercialisation partner has led to both rapid and wide-spread adoption of the CPMS meat electronics technologies. At least one module has been installed in more than half of Australia's biggest meat processing plants and we expect the market for first generation CPMS technology to reach saturation by the end of 2005.

The technology has already generated significant benefits to meat processors due to a combination of factors. These include improved eating quality, enhanced carcass bleeding and effective carcass immobilisation reducing

work OH&S risks. As well as improved efficiencies for beef processors, previous variability in sheepmeat eating quality has been significantly reduced due to implementation of electrical stimulation. Early anecdotal evidence suggests that the incidence of lamb eating quality being rated as unsatisfactory has fallen from over 20% to close to zero.

Current MLA research projects are focused on developing the next generation of the technology. This includes technologies to objectively measure meat quality for tenderness, juiciness and colour, to create 'tender meat in 24 hours' allowing for wide-spread adoption of hot boning, and to better understand the biochemistry of converting muscle to meat.

Training

As part of our industry development work, four MLA junior research fellows completed their studies in 2004 and seven new post-graduate scholarships were awarded.

An operator takes a sponge swab of a beef carcass for hygiene testing.



OTHER INITIATIVES



A range of activities, such as communications, R&D partnerships, live export standards and corporate support, underpin our major programs. In addition, our Goat program activities, which are included under our major programs, are discussed more specifically in this section.

OTHER INITIATIVES

Scott Hansen B Rur Sc, Grad Cert Comm
 General manager, industry affairs and communication

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 Sheepmeats Council of Australia, give him an ideal perspective on both producer and industry interests.



Industry and corporate communication

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> ✦ Increase the awareness and knowledge of MLA activities through effective communication. 	<ul style="list-style-type: none"> ✦ Increase members' awareness of MLA programs by 3%. ✦ Increase members' perceived value from MLA by 3%. ✦ Increase the membership of MLA by 5%. 	<ul style="list-style-type: none"> ✦ 96% of members aware of MLA programs. ✦ Members perceived value increased by 2%, to 72%. ✦ MLA membership increased by 11% to reach 33,391. 	<ul style="list-style-type: none"> ✦ Industry more aware of opportunities created by MLA programs. ✦ Industry more likely to use MLA programs. ✦ More producers receive information on MLA programs. 	<ul style="list-style-type: none"> ✦ Targeted campaigns to deliver relevant information to audiences. ✦ Increased use of events to deliver information. ✦ Additional tailoring of <i>feedback</i> magazine to specific regions.

Strategic communication

An important responsibility for MLA is ensuring industry is aware of programs undertaken on its behalf and the benefit for them. A review of communications showed MLA members did not always associate MLA with its programs and so did not know how levies were invested.

In 1 July 2004 we commenced a branding strategy to connect 'MLA' more clearly to our activities and programs. A refreshed logo was introduced along with a structured approach to ensuring industry are aware of our work. The results from this survey show that despite a significant increase in the number of MLA members, our membership maintains a high level of knowledge of MLA programs and activities. In fact, 96% of members believe they know what MLA does, with 65% responding that they know either a fair amount or a lot about MLA programs and activities.

The results also show that members believe they get value from MLA, with 72% saying they get some or a lot of value from MLA.

While these results are encouraging, the goal is to further increase the level of members that know a lot about MLA activities, and to increase the percentage of members who believe they get value from these activities.

In an attempt to find new cost-effective ways of communicating, we piloted two radio segments, in NSW and WA, to gauge the effectiveness of this as a channel for MLA. While research confirmed radio could be useful for specific campaigns, the frequency level required for general communications would not be cost-effective.

Industry meetings

Research shows that producers prefer face-to-face communications. With this in mind, MLA is putting greater emphasis on events to make sure producers are aware of our activities and the benefits to them. During the year we conducted and attended a broad range of events, including industry conferences and on-farm management and production forums. The purpose of these meetings is to give a broad overview of the range of work conducted by MLA, and to give producers contact points for further information on areas of interest to them.

Annual general meeting

The 2004 AGM held in Tamworth NSW, attracted 442 attendees. It was preceded by a producer forum giving the audience a round-up of MLA activities, followed by an opportunity to meet the management team.

The AGM attracted vigorous debate on a number of issues, including MLA membership and the voting allocation process. To address these concerns, the chairman undertook to instigate an independent review and report back to the next AGM. Independent consultants were appointed to conduct this review and proposed changes will be put to the AGM in November 2005.

Corporate publications

MLA undertakes an extensive range of publishing to raise awareness of and deliver outcomes from our body of work. Publications and information tools are listed in our *Product Catalogue*, one of the main vehicles for promoting our extensive range of publications.



MLA's 2004 AGM, held in Tamworth, NSW, attracted 442 attendees.

A revised edition, distributed to all members in early 2005, generated a steady stream of requests for publications.

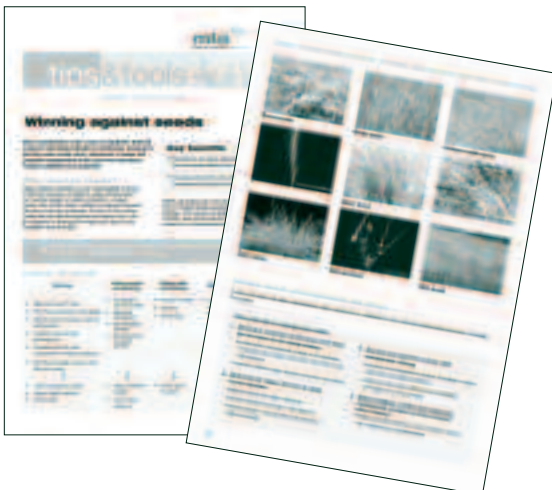
Our monthly magazine, *feedback*, is important vehicle for communicating with members and building awareness of MLA activities. Articles in the magazine generate hundreds of publication orders and event attendances. To highlight information of particular interest, the address sheet on *feedback* now points out key articles in each edition tailored to the reader's operation or region. Plans are underway to introduce multiple editions carrying sections tailored to varying production systems.

Our annual report aims to provide objectives, outcomes and industry benefits of MLA programs throughout the year. Each year our annual report is submitted to the Annual Report Awards for review against best practice. Our 2004 report subsequently received a bronze award in the Annual Report Awards.

Membership

During the year a strategy was developed to increase MLA membership and ensure as many producers as possible have the opportunity to be involved in the company. Sectors and regions with lower membership were identified and targeted to boost membership levels.

The campaign included an article in *miaPrograzier* sent to 11,000 non-members to encourage membership. In addition, direct mail information promoting membership was sent to almost 20,000 non-member producers, resulting in almost 3,000 new members joining MLA. The campaign was a great success with membership reaching 33,391 at 30 June 2005, an 11% increase on last year and well over the target of 5%.



Media

The media is an important conduit for MLA information to producers and industry, and this year we were very active in providing content for rural and metropolitan press, radio and television. One hundred media releases were distributed, three *On the land* and six *Landline* stories were run on ABC TV. Media briefings were held covering our international marketing activities, the beef and sheep industry projections and an update on LPA.

Interest from the media was also strong throughout the year. An average of 13 radio interviews were undertaken by MLA representatives each week, and an unprecedented level of coverage was achieved in rural papers, including a number of front page articles.

Sponsorship

MLA has continued to provide direct and in-kind sponsorship to a broad range of events, with the emphasis on industry benefit and impact. This sponsorship enables MLA to utilise existing networks and events to deliver information about programs and activities. Key sponsorships this year included young auctioneers' competitions; Primex and AgGrow Sundowner field days; BIA Annual Conference, Australian Rural Leadership program, In Beef and Moree on a Plate; state farm organisation annual conferences; the Nuffield, ABARE and AMIC conferences; and ALFA Beef Ex events.

MLA publishes a range of information and tools to support producers and stakeholders.



Research and development partnerships

The objective of MLA's R&D partnership program is to significantly increase the level of investment in R&D by the red meat industry and increase the innovation culture and capability of both individual enterprises and the industry as a whole. Projects are generally funded on a 50:50 basis, with investment from individual companies matched by federal government R&D dollars. This year a total of 25 new partnership projects were approved with a total budget in excess of \$13m.

The partnership program is widely accepted across industry with projects in all sectors including on-farm, processing, value adding and technology providers. As projects mature, significant industry benefit is being delivered via demonstration projects (to support increased adoption) and commercialisation of new technologies, such as processing automation. Through the program, we are also working closely with individual enterprises to help build their innovation capability and develop more integrated innovation strategies across sectors.

MLA Donor Company

The projects undertaken in the MLA Donor Company encompass a wide range of initiatives, with the total budget for approved projects now standing at \$76m. Currently there are 55 projects in the Partners in Innovation program and 43 in the Plant Initiated Projects program.

As is the nature of R&D, some MLA Donor Company projects have met unforeseen technical complexities as the project have progressed. Discussions have been held with the partner companies to investigate options and determine the way forward, slowing progress on those projects. Consequently, although overall budgets for the projects will be achieved, some planned expenditure for 2004-05 will roll over to next year.

Goat industry programs

There are exciting opportunities for the Australian goat industry. A 2004 report showed that in the US, our largest goatmeat importer, demand for goatmeat will grow well beyond their capacity to supply. In the domestic market, a number of innovative businesses are already supplying high quality, branded goatmeat to the foodservice sector.

MLA's support for the industry is through a number of programs ranging from investigating and developing export markets, providing practical tools and information, and assisting with promotion and support in the foodservice and retail sectors.

The live export industry provides diversity for marketing options. Along with research on animal welfare and food safety, we are ensuring the goat industry has access to quality assurance systems to maintain product integrity and market access.

Reflecting this strong market position, we are focusing on building supply capacity by providing practical on-farm tools and information for goat producers to increase throughput and integrate goats into mixed livestock and farming enterprises.

In collaboration with producers, this year we commenced work on a world-first best practice manual that will consolidate R&D from the last 50 years. Concurrently, we are developing an extension and communication network to bring together the multitude of service providers into one concerted effort to increase supply.

Our existing industry systems and market access activities will continue. On-farm, our focus will be on developing and supporting the supply chain capacity to meet demand for consistently high quality goatmeat.

Live export standards

Program objective

- ✦ Underpin a sustainable live export trade with whole-of-chain risk management and QA, and effective industry standards.

KPIs

- ✦ Minimal to zero level of high mortality incidents.
- ✦ Average cattle mortalities reduced from 0.11% to under 0.09%
- ✦ CRMP process implemented.

Outcomes

- ✦ Three reportable mortality shipments and zero high mortality incidents occurred.
- ✦ Average mortality rates improved for sheep and remained stable for cattle.
- ✦ CRMPs mandated for all shipments.

Industry benefits

- ✦ **Improved standards will ensure ongoing viability of the live trade.**
- ✦ **Industry role in LESAC will permit industry input into standard setting process.**
- ✦ **New CRMPs will improve animal welfare outcomes.**

Future activities

- ✦ Development of risk management tools for the live trade.
- ✦ Validation and improvement of heat stress computer tools.

Industry standards body

Industry and government combined to develop the Australian Standard for the Export of Livestock. The new standard was released after review by the Livestock Export Standards Advisory Committee (LESAC), which consists of government and industry stakeholders. LESAC will have an ongoing role as the standards body into which the industry can feed R&D results and operational issues.

Risk management

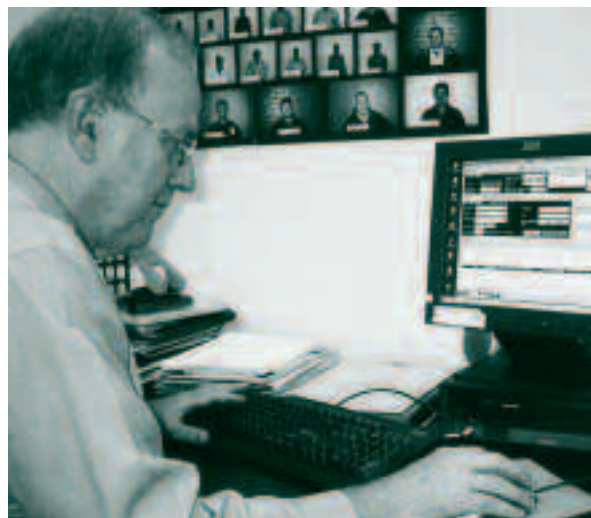
In response to Keniry Report, the government has put in place new conditions for licensing and inspection of livestock assembled for export. At the heart of the new process is the Consignment Risk Management Plan (CRMP), which requires an increased level of planning and additional government inspection points throughout the export chain. Technical support was provided to the industry to ensure it has the necessary skills to meet the standards, including software for exporters so they can develop CRMPs electronically.

The rapid introduction of the new standards on 1 December 2004 has required ongoing extensive changes to practices within the livestock export chain. There has also been increased inspections by AQIS.

Efforts are now concentrated on assisting the industry with tools to meet the new AQIS requirements for risk management and licensing.

Performance

Mortality rates for live shipments improved this year, with three reportable incidents, two of which were for goat shipments. The average cattle mortality rate remained stable at 0.11%, and the sheep mortality rate declined to 0.78%. The goat rate increased to 1.06%. This rate is more variable due to smaller export numbers.



Peter Stinson, LiveCorp, uses the heat stress software developed through the MLA/LiveCorp R&D program.

OTHER INITIATIVES

Ole Elsaesser BComm CICA ACA
General manager, corporate services

Ole joined MLA in October 2004 bringing with him extensive experience in finance, information technology (IT) and corporate governance. His strengths in organisational strategy, IT and financial measurements for driving value will keep MLA on a solid foundation. Ole is company secretary and a director of MLA Donor Company.



Corporate services

Program objective	KPIs	Outcomes	Industry benefits	Future activities
<ul style="list-style-type: none"> ✦ The provision of support services and accurate, timely and meaningful information for management and other stakeholders. 	<ul style="list-style-type: none"> ✦ Establishment of a risk management framework. ✦ A clean audit report received. ✦ Stakeholder feedback system implemented. 	<ul style="list-style-type: none"> ✦ Completed risk management framework and updated capability. ✦ Received a clean audit report for 2003-04 financial statements. ✦ Completed a company-wide review of stakeholder interaction points to establish feedback process. 	<ul style="list-style-type: none"> ✦ Risk management framework ensures mitigation strategies are in place. ✦ Governance review ensured compliance with best practice policies and procedures. ✦ Responsive approach to all stakeholder feedback. 	<ul style="list-style-type: none"> ✦ Work will continue a company-wide enterprise systems plan. ✦ Ongoing project will continue to identify cost savings.

During the year we completed corporate governance and risk management reviews. These are discussed in more detail in the Corporate governance section on page 52.

Process improvement

A robust contract process is essential for accountability. As we move to a more collaborative approach in our work, we facilitated a contracts summit for a number of research and development corporations. The key outcome was approval of a standardised legal agreement for collaborative R&D projects to align and speed up the contracting process.

Human resources

MLA has a staff of 232 based in our offices here and overseas. Terms of employment are set out in an enterprise bargaining agreement. This year employees voted to accept an updated agreement, effective for three years commencing on 1 July 2005.

During the year a company-wide leadership training program was implemented, and a mandatory equal opportunity and anti-harassment training program was implemented. In addition staff are bound by MLA's Code of Business Conduct Ethics which embodies our values and establishes behaviour standards for staff as well as directors.

An external audit of OH&S systems confirmed compliance with WorkCover requirements and the continued eligibility for reduced premiums.

Information technology

A company-wide review of MLA's information systems was completed during the year. Detailed user requirements and functionality have been documented and will be implemented in a series of projects over the next 18 months. When completed, the system upgrade will provide a fully integrated and functionally rich company-wide IT system.

All MLA offices worldwide have been updated with current software and provided with improved, secure inter-office communication links.



For the third consecutive year MLA was recognised as an Employer of Choice for Women

CORPORATE GOVERNANCE

- | | | |
|------------------|------------------|--------------------|
| 1. Paul Troja | 6. David Crombie | 9. Don Heatley |
| 2. Ian Watson | 7. Chris Hudson | 10. Peter Milliken |
| 3. Wayne Jackson | 8. Diana Day | 11. Vicki Hardwick |
| 4. Mark Spurr | | |
| 5. Peter Trefort | | |



Our board of directors has the responsibility of ensuring that MLA operates effectively and stakeholder and industry value is maximised. It is responsible for MLA's:

- strategic direction
- financial management
- performance against plans
- compliance with legal requirements
- activities aligning with industry's interests

To make sure the board is equipped to meet its responsibilities, a range of varying and complementary skills are sought in the directors selected for endorsement. Our directors for this year bring the following skills:

Northern livestock production systems – 6, 9
Southern livestock production systems – 1, 2, 5, 10, 11
Feedlot systems – 1, 6, 9
Processing – 1, 5, 11
Retailing – 1, 2, 3, 5
Domestic marketing – 1, 2, 3, 5, 6
International export and marketing – 1, 2, 3, 4, 5, 6, 9
Live exports – 6, 9
R&D strategy, evaluation, commercialisation and IP management – 4, 7, 8, 9
Environment/sustainability – 5, 7, 8, 10
Food science and technology – 7
Human nutrition/food safety – 7
Commercial background – 1, 2, 3, 4, 5, 6, 9, 10
Financial management – 3, 4, 6
Corporate governance – all
Advocacy/communication – 2, 3, 4, 5, 6, 8, 9, 10
Company director – 1, 2, 3, 5, 6, 7, 8, 9, 10
Visionary/strategic – all

CORPORATE GOVERNANCE



David Crombie



Mark Spurr

DIRECTORS' REPORT

The Board of Directors of Meat & Livestock Australia Limited (MLA) has pleasure in submitting its report in respect of the financial year ended 30 June 2005.

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.

Names, qualifications, experience and special responsibilities

David Charles Crombie BEd (Chairman)

Director since 1998

Mr Crombie is director of GRM International, a company that provides technical services in agriculture and manages beef cattle and sheep properties. In addition to these roles, he is a director of FKP Limited, chairman of the Australian Leadership Foundation, president of the Queensland Rugby Union and recently retired as a director of the Australian Rugby Union. He operates family cattle and cropping properties in southern Queensland. Mr Crombie is chairman of the Selection Committee.

Mark Edward Spurr BBus ASA FCIS FAICD (Managing Director)

Director since 2002

Mr Spurr has extensive corporate experience in the international agri-food industry. He has held a number of senior roles with Goodman Fielder including managing director of its global gelatin business and general manager of the North American region, based in the USA. Prior to that Mr Spurr held executive positions in the food industry in Australia and South America. Mr Spurr is a director of AUS-MEAT Limited and of MLA Donor Company Limited.

Dr Diana Gwendoline Day BA(Hons), Dip Ed, PhD FAICD

Director since 2003

Dr Day is Associate Professor, Academic Development and Natural Resource Management at the University of Sydney and Adjunct Professor, Health and Applied Sciences, Southern Cross University. Previously, she researched, consulted and developed public policy in aspects of agri-business, natural and water resources and environmental planning, and was Senior Research Fellow in Environmental Management at the University of Newcastle. She is a director of the Sugar Research and Development Corporation. Dr Day is a director of MLA Donor Company Limited and a member of the Membership Committee.

Vicki Coryn Hardwick BEd PostGrad Eth

Director since 2002

Mrs Hardwick co-founded the Hardwick's group in 1973. She was a director of Flockcare, charged with developing quality assurance standards for the processing sector, a director of MINTRAC and a director of the National Meat Industry Occupational Health & Safety Board. Mrs Hardwick is a director of Primesafe Victoria, a regulatory body licensing red meat, chicken and seafood industries. Mrs Hardwick is a member of the Remuneration Committee.

Arthur Macedon (Don) Heatley

Director since 1998

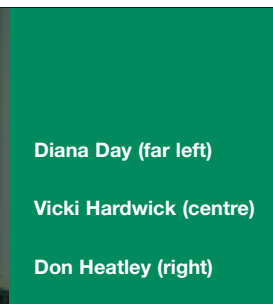
Mr Heatley is a Queensland beef producer and a past member of the Cattle Council of Australia. He operates cattle breeding and fattening properties in North Queensland. His production focus is the US and Japanese beef markets and the live cattle export trade. Mr Heatley is chairman of the Audit Committee and a member of the Selection Committee.



Diana Day (far left)

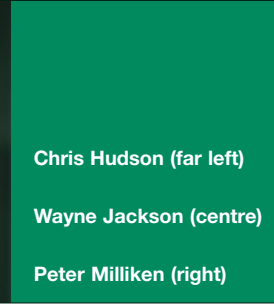


Vicki Hardwick (centre)



Don Heatley (right)





Chris Hudson (far left)

Wayne Jackson (centre)

Peter Milliken (right)

Christopher Burgoyne Hudson BSc (Hons) MSc PhD

Director since 2000

Professor Hudson is a director of Food Science Australia and Nu-Mega Ingredients Pty Limited. He is chairman of the Australian Food Safety Centre's advisory board. Professor Hudson holds visiting professorial appointments at the universities of Queensland and Wollongong. He is a past president of the Australian Institute of Food Science and Technology. Professor Hudson is a director of MLA Donor Company Limited and a member of the Remuneration and Selection committees.

Wayne Robert Jackson BEc FCPA, FAICD

Director since 2002

Mr Jackson is a consultant in management and strategy at Minter Ellison Lawyers (SA/NT) and a member of the South Australia Economic Development Board. His previous positions include chief executive officer and commissioner of the Australian Football League, managing director of Thomas Hardy & Sons Pty Limited and executive director of BRL Hardy Limited. He also produces vealers and prime lambs on his property at Willalooka in South Australia. Mr Jackson is chairman of the Remuneration Committee and a member of the Audit Committee.

Peter Robert Milliken BSc (Ag)

Director since 2001

Mr Milliken is the managing director of a prime lamb enterprise at Hay, NSW. He is past chairman of the Murrumbidgee Catchment Management Board and a past member of the Community Advisory Committee for the Murray Darling Basin Ministerial Council. He participated in the Australian Rural Leadership Program and was active in forming EDGENetwork, a producer training program. Mr Milliken is chairman of the Membership Committee and a member of the Audit Committee.

Peter James Trefort

Director since 2003

Mr Trefort manages his family's property at Narrogin in Western Australia. He developed an on-farm processing work for sheepmeat specialising in quality lamb products. He has worked closely with Murdoch and Western Australia universities in research of all facets of sheepmeat eating quality. His directorships include Hillside Meats, Elderstone Nominees Pty Ltd, WA Q Lamb, WA College of Agriculture Combined Advisory Councils and CY O'Connor College of TAFE. Mr Trefort is a member of the Membership Committee.

Paul Anthony Troja

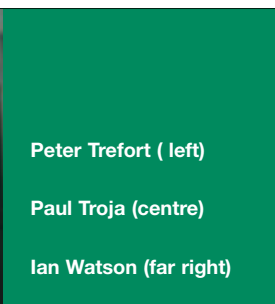
Director since 2003

Mr Troja is general manager and a director of Rockdale Beef Pty Limited Australia. Previously he held various roles for the Angliss Group and the Australian Meat & Livestock Corporation (AMLC). He developed marketing strategies for the north Asia region and contributed to the development of quality assurance training accreditation courses for the processing sector and the Handbook of Australian Meat, which remain industry standards. Mr Troja is a member of the Audit Committee.

Ian Douglas Stuart Watson

Director since 1998

Mr Watson is a seedstock and commercial producer in Victoria and NSW. He established a Romney sheep stud in Victoria and is best known for the Injemira Hereford stud formed in 1968 and sold in 2003. He is past chairman of the Australian Romney Association, Australian Hereford Society and leading beef brand, Hereford Prime. He consults to three leading NSW pastoral companies and in 2003 received the Howard Yelland Award for his contribution to the beef industry. Mr Watson is a member of the Selection Committee.



Peter Trefort (left)

Paul Troja (centre)

Ian Watson (far right)

Company Secretary

Ole Elsaesser BComm, CICA, ACA

Since February 2005

Mr Elsaesser has extensive experience in finance, information technology, corporate governance and change management. Prior to joining MLA, he held senior roles at CSR Limited including chief information officer and general manager, finance. Prior to CSR, he was the chief financial officer for ASX-listed Placer Pacific Limited. Mr Elsaesser is the company secretary and general manager, corporate services as well as a director of MLA Donor Company Limited.

MLA DONOR COMPANY LIMITED

The business activities of MLA Donor Company Limited are overseen by a separate board of directors, which currently includes Professor Hudson, Dr Day, Mr Elsaesser and Mr Spurr as chairman.

CORPORATE GOVERNANCE STATEMENT

During the year, the Board of Directors reviewed corporate governance practices to ensure that MLA's practices were consistent with current standards.

The Australian Stock Exchange's (ASX) Corporate Governance Council has published *Principles of Good Corporate Governance and Best Practice Recommendations* – known as the ASX Principles and Recommendations. As a non-listed public company, MLA is not obliged to comply with the ASX principles, however, the directors feel that the principles are an appropriate benchmark for guiding MLA practices.

Following the review, existing corporate governance practices were modified and MLA's corporate governance practices are now consistent with the ASX recommendations, to the extent that they are relevant to MLA as a non-listed public company.

MLA's corporate governance policies, available on our website, align with the ASX principles as set out in the following pages.

DIRECTORS' MEETINGS

During the year the company held 11 meetings of directors. 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	Selection
D C Crombie	11	–	–	–	3
M E Spurr	11	–	–	–	–
D G Day	11	–	5	–	–
V C Hardwick	11	–	–	4	–
A M Heatley	11	3	–	–	2 (2)
C B Hudson	10 (11)	–	–	2 (4)	3
W R Jackson	11	3	–	4	–
P R Milliken	11	3	5	–	–
P J Trefort	11	–	5	–	–
P A Troja	10 (11)	2 (3)	–	–	–
I D S Watson	10 (11)	–	–	–	1 (1)

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. The managing director attended, by invitation, all Audit and Remuneration Committee meetings.

Laying solid foundations for management oversight

The board has identified key duties that it will carry out, with assistance from its committees. The duties, which are set out in the *Board Charter*, include:

- ✦ providing input into and approving management's strategies, budgets, programs and policies and assessing performance against strategies to monitor both the performance of management as well as the continuing suitability of strategies
- ✦ oversight of the company and reviewing operating information to understand, at all times, the health of the company
- ✦ approving and monitoring significant capital expenditure and significant commitments
- ✦ ensuring that the company operates with an appropriate corporate governance structure, in particular ensuring that it acts legally and responsibly on all matters and that the highest ethical standards are maintained
- ✦ ensuring that the company operates in accordance with its objects and the Industry Memorandum of Understanding, including that appropriate consultation takes place between the company and the peak councils; and ensuring compliance with reporting obligations arising out of the Commonwealth Deed of Agreement
- ✦ monitoring the balance of skills and experience on the board
- ✦ appointing, evaluating and determining the duration of appointment of the Managing Director
- ✦ reviewing remuneration paid to the Managing Director and remuneration paid to other executives and staff to ensure consistency with responsibilities, performance, market rates and company objectives
- ✦ approving policies on and overseeing the management of business, financial and foreign exchange risks
- ✦ reviewing and monitoring processes and controls to maintain the integrity of accounting and financial records and reporting and approving financial results and reports for release to members
- ✦ ensuring that membership issues are dealt with appropriately

Structuring the board to add value

The ASX recommendations indicate a majority of the board should be independent directors. MLA has 11 directors with only the managing director being a member of management.

A board Selection Committee, comprising three members elected by producers, three members appointed by peak councils and three MLA directors, endorses candidates for election to the MLA Board of Directors based on skills, experience and industry knowledge. As would be expected, MLA's board includes producers, processors and science and R&D professionals.

The *Board Charter* encourages MLA directors that are Selection Committee members to endorse independent candidates. It also requires directors to report material personal interests that relate to MLA's affairs and to advise all directorships held.

Directors with material personal interests in a particular MLA activity cannot vote on that matter. All directors must comply with the company's *Code of Business Conduct and Ethics*.

Each year directors participate in an evaluation to assess their performance, skills and independence as defined by the ASX principles. The evaluation also assists the Selection Committee to identify suitable board candidates.

The Chairperson is elected by the board and must be an independent non-executive director.

The responsibilities and structure of the Selection Committee are set out in the *Selection Committee Charter*.

Promoting ethical and responsible decision making

The *MLA Code of Business Conduct and Ethics* embodies MLA's values and provides clear guidelines to ensure MLA meets its commitments to stakeholders. Key elements of the code include:

- ✦ acting with openness, integrity and fairness
- ✦ protecting MLA's business and using MLA's assets appropriately
- ✦ protecting confidential information
- ✦ ensuring MLA acts responsibly with regard to individuals
- ✦ acting responsibly in relation to safety, health and the environment
- ✦ avoiding conflicts of interest

- ✦ acting responsibly with respect to members, stakeholders, customers, suppliers, competitors, the community and others
- ✦ complying with the law in all the jurisdictions in which MLA operates.

All MLA management and employees are required to confirm their knowledge of and compliance with the code annually.

Safeguarding integrity in financial reporting

An Audit Committee comprising non-executive directors assists the board in relation to:

- ✦ financial reporting
- ✦ internal control structure
- ✦ risk management
- ✦ appointing, assessing and ensuring the independence of external auditors and internal audit functions
- ✦ receiving complaints in relation to controls and accounting matters
- ✦ receiving reports in connection with breaches of the Corporations Act

In addition, the managing director and the general manager of corporate services provide a statement to the board that the financial reports represent a true and fair view, in all material respects, of the company's financial condition and operating results, in accordance with relevant accounting standards. They also confirm that this statement is underpinned by a sound system of risk management and internal compliance.

The Audit Committee's responsibilities are set out in the *Audit Committee Charter*.

Making timely and balanced disclosure

MLA complies with the Commonwealth Deed of Agreement, as opposed to the ASX Listing Rules which do not apply, and it is the company's policy to provide timely, open and accurate information to stakeholders.

Respecting the rights of members

MLA is committed to effectively communicating with members and encouraging member participation at its annual general meeting (AGM). Specific practices include:

- ✦ distributing the annual report and other material by mail and electronically

- ✦ actively communicating with members through the monthly feedback magazine, various newsletters, our website, producer information events and an active presence in the media
- ✦ providing full disclosure of AGM business in the company's Notice of Meeting
- ✦ encouraging all members to attend and/or participate in MLA's AGM
- ✦ holding the AGM at different locations around Australia to facilitate broader participation
- ✦ all directors and senior management attending the AGM, along with the external auditor

Recognising and managing risk

MLA's board has ultimate responsibility for risk management, compliance and control across the company. Specific responsibility for risk management and compliance has been delegated to the Audit Committee.

During the year, the company completed a review of all strategic risks faced by MLA, including an assessment of the likelihood and potential impact of each risk on the company. Risk mitigation procedures were identified for all risks, and responsibilities for specific actions have been assigned to members of management.

The Audit Committee and board receive regular updates on the risk management review and other risk management activities, including foreign currency risk management procedures and results.

Encouraging enhanced performance

Each year, management's performance is assessed against objectives agreed at the beginning of the year. An independent third party reviews the performance of the board and individual non-executive directors.

A description of the board evaluation process is available on MLA's website.

Remunerating fairly and responsibly

The board is responsible for reviewing compensation arrangements for the board themselves. Any increase in compensation paid to the directors is subject to approval at a general meeting by the members of MLA.

The board is also responsible for reviewing and determining the compensation for the managing director and the senior executive team. To assist with this process, the board has established a Remuneration Committee, comprising three non-executive directors.

The Remuneration Committee, whose responsibilities are set out in the *Remuneration Committee Charter*, reviews procedures for establishing compensation levels for all staff.

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating fairly and appropriately with reference to relevant market conditions.

The managing director's and senior executives' remuneration are linked to the company's operational performance and it is expected that this remuneration structure will have the following benefits:


- + aligning management effort with organisational objectives
- + attraction, retention and motivation of quality management

Recognising the legitimate interests of stakeholders

MLA's *Code of Business Conduct and Ethics* embodies MLA's values and provides clear guidelines to ensure MLA's commitments to stakeholders are met.

AUDITOR INDEPENDENCE

The directors received the following declaration from the auditor of Meat & Livestock Australia Limited.

 **Ernst & Young**


Ernst & Young Centre
650 George Street
Sydney NSW 2000
Australia

■ Tel 61 2 9248 5355
■ Fax 61 2 9248 5959
■ DX Sydney Stock
Exchange 10122


GPO Box 2646
Sydney NSW 2001

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 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Brian R. Blood
Partner

15 September 2005

NATURE OF OPERATIONS

The major activities of the consolidated entity during the financial year comprised:

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

REVIEW AND RESULTS OF OPERATIONS

Operating result for the period

The surplus of the consolidated entity for the financial year was \$543,000 (2004: \$6,066,000).

Group overview

The consolidated entity earned total revenue of \$140,194,000 (2004: \$136,519,000) which is composed of the following:

- ✦ Transaction levies \$72,192,000 (2004: \$71,369,000);
- ✦ Research and development matching grants \$39,036,000 (2004: \$32,779,000); and
- ✦ Other income \$28,966,000 (2004: \$32,371,000).

Total income received/receivable was more than total expenditure, which resulted in an operating surplus of \$543,000 for the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

MLA became a member of Beef CRC Limited on 1 July 2005. Beef CRC Limited is a company limited by guarantee, with the objective of enhancing Australia's industrial, commercial and economic growth through the development of sustained, user driven, cooperative public-private research centres that achieve high levels of outcomes in adoption and commercialisation of beef genetic technologies. MLA's liability if the company were wound up is limited to \$10. MLA will receive votes in proportion to its contributions to Beef CRC Limited in the financial year preceding the vote.

MLA entered into an agreement after the balance date with the Federal Government to receive grants of \$5 million in relation to the National Livestock Identification System (NLIS). The funds will be received in the 2005-06 financial year for distribution to state departments, as directed by the NLIS Review Committee and the Minister, based on approved business plans.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

No significant changes in the operations of the consolidated entity are expected in the future.

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.

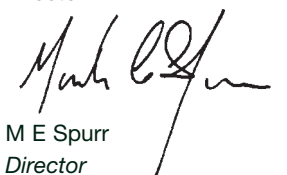
REGISTERED OFFICE

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

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



D C Crombie
Director



M E Spurr
Director

Sydney
15 September 2005

FINANCIAL REPORT



58	Statement of financial performance
59	Statement of financial position
60	Statement of cash flows
61	Notes to the financial statements
79	Directors' declaration
80	Independent audit report

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2005

	Notes	Consolidated		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
REVENUES FROM ORDINARY ACTIVITIES	2	140,194	136,519	140,194	136,519
EXPENDITURE FROM ORDINARY ACTIVITIES					
Markets and consumers		44,326	44,030	44,326	44,030
Product initiatives		17,738	15,826	17,738	15,826
Community concerns		12,360	9,782	12,360	9,782
Whole of chain efficiency		30,589	27,115	30,589	27,115
R&D partnerships		13,087	15,781	13,087	15,781
Strategic R&D		9,576	6,127	9,576	6,127
Corporate services		7,741	7,272	7,741	7,272
Other		4,234	4,520	4,234	4,520
Total expenditure		139,651	130,453	139,651	130,453
NET SURPLUS FROM ORDINARY ACTIVITIES	16	543	6,066	543	6,066
TOTAL CHANGE IN MEMBERS' FUNDS	1(r)	543	6,066	543	6,066

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	Notes	Consolidated		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
CURRENT ASSETS					
Cash assets	26(a)	38,828	34,293	38,828	34,293
Receivables	6	27,995	28,923	27,995	28,923
Other	7	1,490	1,564	1,490	1,564
TOTAL CURRENT ASSETS		68,313	64,780	68,313	64,780
NON-CURRENT ASSETS					
Receivables	8	1,051	1,570	1,051	1,570
Investment accounted for using the equity-method	9	-	-	-	-
Other financial asset	10	-	-	-	-
Property, plant and equipment	11	1,986	1,401	1,986	1,401
TOTAL NON-CURRENT ASSETS		3,037	2,971	3,037	2,971
TOTAL ASSETS		71,350	67,751	71,350	67,751
CURRENT LIABILITIES					
Payables	12	21,094	17,867	21,094	17,867
Provisions	13	3,479	3,692	3,479	3,692
Other liabilities	14	2,603	2,472	2,603	2,472
TOTAL CURRENT LIABILITIES		27,176	24,031	27,176	24,031
NON-CURRENT LIABILITIES					
Provisions	15	1,246	1,335	1,246	1,335
TOTAL NON-CURRENT LIABILITIES		1,246	1,335	1,246	1,335
TOTAL LIABILITIES		28,422	25,366	28,422	25,366
NET ASSETS		42,928	42,385	42,928	42,385
EQUITY – MEMBERS’ FUNDS					
Contributed equity	29	9,031	9,031	9,031	9,031
Retained surplus	16	33,897	33,354	33,897	33,354
TOTAL EQUITY – MEMBERS’ FUNDS		42,928	42,385	42,928	42,385

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

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2005

	Notes	Consolidated		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Levies collected		73,441	69,878	73,441	69,878
Research and development matching grants		35,959	33,997	35,959	33,997
Receipts from subsidiary		-	-	7,029	5,567
Receipts from processors and live exporters		15,521	11,749	15,521	11,749
Other receipts		14,800	13,627	7,804	7,939
Interest received		2,164	1,596	2,131	1,569
Payments to suppliers and employees		(135,884)	(124,316)	(135,884)	(124,168)
NET CASH FLOWS FROM OPERATING ACTIVITIES	26(b)	6,001	6,531	6,001	6,531
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		29	128	29	128
Purchase of property, plant and equipment		(1,402)	(600)	(1,402)	(600)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,373)	(472)	(1,373)	(472)
NET INCREASE IN CASH HELD		4,628	6,059	4,628	6,059
Add opening cash brought forward		34,293	28,086	34,293	28,086
Exchange rate adjustments on cash balances		(93)	148	(93)	148
CLOSING CASH CARRIED FORWARD	26(a)	38,828	34,293	38,828	34,293

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared as a general purpose financial report, which complies with the requirements of the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Consensus Views and other authoritative pronouncements of the AASB. The financial statements have also been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the domestic dollar or in the prices of specific assets.

(b) Change in accounting policy

The accounting policies adopted are consistent with those of the previous year.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Meat & Livestock Australia Limited (the "Company"), and MLA Donor Company Limited.

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

(d) Foreign currencies

Translation of foreign currency transactions

Foreign currency items are translated to Australian currency on the following basis:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date.

Exchange differences relating to monetary items are included in the Statement of financial performance, as exchange gains or losses, in the period when the exchange rates change. Where the exchange difference relates to a transaction intended to hedge the purchase of goods or services, the exchange difference is deferred until the period when the purchase is incurred.

(e) 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.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it is incurred.

(f) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

Interest is taken up as income on an accrual basis.

Non-current receivables are discounted using the Federal Government bond rate.

(g) Taxes

Income tax

The Company 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 the 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; and
- Receivables and payables (except accrued income and expenditure) are stated with the amount of GST included.

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

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

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- R&D partnership income, federal government grants, processor and live exporter contributions are recognised as revenue to the extent that the expenditure has been incurred.

(i) Financial instruments included in assets

Bank deposits and bills of exchange are carried at cost. Interest revenue is recognised on an effective yield basis.

(j) Recoverable amounts of non-current assets

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this, assets are written down. All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amounts.

(k) 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.

(l) 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	3 years
Plant and equipment	2–5 years
Furniture and fittings	3–5 years

(m) Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received.

These amounts represent liabilities for non-cancellable contract commitments, or goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and will be paid when due.

(n) Unearned revenue

Amount represents revenue received prior to completion of committed programs.

(o) 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, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within 12 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. The Federal Government bond rates are used in determining the present value of the future cash outflows.

Employee benefit expenses and revenues arising in respect of the following categories:

- Wages and salaries, annual leave, long service leave, and other leave benefits; and
- Other types of employee benefits

are charged against the surplus on a net basis in their respective categories.

(p) Provisions

The office lease in North Sydney was renegotiated in 2003 to include a 13-month rent-free period. The benefit of the rent-free period is being amortised on a straight-line basis over the five-year lease term.

(q) Associated entities

Interests in associated entities are included in non-current assets at the lower of the equity accounted amount and recoverable amount. Detailed equity accounting information concerning the consolidated entity's material interests in associated entities is provided in Note 9.

(r) Statement of Financial Performance

MLA's Constitution does not allow transactions with members that would be recognised directly against equity.

(s) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	Notes	Consolidated		Parent	
		2005	2004	2005	2004
		\$000	\$000	\$000	\$000
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Transaction levies	3	72,192	71,369	72,192	71,369
R&D matching grants		39,036	32,779	39,036	32,779
Other income	4	26,704	29,449	26,737	29,476
Total revenues from operating activities		137,932	133,597	137,965	133,624
Revenues from non-operating activities					
Bank interest		2,233	1,660	2,200	1,633
Proceeds from sale of VIAscan and related property, plant and equipment	19	–	1,236	–	1,236
Proceeds from disposal of other property, plant and equipment		29	26	29	26
Total revenues from non-operating activities		2,262	2,922	2,229	2,895
Total revenues from ordinary activities		140,194	136,519	140,194	136,519

3. TRANSACTION LEVIES

Transaction levy:					
– Grainfed cattle		7,187	4,412	7,187	4,412
– Grassfed cattle		38,124	38,509	38,124	38,509
– Lambs		23,080	22,968	23,080	22,968
– Sheep		3,374	3,390	3,374	3,390
– Goats		427	392	427	392
– Cormo Express recovery (a)		–	1,698	–	1,698
Total transaction levies	2	72,192	71,369	72,192	71,369

(a) In the prior year, a levy on live exports was introduced by the Federal Government to recover costs incurred on the Cormo Express live export incident. The costs incurred by MLA at the time of the incident covered fodder, vaccines and the services of stockmen and a veterinarian. A special levy was introduced to reimburse MLA for the total of this cost. The entire amount was recognised in revenue in the prior year and is receivable over three years (refer Notes 6 and 8). This amount was discounted to take into account the three-year payment schedule.

NOTES TO THE FINANCIAL STATEMENTS

	Notes	Consolidated		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
4. OTHER INCOME					
Processor contributions		11,916	10,290	11,916	10,290
Live exporter contributions		1,115	1,377	1,115	1,377
Co-operative funding		1,876	2,606	1,876	2,606
R&D partnership income		6,996	8,333	–	2,793
Income from subsidiary	25(c)	–	–	7,029	5,567
Commonwealth Government grants		915	2,100	915	2,100
Other		3,886	4,743	3,886	4,743
Total other income	2	26,704	29,449	26,737	29,476
5. EXPENSES AND LOSSES (GAINS)					
Depreciation of non-current assets					
Leasehold improvements		143	202	143	202
Plant and equipment		617	765	617	765
Furniture and fittings		31	27	31	27
Total depreciation of non-current assets		791	994	791	994
Net (gain)/loss on disposal of property, plant and equipment		(25)	197	(25)	197
Bad and doubtful debts – trade debtors		38	61	38	61
Operating lease rentals		2,627	2,407	2,627	2,407
Adjustment to provision for employee entitlements		(114)	748	(114)	748
Net foreign exchange loss		337	2,244	337	2,244
6. RECEIVABLES (CURRENT)					
Trade debtors		4,516	10,435	4,516	10,435
Provision for doubtful debts		(59)	(73)	(59)	(73)
Trade debtors, net		4,457	10,362	4,457	10,362
Accrued revenue					
– Levies		4,109	4,874	4,109	4,874
– R&D matching grants		13,885	10,808	13,885	10,808
– Cormo Express recovery		424	462	424	462
– VIAscan sale		96	–	96	–
– Other		5,024	2,417	5,024	2,417
		23,538	18,561	23,538	18,561
Total current receivables, net		27,995	28,923	27,995	28,923

Trade debtors are non-interest bearing and generally on 30 day terms.

	Notes	Consolidated		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
7. OTHER CURRENT ASSETS					
Deferred hedge costs on forward contracts	30(b)	-	149	-	149
		-	149	-	149
Deferred option premiums	30(a)	80	252	80	252
Unrealised loss on options	30(a)	448	140	448	140
		528	392	528	392
Prepayments		668	730	668	730
Deposits		238	254	238	254
Staff advances		56	39	56	39
Total other current assets		1,490	1,564	1,490	1,564

8. RECEIVABLES (NON-CURRENT)

Accrued revenue					
- VIAscan sale	19	261	334	261	334
- Cormo Express recovery		790	1,236	790	1,236
Total non-current receivables		1,051	1,570	1,051	1,570

9. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Interest in associate		-	-	-	-
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Details of material interest in the associated entity are as follows:

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.

MLA has a continuing commitment to support AUS-MEAT Limited. The budgeted contribution for the financial year ending 30 June 2006 is \$650,000 (2005 actual: \$650,000).

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Share of associate result

	AUS-MEAT Limited	
	2005 \$000	2004 \$000
Share of operating surplus	1	6
Accumulated deficit at beginning of the year	(230)	(236)
Accumulated deficit at end of the year	(229)	(230)
Financial summary of associated entity		
Total assets	6,010	5,794
Total liabilities	1,352	1,190
Net assets	4,658	4,604

Investment in AUS-MEAT Limited has been taken up at nil value (2004: \$nil).

AUS-MEAT Limited is limited by guarantee, the cost of the investment is nil (2004: \$nil) and there is no entitlement to share of result and net assets.

10. OTHER FINANCIAL ASSET

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Interest in subsidiary	-	-	-	-

MLA Donor Company Limited is wholly owned by MLA. This company is incorporated in Australia 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.

	Notes	Consolidated		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
11. PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment					
At cost		3,675	3,363	3,674	3,363
Accumulated depreciation		(2,280)	(2,161)	(2,280)	(2,161)
Total plant and equipment	11(a)	1,395	1,202	1,395	1,202
Furniture and fittings					
At cost		263	237	263	237
Accumulated depreciation		(189)	(157)	(189)	(157)
Total furniture and fittings	11(a)	74	80	74	80
Leasehold improvements					
At cost		3,515	2,974	3,515	2,974
Accumulated depreciation		(2,998)	(2,855)	(2,998)	(2,855)
Total leasehold improvements	11(a)	517	119	517	119
Total property, plant and equipment					
Cost		7,453	6,574	7,453	6,574
Accumulated depreciation		(5,467)	(5,173)	(5,467)	(5,173)
Total written down value		1,986	1,401	1,986	1,401
(a) Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.					
Plant and equipment					
Carrying amount at beginning		1,202	2,057	1,202	2,057
Additions		815	609	815	609
Disposals		(5)	(700)	(5)	(700)
Depreciation expense		(617)	(764)	(617)	(764)
		1,395	1,202	1,395	1,202
Furniture and fittings					
Carrying amount at beginning		80	82	80	82
Additions		25	25	25	25
Disposals		–	–	–	–
Depreciation expense		(31)	(27)	(31)	(27)
		74	80	74	80
Leasehold improvements					
Carrying amount at beginning		119	318	119	318
Additions		541	4	541	4
Disposals		–	–	–	–
Depreciation expense		(143)	(203)	(143)	(203)
		517	119	517	119

NOTES TO THE FINANCIAL STATEMENTS

	Notes	Consolidated		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
12. PAYABLES (CURRENT)					
Accrued R&D expenditure		16,670	14,849	16,670	14,849
Other creditors and accruals (a)		4,424	3,018	4,424	3,018
Total current payables		21,094	17,867	21,094	17,867
(a) Other creditors and accruals include balances that are denominated in foreign currency and these balances have been separately disclosed in Note 17. Trade creditors are non-interest bearing and are normally settled on 30 day terms.					
13. PROVISIONS (CURRENT)					
Employee entitlements (refer note 18)		3,291	3,504	3,291	3,504
Rent-free provision		188	188	188	188
Total current provisions		3,479	3,692	3,479	3,692
14. OTHER LIABILITIES (CURRENT)					
Net foreign currency contracts payable		-	139	-	139
Deferred gain on foreign currency contracts	30(a)	-	10	-	10
		-	149	-	149
Unearned income		1,712	1,627	1,712	1,627
Goods and services tax		514	562	514	562
Other		377	134	377	134
Total current other liabilities		2,603	2,472	2,603	2,472
15. PROVISIONS (NON-CURRENT)					
Employee entitlements (refer note 18)		868	769	868	769
Rent-free provision (a)		378	566	378	566
Total non-current provisions		1,246	1,335	1,246	1,335
Movements in provisions (non-current):					
(a) Rent-free provision					
Carrying amount at the beginning of the financial year		566	-	566	-
Additional provisions		-	566	-	566
Amounts transferred to current during the year		(188)	-	(188)	-
Carrying amount at the end of the financial year		378	566	378	566

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Retained surplus at the beginning of the financial year	33,354	27,288	33,354	27,288
Net surplus	543	6,066	543	6,066
Retained surplus at the end of the financial year	33,897	33,354	33,897	33,354

17. FOREIGN CURRENCY EXPOSURE

The Australian dollar equivalent of foreign currency monetary items included in the Statement of financial position headings to the extent that they are not effectively hedged, are set out below. MLA does take out option contracts and previously forward foreign exchange contracts to minimise the short-term impact of currency fluctuations on overseas programs (refer note 30).

Current assets:

– United States dollars	378	412	378	412
– Japanese yen	722	1,307	722	1,307
– Korean won	893	928	893	928
– Bahrain dinars	90	68	90	68
– Euro	24	34	24	34
– Chinese renminbi	9	–	9	–
	2,116	2,749	2,116	2,749

Current liabilities:

– United States dollars	37	23	37	23
– Japanese yen	1,156	841	1,156	841
– Korean won	530	347	530	347
– Bahrain dinars	258	95	258	95
– Euro	92	27	92	27
	2,073	1,333	2,073	1,333

18. EMPLOYEE ENTITLEMENTS

The aggregate employee benefit liability is comprised of:

Accrued wages, salaries and on-costs	244	151	244	151
Provisions – current (refer note 13)	3,291	3,504	3,291	3,504
Provisions – non current (refer note 15)	868	769	868	769
	4,403	4,424	4,403	4,424
The number of full-time equivalent employees as at 30 June (a)	232	213	232	213

(a) The increase in the number of full-time employees was due to the increase in investment in research and development projects and the full roll out of the National Livestock Identification System (NLIS).

NOTES TO THE FINANCIAL STATEMENTS

19. SALE OF TECHNOLOGY

As disclosed last year, on 5 May, 2000 MLA sold the VIAscan technology to RMS Research Management Systems Inc. ("RMS"), a company incorporated in Canada, for \$11,273,000 (Canadian \$10 million) with periodic payment, including interest, due on or before 31 December 2005. At the same time, MLA entered into a five-year licence agreement with RMS giving MLA the exclusive rights to commercialise the technology in Australia and New Zealand. No carrying value had previously been assigned to the technology. The revenue from the sale was recognised as received (2004: \$47,000 (Canadian \$42,000), 2003: \$480,000 (Canadian \$425,000)). Costs associated with the contracts, including licence fees, were expensed as incurred.

The non-payment of scheduled payments in late 2002 and early 2003 prompted discussions with RMS during which it became clear that it was not achieving projected sales of the technology and consequently it was unlikely to be able to meet its future contracted obligations. After an extended period of negotiation and a review by Ernst & Young, Canada, of the financial position of RMS, the directors agreed to accept a lump sum payment of US\$500,000 (\$760,000) plus the return of the VIAscan system and improvements made by RMS in full settlement of the balance owing by RMS. In conjunction with the settlement, any obligation of MLA to pay royalties for Australia and New Zealand ceased. This payment was received and, in accordance with past practice, taken to account in September 2003. Including this payment, the total amount of revenue received from RMS since the initial sale was \$2,512,000.

After calling for expressions of interest, in June 2004 MLA sold the VIAscan technology, its marketing arm, VIAscan Quality Assessment, and related assets, to Sastek Pty Ltd ("Sastek"). Sastek is an Australian-owned company with strong links to the meat processing sector in Australia and New Zealand. The sale terms include payments totalling \$480,000 to MLA, along with a percentage of sales should revenues exceed an agreed threshold. The total payment is to be received in equal annual instalments over five years with the second instalment received on 1 July 2005. The full sale proceeds were recognised in the previous financial year after discounting to take into account the timing of the annual payments. Related assets with a carrying value totalling \$657,000 were transferred to Sastek as part of the sale.

20. SEGMENT INFORMATION

Business segment

MLA is involved in marketing and research and development, and operates in the meat and livestock industry.

Geographic segments

\$000	Australia	China	Europe	Korea	Japan	Bahrain	United States of America	Total
2005								
Segment revenue	139,964	73	71	33	5	48	–	140,194
Segment assets	69,021	25	43	1,017	686	161	397	71,350
Acquisition of property, plant and equipment	1,244	8	1	30	54	35	9	1,381
Segment liabilities	26,306	24	94	532	1,161	266	39	28,422
Segment result	25,963	(469)	(885)	(5,999)	(10,162)	(2,313)	(5,592)	543
2004								
Segment revenue	136,326	–	135	1	22	35	–	136,519
Segment assets	64,672	–	61	1,087	1,335	131	465	67,751
Acquisition of property, plant and equipment	671	–	–	33	6	39	42	791
Segment liabilities	23,734	–	49	350	865	166	202	25,366
Segment result	28,971	–	(875)	(5,879)	(9,081)	(2,282)	(4,788)	6,066

21. SUBSEQUENT EVENTS

MLA became a member of the Beef CRC Limited on 1 July 2005. Beef CRC Limited is a company limited by guarantee, with the objective of enhancing Australia's industrial, commercial and economic growth through the development of sustained, user driven, cooperative public-private research centres that achieve high levels of adoption and commercialisation of beef genetic technologies. MLA's liability if the company were wound up, is limited to \$10. MLA will receive votes in proportion to its contributions to Beef CRC Limited in the financial year preceding the vote.

MLA entered into an agreement after the balance date with the Federal Government to receive grants of \$5 million in relation to the National Livestock Identification System (NLIS). The funds will be received in the 2005-06 financial year for distribution to state departments, as directed by the NLIS Review Committee and the Minister, based on approved business plans.

22. REMUNERATION OF DIRECTORS

Consolidated		Parent	
2005	2004	2005	2004
\$	\$	\$	\$

Directors' remuneration

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:

1,007,779	935,980
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Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the parent company, directly or indirectly, from the entity or any related party:

1,007,779	935,980
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Parent	
2005	2004
No.	No.

The number of directors of the parent entity whose income (including superannuation contributions) falls within the following bands is:

\$10,000 – \$19,999	–	2
\$20,000 – \$29,999	–	3
\$40,000 – \$49,999	8	6
\$50,000 – \$59,999	1	–
\$80,000 – \$89,999	1	1
\$480,000 – \$489,999	–	1
\$500,000 – \$509,999	1	–

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent	
	2005	2004	2005	2004
	\$	\$	\$	\$

23. REMUNERATION OF EXECUTIVE OFFICERS

At MLA, the executive officers are the general managers (a).

Remuneration received or due and receivable by general managers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as a general manager or otherwise:

2,457,903	1,976,544
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Remuneration received or due and receivable by general managers of the company whose remuneration is \$100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any of its subsidiaries, whether as a general manager or otherwise:

2,457,903	1,976,544
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- (a) The increase in general managers' remuneration reflects a full year's expenditure in relation to general manager vacancies filled part way through the previous year, the elevation of the manager, industry affairs and communication to general manager level, and additional cost associated with transitional arrangements.

24. REMUNERATION OF AUDITORS

Amounts received or due and receivable by Ernst & Young for:

– auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	96,000	86,330	91,000	81,830
– other services in relation to the entity and any other entity in the consolidated entity:				
• tax compliance	10,200	23,734	10,200	23,734
• assurance related	–	47,740	–	47,740
• special audits and other advisory services	61,500	36,000	61,500	36,000
	167,700	193,804	162,700	189,304

25. RELATED PARTY TRANSACTIONS

(a) Directors

The directors of Meat & Livestock Australia Limited during the financial year were:

David Charles Crombie – chairman	Wayne Robert Jackson
Mark Edward Spurr – managing director	Peter Robert Milliken
Diana Gwendoline Day	Peter James Trefort
Vicki Coryn Hardwick	Paul Anthony Troja
Arthur Macedon Heatley	Ian Douglas Stuart Watson
Christopher Burgoyne Hudson	

25. RELATED PARTY TRANSACTIONS *(continued)*

(b) Director transactions

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

- Mr Spurr is a director of AUS-MEAT Limited. The company has paid \$1,236,224 (2004: \$1,197,786) to AUS-MEAT Limited. This is composed of funding for the AUS-MEAT Limited standards function of \$650,000 (2004: \$650,000) and payment of \$586,224 (2004: \$547,786) for various services performed by AUS-MEAT Limited.

AUS-MEAT Limited has paid \$24,000 (2004: \$24,000) to the Company for service rendered by Mr Spurr and Mr Bloxson (general manager, industry systems) as directors of AUS-MEAT Limited. AUS-MEAT Limited has also paid \$3,000 (2004: \$nil) to the Company as sponsorship for Meat Profit Days.

- Professor Hudson is a director of Food Science Australia. The Company has paid \$1,699,981 (2004: \$2,313,201) to Food Science Australia to carry out R&D projects. Food Science Australia also paid \$13,038 (2004: \$3,853) to the Company for reimbursement of patent cost.

Professor Hudson is a visiting professor of the University of Queensland and the University of Wollongong. The Company has paid \$736,073 (2004: \$408,913) to the University of Queensland and \$30,246 in 2004 to the University of Wollongong to carry out R&D projects.

- Mrs Hardwick is a director of National Meat Industry Training Advisory Council Limited (MINTRAC) and Hardwick Meat Works Pty Ltd.

The company has paid \$1,584,854 (2004: \$1,203,960) to MINTRAC for the development of training courses and scholarships for the processing sector. MINTRAC has also paid the company \$3,134 (2004: \$3,264) for providing technical advice and reimbursement of expenses.

In the prior year, the Company paid \$910 to Hardwick Meat Works for reimbursement of expenses.

- Dr Day is an Associate Professor of the University of Sydney and an Adjunct Professor of the Southern Cross University. The Company has paid \$1,742,039 (2004: \$1,801,339) to the University of Sydney for scholarships and to carry out R&D projects. The Company has paid \$427 to the Southern Cross University for reimbursement of expenses during the year.
- Mr Troja is a director of Itoham Pty Ltd and Rockdale Beef Pty Ltd.

Itoham paid to the Company \$4,086 (2004: \$2,680) for various services provided during the year. The Company also paid Itoham \$2,500 (2004: \$nil) for promotions.

Rockdale Beef has paid the Company \$251,425 (2004: \$143,621) as contributions towards R&D partnership projects, MSA licence fee, grading services and NLRs subscriptions. The Company also paid Rockdale Beef \$28,377 (2004: \$185) to carry out R&D partnership projects and reimbursement of expenses.

- Mr Trefort is a director of WA Q Lamb Inc. The Company has paid \$442 (2004: \$442) to WA Meat Industry Authority for reimbursement of expenses and \$1,950 (2004: \$4,000) to WA Q Lamb Inc. for contributions towards promotional activities for WA Q Lamb.
- Mr Crombie is a director of GRM International Pty Ltd. In 2004, the Company paid \$258 to GRM International for expenses incurred.

(c) Wholly-owned group transactions

The parent entity entered into the following transactions during the year with its only controlled entity being MLA Donor Company Limited. This company was incorporated in Australia on 6 August 1998.

- MLA Donor Company Limited has paid \$7,029,000 (2004: \$5,567,742) to the Company which related to R&D partnership income and management fees.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
26. NOTES TO THE STATEMENT OF CASH FLOWS				
(a) Reconciliation of cash				
Cash on hand	3,827	5,256	3,827	5,256
Short term money market deposits	35,001	29,037	35,001	29,037
Closing cash balance	38,828	34,293	38,828	34,293
(b) Reconciliation of net cash provided by operating activities to net surplus				
Net surplus	543	6,066	543	6,066
Adjustments for non-cash income and expense items:				
Net (gain)/loss on sale of fixed assets	(25)	197	(25)	197
Depreciation expense	791	994	791	994
Net foreign exchange loss/(gain) on cash	102	(135)	102	(135)
Change in assets and liabilities:				
(Increase)/decrease in assets:				
– Decrease/(increase) in debtors	1,469	(5,808)	1,469	(5,808)
– (Increase)/decrease in prepayments	(22)	192	(22)	192
– Decrease in other assets	77	1,785	77	1,785
Increase/(decrease) in liabilities:				
– Increase in trade creditors	3,227	3,268	3,227	3,268
– Increase/(decrease) in other creditors	131	(1,502)	131	(1,502)
– (Decrease)/increase in provisions	(292)	1,474	(292)	1,474
Net cash from operating activities	6,001	6,531	6,001	6,531
27. EXPENDITURE COMMITMENTS				
Research and development expenditure contracted for is payable as follows:				
– Not later than one year	35,900	26,130	35,900	26,130
– Later than one year but not later than five years	23,482	20,277	23,482	20,277
Aggregate R&D expenditure contracted for at balance date	59,382	46,407	59,382	46,407
Operating lease expenditure contracted for is payable as follows:				
– Not later than one year	2,630	2,391	2,630	2,391
– Later than one year but not later than five years	3,283	4,277	3,283	4,277
Aggregate lease expenditure contracted for at balance date (a)	5,913	6,668	5,913	6,668

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

28. 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 2005 the number of members was 33,391 (2004: 30,011).

29. CONTRIBUTED EQUITY

	Consolidated		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Capital contribution	9,031	9,031	9,031	9,031

Amount represents contributions from the Federal Government as initial working capital and fixed assets at written down value transferred from the Australian Meat and Live-stock Corporation and the Meat Research Corporation at nil consideration.

30. FINANCIAL INSTRUMENTS

(a) Objectives for holding foreign exchange contracts

The consolidated entity uses derivative financial instruments to manage specifically identified foreign currency risks. The consolidated entity is primarily exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies. The purpose for which specific derivative instruments are used is as follows:

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 overseas branches.

Foreign exchange contracts commit the consolidated entity 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. In 2004, forward exchange gains of \$10,000 on these contracts outstanding as at 30 June 2004 have been deferred on the Statement of financial position. There are no outstanding forward exchange contracts as at 30 June 2005. Refer Note 14.

Option contracts give the consolidated entity the right 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 premiums (2005: \$80,000; 2004: \$252,000) and the related unrealised loss (2005: \$448,000; 2004: \$140,000) on contracts outstanding as at 30 June 2005 have been deferred on the Statement of financial position. Refer Note 7.

(b) Foreign exchange – forward contracts

The following table summarises 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. Contracts to buy foreign currency are entered into to minimise the short-term impact of currency fluctuations on overseas programs.

	Average exchange rate		Buy amount	
	2005	2004	2005 \$000	2004 \$000
United States dollars				
Maturing in:				
3 months or less	N/A	0.66	–	1,443
			–	1,443
Japanese yen				
Maturing in:				
3 months or less	N/A	72.13	–	1,840
			–	1,840
Korean won				
Maturing in:				
3 months or less	N/A	777.32	–	986
			–	986

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign exchange – option contracts

The following table summarises by currency the Australian dollar value of the option contracts. The “buy” amounts represent the Australian dollar equivalent of the right to purchase foreign currencies. Contracts to buy foreign currency are entered into to minimise the short-term impact of currency fluctuations on overseas programs.

	Average strike rate		Buy amount	
	2005	2004	2005 \$000	2004 \$000
United States dollars				
Expiring in:				
3 months or less	0.6417	–	1,934	–
Over 3 to 12 months	0.6941	0.6532	5,725	5,906
			7,659	5,906
Japanese yen				
Expiring in:				
3 months or less	70.83	–	2,140	–
Over 3 to 12 months	73.38	70.33	7,415	6,291
			9,555	6,291
Korean won				
Expiring in:				
3 months or less	734.57	–	1,107	–
Over 3 to 12 months	711.42	775.05	3,224	3,219
			4,331	3,219

30. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk

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

	Floating interest rate \$000	Fixed interest rate maturing in 1 year or less \$000	Non- interest bearing \$000	Effective interest rate	
				Floating %	Fixed %
2005					
Financial assets					
Cash	2,451	-	-	5.00	-
US dollars deposit	-	-	255	-	-
Yen deposit	-	-	586	-	-
Korean won deposit	-	-	535	-	-
On call deposit	343	-	-	5.65	-
Term deposit	-	38	-	-	2.25
Bills of exchange	-	34,620	-	-	5.64
Trade debtors	-	-	4,427	-	-
Other debtors	-	-	25,058	-	-
2004					
Financial assets					
Cash	(1,274)	-	-	4.75	-
US dollars deposit	-	-	349	-	-
Yen deposit	-	-	1,090	-	-
Korean won deposit	-	-	397	-	-
On call deposit	5,017	-	-	5.15	-
Term deposit	-	38	-	-	2.60
Bills of exchange	-	28,676	-	-	5.52
Trade debtors	-	-	10,362	-	-
Other debtors	-	-	20,131	-	-

(e) Net fair values

All financial assets and liabilities have been recognised at the balance date at their net fair values, except as noted below. The net fair value of a financial asset is the amount at which the asset could be exchanged in a current transaction between willing parties after allowing for transaction costs.

	Consolidated 2005		Parent 2004	
	Carrying amount \$000	Net fair value \$000	Carrying amount \$000	Net fair value \$000
Financial assets				
Bank bills	34,620	34,848	28,676	28,867

(f) Credit risk exposure

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of financial performance.

31. 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 (2004: \$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 (2004: \$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 Federal Government. No amount has been withdrawn from these funding facilities.

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

MLA is in the process of transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS). The company has allocated internal resources to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to AIFRS. As MLA has a 30 June year-end, priority has been given to preparing an opening balance sheet in accordance with AIFRS as at 1 July 2004. This will form the basis of accounting for AIFRS in the future, and is required when MLA prepare its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the impact of changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005 on adoption of AIFRS.

The effects disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to: (a) ongoing work being undertaken by management; (b) potential amendments to AIFRS and interpretations thereof being issued by the standard-setters; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

Management has decided to apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement. Rather than applying these standards from the date of transition to AIFRS at 1 July 2004, AASB 132 and AASB 139 will thus be applied from 1 July 2005. Accordingly, the impact of applying these standards will be disclosed in the financial report for the year ending 30 June 2006. Management is presently in the process of determining the impact that application of these standards will have on the 1 July 2005 position.

Other areas of expected impacts

The impact of AIFRS standards other than those relating to financial instruments is not expected to be material.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

No material impacts are expected to the Statement of Financial Performance presented under AGAAP on adoption of AIFRS.

(c) Restated AIFRS Statement of cash flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

DIRECTORS' DECLARATION

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

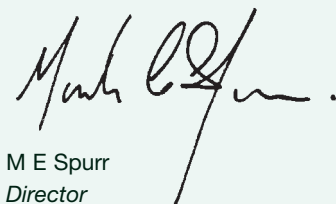
In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 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



D C Crombie
Director



M E Spurr
Director

Sydney
15 September 2005

INDEPENDENT AUDIT REPORT

TO MEMBERS OF MEAT & LIVESTOCK AUSTRALIA LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Meat & Livestock Australia Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entity it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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.

Audit opinion

In our opinion, the financial report of Meat & Livestock Australia Limited is in accordance with:

- (a) 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 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Brian R Blood
Partner

Sydney
15 September 2005

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 development.

Practical information and tools from our activities are promoted through:

- publications
- events
- media
- online

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

Meat & Livestock Australia Limited

ABN 39 081 678 364

Registered address

Level 1
165 Walker Street
NORTH SYDNEY NSW 2060

Postal address:

Locked Bag 991
NORTH SYDNEY NSW 2059

Phone 02 9463 9333

Fax 02 9463 9393

Website www.mla.com.au

Auditors

Ernst & Young

Lawyers

Banki Haddock Fiora

Bankers

Commonwealth Bank of Australia



www.mla.com.au