MEAT & LIVESTOCK AUSTRALIA

Annual operating plan

2007-08

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Introduction

Meat & Livestock Australia's annual operating plan 2007-08 establishes a clear direction for services and solutions to be provided by MLA over the next twelve months to maintain and improve Australian livestock and red meat sales.

MLA annual operating plan aligned with industry plans and national research priorities

A thorough reassessment of Australia's red meat industry prospects and strategic imperatives was conducted by the Red Meat Advisory Council (RMAC) in late 2003. Emerging from this reassessment was a new meat industry strategic plan, titled *More from less: strategic direction for the Australian red meat industry 2004-09*. A new vision, new strategic imperatives and new strategic themes were identified. The arrangement of programs in this plan closely follows the strategic themes of the new Meat Industry Strategic Program (MISP).

On 12 September this year The Hon Sussan Ley, Parliamentary Secretary for Agriculture will launch MLA's new *Strategic plan 2007-2011* which outlines the industry and company objectives for the next five years and demonstrates how these align with the MISP and the Australian Government's national and rural research priorities.

R&D program priorities continue to be focused on enhancing the sustainability of production systems, improving competitiveness through a whole of industry approach, further raising standards of food safety and integrity in the industry, opening markets, addressing disease issues and creating an innovative culture. In this context, the role of the Australian Government as a major contributor to MLA programs through matching R&D funding is acknowledged.

Critical success factors

Delivery on all programs included in this plan is important in maintaining and improving the ongoing performance of the Australian livestock and red meat industries. However, over the coming year a number of activities are of critical importance to the achievement of this objective and in ensuring efficient delivery of MLA programs. Often these critical activities pervade more than one program included in this plan and may involve effort not only in 2007-08, but over a number of years. Some of the activities are indeed an extension of programs conducted in 2006-07. Identified critical success factors for 2007-08 are highlighted below.

Community trust
Community concerns are a fundamental factor for the industry to take into consideration when developing research programs for the future so that the red meat industry's high level of integrity is maintained and strengthened. MLA has also embarked on long-term investments to demonstrate to urban communities that the industry has sound and progressive practices, particularly in vital areas such as food safety, animal welfare and environmental stewardship.

Global eating quality
Underpinned by rigorous research on the preferences of consumers in some of our key international markets, MLA is working closely with beef exporters to implement a strategy that uses our world leading eating technology to tailor beef to the taste preferences of our international customers around the globe.

Domestic beef meals
Using a variety of tactics including product development, targeted advertising and partnerships with retail and foodservice operators MLA will push for continued growth in the value of domestic beef expenditure via a strategy of achieving increased beef meal frequency. This includes seeking to raise the popularity of beef consumption amongst children.

Evaluation and benchmarking
MLA has an obligation to report to all its stakeholders on their levy investment with MLA. Following last year's evaluations on our eating quality, food safety and market access programs, evaluations will be conducted on at least three programs in 2007-08 and made available via MLA's website and in hard copy publications.

Operation North Asia
The battleground for Australian beef in our highly-valued North Asian markets will involve two main fronts: retaining loyalty from those importers, trade, retailers and foodservice operators that switched to Australian beef following the US expulsion from the marketplace following its BSE case in December 2003; and seeking the best possible outcomes from negotiations with Japan and Korea on free trade for Australian beef between our respective countries.

Competitive advantage for live exports
In association with the continuous improvements being achieved in the assembly, transport and processing of Australian livestock in international markets, MLA is investing substantially in cooperative marketing programs with importers and retailers to build consumer demand for meat that is derived from Australian livestock fed and processed in-market. Strong systems are being put in place to ensure that this activity is complementary to our 'boxed beef and sheepmeat' promotions in these markets so that overall demand for Australian livestock is increased.

Building capability
MLA's adoption and capacity programs seek to create opportunities for the industry as well as build the industry's capability to take advantage of them. Areas of activity include conducting targeted and practical producer forums and workshops, the development of collaborative innovation strategies as well as professional development and supply chain management programs.

Domestic consumer confidence
MLA has made considerable investments to ensure independent nutritional advice on the benefits of eating red meat is made available to all key influencers in the public health arena. This research portfolio has also underpinned consumer campaigns such as the highly successful 'Red Meat. Feel Good.' campaigns which seek to reduce the nutritional barriers to greater meat consumption. The focus over the next 12 months is to reinforce the message in key demographics such as young women, children and the elderly through activities such as the launch by the Federal Health Minister Tony Abbott of the updated publication *Role of Red Meat in a Healthy Australian Diet*.

Key performance indicators (KPIs) relevant to each of the critical success factors are to be found in the referenced programs.

Commitment to transparency

This plan represents an important plank in MLA's resolve to maintain high levels of transparency in its operations. A program objective and budget have been included for every program in this plan. Actual expenditure of funds (as opposed to prospective budgets) and progress against KPIs is accounted for in MLA's annual report.

The commitment to transparency and accountability is also evident with the inclusion in this plan of program KPIs. These summary KPIs, however, should be treated cautiously. In particular the following should be noted:

- The KPIs in this plan represent a selection or distillation of a host of KPIs that are applied to MLA programs, often at the project level. These KPIs have been referenced at meetings of taskforces and other committees. A complete program evaluation must take into account the full set of KPIs.
- The output of R&D programs, especially, can only be evaluated over a long period of time. Although an attempt has been made in this plan to create some KPIs with relevance over a one year period, evaluation of most MLA programs can only take place over several years. Reference must be made to MLA's longer term plans for this more thorough evaluation.

- Sometimes the emphasis in a program will change across a year, resulting in a change to the weightings against KPIs.

This plan is made available to all MLA members via the MLA website. Furthermore, a summary of this plan will appear in *feedback* magazine, which is posted to all MLA members. Biannual reports on progress against the plan are also placed on the MLA website and sent to industry peak councils and government.

Working together to deliver results

MLA is committed to working with other industry bodies and our government to deliver real results for the red meat industry, for rural Australia and for the nation as a whole.

Link between MISP and *MLA annual operating plan*

The following table establishes the correspondence that exists between the current strategic plan developed by RMAC for the Australian red meat industry, *More from Less: Strategic Direction for the Australian Red Meat Industry 2004-09* and the programs contained in this plan. An outline of the MISP 2004-09 is contained in Figure 1. The full document can be found at www.rmac.com.au/reports.

- **MISP strategic imperative: markets and consumers**
    - **MISP strategic theme: market access**
        - Market access – beef
        - Market access – sheepmeat
        - Market access and trade development – livestock exports
    - **MISP strategic theme: product marketing**
        - Domestic marketing – beef
        - Domestic marketing – sheepmeat
        - Export trade and consumer promotion – beef
        - Export trade and consumer promotion – sheepmeat
    - **MISP strategic theme: value adding**
        - Red meat product innovation
        - Co-products

- **MISP strategic imperative: product**
    - **MISP strategic theme: food safety**
        - Meat safety/issues management
    - **MISP strategic theme: eating quality**
        - Meat Standards Australia

- **MISP strategic imperative: supply chain**
    - **MISP strategic theme: community concerns**
        - Environment – resource management
        - Animal welfare – on-farm
        - Livestock handling and welfare – livestock exports
    - **MISP strategic theme: whole of chain efficiency**
        - Improving productivity
        - Adoption and capacity
        - Value chain management
        - Market information
        - Industry capability and technical standards – livestock exports

In addition to the MLA programs listed above, there are a number of other programs that either spread across MISP imperatives or are necessary for the ongoing operation of MLA. These programs include:

- Strategic research and development program
- Industry and corporate communication
- AUS-MEAT
- Research and development partnerships
- Intellectual property management
- Corporate services

Figure 1: Outline of *More from less: strategic direction for Australian red meat industry 2004-09*

VISION

Sustainable growth, international competitiveness and profitability

STRATEGIC IMPERATIVES

Markets and consumers | Supply chain | Product

Theme: market access
Involves:
- Securing new access
- Maintaining existing access
- Responding to access threats or restrictions that can emerge with little warning

- Industry must increase its involvement and influence in market access activities and negotiations, and make its commercial priorities clear.
- Industry must increase the use of its power and influence on the attitudes and actions of overseas governments.
- Industry must strengthen its focus on 'collective' activities (eg 'blue-sky R%D), allowing commercial interests to drive product-specific initiatives (eg maximizing carcase value).

Theme: product marketing
- Involves maintaining domestic and international marketing programs as ongoing priorities.

Theme: value adding
- Involves sector companies encouraging where appropriate an expansion of value adding activities and adopting a concerted effort to market by-products.

Theme: food safety
- Involves human health and consumer perceptions.
- Industry must minimize the risks of contamination, residue, disease, etc. incidents and particularly the risks of a catastrophic event.
- Industry must increase its focus on the highest-risk enterprises in the chain and seek the introduction of regulatory changes if and where necessary.
- Industry must be more proactive in removing the 'hype' from regulator and media responses to 'incidents'.
- Effective product trace-back remains crucial to success.

Theme: eating quality
- Must be maintained as a central theme.
- A commitment to full implementation of eating quality grading and labeling mechanisms is now crucial to the long-term viability of all red meat sectors.

Theme: community concerns
- Covers an increasingly diverse and demanding array of social compliance issues, including animal welfare, methane/greenhouse gas emissions, effluent disposal and land clearing.
- Industry must determine social-compliance best practice and advocate its research, development and adoption, then measure and demonstrate industry achievements in areas of community concern.

Theme: whole-of-chain efficiency
- Whole-of-chain efficiency requires more industry attentions. This involves:
  - Consideration of the players in the chain, their roles and relationships with each other, and changes that could improve 'commercial communications' between enterprises.
  - A focus on aspects of the markets framework and systems that might be preventing the market from working as well as it could.
- Industry must treat QA adoption, genomic research and application, and government imposts as high priorities.

1.1.1 Domestic marketing – beef

Program objective
Grow consumer demand for beef on the domestic market.

Overview
The value of the domestic beef market continues to grow, up a further $217m to another record $6.64bn. This has been achieved through growth in tonnages on flat but high retail prices. With high retail prices expected to continue, the challenge for further value growth is for increased beef meal frequency. Our strategy continues to focus on addressing the attitudinal barriers against greater beef consumption as well as aggressively promote the drivers.

For 2007-08, the key planning issue is not just in maintaining this momentum of demand, but to do it with $1.6m less marketing funds than available in 2006-07.

Our priorities are in the further development and rollout our new beef meals promotional campaign. We will maintain funding at 2006-07 levels. This beef specific campaign means we can reduce our investment in the nutrition sub-program but with some modest allocation to developing the next phase of the 'Red Meat. Feel Good.' consumer campaign. However, with complementary sheep funds in Nutrition also reduced, further cuts will be necessary, forcing us to withdraw our media from some regional markets.

Our investment in eating quality through our brand support program can be cut back with little anticipated impact on participation levels. Meat Standards Australia (MSA) awareness is high among end-users and MSA-underpinned brands are now well established in the market.

Modest reductions are proposed in retail and foodservice. Significant savings are planned by combining our new product support and secondary cut sub-programs into a single new product and cut development sub-program and by slowing down its rate of promotion to end-users.

In spite of these investment cuts, with consumer momentum now firmly behind red meat, we remain optimistic that the goals for increased demand can be achieved.

Sub-programs	Primary objectives
1. Beef promotion	Grow the frequency of beef meals.
2. Nutrition	Promote the nutritional benefits of red meat while defending against adverse health and nutrition reports.
3. Eating quality	Progress adoption of eating quality science by end-users.
4. Retail promotion	Maintain retailer focus on red meat as a critical category in driving overall store performance with beef seen as the category driver.
5. Foodservice promotion	Maintain beef as a popular and contemporary offering on foodservice menus.
6. Product and cut development	Assist the successful launch of high potential new products. Build end-user demand for secondary cuts.
7. Market research	Be a valuable source of data on domestic market and consumer trends.

Major program KPIs for 2007-08
- Grow consumer demand for beef, contributing to further growth in the domestic market value of beef by $300m.
- Enhance key consumer attitudes to beef as a popular family meal option.
- Further reduction in nutritional barriers to red meat across a range of attitudinal measures.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)							Total
			1	2	3	4	5	6	7	
Grassfed cattle	R	**122**		110					12	**122**
	M	**14,566**	5,019	4,202	669	1,313	811	743	409	**13,166**
Grainfed cattle	R	**20**		18					2	**20**
	M	**2,382**	794	665	106	208	128	118	65	**2,082**
Processor	R	**150**		136					14	**150**
	M	**1,494**	637	533		167	103	94	52	**1,586**
Government	R	**292**		264					28	**292**
Total	**R**	**584**		**528**					**56**	**584**
	M	**18,442**	**6,450**	**5,400**	**775**	**1,688**	**1,042**	**955**	**525**	**16,834**

1.1.2 Domestic marketing – sheepmeat

Program objective
Grow consumer demand for lamb on the domestic market.

Overview
Consumer demand for lamb continues to grow following the launch of the 'We Love Our Lamb' campaign in 1999, and demand is now the highest it has been in 20 years. However, this growth rate is becoming harder to maintain as high retail prices meet consumer resistance, and squeezed retailer margins encourage retailers to increase promotional emphasis behind alternative meats.

The major planning issue is the reduction of $1.5m in available funds for lamb promotion. This means we must either abandon one of our three promotional bursts during the year or cut back heavily on them with the risk of falling below impact threshold levels. A further consideration is the likely supply of lamb given the impact of drought. Lamb shortages are forecast to hit in winter and continue into spring.

We view our long-term priorities as being spring and Australia Day, and we believe we cannot afford to risk loss of impact in either of these critical periods. Therefore, these budgets will be maintained. We do not want to give up on Mother's Day given our success on 2006 and its strategic importance in maintaining the presence of lamb throughout the year. Consideration will be given to restoring our Mother's Day burst in 2008 if reserves build up ahead of budget during the 2007-08 year.

The shortage of lamb funds provides a further need to cut back on the nutrition sub-program. There are not funds available to meet lamb's contribution commitments without an even more severe cut in lamb promotion. We must therefore pull back on regional coverage of the campaign to ensure the impact of the message continues in priority capital city markets.

Sub-programs	Primary objectives
1. Lamb promotion	Maintain the frequency of lamb meals.
2. Nutrition	Promote the nutritional benefits of red meat while defending against adverse health and nutrition reports.
3. Eating quality	Progress adoption of eating quality science by end-users.
4. Retail promotion	Maintain retailer focus on red meat as a critical category in driving overall store performance while reinforcing lamb as a popular choice within their meat offer.
5. Foodservice promotion	Maintain lamb as a popular and contemporary offering on foodservice menus.
6. Market research	Be a valuable source of data on domestic market and consumer trends.

Major program KPIs for 2007-08
- Maintain consumer demand for lamb at 76 points, contributing to growth in the domestic market value of lamb of $50m.
- Maintain key consumer attitudes to lamb.
- Further reduction in nutritional barriers to red meat across a range of attitudinal measures.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)						Total
			1	2	3	4	5	6	
Mutton	R	**0**							**0**
	M	**60**		20	20		20		**60**
Lamb	R	**150**		136				14	**150**
	M	**8,323**	4,085	1,650	155	521	303	162	**6,877**
Processor	R	**50**		45				5	**50**
	M	**621**	321	130		41	24	13	**529**
Goat	R	**0**							**0**
	M	**31**					31		**31**
Government	R	**200**		181				19	**200**
Total	**R**	**400**		**362**				**38**	**400**
	M	**9,035**	**4,406**	**1,800**	**175**	**563**	**378**	**175**	**7,497**

1.2.1 Export trade and consumer promotion – beef

Program objective
Grow demand for Australian beef internationally through product differentiation and customer loyalty programs.

Overview
In 2007-08 and beyond the Australian beef industry faces a number of key challenges. Primary amongst these is maintaining beef sales to North Asia at the levels witnessed over the last three years. The return of North American suppliers to these markets, combined with the emergence of potential competition from low cost supply sources, will provide a challenge to Australia's dominance in this region. This challenge will only be met if overall levels of beef consumption in North Asian markets are raised substantially.

Given this challenge, and in recognition of current product flows, the majority of available funds are allocated to the Japanese and Korean markets. A suite of tools will be used in these markets to develop and consolidate sophisticated supply chain relationships, thus ensuring higher levels of loyalty to Australian beef are maintained. Outside Japan and Korea, growth opportunities, some of which are longer term, have been identified in South East Asia, Russia and the North American chilled trade. Activities in these markets will focus on trade development and raising levels of knowledge of Australian beef and the Australian industry.

Sub-programs	Primary objectives
Position integrity and consistency attributes of Australian beef internationally	Increase product differentiation through education, PR and media tie-ups across all markets.
Expand and consolidate a strong retail presence for our beef	Capitalise on gains made during US absence from key markets.
Expand and consolidate a strong foodservice presence for our beef	Increase sales of Australian beef in foodservice sectors in all markets.
Build relationships/reputation with the trade and emerging markets	Strengthen trade relationships in all markets.
Monitor consumer/trade attitudes and behaviour with respect to beef.	Undertake consumer and trade attitudinal and behavioural research in targeted export markets.

Market	Primary objective	Sub-programs				
		1	2	3	4	5
1. North America	Grow chilled beef sales and support trade to the fast food sectors	✓		✓	✓	
2. Japan	Defend Australian beef sales, build customer loyalty and increase beef consumption	✓	✓	✓	✓	✓
3. Korea	Defend Australian beef sales, build customer loyalty and increase beef consumption	✓	✓	✓	✓	✓
4. South Asia/China	Grow chilled beef sales	✓		✓	✓	✓
5. Europe	Facilitate trade opportunities	✓	✓	✓		
6. Middle East	Facilitate trade opportunities	✓	✓	✓	✓	

Major program KPIs for 2007-08
- Australia retains dominant import share in nominated retail and foodservice outlets in Japan and Korea after US re-entry.
- Improve trade and consumer attitudes towards the key attributes of Australian beef (safety, eating quality and nutritious image).
- Where specified as part of a regional strategy, increase exporter participation in industry collaborative agreements.
- Incorporate key findings from eating quality research into regional programs and the positioning of company brands.

Budget

Sector		2006-07 budget	2007-08 annual budgets by market ($'000)						Total
			North America	Japan	Korea	South Asia	Europe	Middle East	
Grassfed cattle	R	75							0
	M	21,521	1,020	9,809	5,637	2,411	266	278	19,421
Grainfed cattle	R	75							0
	M	3,366	354	1,816	1,116	94	76		3,456
Government	R	150							0
Total	**R**	**300**							**0**
	M	**24,887**	**1,374**	**11,625**	**6,753**	**2,505**	**342**	**278**	**22,877**

1.2.2 Export trade and consumer promotion – sheepmeat

Program objective
Grow demand for Australian sheepmeat internationally through differentiation and customer loyalty programs.

Overview
Although lamb consumption in Australia is significant, lamb rarely appears on dinner plates in the rest of the world. For the longer term prosperity of Australian lamb producers, lamb consumption levels in Asia and North America must be increased. The focus of lamb export activities outlined in this plan is to achieve increased lamb consumption through creating consumer awareness, then encouraging trial and purchase of the product.

Used in the execution of these activities are: (1) generic trade marketing and business development activities; and (2) joint MLA/exporter agreements (industry collaborative agreements – ICAs) to support company brands. Achieving a balance between these two components is critical. ICAs are the most effective way of growing demand through existing channels, but marketing and business development activities are required to recruit new accounts. Given the tight lamb supplies anticipated during 2007-08, within an overall reduced budget, proportionately greater funds will be allocated to ICA-type activities.

Limited funds are available for mutton marketing. Available funds have been applied to the Middle East/Africa, South Asia and North America regions to support exporter initiatives.

Sub-programs	Primary objectives
1. Expand retail presence and product identification for Australian sheepmeat	Increase retail sales of Australian lamb in the US, Korea, the Middle East and Taiwan, maintain sales in Japan.
2. Increase foodservice penetration and usage of Australian sheepmeat	Increase penetration of Australian lamb in the US and Taiwan.
3. Provide technical services to assist with product presentation and usage	Increase usage of high valued lamb items in the US, Japan, the Middle East and the Chinas.
4. Build trade relationships and trade knowledge in emerging markets	Undertake trade relations activities to encourage use of lamb in major export markets and mutton in all markets.
5. Monitor consumer/trade attitudes and behaviour with respect to sheepmeat	Undertake market research in targeted export markets on Australian sheepmeat.

Market	Primary objective	Sub-programs				
		1	2	3	4	5
1. North America	Increase retail and foodservice sales	✓	✓	✓	✓	✓
2. Japan	Maintain exporting relationships and develop new customers	✓	✓	✓	✓	✓
3. Korea	Establish trade relationships and build trade interest	✓	✓			
4. South Asia/Chinas	Expand sales through trade support	✓	✓	✓	✓	✓
5. Europe	Consolidate supply channels and build relationships	✓	✓		✓	
6. Middle East/Africa	Expand retail and foodservice business	✓	✓	✓	✓	

Major program KPIs for 2007-08
- Maintain high levels of trade (retail, foodservice, wholesale, importer) satisfaction – attitudinal survey regarding quality, safety, value and MLA marketing activities.
- High levels of satisfaction with MLA's overall management, consultation and financial management of the ICAs – satisfaction levels to be above 80%.
- Preserve or improve consumer awareness, understanding and attitude to key attributes of Australian lamb in key export markets.

Budget

Sector		2006-07 budget	2007-08 annual budgets by market ($'000)						Total
			North America	Japan	Korea	South Asia	Europe	Middle East	
Mutton	M	**366**	65	50		100	26	151	**392**
Lamb	M	**6,812**	3,191	850	165	622	195	606	**5,629**
Goat	M	**125**	100			25			**125**
Total	**M**	**7,303**	**3,356**	**900**	**165**	**747**	**221**	**757**	**6,146**

1.3 Market access and trade development – livestock exports

Program objective
Increase market access and grow demand for Australian cattle, sheep and goat exports.

Overview
The increased competition in key livestock export markets from Africa, South America, Eastern Europe and China increases the need for the Australian industry to maintain its market position through differentiation. The first stage in this positioning is to develop an understanding of the customers who buy meat from Australian livestock in these markets and working with importers and retailers in these markets to build demand.

In all livestock export markets we will monitor developments regarding market access, advising industry and government of any changes to access conditions and provide a response capability in the event of opportunities to improve access or to respond to adverse changes.

In the major livestock export markets, the Australian industry will work with industry and government to increase support for the import of Australian livestock as a safe and reliable food source.

R&D and technical trade support to improve the efficiency of transporting, handling, holding and processing of Australian livestock, will continue to be provided along the marketing chain, and in key export markets.

Sub-programs	Primary objectives
1. Middle East/Africa – market access	To improve existing access conditions, and identify and action opportunities to improve access to markets in the region.
2. Middle East/Africa – trade support	To improve demand for Australian livestock through technical and promotional support.
3. Asia Pacific – market access	To defend existing access conditions and identify and action opportunities to improve access to markets in the region.
4. Asia Pacific – trade support	To improve demand for Australian cattle through technical and promotional support.
5. R&D – trade support	To improve the efficiency of assembling, holding and transporting Australian livestock exports.

Major program KPIs for 2007-08
- Provide industry with a comprehensive picture of global customers who buy meat from Australian livestock exports to enable differentiation and marketing strategies to be developed.
- Improve market access to at least one market in Asia and in the Middle East/Africa for 2007-08.
- Maintain access to existing markets.
- Obtain measurable increase in demand for beef from imported Australian cattle through promotional support in modern retail outlets in Indonesia.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)					Total
			1	2	3	4	5	
Mutton	R	**28**					7	**7**
	M	**70**	25	25				**50**
Lamb	R	**11**					5	**5**
	M	**30**	10	10				**20**
Grassfed cattle	R	**57**					13	**13**
	M	**900**	82	40	75	671		**868**
Live exporter	R	**96**					25	**25**
	M	**245**	125	105	75	158		**463**
Government	R	**192**					50	**50**
Total	**R**	**384**					**100**	**100**
	M	**1,245**	**242**	**180**	**150**	**879**		**1,401**

1.4.1 Market access – beef

Program objective
Ensure that existing rights of access for Australian beef to international markets are at least maintained and, where possible, secure improvements to access conditions.

Overview
As a major exporting industry, changes in access to overseas markets materially affect the profitability of individual cattle producers and beef processors. During the life of this plan MLA will continue to act to defend existing rights of access to cattle and beef markets and, where possible, secure improvements to these conditions.

In all markets MLA will monitor developments on market access, provide regular reports to industry and government and provide a response capability in the event of adverse events occurring. Forging strong lines of communication between the various industry sectors and government is critical to successfully defending access conditions.

The World Trade Organization (WTO) Doha Round, despite delays, continues to offer some prospects for trade reform. It is critical that real and significant improvements in market access are forthcoming from this Round. Research indicates that access improvements into North Asian markets (especially) and Europe are critical for the future profitability of the Australian beef industry – and these priorities must be continually reinforced with government.

With any outcomes from the WTO negotiations uncertain, it is crucial to encourage the Australian Government to pursue free trade agreements (FTAs) of value to the Australian beef industry. Currently FTAs are in various stages of negotiation with ASEAN, Malaysia, the Gulf States, China, Chile and Japan. Additionally, economic feasibility studies are underway with Mexico and Korea. Substantial improvements in access for Australian beef must be achieved in all FTAs.

Sub-programs	Primary objectives
1. WTO activities	Position the Australian beef industry for the WTO Doha Round.
2. Bilateral defence and improvement	Defend existing market access conditions in overseas markets and, where possible, through bilateral negotiations, improve these conditions with the elimination or reduction of economic or technical barriers to trade. In particular, position the Australian beef industry for FTA negotiations.
3. Market access research	To conduct research into the impact of access barriers on the Australian cattle and beef industry and into strategies for removing these barriers.

Major program KPIs for 2007-08
- Reduce trade barriers in at least one market (beef or sheepmeat).
- Australian Government negotiators are aware of and acknowledge beef industry priorities for the WTO Doha Round and FTA negotiations.
- MLA market access activities rated highly by industry and government negotiators.

Budget

Sector		2006-07 budget	2007-08 annual budgets by market ($'000)								Total
			Global	North America	Japan	Korea	South Asia	Europe	Middle East	R&D	
Grassfed cattle	R	**135**								124	**124**
	M	**803**	144	146	215	127	108	115			**855**
Grainfed cattle	R	**9**								20	**20**
	M	**94**	23	24	35	21	18				**121**
Processor	R	**144**								144	**144**
	M	**799**	167	170	250	73	102	115			**877**
Government	R	**288**								288	**288**
Total	**R**	**576**								**576**	**576**
	M	**1,696**	**334**	**340**	**500**	**221**	**228**	**230**			**1,853**

1.4.2 Market access – sheepmeat

Program objective
Ensure that existing rights of access for Australian sheepmeat to international markets are at least maintained and, where possible, secure improvements to access conditions.

Overview
The Australian sheepmeat industry, particularly the lamb industry, has become increasingly reliant on export markets. This export orientation has resulted in improved economic conditions for the industry, but carries inherent risks.

Conditions for market access in a number of markets, particularly in the Middle East, South Africa and Europe continue to frustrate the Australian industry. Although minor progress has been made on some of these issues, major challenges remain.

The World Trade Organization (WTO) Doha Round, despite delays, continues to offer some prospects for trade reform. It is critical that real and significant improvements in market access are forthcoming from this Round. A solid body of work has already been completed aimed at positioning the Australian sheepmeat industry for the Doha Round. Securing quota improvements into the European Union is the industry's highest priority.

Alongside WTO activities, it is necessary to position the Australian sheepmeat industry in free trade agreements (FTAs) involving Australia. Currently FTAs are in various stages of negotiation with ASEAN, Malaysia, the Gulf States, China, Chile and Japan. Additionally, economic feasibility studies are underway with Mexico and Korea.

Many market access issues arise unexpectedly. In all markets MLA will monitor developments on market access, provide regular reports to industry and government on these developments and provide a response capability in the event of adverse developments arising. Forging strong lines of communication between the various industry sectors and government is critical to successfully defending and improving access conditions.

Sub-programs	Primary objectives
1. WTO activities	Position the Australian sheepmeat industry for the WTO Doha Round.
2. Bilateral defence and improvement	Defend existing market access conditions in overseas markets and, where possible, through bilateral negotiations, improve these conditions with the elimination or reduction of economic or technical barriers to trade. In particular, position the Australian sheepmeat industry for FTA negotiations.
3. Market access research	To conduct research into the impact of access barriers on the Australian sheepmeat industry and into strategies for removing these barriers.

Major program KPIs for 2007-08
- Reduce trade barriers in at least one market (beef or sheepmeat).
- Australian Government negotiators are aware of and acknowledge sheepmeat industry priorities for the WTO Doha Round and FTA negotiations.
- MLA market access activities rated highly by industry and government negotiators.

Budget

Sector		2006-07 budget	2007-08 annual budgets by market ($'000)								Total
			Global	North America	Japan	Korea	South Asia	Europe	Middle East	R&D	
Mutton	R	**9**								9	**9**
	M	**229**	27	38	5	2	26	70	71		**239**
Lamb	R	**67**								67	**67**
	M	**565**	97	116	45	8	111	45	143		**565**
Processor	R	**76**								76	**76**
	M	**635**	96	165		3	66	115	190		**635**
Goat	M	**8**	8								**8**
Government	R	**152**								152	**152**
Total	**R**	**304**								**304**	**304**
	M	**1,437**	**228**	**319**	**50**	**13**	**203**	**230**	**404**		**1,447**

1.5.1 Red meat product innovation

Program objective
To grow demand for red meat with a focus on lower valued red meat by addressing consumer trends through development of new value added red meat products and technologies.

Overview
Consumers are seeking economical, healthy and nutritious alternatives that are simple to prepare and offer interesting choices without the need for lengthy preparation times. Value added red meat products are ideally suited to meet these demands and the industry will benefit substantially from innovations tailored to meet changing consumer requirements. In addition, value added red meat has the potential to increase market access through the development of new technologies that allow products to reach new markets (eg shelf stable) and to achieve improved shelf-life (packaging). Similarly, industry productivity and viability will be improved with technologies that allow better carcase utilisation (eg meat strip alignment).

The aim of this program is to assist industry to continuously roll out value added red meat products. The program will facilitate industry innovation by conducting strategic research to develop new platform technologies that can be tailored and adopted by the red meat industry to deliver significant value adding innovations. The platforms will also allow the industry to maintain access to leading edge scientific and technical knowledge in the three sub-program areas identified. In addition, red meat product innovation will increase industry's capability to develop and produce value added products through the provision of an integrated range of information and technical support services, including market research.

Sub-programs	**Primary objectives**
1. Utilisation of low value cuts	To develop new technologies (such as high pressure processing) and products that will utilise the low value cuts of the carcase resulting in increased value and demand of these commodity cuts.
2. Convenience	To develop new technologies and products that will enable the customer (retail and foodservice) to prepare red meat products without lengthy preparation times and cooking skills. The aging population will be focused on this year.
3. Competitive intelligence	To increase industry capability to develop and produce value added products and product delivery mechanisms through the provision of an integrated range of information and technical support services. This component includes market research to determine new opportunities, research to help industry with their value adding initiatives and technical advisers.

Major program KPIs for 2007-08
- At least one alternative technology is developed for the manufacture of cost effective value added products from secondary cuts.
- Two novel convenience products are developed from secondary cuts for the aged care market.
- Determine the issues which hinder domestic product development of red meat.
- Identify how MLA can address the issues which hinder product development.

Budget

Sector		**2006-07 budget**	**2007-08 annual sub-program budgets ($'000)**			**Total**
			1	**2**	**3**	
Mutton	R	**0**				**0**
Lamb	R	**55**	23	23	6	**52**
Grassfed cattle	R	**145**	65	65	18	**148**
Processor	R	**201**	80	80	20	**180**
Government	R	**401**	168	168	44	**380**
Total	**R**	**802**	336	336	88	**760**

1.5.2 Co-products

Program objective
Increase the value of a carcase by increasing the range and profitability of red meat co-products, in order to increase the profitability of the red meat industry.

Overview
This program aims to both protect revenue derived from selling traditional co-products into food and feed applications and to derive additional revenue from novel co-products such as high value bioactives.

A considerable proportion of the value of an animal is derived from traditional co-products which find their way into the feed and food supply chains. Loss of these options could have a severe impact on the cost of manufacture as the full cost of processing would have to be borne by the meat itself. To avoid this scenario it is necessary to develop alternative non-feed, non-food applications.

Another strategy is to develop high value co-products from within the co-product stream. The focus of this strategy is more on increasing the value per carcase than on total utilisation. Some sections of the industry are deriving significant value from bioactive co-products such as foetal calf blood for use in pharmaceutical manufacturing. To realise the potential for other similar high value bioactive co-products, the program will continue to build industry capability, but will increasingly move towards building competitive advantage for producers and processors through identifying or developing specific technologies and by identifying specific market opportunities.

Sub-programs	Primary objectives
1. Maintaining the relative value of co-products	Maintain and protect existing markets. Identify alternative uses and processes.
2. Capability building in bioactives	To increase the abilities of producers and processors to enter and survive in bioactive markets, by means of training, workshops and in-situ vacation students.
3. Bioactive market opportunities	To identify commercial opportunities for bioactive products from the red meat industry and to develop strategies for realising them in the Australian context.
4. Bioactive processing technology development	To identify existing technologies new to Australia and develop novel technologies for the manufacture of high value bioactives, that will give the Australian manufacturers a competitive advantage.

Major program KPIs for 2007-08
- Define the conditions for presenting offal to achieve accurate decisions about offal disposition and develop a training manual for delivery to industry stakeholders via MINTRAC.
- Develop and disseminate a bioactives compendium (toolkit) for all producers, processors and students in order to facilitate industry uptake of high value bioactive opportunities.
- Evaluate the potential for increasing the average value of carcases by deriving value added bioactives from amniotic fluid and placental material.
- To initiate a whole-of-value chain collaborative study to identify on-farm interventions to increase the bioactivity of industrial bioactive products.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)				Total
			1	2	3	4	
Mutton	R	**27**	12	5	5	5	**27**
Lamb	R	**75**	30	12	20	13	**75**
Grassfed cattle	R	**105**	42	17	28	18	**105**
Processor	R	**180**	59	31	56	34	**180**
Government	R	**387**	143	65	109	70	**387**
Total	**R**	**774**	**286**	**130**	**218**	**140**	**774**

2.1 Meat safety/issues management

Program objective
Ensure integrity and safety of Australian beef/sheepmeat production.

Overview
The MLA Meat safety/issues management program supports the activities of SAFEMEAT, a partnership between the Australian and State governments and all sectors of the red meat industry. SAFEMEAT oversees and promotes sound management systems to deliver safe and hygienic product to the market place, and implements sound crisis management principles and strategies.

Sub-program	Primary objective
1. Prion research	Enhance disease surveillance and testing capability for bovine spongiform encephalopathy (BSE). Assess impact of BSE control measures.
2. Domestic and international issues management	Minimise market disruption arising from food safety and related incidents, creating positive perceptions of Australian meat safety.
3. Food safety	Develop tools and systems for food safety risk management based on innovative science, outcomes-based regulation and customer expectations.
4. National Livestock Identification System	In accordance with the NLIS business plan, ensure the database and support services have the capability to deliver reliable livestock traceability.
5. SAFEMEAT secretariat	Provide secretariat services to SAFEMEAT.
6. Communication and education	Provide effective industry strategies and communications related to relevant food safety issues.
7. Biotechnology	Monitor developments in biotechnology and develop strategies and initiatives to deliver positive industry benefits.
8. Livestock Quality Systems	Management of the Livestock Production Assurance (LPA) programs. Continued support of the National Vendor Declaration (NVD) program. Manage livestock integrity issues relating to chemical usage, livestock disease and livestock feeding.
9. Database integration	Review the feasibility of one login point for industry producer program databases (NLIS, LPA and QA).

Major program KPIs for 2007-08
- Provide technical data on costs and benefits of specified risk material removal from food and feed chain.
- Risk of product rejection (contamination of beef trim) is reduced by providing new tools for processors.
- Public health risks in smallgoods are reduced through the adoption of more consistent processing standards for target pathogens.
- Ensure NLIS database ability to meet state governments' traceability requirements is fully tested via a simulated disease outbreak and/or residue incident.
- Successfully transfer the LPA program, including ownership of IP and logos, as well as management of the program to AUS-MEAT by 30 June 2008.
- Deliver a communication strategy to communicate LPA status changes to industry.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)									Totals
			1	2	3	4	5	6	7	8	9	
Mutton	R	**45**			17	20	2	2	1	30	5	**77**
	M	**86**		80			3	4				**87**
Lamb	R	**199**			93	50	6	13	3	120	13	**298**
	M	**457**		420			12	26				**458**
Grassfed cattle	R	**1,615**	80		287	520	17	52	8	255	25	**1,244**
	M	**1,389**		1,156		615	35	104				**1,910**
Grainfed cattle	R	**265**	10		40	92	2	7	1	85	5	**242**
	M	**187**		188		109	4	14				**315**
Processor	R	**1,274**	70		463	500	22	61	12	200		**1,328**
	M	**1,959**		1,719			44	122				**1,885**
Goat	R	**26**						2		30	2	**34**
	M	**4**						4				**4**
Live exporter	R	**71**	15				6	15		30		**66**
	M	**41**					12	30				**42**
External	M	**4,000**				2,791				2,362		**5,153**
Government	R	**3,495**	175		900	1,182	55	152	25	750	50	**3,289**
Totals	**R**	**6,990**	**350**		**1,800**	**2,364**	**110**	**304**	**50**	**1,500**	**100**	**6,578**
	M	**8,123**		**3,563**		**3,515**	**110**	**304**		**2,362**		**9,854**

2.2 Meat Standards Australia

Program objective
Maintain and deliver the world's leading eating quality standards for beef and sheepmeat.

Overview
The objectives of the MSA program are to:

- work with industry to ensure consumers can purchase beef and sheepmeat of a described eating quality
- ensure the further development of and maintain the beef grading program
- maintain systems for the sheepmeat program
- provide the industry with accurate, unbiased and reliable eating quality standards
- continue to develop the world's most innovative technology relating to beef and sheepmeat eating quality
- provide training and tools to increase the profitability of all participants in the supply chain

During 2007-08 a further increase in beef grading numbers will be targeted. Predominantly the target for adoption will be exporters into selected markets. During 2006-07 six supply chains were selected in collaboration with the Beef CRC for implementation of programs to drive adoption of technologies. The focus this year will be on ensuring there are systems in place to communicate the value of change in production systems both on farm and in processing, and continuing to deliver training programs to further capitalise on existing opportunities and greater adoption of technologies. 2007-08 will also see the continued roll out of eating quality systems for sheepmeats.

Sub programs	Primary objectives
1. Business development of MSA beef grading and technical services	Adoption of MSA technology and standards through supply chains via account management.
2. Commercial services	Provision of services to industry on a commercial basis.
3. Integrity of MSA trademark for beef.	Ensure the integrity of the trademark is maintained; maintain quality standards and ISO accreditation; further training and rigorous auditing.
4. Beef development	Training, new product development and value adding for retailers, foodservice operators and wholesalers using MSA beef.
5. R&D for MSA beef	Further development of grading protocols to ensure access to the technologies for selected export markets.
6. Integrity of MSA trademark for sheepmeat	Development and adoption of specifications and standards by lamb and sheepmeat supply chains to improve product quality while maintaining integrity.
7. Sheepmeat development	Deliver retail, foodservice and wholesale education programs targeted at further utilisation and adoption of sheepmeat products.

Major program KPIs for 2007-08

- Achieve an increase in cattle grading numbers of 20%.
- Release new model incorporating R&D from Japan, Korea and US.
- Develop standards and systems for use of MSA in export markets by three processors.
- Migrate MSA Beef Standards within AUS-MEAT industry standards.
- Roll out the MSA sheepmeat program to a further four processors.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)							Total
			1	2	3	4	5	6	7	
Mutton	R	**126**						58	39	**97**
Lamb	R	**136**						58	39	**97**
Grassfed cattle	R	**1,102**	412				90			**502**
	M	**0**	795		313	360				**1,468**
Grainfed cattle	R	**381**	138				30			**168**
	M	**0**	265		105	120				**490**
Processor	R	**255**								**0**
	M				200					**200**
External	M	**800**		250						**250**
Government	R	**2,000**	550				120	116	78	**864**
Total	**R**	**4,000**	**1,100**				**240**	**232**	**156**	**1,728**
	M	**800**	**1,060**	**250**	**618**	**480**				**2,408**

3.1 Environment – resource management

Program objective
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.

Overview
All components of the red meat supply chain face increasing scrutiny as to their management of the natural resources from which the industry derives its productivity. As a result, measurement, reporting and public perceptions are priority issues for the red meat industry together with the following environmental issues: water quality; water use efficiency; salinity; soil erosion; nutrient management and soil acidification; weeds; feral animals; biodiversity; vegetation management; climate change and variability; greenhouse gases; energy use and solid waste. These environmental issues vary in importance between supply chain sectors and regional production systems.

Sub-programs	Primary objectives
1. Northern Australia	Develop and communicate strategies to optimise grazing land management, identify biocontrol agents for key weeds and address key industry environmental issues which occur in northern Australia.
2. Southern Australia	Develop and deliver information, products and services for cereal and high rainfall zone producers that increase profit and address regional environmental issues, which occur in southern Australia.
3. Sustaining access to natural resources	Develop and deliver information, products and services for cereal and high rainfall zone producers that increase profit and address regional environmental issues, which occur in southern Australia.
4. Feedlot	Commission projects to improve understanding and management of environmental issues for Australian feedlots. Provide information and technologies to meet legal requirements and exceed acceptable community standards.
5. Processing	Identify key environmental priorities for the meat processing sector in the areas of fundamental, applied and defensive research and ensure the sector is provided with the required knowledge, tools and technologies.

Major program KPIs for 2007-08
- Environmental best management practice benchmarked for red meat and wool producers, with 1,000 provided with feedback on their environmental performance.
- 30 AUS-MEAT auditors trained to audit requirements of the Livestock Production Assurance QA environment module.
- An online national natural resource management monitoring tool database added to the MLA website.
- Water and energy usage baseline data quantified at eight co-operator feedlots as input into environmental sustainability assessment of feedlots and life cycle analysis projects.
- *National Guidelines for Beef Cattle Feedlots in Australia* updated to incorporate latest environmental standards and submitted to Primary Industry Ministerial Council for endorsement.
- Grazing management principles from major northern grazing trials synthesised into a producer focused publication.
- Grain & Graze 'synthesis products' and management guidelines delivered to 3,000 producers across southern Australian cereal zone.
- 50 weed advisors in four states trained in the distribution of biological control agents and a new delivery approach to weed management.
- 1,000 producers participate in EverGraze delivery events.
- Develop an energy efficiency manual that will enable processors to achieve best practice.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)					Total
			1	2	3	4	5	
Lamb	R	**400**			387			**387**
Grassfed cattle	R	**1,740**	869	595				**1,464**
Grainfed cattle	R	**350**				500		**500**
Processor	R	**500**					460	**460**
External	M	**87**	87					**87**
Government	R	**2,990**	868	595	386	500	460	**2,809**
Total	**R** **M**	**5,980** **87**	**1,737** **87**	**1,190**	**773**	**1,000**	**920**	**5,620** **87**

3.2.1 Animal welfare – on-farm

Program objective
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.

Overview
The welfare of food producing animals is the focus of greater attention, both in Australia and in many of our trading markets. Practices that initiate consumer and public concern must be adequately addressed in order to avoid harming the marketability of Australian livestock products. Welfare-adverse practices also have the potential to reduce product quality and efficiency of production. Failure to address key issues may result in regulatory solutions being imposed on industry and denial of access to export markets.

The Animal welfare – on-farm program will provide innovative, cost effective alternatives to practices that impact on public perception, efficiency of production, product quality and market access. The foundation of the program will be the use of evidence-based science to support welfare outcomes, and as such a key work area will be the development of objective measures of animal welfare. The program will provide sound and objective information on animal welfare which industry, government and the public can base their decisions, be it in the area of policy development, support for production practices or consumer purchase choices.

Sub-programs	Primary objectives
1. Objective measures of animal welfare	Identify objective measures of welfare to influence the development of sustainable animal welfare practices and policies.
2. Land transport	Develop a practical risk management approach to land transport to allow for flexibility of practices while maintaining or improving animal welfare outcomes.
3. Quality assurance	Develop a practical on-farm animal welfare QA module.
4. Animal husbandry	Provide tools and knowledge to improve the welfare outcomes resulting from a range of accepted production practices.
5. Community issues on animal welfare	Monitor trends in public opinion towards animal welfare in order to address consumer concerns with evidence-based science.
6. Communication, education and training	Develop training and education packages for animal handlers/stockpersons /schools and communicate program outcomes to industry stakeholders.

Major program KPIs for 2007-08
- Quantify the animal welfare outcomes of land transport duration and pre-transport curfew for sheep and cattle transported in Australia.
- Raise industry awareness of best practice through distribution of a best practice guide for cattle branding, castration and dehorning.
- Commence joint research funding with Meat and Wool New Zealand to develop objective measures for assessing animal welfare.
- Complete the first stage of investigations to improve understanding of the African horn gene and its inheritance pattern in tropical beef cattle.
- The impact of varying levels of shade provision on the heat load of heavier weight feedlot cattle determined and results incorporated into the Risk Analysis Program software.
- Excessive heat load forecast service expanded to cover a minimum of 70 sites in regions of Australia where cattle feedlots are located.

Budget:

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)						Total
			1	2	3	4	5	6	
Mutton	R	**20**	6	6		6			**18**
Lamb	R	**355**	70	95	10	100		39	**314**
Grassfed cattle	R	**375**	55	60	5	100		28	**248**
Grainfed cattle	R	**350**	125			225			**350**
Government	R	**1,100**	256	161	15	431		67	**930**
Total	**R**	**2,200**	**512**	**322**	**30**	**862**		**134**	**1,860**

3.2.2 Livestock handling and welfare – livestock exports

Program objective
Constantly improve the welfare of livestock through training of personnel; improvement in infrastructure and R&D to increase knowledge of welfare throughout the livestock export chain. Communicate these improvements to the broader community, and respond to attacks by animal activists.

Overview
Animals that are healthy and well handled provide better products for customers of the livestock export trade. The welfare of livestock exported is of paramount importance to the trade from breeders through to feedlots in customer countries.

Through training of key staff involved in the handling of these livestock, the review and provision of advice on appropriate infrastructure to assist in ensuring good stock handling practices and investment in new knowledge regarding the welfare of animals, the livestock export trade can maintain its continual improvement in handling of livestock throughout the chain.

A continued focus will be on the handling and welfare of livestock at discharge and post discharge in key market places.

Animal activist groups have targeted, and continue to target, the livestock export industry, in an endeavour to close the trade. Pro-active communications designed to build community, government and broader stakeholder confidence in, and support for, the livestock export trade will continue, while responding to animal rights attacks on the trade.

Sub-programs	Primary objectives
1. Middle East/North Africa	Improve animal handling practices during the process of discharge, holding and processing after Australian livestock arrive in the region.
2. Asia Pacific	Improve animal handling practices, particularly during processing, after Australian livestock arrive in the region.
3. Communications and issues management	Improve support for trade from key stakeholders – community, producers, politicians, bureaucrats – and effectively manage arising issues.
4. Research and development	A timely flow of effective tools and knowledge, to continuously improve animal welfare at all stages in the trade.

Major program KPIs for 2007-08
- Animal handling training workshops undertaken with accreditation in all key ports and feedlots in the Middle East.
- A restraining box installed and utilised in Indonesian abattoirs that process Australian cattle.
- Maintain the level of those not opposed to the trade at 65%.
- Key causes and contributing factors of feedlot and voyage mortality of sheep and lambs exported from Portland and Adelaide documented and communicated to industry and government.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)				Total
			1	2	3	4	
Mutton	R	**43**				35	**35**
	M	**437**	102		339		**441**
Lamb	R	**25**				35	**35**
	M	**330**	80		241		**321**
Grassfed	R	**150**				180	**180**
cattle	M	**1,000**	102	200	643		**945**
Live exporter	R	**218**				250	**250**
	M	**455**	430	200	373		**1,003**
External	M		300	225			**525**
Government	R	**436**				500	**500**
Total	**R**	**872**				**1,000**	**1,000**
	M	**2,407**	**1,014**	**625**	**1,596**		**3,235**

3.3 Industry integrity communications

Program objective
Maintain high levels of community trust and pride in Australia's cattle industry.

Overview
The beef industry enjoys a high level of trust with Australian consumers with 62% of consumers agreeing that the beef industry is 'very' or 'quite' ethical and trustworthy and a further 19% agreeing it is 'somewhat' ethical and trustworthy. However, with increasing loss of contact with agriculture by urban Australians, as well as greater focus on industry practices from animal rights and environmental groups, it is critical that the industry maintains these high levels of trust and pride.

For the first time, Australia's urban community is feeling the prolonged effect of drought through water restrictions and impending water shortages. A looming threat comes from climate change and the increasing level of attention on the environmental impact of all industries. This may escalate to be the greatest challenge to the industry's integrity in the year ahead.

The program has three strategic themes which are targeting young urban families and urban 'intelligentsia': building knowledge of industry practices; providing experiences of the industry; and developing a human bond with the industry. Activities are tied together under the umbrella of 'The Cattleman's Creed' to provide a consistent message and tone. Where appropriate, our activities are undertaken in partnership with the National Farmer's Federation, state farm organsiations and other relevant research and development corporations.

Sub-programs	Primary objectives
1. Building knowledge	To build awareness of the industry, its production practices, its science and technology.
2. Providing experience	To build opportunities for personal experience in the cattle production process through promotional activities.
3. Human bond	To build empathy with the people behind Australia's cattle industry.

Major program KPIs for 2007-08
- Maintain consumer trust scores at 62% agreeing the industry is ethical and trustworthy.

Budget

Sector		2006-07 Budget	2007-08 annual sub-program budgets ($'000)			Total
			1	2	3	
Grassfed cattle	R M	**1,500**	528	188	88	**804**
Grainfed cattle	R M		72	25	12	**109**
Total	**R M**	**1,500**	**600**	**213**	**100**	**913**

4.1 Improving productivity

Program objective

To improve the productivity, profitability and sustainability of the red meat industry.

Overview

Decreasing commodity prices (in real terms) and increasing input prices mean that the red meat industry is under constant pressure to increase the efficiency of production in order to maintain current levels of business profitability. The key productivity (and profitability) drivers differ between regions and industry sectors. This program will work with industry to identify these drivers, develop R&D projects to enable industry to efficiently improve productivity, and ensure R&D results are effectively communicated.

Sub-programs	Primary objectives
1. Northern beef	Increase liveweight gain, improve breeder performance, address key animal health concerns and develop strategies to attract and retain staff.
2. Southern beef	Improve cow herd and overall beef enterprise productivity and improve feed utilisation at the flock or herd and individual animal level.
3. Lamb, sheep and goats	Improve ewe flock productivity, via maternal performance and optimisation of the meat/wool balance. Reduce labour and improve animal temperament.
4. Feedlot	Identify key productivity drivers for the feedlot industry and source R&D projects to improve management of these drivers.
5. Processing technology	Encourage processors and solution providers to develop innovative processing techniques to secure profits and long-term sustainability of the industry and safety of the community.
6. Processing occupational health and safety	Assist the processing sector to better understand and eliminate/manage the major people-related issues.
7. Sheep Genetics	Provide genetic evaluation tools and information for the sheep industry including incorporation of genomic outcomes.
8. Alternative stunning research	Develop new and improve existing stunning techniques in order to deliver individually tailored solutions to the Australian red meat industry.

Major program KPIs for 2007-08

- Recommendations for northern beef employers to attract and retain staff communicated to industry.
- Review of indigenous employment initiatives completed and recommendations communicated to relevant stakeholders.
- Effects of augmentative releases of parasitic wasps and fungal bio-pesticides on feedlot fly breeding activities and populations demonstrated and quantified.
- Pen trial assessment of two-in-one recombinant bovine respiratory disease vaccine completed and application submitted to the Office of the Gene Technology Regulator (OGTR) for field trial evaluation.
- Release producer recommendations arising from the regional combinations project of Beef CRC II.
- Improve industry performance in terms of sheep mortality and lamb survival.
- Integrate data from the new Sheep CRC Information Nucleus into Australian sheep breeding values (ASBVs), providing prototype ASBVs for yield and eating quality.
- Trial integration of multiple DNA marker information into ASBVs.
- Determine key farm management strategies for management of risk across southern environments.
- Correlate economic, land use, natural resource management and land capability via spatial modelling across southern environments.
- A prototype fully automated lamb boning process demonstrated.
- Demonstration of early prototype to extend the average working life of a beef boner past 40 years of age.
- One new stunning technology demonstrated to meet halal, animal welfare, and agreed minimum industry meat quality standards.

Budget

Sector		2006-07 Budget	2007-08 annual sub-program budgets ($'000)								Total
			1	2	3	4	5	6	7	8	
Mutton	R	**200**			54				8		**62**
Lamb	R	**2,100**			958				42		**1,000**
Grassfed cattle	R	**2,700**	1,167	1,182							**2,349**
Grainfed cattle	R	**600**				700					**700**
Processor	R	**1,232**					810	200		100	**1,110**
Goat	R	**115**			115						**115**
External	M	**1,113**				250			710		**960**
Government	R	**6,947**	1,168	1,183	1,127	700	810	200	50	100	**5,338**
Total	**R**	**13,894**	**2,335**	**2,365**	**2,254**	**1,400**	**1,620**	**400**	**100**	**200**	**10,674**
	M	**1,113**	**0**	**0**	**0**	**250**	**0**	**0**	**710**	**0**	**960**

4.2 Adoption and capacity

Program objective
To foster industry growth and sustainability through the communication, delivery and capacity building of livestock producers, feedlotters, and processors to apply the tools, information and innovations of MLA's research and development.

Overview
The realisation of returns on MLA's research and development investments is dependent upon the adoption of R&D outcomes by producers, feedlotters and processors. To facilitate informed decisions being made by each of these groups on technology adoption MLA will:
a) develop R&D outputs into practical tools and information
b) communicate key benefits to producers and processors
c) help build industry capacity to understand and adopt best practices.

Sub-programs	Primary objectives
1. Communication	Increase producer awareness of MLA's tools and information.
2. Delivery	Increase producer access to, and uptake of, information.
3. Building capacity	Build capacity of producers and intermediaries to increase their understanding and application of industry best practice.
4. Monitoring and evaluation	Track program awareness, participation and adoption.
5. Processor innovation adoption services	Accelerate the adoption of R&D outcomes in the processing sector via a variety of innovation transfer activities.
6. Processor leadership and management capability	Undertake research aimed at developing leadership and organisational capabilities in the processing sector.
7. Meat Profit Days	Showcase new technologies and information that benefit levy payers.

Major program KPIs for 2007-08
- At least 80% of targeted producers are aware of at least one MLA on-farm R&D communication/ extension program, and MLA members rate their value as at least two out of three.
- At least 10% of targeted producers (representing at least 15% of the production base) have engaged and learned something of value to their business from at least one MLA on-farm R&D communication/extension learning activity or related information.
- At least 50% of those producers (representing at least 7.5% of the production base) who have engaged with MLA on-farm R&D communication/extension learning activities or related information, change practices as a result of their engagement.
- Increased awareness and uptake by processors of targeted R&D programs by 5%.
- Increased participation by processors in innovation activities and increased adoption of outcomes by 5%.
- Facilitate a 10% increase in the number of processing companies participating in the Red Meat Industry Professional Development Program and demonstrate an improvement in innovation culture and capability.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)							Total
			1	2	3	4	5	6	7	
Mutton	R	**150**	23	48	71	3			5	**150**
	M	**8**							8	**8**
Lamb	R	**900**	139	362	425	19			25	**970**
	M	**50**							50	**50**
Grassfed cattle	R	**1,860**	462	462	657	85			48	**1,714**
	M	**79**							79	**79**
Grainfed cattle	R	**100**	10	40	48	2			2	**102**
	M	**4**							4	**4**
Processor	R	**2,793**					528	919		**1,447**
Goat	R	**78**	11	66					1	**78**
	M	**1**							1	**1**
External	M	**115**			115					**115**
Government	R	**5,981**	645	978	1,201	109	528	919	81	**4,461**
Total	**R**	**11,962**	**1,290**	**1,956**	**2,402**	**218**	**1,056**	**1,838**	**162**	**8,922**
	M	**257**			**115**				**142**	**257**

4.3 Value chain management

Program objective

Assist the Australian red meat industry to achieve world leadership in value chain management by:

- *enhancing information exchange and supply chain communication pathways*
- *improving product quality and industry responsiveness to consumer requirements*
- *increasing industry productivity through supply chain efficiency and cost effectiveness*

Overview

Value chains have two basic strategies for successfully meeting customer requirements: price competitiveness and delivery of enhanced value. Dependent on the market specified by the value chain and the demands of its customers, varying combinations of this mix will apply. The Australian red meat industry is shifting its focus from pricing to the value that a product can deliver, and to do this successfully an advanced business approach and skill set are required. Value chain management is a discipline that captures the management of upstream and downstream relationships with suppliers and customers to deliver superior customer value cost effectively to the value chain as a whole.

The Value chain management program has three sub-programs. The first is focused on transferring existing knowledge on best practice value chain management to industry. The second involves R&D on technologies that deliver new knowledge and tools to enhance the performance of value chains. The final sub-program will involve implementation of strategic adoption strategies for value chain management initiatives.

Sub-programs	Primary objectives
1. Building capacity and best practice	Enhance the industry's competency and capability to implement world's best practice value chain management through review, research, training and communication.
2. Enabling technologies/systems	The development and application of new enabling technology platforms and the application of value chain management-focused systems.
3. Strategic adoption	Monitoring benefits obtained from the implementation of strategic adoption strategies for value chain management outputs by using qualitative and quantitative measurement.

Major program KPIs for 2007-08

- Work with five key beef and sheep value chains to demonstrate the benefits of a whole-of-chain innovation strategy specifically in increased value through slaughter and production data sharing.
- Evaluate and where possible implement pilots to assist in whole of value chain traceability building blocks (such as chipless RFID, rapid DNA and 2D barcoding).
- To assist the Australian Meat Industry Council in the elimination of shipping marks for Australian product to the US.
- Continued development of the industry code of practice through continued consultation with the lamb finishing industry.
- Knowledge gaps in the lamb finishing sector are identified through a literature review and R&D is commissioned to fill the identified gaps.
- Conduct further R&D into carcase lean meat yield measurement technologies and practices in collaboration with the relevant cooperative research centres to deliver value to processors and producers.
- Deliver R&D into livestock curfews addressing the key issues of food safety, animal welfare, quality and environment as identified by industry as requiring improved knowledge and information.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)			Total
			1	2	3	
Mutton	R	**80**	38	16	22	**76**
Lamb	R	**400**	200	80	105	**385**
Grassfed cattle	R	**270**	135	54	81	**270**
Grainfed cattle	R	**44**	22	9	13	**44**
Government	R	**794**	395	159	221	**775**
Total	**R**	**1,588**	**790**	**318**	**442**	**1,550**

4.4 Market information

Program objective
Ensure the provision of effective, targeted market information, which adequately meets stakeholder needs.

Overview
Being able to draw upon a solid foundation of market information is an essential component of effective industry planning, of market access negotiations, of successful marketing programs and in formulating beneficial industry policies. On behalf of industry, MLA maintains a warehouse of data and makes this data available for industry analysis.

Accurate, reliable and timely market intelligence is also vital to the profitability of Australian cattle and sheepmeat producers and meat processors. Market information sub-programs are directed at disseminating market intelligence or providing sector specific information services.

Sub-programs	Primary objectives
1. Database maintenance and access	To consolidate, extend and improve the MLA database as a national reference point for meat and livestock statistics.
2. Competitor analysis	To analyse the position of existing and potential competitors, with particular emphasis on the US, South America (beef) and New Zealand (sheepmeat).
3. Industry surveys	To produce information on the performance of livestock grazing, feedlot, co-product, foodservice and retail sectors.
4. Market intelligence services	To analyse and forecast market developments and improve information systems to meet the needs of business and industry.
5. Risk management	To help promote a risk management culture within the Australian livestock industries.
6. National Livestock Reporting Service	To maintain and improve livestock market reporting, including collection of livestock and co-products prices and slaughter numbers.

Major program KPIs for 2007-08
- Produce and distribute NLRS reports and publications according to stakeholder service standards.
- Continue to maintain high approval ratings by subscribers for flagship publications such as *Meat and Livestock Weekly* (over 80% of subscribers rated MLA's market information as useful or very useful in the last biennial survey).
- Continued high use of MLA market information supplied on the Internet (more than 20,000 visits per month).
- Increase use of risk management tools, such as forward contracts, cattle futures and over-the-counter (OTC) products.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)						Total
			1	2	3	4	5	6	
Mutton	R	**32**	3	2	21	7			**33**
	M	**65**	5			17		43	**65**
Lamb	R	**191**	15	9	128	50			**202**
	M	**376**	30			101		245	**376**
Grassfed cattle	R	**574**	33	53	235	129	110		**560**
	M	**968**	51			249	43	625	**968**
Grainfed cattle	R	**55**	3	6	22	12	11		**54**
	M	**86**	5			29	5	47	**86**
Processor	R	**60**	63						**63**
	M	**113**	113						**113**
Goat	R	**4**	4						**4**
	M	**6**	6						**6**
External	M	**810**				60	50	700	**810**
Government	R	**916**	121	70	406	198	121		**916**
Total	**R**	**1,832**	**242**	**140**	**812**	**396**	**242**		**1,832**
	M	**2,424**	**210**			**456**	**98**	**1,660**	**2,424**

4.5 Industry capability and technical services – livestock exports

Program objective
To ensure that the Australian livestock export industry has access to education and training programs, support tools and systems that enable them to exceed customer, government and community expectations.

Overview
Australia's livestock export industry is currently the world leader in standards for the export of animals around the world. To maintain this world leading position, it is essential that the industry keep investing in the process of constantly refining and improving standards and compliance systems. Investment into research to better understand the risk factors in the supply chain and the mechanisms for managing these risks will form the foundations for this future refinement of standards and compliance. Investment into the development of training programs and tools is then required to build the industry's capability in delivering to current standards and to keep pursuing continual improvement along the supply chain.

Sub-programs	Primary objectives
1. Industry services	The development and maintenance of support tools, training programs and systems to enable compliance with expectations of customers and government.
2. Risk management	Whole-of-chain risk management processes are developed and implemented.

Major program KPIs for 2007-08
- Average cattle delivery success rates greater than 99.90%, and average sheep delivery success rates greater than 99%.
- Ten exporters trialling and using the new Australian Quarantine Inspection Service (AQIS) compliance and consignment risk management plan tool.
- Two exporters trialling risk management QA systems.
- Training courses for industry competence identified and approved by industry and government.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)		Total
			1	2	
Mutton	R		20	20	**40**
	M	**40**	26	24	**50**
Lamb	R		13	12	**25**
	M	**33**	20	21	**41**
Grassfed cattle	R	**0**	30	30	**60**
	M	**74**	47	45	**92**
Live exporter	R	**0**	62	63	**125**
	M	**147**	82	80	**162**
Government	R		125	125	**250**
Total	**R**		**250**	**250**	**500**
	M	**294**	**175**	**170**	**345**

5. Strategic research and development

Program objective
Develop basic and emerging technologies to improve the productivity, profitability and sustainability of the red meat industry.

Overview
Industry competitiveness is increasingly dependent on technological innovation. In mature industries, big breakthroughs usually require many years of investment in strategic research that utilises cutting edge science to discover completely new ways to tackle intractable industry problems or to take advantage of new opportunities. MLA invests in strategic basic research with a view to creating new knowledge platforms that can underpin more applied R&D both on-farm and off-farm, and to develop new ways to improve productivity that would otherwise not have been possible. In addition, this program supports and fosters the future capability of the research community focused on red meat R&D through scholarships and fellowships.

Sub-programs	Primary objectives
1. New technologies for on-farm and off-farm application	Implement excellent science programs with potential to improve the competitive position of Australia's livestock and red meat industries.
2. Meat quality science and technology	Strategic basic research to underpin the longer-term development of processing technologies particularly in the areas of biochemistry and animal physiology.
3. Scientist training	Increase the number of post-graduates trained in disciplines that support R&D and innovation for the livestock industries. Initiate a targeted post-doctoral fellowship program.

Major program KPIs for 2007-08
- Research SNP chip developed by researchers to validate novel DNA markers for sheep breeding.
- At least two key sheep muscling DNA markers integrated into Australian sheep breeding values and available to industry as molecular estimated breeding values.
- At least three more DNA marker tests derived from the Beef CRC R&D are validated and become commercially available.
- At least 40 influential scientists trained in the application of an array of 20 novel assays for soil biological characteristics that enable accelerated research into soil health in order to improve pasture productivity and sustainability.
- At least one of the novel component technologies derived from MLA's investments in gastrointestinal parasite therapeutics is selected for further development by a pharmaceutical corporation.
- A detailed business case developed for adoption by processors of at least one novel, non-invasive measure of animal metabolism as a surrogate for animal wellbeing prior to slaughter.
- Demonstrate proof of concept of a commercial prototype to accelerate tenderisation of hot boned product for at least one beef or sheep primal in one Australian processing plant.
- Commercial demonstration of the statistical validity of new electronic bleeding technologies that improves bleeding yield in dressing area without adversely affecting eating quality.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000s)			Total
			1	2	3	
Mutton	R	**830**	616	65	82	**763**
Lamb	R	**2,000**	1,738	177	82	**1,997**
Grassfed cattle	R	**845**	606	75	164	**845**
Processor	R	**260**	100	160		**260**
External	M	**375**	450			**450**
Government	R	**3,935**	3,060	477	328	**3,865**
Total	R	**7,870**	**6,120**	**954**	**656**	**7,730**
	M	**375**	**450**			**450**

Industry and corporate communication

Program objective
Increase the awareness and value of MLA and its activities through effective engagement and communication with stakeholders.

Overview
MLA's communication strategy aims to make all key stakeholders aware of the role of MLA in the red meat and livestock industry, particularly the programs undertaken by MLA, the opportunities created by these programs and their potential benefits to industry. This is achieved by the development and delivery of a range of information and services aimed at increasing awareness, demonstrating relevance and value, and proactively engaging stakeholders.

Sub-programs	Primary objectives
1. Create awareness	Increase stakeholder awareness of the opportunities created by MLA for the red meat and livestock industry.
2. Demonstrate relevance and value	Demonstrate the relevance and value of MLA and its activities as they relate to and benefit specific stakeholder segments.
3. Proactively engage	Engage stakeholders through vehicles such as events, briefings and meetings which provide the opportunity for two-way communication between MLA and its stakeholders.

Major program KPIs for 2007-08
- Increase MLA membership to 45,000.
- 95% of members are aware of MLA's role in the red meat and livestock industry.
- 95% of members value MLA.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)			Total
			1	2	3	
Mutton	R	**31**	16	26	10	**52**
	M	**75**	13	36	9	**58**
Lamb	R	**179**	89	109	39	**237**
	M	**425**	205	273	97	**575**
Grassfed cattle	R	**459**	140	198	60	**398**
	M	**1,094**	581	837	296	**1,714**
Grainfed cattle	R	**24**	8	8	3	**19**
	M	**58**	33	36	15	**84**
Processor	R	**0**				**0**
	M	**0**				**0**
Goat	R	**3**	2	2	1	**5**
	M	**5**	3	3	2	**8**
External	M	**0**				**0**
Government	R	**696**	254	343	114	**711**
Total	**R**	**1,392**	**509**	**686**	**227**	**1,422**
	M	**1,657**	**835**	**1185**	**419**	**2,439**

AUS-MEAT

Overview
AUS-MEAT is an independent company limited by guarantee and jointly owned by the Australian Meat Processor Corporation (AMPC) and MLA. The board is made up of two members from each of these organisations and an independent chairman. The funding reflected below is only that injected by MLA, with AMPC making its contribution directly to AUS-MEAT.

AUS-MEAT operations are split into two areas, the standards division and the services division.

Industry levy funding is only sought to underwrite the costs of the standards division. All costs incurred by the services division have to be met from revenues and from previous industry transition capitalisation. The services division is on target to be self-funding, as per the original business plan.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)	Total
			1	
Mutton	M	**94**	94	**94**
Lamb	M	**39**	39	**39**
Grassfed cattle	M	**453**	453	**453**
Grainfed cattle	M	**64**	64	**64**
Total	**M**	**650**	**650**	**650**

Research and development partnerships

Program objective

To accelerate the adoption of commercially focussed innovation by the red meat industry and increase the innovation culture and capability of individual enterprises through investment in quality research partnerships.

Overview

MLA's fully-owned subsidiary, MLA Donor Company Limited, provides a vehicle for attracting commercial investment in innovation from individual enterprises. Since its inception in 1999, the R&D partnership program has approved in excess of 340 projects with a total budget greater than $142 million.

The program has continued to evolve with support and engagement from all sectors. The portfolio of projects is diverse and a significant number of successful commercialisation projects have been completed.

MLA provides support and services to R&D partners including:

- funding – utilising available matching Australian Government funds
- project development
- project management and technical services
- commercialisation and business services
- facilitating industry uptake

Sub-programs	Primary objectives
1. Partners in innovation projects	Support and enhance innovation within the red meat sector via the development and implementation of individual company focused R&D projects.
2. Plant-initiated projects	Support and enhance the innovation of the processing sector via the development and implementation of individual company focused R&D projects.

Major program KPIs for 2007-08

- Effectively implement a balanced portfolio of R&D partnership projects across industry sectors to ensure maximum benefit to the whole of the red meat industry.
- Facilitate adoption and uptake by industry of partnership project outcomes through a variety of communication channels including case studies, forums and workshops, and reports.
- Support the development of an innovation culture and capability for the industry through innovative research partnerships in targeted areas with demonstrable outcomes and benefits.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)		Total
			1	2	
External	R	**8,500**	6,250	**1,250**	**7,500**
Processor	R			**1,250**	**1,250**
Government	R	**8,500**	6,250	**2,500**	**8,750**
Total	**R** **M**	**17,000** **0**	**12,500**	**5,000**	**17,500** **0**

Intellectual property management

Overview
Intellectual property has a commercial value.

MLA owns and manages industry intellectual property which involves the:

- identification
- review
- protection (patents, trade marks, registered designs, copyright and confidential information)
- recording
- licensing
- monitoring performance and infringements of intellectual property assets and liabilities

The objective is to ensure that intellectual property assets are exploited to their full potential for the benefit of industry and the liabilities are limited by managing risks.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)	Total
			1	
Mutton	R	**4**	4	**4**
Lamb	R	**12**	12	**12**
Grassfed cattle	R	**35**	35	**35**
Grainfed cattle	R	**4**	4	**4**
Processors	R	**50**	50	**50**
Government	R	**105**	**105**	**105**
Total	**R**	**210**	**210**	**210**

Corporate services

Program objective
The provision of support services and accurate, timely and meaningful information for management and stakeholders.

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

Sub-programs	Primary objectives
1. Board and executive	The board and executive oversee and determine policies consistent with industry imperatives and exercise direction and governance over resources and the way in which strategies are implemented.
2. Finance	The provision of accurate, timely and meaningful information to management and stakeholders, managing financial risks, providing support for the budget and planning process and ensuring internal controls are in place while effectively supporting operations.
3. Human resources and administration	Provide services throughout the employment lifecycle to realise the full potential of our human resources to deliver value to the industry.
4. Information technology and library services	Provide infrastructure, applications and applications support to facilitate the pursuit and realisation of organisational strategic objectives.
5. Legal	Provide legal support and advice to management on contractual and commercial matters. Monitor compliance with statutory and other regulations applicable to MLA's business and interaction with its stakeholders.
6. Undistributed costs	Cover costs that relate to the company as a whole, but which are not distributed to the key programs. They include insurance, repairs and maintenance, depreciation, member registry costs.
7. Performance evaluation and benchmarking	To measure the effectiveness of MLA's programs and the efficiency of services provided. Evaluations will be conducted on at least two programs in 2007-08.

Major program KPIs for 2007-08
- Clean audit report received.
- Complete evaluations for two programs.
- Benchmark internal services against two like organisations.

Budget

Sector		2006-07 budget	2007-08 annual sub-program budgets ($'000)							Total
			1	2	3	4	5	6	7	
Mutton	R	**46**	19	9	8	37	2	19	3	**97**
	M	**156**	21	10	9	42	2	22	3	**110**
Lamb	R	**259**	87	40	36	172	10	89	12	**447**
	M	**884**	211	98	88	416	25	216	30	**1,084**
Grassfed cattle	R	**618**	141	66	59	278	16	145	20	**725**
	M	**2,106**	561	261	235	1,106	65	575	80	**2,883**
Grainfed cattle	R	**84**	12	6	5	24	1	12	2	**62**
	M	**286**	99	46	41	195	11	101	14	**507**
Goat	R	**5**	2	1	1	4		2		**10**
	M	**16**	3	1	1	6		3		**16**
External	M	**2,000**	389	181	163	768	45	399	55	**2,000**
Government	R	**1,011**	261	121	109	515	30	268	37	**1,341**
Total	**R**	**2,023**	**522**	**242**	**219**	**1,029**	**61**	**535**	**74**	**2,682**
	M	**5,448**	**1,283**	**597**	**538**	**2,533**	**149**	**1,317**	**183**	**6,600**

Goat industry

MLA's on-farm goat research and development and marketing program aims to provide tools to increase the sustainability of goat producers and their supply chain partners. It supports the vision of the *Goat on-farm R&D strategic plan 2006-2011* and the *Goatmeat industry marketing plan*.

The program will work to achieve the following key outcomes:

- Increase the supply of goats for slaughter, improve on-farm productivity and reduce costs of production.
- Contribute significantly to natural resource management outcomes from agriculture.
- Exploit all potential markets for goatmeat and co-products and deliver a safe and wholesome product that meets customer requirements.
- Enable learning and adoption of innovation and technology throughout the supply chain.

Since demand for goatmeat is strong, the emphasis will be on improving the Australian goat industry's ability to meet demand through infrastructure support and supply side activities.

Sub-programs	**Primary objectives**
1. Improving productivity	• Support sustainable industry growth through the promotion and development of the industry via the National Goat Industry Communication Network. • Reinforce the image of the goat industry as being sustainable and environmentally responsible. • Increase the supply of differentiated goatmeat product.
2. Adoption and capacity	• Promote producer initiated on-farm research through the Producer initiated research and development program. • Promote industry best practice and increase the supply capacity of the goat meat industry through extension of the *Going into goats guide.* • Communicate the key findings of the *Options for the control of parasites in the Australian goat industry* in conjunction with the goat oral drench Caprimec.
3. Product initiatives	Ensure the food safety and product integrity of Australian goatmeat.
4. Market information	Provide market information to the goatmeat industry.
5. Domestic marketing	Improve the profile and availability of goatmeat in the domestic market.
6. Export marketing	Support trade in Australia's major export market to reinforce market access and Australia's position as the preferred supplier of goatmeat to the global market.

Budget

Sector		**2006-07 budget**	**2007-08 annual sub-program budgets ($'000)**						**Total**
			1	**2**	**3**	**4**	**5**	**6**	
Goat	R	**232**	120	83.5	36	5			**244.5**
	M	**213**			8	9	40	143	**200**
Government	R	**232**	120	83.5	36	5			**244.5**
Total	**R**	**464**	**240**	**167**	**72**	**10**			**489**
	M	**213**			**8**	**9**	**40**	**143**	**200**

Income commentary

Projected MLA income for 2007-08 is $159 million, a decrease of $2.8 million on actual income for 2006-07.

Changes in levy income, compared to actual income levels for 2006-07, are shown below:

Species	**R&D income**			**Marketing income**		
	2006-07 actual ($m)	**2007-08 forecast ($m)**	**% change**	**2006-07 actual ($m)**	**2007-08 forecast ($m)**	**% change**
Mutton	1.742	1.499	-14%	1.969	1.694	-14%
Lamb	7.259	6.800	-6%	17.813	16.698	-6%
Grassfed cattle	11.638	11.158	-4%	47.413	44.389	-6%
Grainfed cattle	1.257	0.957	-24%	8.669	7.813	-10%
Goat	0.160	0.154	-4%	0.256	0.246	-4%
Totals	**22.056**	**20.649**	**-6%**	**76.120**	**70.839**	**-7%**

The following comments are made on these income forecasts:

- The income forecasts have been prepared using forecast changes in slaughter (transactions) prepared late last year and presented in the *2007 MLA Australian cattle and sheep industry projections*.
- The impact of the drought is evident with declining budgeted levy streams across all species.
- Sheepmeat levies depend on both prices and the number of transactions, making income from these levies very difficult to predict.
- Grainfed R&D income drops more than marketing income due to changes in the split of grainfed levies.

Income and expenditure by funding source 2007-08

Strategic imperative	Goat R	Goat M	Mutton R	Mutton M	Lamb R	Lamb M	Total sheep R	Total sheep M	Cattle - grass R	Cattle - grass M	Cattle - grain R	Cattle - grain M	Total cattle R	Total cattle M	Processor R	Processor M	LiveCorp R	LiveCorp M	External M	MLA total	MLA Donor Co R	Govt R	MLA consolidated
1. Markets and consumers																							
1.1 Domestic marketing	**0**	**31**	**0**	**60**	**150**	**6,876**	**150**	**6,936**	**122**	**13,166**	**20**	**2,084**	**142**	**15,250**	**200**	**2,115**	**0**	**0**	**0**	**24,824**	**0**	**492**	**25,316**
Beef promotion										5,019		794		5,813		637				**6,450**		0	**6,450**
Lamb promotion						4,085		4,085								321				**4,406**		0	**4,406**
Nutrition				20	136	1,650	136	1,670	110	4,202	18	665	128	4,867	181	663				**7,645**		445	**8,090**
Eating quality				20		155		175		669		106		775						**950**		0	**950**
Other		31		20	14	986	14	1,006	12	3,276	2	519	14	3,795	19	494				**5,373**		47	**5,420**
1.2 Export marketing	**0**	**125**	**0**	**392**	**0**	**5,629**	**0**	**6,021**	**0**	**19,421**	**0**	**3,456**	**0**	**22,877**	**0**	**0**	**0**	**0**	**0**	**29,023**	**0**	**0**	**29,023**
Japan				50		850		900		9,809		1,816		11,625						**12,525**		0	**12,525**
Nth America		100		65		3,191		3,256		1,020		354		1,374						**4,730**		0	**4,730**
Korea						165		165		5,637		1,116		6,753						**6,918**		0	**6,918**
Sth Asia		25		100		622		722		2,411		94		2,505						**3,252**		0	**3,252**
Middle East				151		606		757		278				278						**1,035**		0	**1,035**
Europe				26		195		221		266		76		342						**563**		0	**563**
1.3 Livestock export - trade development			7	50	5	20	12	70	13	868			13	868			25	463		**1,451**		50	**1,501**
1.4 Market access - beef and sheepmeat		8	9	239	67	565	76	804	124	855	20	121	144	976	220	1,512				**3,740**		440	**4,180**
1.5 Red meat innovation/co-products	0	0	27		127		154	0	253				253	0	360		0	0	0	**767**		767	**1,534**
2. Product intitiatives																							
2.1 Meat safety/issues management	34	4	77	87	298	458	375	545	1,244	1,911	242	314	1,486	2,225	1,328	1,885	66	42	5,153	**13,143**		3,289	**16,432**
2.2 Meat Standards Australia			97		97		194	0	502	1,468	168	490	670	1,958		200			250	**3,272**		864	**4,136**
3. Community concerns																							
3.1 Environment - resource management	0		0		387		387	0	1,464		500		1,964	0	460				87	**2,898**		2,811	**5,709**
3.2 Animal welfare - on-farm/feedlot			18		314		332	0	248		350		598	0						**930**		930	**1,860**
- livestock export			35	441	35	321	70	762	180	945			180	945			250	1,003	525	**3,735**		500	**4,235**
3.3 Industry integrity communications									0	804	0	109	0	913						**913**			**913**
4. Whole-of-chain efficiency																							
4.1 Improving productivity	115		62		1,000		1,062	0	2,349		700		3,049	0	1,110				960	**6,296**		5,336	**11,632**
4.2 Adoption and capacity	78	1	150	8	970	50	1,120	58	1,714	79	102	4	1,816	83	1,447	0			115	**4,718**		4,461	**9,179**
4.3 Supply chain management - beef									270		44		314	0						**314**		314	**628**
- sheepmeat			76		385		461	0												**461**		461	**922**
4.4 Market information	4	6	33	65	202	376	235	441	560	968	54	86	614	1,054	63	113			810	**3,340**		916	**4,256**
5. Strategic R&D			763		1,997		2,760	0	845				845	0	260				450	**4,315**		3,865	**8,180**
Industry and corporate communication	5	8	52	58	237	575	289	633	398	1,714	19	84	417	1,798					0	**3,151**		711	**3,862**
AUS-MEAT				94		39	0	133		453		64	0	517						**650**		0	**650**
Livestock export technical services			40	50	25	41	65	91	60	92			60	92			125	162		**595**		250	**845**
R&D partnerships							0	0					0	0	1,250					**1,250**	7,500	8,750	**17,500**
Intellectual property management			4		12		16	0	35		4		39	0	50					**105**		105	**210**
Total expenditure pre corporate services	**236**	**183**	**1,450**	**1,544**	**6,308**	**14,950**	**7,758**	**16,494**	**10,381**	**42,744**	**2,223**	**6,812**	**12,604**	**49,556**	**6,748**	**5,825**	**466**	**1,670**	**8,350**	**109,891**	**7,500**	**35,312**	**152,703**
Corporate services (allocated per income splits)	10	16	97	110	447	1,084	544	1,194	725	2,883	62	507	787	3,390	0	0	0	0	2,000	**7,942**		1,341	**9,283**
Levy collection costs (allocated per levy income splits)	0	5	0	45	0	293	0	338	0	750	0	107	0	857	0	0	0	0	0	**1,200**		0	**1,200**
Total Expenditure	**246**	**205**	**1,547**	**1,699**	**6,755**	**16,327**	**8,302**	**18,027**	**11,106**	**46,376**	**2,285**	**7,427**	**13,391**	**53,803**	**6,748**	**5,825**	**466**	**1,670**	**10,350**	**119,033**	**7,500**	**36,653**	**163,186**
Income Available:																							
- Levies	**154**	**246**	**1,499**	**1,694**	**6,880**	**16,698**	**8,379**	**18,392**	**11,158**	**44,389**	**957**	**7,813**	**12,115**	**52,201**						**91,488**			**91,488**
- Govt							**0**	**0**					**0**	**0**						**0**		**36,653**	**36,653**
- Processors															**6,748**	**5,825**				**12,573**			**12,573**
- Livestock export																	**466**	**1,670**		**2,136**			**2,136**
- R&D partnerships																				**0**	**7,500**		**7,500**
- External																			**10,350**	**10,350**			**10,350**
Total income	**154**	**246**	**1,499**	**1,694**	**6,880**	**16,698**	**8,379**	**18,392**	**11,158**	**44,389**	**957**	**7,813**	**12,115**	**52,201**	**6,748**	**5,825**	**466**	**1,670**	**10,350**	**116,547**	**7,500**	**36,653**	**160,700**
Difference (to/(from) reserves)	**(92)**	**41**	**(48)**	**(6)**	**125**	**371**	**78**	**365**	**52**	**(1,988)**	**(1,328)**	**386**	**(1,276)**	**(1,602)**	**0**	**0**	**0**	**0**	**0**	**(2,486)**	**0**	**(0)**	**(2,486)**
Opening reserves	110	649	546	709	2,468	6,924	**3,014**	**7,633**	1945	13,278	1,340	4,134	**3,285**	**17,412**									
Closing reserves	18	690	498	703	2,593	7,295	**3,092**	**7,998**	1,997	11,290	12	4,520	**2,009**	**15,810**									
% of revenue	11%	281%	33%	42%	38%	44%	**37%**	**43%**	18%	25%	1%	58%	**17%**	**30%**									