



Meat & Livestock Australia
Annual report 2012-13

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READING THIS ANNUAL REPORT

This *Annual report* presents a summary of Meat & Livestock Australia's programs, outcomes and financial performance during 2012-13.

It is made up of three main sections:

- introductory reports by the MLA Chair and Managing Director
- a *Report to stakeholders* that outlines MLA's performance across four strategic imperatives, program highlights and progress against our key performance indicators, and provides an overview of the company, our strategic framework, investments and operations
- a *Directors' report* and audited *Financial report* compiled in accordance with the *Corporations Act 2001*, Australian Accounting Standards and MLA's Deed of Agreement with the Australian Government

Cover: Northern cattle producers Hadyn and Jane Sale on Bulka Station near Halls Creek WA are advocates for their industry through the Target 100 program

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WHO WE ARE

Meat & Livestock Australia (MLA) delivers marketing and research and development (R&D) services that create opportunities for Australia's cattle, sheep and goat supply chains.

MLA is a producer-owned service company. It is not an industry representative body, nor does it lobby government or regulate the industry.

MLA invests in marketing activities to grow demand for Australian beef, lamb and goatmeat, and increase access to export markets. It invests in R&D activities to increase productivity across the supply chain and support industry's integrity and sustainability.

MLA invested more than \$165 million in these marketing and R&D programs in the past year. This funding comes from transaction levies on livestock sales, Australian Government dollar-for-dollar matched funding for R&D investments, co-investments by processors, livestock exporters, wholesalers, food service operators and retailers, and commercial investments by individual businesses along the supply chain.

MLA was established in 1998, following the merging of two industry statutory corporations – the Australian Meat & Live-stock Corporation and the Meat Research Corporation.



VISION Respected provider of marketing and R&D services to the Australian cattle, sheep and goat industries

MISSION Create opportunities across the cattle, sheep and goat supply chains by optimising the return on collective investment in marketing and R&D

STRATEGIC IMPERATIVES Maintaining and improving market access
Growing demand
Increasing productivity across the supply chain
Supporting industry integrity and sustainability

VALUES Integrity
Respect where the money comes from
Innovation
Collaboration
Agility

CHAIR'S REPORT

Australia's cattle, sheep and goat producers are no strangers to the twists and turns of an uncertain operating environment. With production systems at the mercy of one of the world's most variable climates and trading conditions largely dictated by a range of economic factors far beyond its control, industry is used to steering a course through this volatility every day.

However, 2012-13 presented a confluence of events almost unparalleled in recent years. A searing drought across much of eastern Australia, continuing high costs of key farm inputs, a stubborn dollar that was slow to move from historically high levels, economic challenges in some of industry's largest export markets and access challenges to several other major markets all came together to have a dramatic impact on livestock supply and demand for beef and lamb.

The impact was a sometimes steady, and sometimes devastating, deterioration in the prices that producers were getting for their cattle over the course of the year. The benchmark Eastern Young Cattle Indicator declined steadily over the year from an average of 383 cents per kg cwt in July 2012 to hit a trough of 291 cents per kg cwt in May 2013. There was greater volatility in the Eastern States Trade Lamb Indicator, which declined into a trough of 325 cents per kg cwt in November 2012 to rebound to 474 cents per kg cwt in June 2013. This put immense pressure on large swathes of the cattle industry, particularly in northern Australia.

As your marketing and R&D provider, MLA focussed our efforts on programs to help grow global demand to increase the number of customers bidding on your product and research to increase the productivity and profitability of your businesses.

“Central to this export performance were emerging markets, with destinations outside of Japan, the United States and Korea taking on more than 36 per cent of total beef exports.”

Production breaks records

Without question, the main dynamic driving depressed prices was a record-breaking flood of supply. Australia's beef production in 2012-13 grew by six per cent from the previous year to hit more than 2.2 million tonnes cwt and lamb and sheepmeat production surged by more than 19 per cent to hit more than 640,000 tonnes cwt.

Two years of above-average rains across most of Australia's production zones – combined with improving confidence and cash flows – had enabled many producers to invest in rebuilding their herds and flocks. However, the rapid drying out of large parts the continent over the unusually hot summer of 2012 had a dramatic impact on livestock enterprises across large swathes of eastern Australia.



MLA Chair, Dr Michele Allan

Above average numbers of livestock grazing on rapidly deteriorating pastures was a recipe for disaster for markets as huge numbers were turned off in the first half of 2013, particularly in northern Queensland. The result saw the Eastern Young Cattle Indicator dip below 300 cents per kg cwt in May 2013 for the first time since the 2009 drought.

Record-breaking beef and lamb exports

Finding markets to absorb this surge in production became a critical issue for Australia's cattle, sheep and goat supply chains. As this heightened supply flooded the market, consumer spending habits in our largest markets for beef and lamb – particularly in Australia, Japan and the United States – remained below their levels of recent years as people struggled to reduce their debts amid ongoing economic uncertainty.

In Australia, the largest and most loyal market for beef and lamb, consumer confidence continued to lag with ongoing economic uncertainty and household deleveraging. This resulted in lower growth in foodservice and stable retail performance, with expenditure on beef during the year reaching \$6.6 billion, up by 6.4 per cent compared to the previous year, while lamb spending reached \$2.0 billion, a decrease of 6.2 per cent.

Perhaps, the biggest obstacle facing the search for new markets continued to be an Australian dollar that held steadfastly above its long term averages against other major currencies. Driven in large part by expansionary fiscal policies pursued in the United States and Japan, the Australia dollar remained within the US\$1.03 to US\$1.05 range until April 2013 when it finally broke down to US\$0.92 to bring some relief to supply chains. Not only did the high dollar make Australian product more expensive in overseas markets, it also served to squeeze margins out of supply chains that needed to keep their prices competitive in order to maintain their market share.

In the face of these massive challenges, Australia's exports of beef, lamb and sheepmeat responded strongly. Several growing markets including China and the Middle

East emerged as major customers during the year, and traditional markets such as the United States and Korea grew in difficult trading conditions, as global competition intensified for safe and high quality proteins. The result was the export of record-breaking volumes of Australian beef and sheepmeat, with more than one million tonnes swt of beef attracting a value of \$5.1 billion and almost 350,000 tonnes swt of sheepmeat worth \$1.6 billion destined for overseas markets.

Central to this export performance were emerging markets, with destinations outside of Japan, the United States and Korea taking on more than 36 per cent of total beef exports. With export values growing six-fold for beef and 41 per cent for lamb, China emerged as the fourth largest market for Australian beef and third largest for lamb during 2012-13. Driven by a raft of factors – tight local supplies, restrictions on US and Brazilian imports, a growing interest in food safety and a rapidly growing fast food sector – Australia has assumed a strong market position there. Having been our largest market for sheepmeat for several years, growth in beef exports to the Middle East presented another opportunity to industry during the year, particularly with Saudi Arabia excluding American product, as beef export values to the region grew 45 per cent to \$250.4 million and sheepmeat exports grew strongly to reach \$478.9 million.

Building on long term investments

In an extremely challenging year, these developments highlight the importance of strategic long-term decisions made by the industry as a whole – producers, supply chains, providers, service companies, farm organisations and peak industry councils. The diverse range of products and market relationships that we currently have did not come about by accident, they were the result of decisions made over many years by individuals, organisations and their representatives.

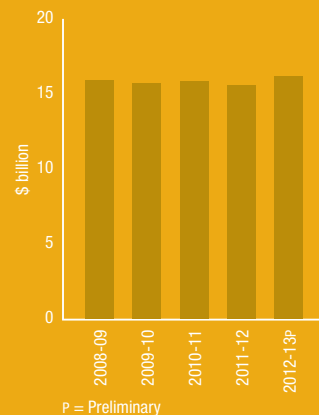
The ability of industry to respond to opportunities in emerging markets is a direct result of many years of past investment to build the presence of supply chains and their relationships from the ground floor. The ability to maintain position in mature markets and build in emerging ones stems in no small measure from the investment in the industry's food safety, traceability and eating quality systems as well as the focused marketing of Australian beef, lamb and goatmeat over past years.

MLA's role – in delivering outcomes in marketing and R&D that bring these collective decisions to life – provide producers with opportunities to ultimately generate more profits from their business in good times and difficult ones. I thank the many talented people from across the company and across our industry for their outstanding efforts this past year.

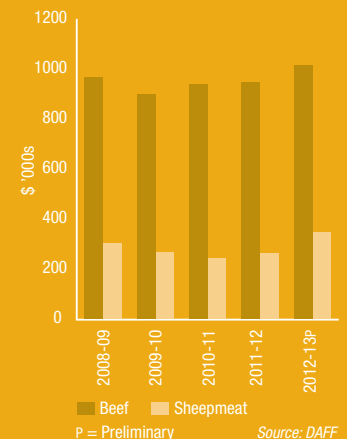
M. Allan

Dr Michele Allan
Chair, Meat & Livestock Australia

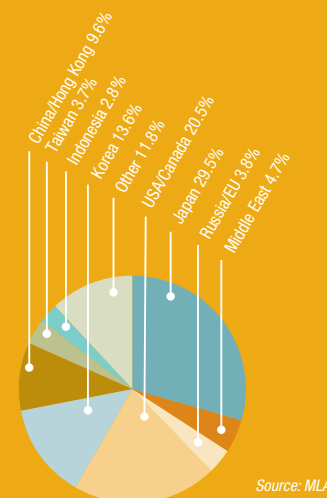
The total value of the red meat and livestock industry increased to \$16.2 billion



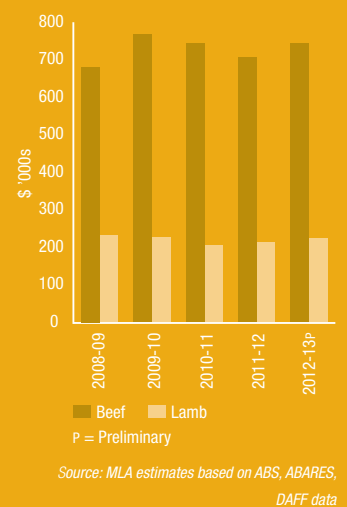
The volume of beef exports increased to a record-breaking one million tonnes swt and sheepmeat exports increased to 344,700 tonnes swt



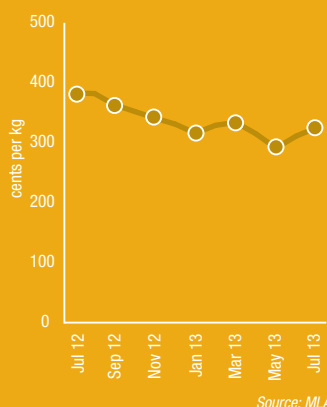
Beef exports outside the top three destinations increased substantially to make up 36 per cent of total exports



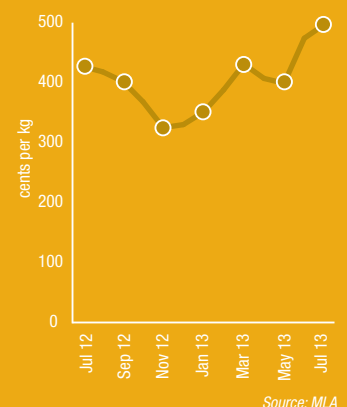
The volume of beef consumed domestically increased to 743,750 tonnes cwt and lamb increased to 222,240 tonnes cwt



The Eastern Young Cattle indicator fell from an average of 383c/kg in July 2012 to hit 291c/kg in May 2013



The Eastern States Trade Lamb Indicator reached an average of 325c/kg in November 2012 before recovering to 474c/kg in June 2013



MANAGING DIRECTOR'S REPORT

MLA invests in marketing and R&D outcomes that create opportunities for livestock producers to improve their position over the long-term. As your producer-owned service company, our core business is providing you with tools that help you improve your bottom line into the future.

2012-13 showed that taking advantage of long-term opportunities involves confronting immediate challenges. This year, excitement in the growing demand for beef, sheepmeat and goat products in emerging economies has been largely overshadowed by the spectre of failed seasons that led to record turn-off volumes and saturated livestock markets.

Producers were left with few options as they looked to move the large numbers of stock built up over two good seasons off their bare paddocks, flooding the saleyards, feedlots and processor lairages.

The destination of the massive turn-off of Australian livestock – to the widest diversity of markets that Australia has shipped to – shows the importance of maintaining a focus on the long-term through good times and bad.

Decades of levy investment in supporting government and industry to open markets in developing economies, in building relationships with importers, customers and government agencies in these new markets, and in building systems to demonstrate the safety and integrity of our products were harvested this year as the industry shipped record volumes of beef and sheepmeat around the globe.

“In difficult times, the onus is on industry organisations like MLA to stay focussed on delivering outcomes that help you over the long term.”

In difficult times, the onus is on industry organisations like MLA to stay focussed on delivering outcomes like these that help you in the long term. We must stay focussed on making the collaborative investments in R&D that drive the innovations to enable supply chains to extract every last dollar from their operations. We must stay focussed to maintain the integrity of industry's market development strategies while having the agility to respond to a dynamic global trading environment. Above all, we must always respect where the money comes from through the efficient delivery of all our programs.

Program delivery for now and the future

MLA's investments in marketing and R&D are designed to deliver benefits that flow back to the farm gate over the short, medium and long term. In our delivery of



MLA Managing Director, Scott Hansen

these programs during 2012-13, several highlights stand out in my mind from the many that are detailed throughout this *Annual report 2012-13*.

The introduction of a new extended Meat Standards Australia (MSA) pre-slaughter protocol in April 2013 – allowing up to 48 hours from farm to processing so long as cattle don't spend more than 36 hours in transit – opened MSA grading to livestock from a wider spread of geographical areas. The new protocol was supported by MLA-funded research into the impact of cattle transport duration on eating quality that found no significant decrease in eating quality for transport times ranging from 12 to 36 hours. The new protocol change will allow producers from more areas, particularly across northern Australia, to participate in the MSA program.

MLA's global marketing team assisted exporters and importers to build new business for Australian beef and lamb around the world, with new deals put in place with 29 new foodservice and retail chains to supply Australian product across North America, the Middle East and Asia. These activities ranged from a major retail chain in the United States using Australian beef under their natural store branding banner through to supplying top-end steakhouses in major Russian cities. This work is most often the result of a long-term effort to identify and build strong relationships with these outlets, which often have results well beyond the life of any specific promotion.

One of the most exciting research projects supported by MLA during the year has significant long-term implications and could eventually lead to improved diagnosis of internal parasites in cattle, sheep and goats. Conducted by CSIRO and the University of Melbourne, the research demonstrated that a new DNA-based methodology called quantitative polymerase chain reaction testing could be used to identify nematode eggs faster and more accurately than existing worm egg count and faecal larval testing methods – potentially taking the time for results from the current 10 to 14 days down to one to two days. With further research into the commercial application of the technology, any cost-effective product that results could reduce some of the drag on production

presented by internal parasites in livestock while also strengthening our defences against their growing resistance to broad spectrum treatments.

On the flip side, MLA's best efforts in several program areas were hampered by external factors. The complexities faced in inter-governmental negotiations to improve market access meant that MLA's work to assist industry and government in securing an Australia-Korea Free Trade Agreement has so far come to naught as negotiations stalled on an unrelated proviso. The commissioning and delivery of several major MLA-funded research projects was also hampered by the changing funding situation with research partners, particularly as several state governments reduced their resourcing of agricultural R&D.

You can see an overview of MLA's corporate and financial performance – and several key program highlights – on pages 8 and 9. These show that, despite a difficult year, MLA's corporate performance improved on last year with around 76 per cent of the milestones listed in our *Annual operating plan 2012-13* achieved. We maintained our sound financial position with total expenditure of \$165.8 million off revenue of \$162.2 million, with this planned deficit of \$3.6 million continuing to maintain our retained surplus at an appropriate level with it now standing at \$41.8 million.

Ruthless focus on MLA's core business

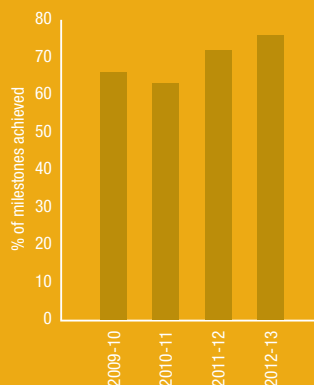
2012-13 also saw us continue to build on the work commenced in early 2012 to refocus the company on our core business of delivering marketing and R&D services to producers.

For the first time, the report to stakeholders in this year's *Annual report* is built around our new *Annual operating plan* that consolidated five strategic imperatives into four. This remapping of our programs – with a broad structure where the first two imperatives of maintaining and improving market access and growing demand provide direction to our marketing programs and the second two of increasing productivity across the supply chain and supporting industry integrity and sustainability steer our R&D programs.

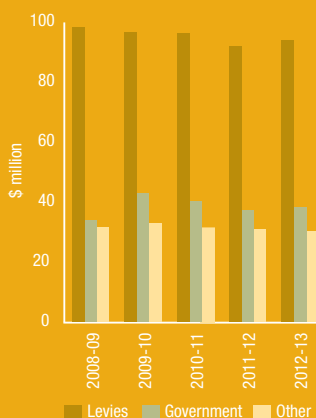
Together with the introduction of our 15 key focus areas that are highlighted throughout the report to stakeholders, these changes were designed to provide clearer direction in how MLA delivers outcomes for producers. While there has been much work done across the business to refocus on what we do, there has also been intense work particularly at the Board level to set out a clearer picture of how we work. The result of this has been the adoption of a new set of corporate values – integrity, respect where the money comes from, innovation, collaboration and agility – that reflect our role as a producer-owned service company.

Another key part of our ruthless focus on core business has been working with industry to ensure that several program streams currently within MLA are managed by the appropriate industry body without compromising

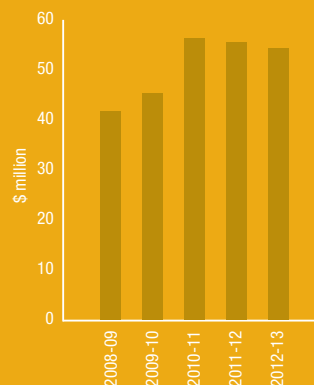
MLA achieved 69 from 91 program key milestones during 2012-13



MLA's revenue from producer levies increased to \$93.8 million during 2012-13




MLA had a retained surplus of \$41.8 million at 30 June 2013



service levels. MLA has been working very closely with the levy-funded Animal Health Australia (AHA) about a timetable for transferring the National Livestock Identification System (NLIS) into their administration in order to better align the NLIS traceability functions with the biosecurity programs administered by AHA. Successful negotiations with the red meat processor R&D company, Australian Meat Processor Corporation (AMPC), also concluded with many processor R&D projects being transferred across that had formerly sat within MLA's off-farm R&D portfolio enabling MLA to focus more squarely on resourcing through-chain R&D programs.

Only by constantly innovating in our program delivery will MLA continue to provide the outcomes to help producers build better businesses and a stronger industry over the long term.

To conclude, I'd like to offer my thanks to the many hundreds of people across our industry who have contributed to the delivery of MLA's programs. Council members and staff of the peak industry councils in particular have provided sound strategic input, advice and friendship. And above all I wish to thank MLA staff for their tireless efforts during a difficult period for our great industry.

A handwritten signature in black ink, appearing to read 'Scott Hansen', with a long horizontal flourish extending to the right.

Scott Hansen
Managing Director

REPORT TO STAKEHOLDERS

This *Report to stakeholders* focuses on MLA's activities and outcomes for the 2012-13 financial year, reporting against the objectives outlined in MLA's *Annual operating plan 2012-13*. It is aligned with our four strategic imperatives and structured according to our five-year *Corporate plan 2010-2015*.

MLA's four strategic imperatives are:

- Maintaining and improving market access
- Growing demand
- Increasing productivity across the supply chain
- Supporting industry integrity and sustainability

Under each of these strategic imperatives is a series of objectives and under them detailed strategies, which are described through this report alongside outcomes and achievements. Each strategic imperative also includes several key focus areas that are highlighted in boxes throughout the text.

Our *Annual operating plan 2012-13* outlines all MLA's strategic imperatives, strategies to achieve them, planned activities for the year and key performance indicators. It draws on the vision outlined in the *MLA Corporate plan 2010-2015* and more detailed business plans that outline MLA's marketing and R&D programs.

MLA's strategic direction, program delivery and evaluation are overseen by the MLA Board and managed by the Executive Team. MLA's policy direction, budget and performance monitoring is set by the peak industry councils on behalf of industry – the Australian Lot Feeders' Association, Cattle Council of Australia, Goat Industry Council of Australia and Sheepmeat Council of Australia.

MLA acknowledges the matching funds provided by the Australian Government to support the R&D detailed in this report.



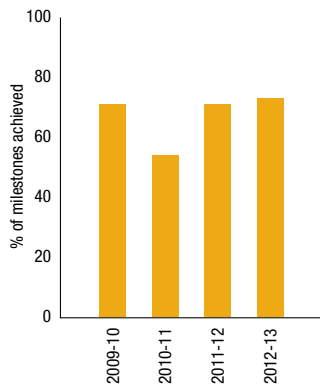
Victorian sheep producer Jock McGregor participated in an MLA-funded producer demonstration site to improve breeding outcomes in Merino flocks

PERFORMANCE AT A GLANCE

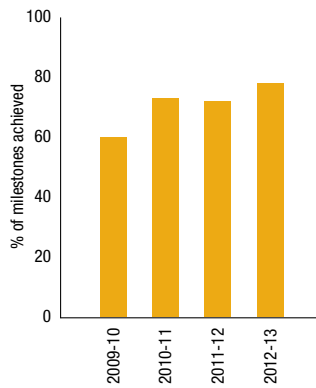
CORPORATE PERFORMANCE

MLA's corporate performance in delivering marketing and R&D programs for livestock producers largely improved during 2012-13, with approximately 76 per cent of key milestones listed in the *Annual operating plan 2012-13* achieved compared to 72 per cent in 2011-12. MLA's membership grew marginally during 2012-13, increasing by one per cent to 48,610.

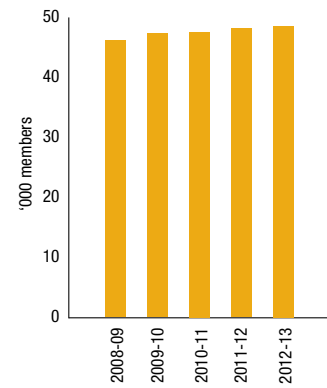
MLA achieved 29 from 40 key milestones across marketing programs (strategic imperatives one and two) during 2012-13



MLA achieved 40 from 51 key milestones across R&D programs (strategic imperatives three and four) during 2012-13



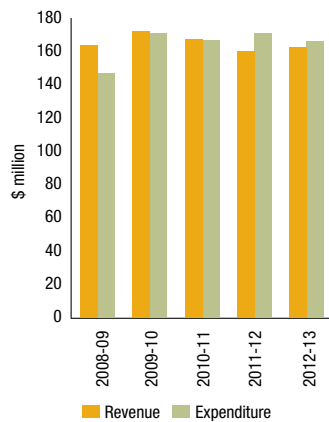
MLA had almost 48,610 members at 30 June 2013



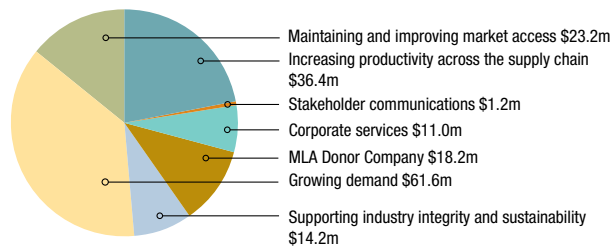
FINANCIAL PERFORMANCE

MLA's expenditure for 2012-13 totalled \$165.8 million, a decrease of 3.0 per cent on 2011-12. This represented investments of \$86.2 million on marketing and \$79.6 million in R&D. MLA's total income for the year was \$162.2 million during 2012-13, an increase of 1.4 per cent from 2011-12. This left the company with a deficit for the year of \$3.6 million taking the retained surplus as at 30 June 2013 to \$41.8 million. This income reflected increased producer levies with higher slaughter rates across the country, while expenditure was reduced to improve MLA's reserves position.

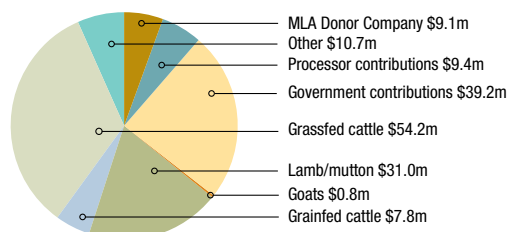
MLA had expenditure of \$165.8 million (down 3.0 per cent) and revenue of \$162.2 million (up 1.4 per cent) in 2012-13



MLA invested \$86.2 million in marketing and \$79.6 million in R&D during 2012-13



Producer levies made up 58 per cent of MLA's total revenue in 2012-13



MLA PROGRAM HIGHLIGHTS



An industry-funded review identified 136 technical barriers that have significant trade-restricting effects with total impact estimated at \$1.3 billion in lost sales



MLA's summer beef campaign – encouraging Australians to throw a steak on the barbecue – generated a strong consumer response with more than 700,000 views of the advertisement on YouTube in the first five days and total beef sales value increasing by 0.5 per cent year-on-year



Global business for Australian beef increased strongly during the year with 29 new foodservice and retail chains using Australian product through North America, Middle East and Asia



The EverGraze project delivered pasture management solutions for southern livestock producers including a series of four information packages detailing regional production systems and two online tools to assist producer decision-making



Research demonstrated that genetic methodologies using quantitative polymerase chain reaction testing could provide faster and more accurate detection and assessment of sheep internal parasites than existing methods



MLA-funded research supported the submission of an application to register Australia's first bio-herbicide Di-Bak to combat the invasive woody weed parkinsonia

MLA AREAS REQUIRING FURTHER FOCUS

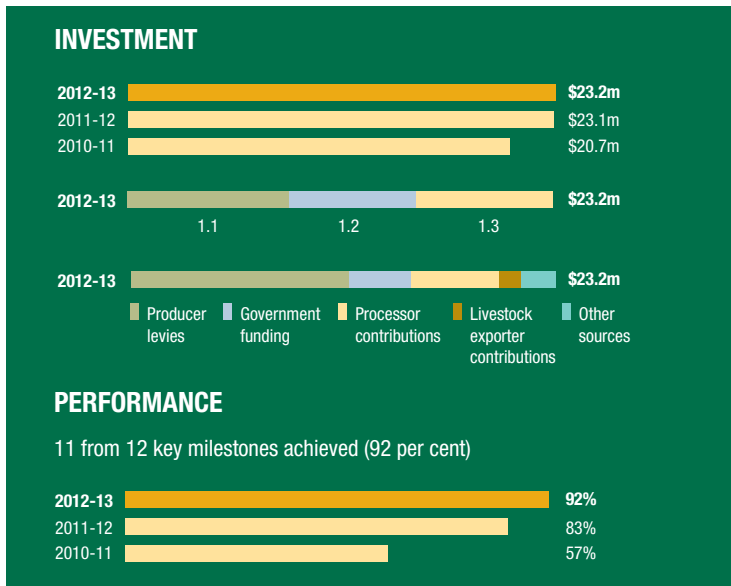
Continue to support industry and government to secure an Australia–Korea Free Trade Agreement that eliminates the tariff on Australian beef

Balance the need to invest in business development activities in emerging global markets such as China and the Middle East while maintaining program support in established markets

Continue to deliver projects aiming to improve the reproductive efficiency of cattle herds and sheep flocks including the delivery of outcomes from the four-year 'Cash Cow' project identifying strategies to improve northern cattle herd reproduction by 10 per cent

1. MAINTAINING AND IMPROVING MARKET ACCESS

MLA assists industry and government to maintain and improve market access for Australian beef, sheepmeat and goatmeat by supporting industry and government to demonstrate product integrity, liberalise trade and support the provision of supply chain assurance.



Objectives under this strategic imperative include:

- 1.1 Develop and deliver industry systems that underpin product integrity
- 1.2 Support industry and government to maintain and liberalise world meat markets
- 1.3 Maximise market options for producers and exporters in the livestock export market

Australian Government research priorities

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

Delivering MLA business units

- Trade and economic services
- Industry systems
- Client innovation services
- Livestock export program

KEY ACHIEVEMENTS

Australian grainfed beef exports to the European Union increased by 82 per cent to reach 8,724 tonnes swt as industry took advantage of an increased quota into the high value market

An industry-funded review identified 136 technical barriers that have significant trade restricting effects with a total impact estimated at \$1.3 billion in lost sales

Supported Cattle Council of Australia to develop and launch the Pasturefed Cattle Assurance System that enables industry to prove claims relating to grassfed cattle production methods

AREAS REQUIRING FURTHER FOCUS

Continue to support industry and government to secure an Australia–Korea Free Trade Agreement that eliminates the tariff on Australian beef

OPPORTUNITIES AND CHALLENGES

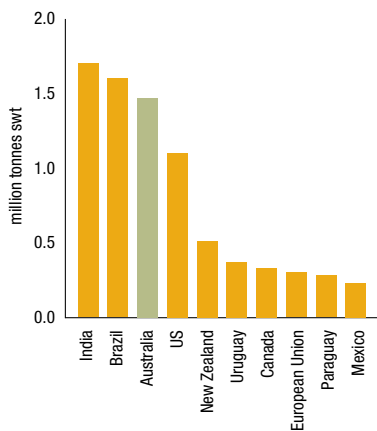
Market access continues to be the lifeblood of Australia’s export-oriented meat and livestock industry, with more than two thirds of Australian beef and half of our lamb destined for overseas markets. Maintaining and improving this access involves whole-of-industry approaches to demonstrate the safety and quality of Australian products, liberalise trade with major export markets and provide support to importers and exporters into major global markets. This is particularly the case with more than 100 new governments since 2008 displaying protectionist tendencies according to a recent European Commission report.

With more than 36 per cent of Australian beef and most of our lamb exports destined for emerging markets, and food safety considerations a high priority for these consumers, demonstrating the safety and integrity Australian product through traceability and assurance systems is vital. The strong focus of customers in several key emerging

markets on food safety provides Australian product with an important competitive advantage – particularly in China, Indonesia and Malaysia where food safety is the second most important driver of meat purchasing decisions after freshness. This opportunity was illustrated in the past year with market access restrictions placed on beef from competitor nations in the large and growing markets of China, Russia and Saudi Arabia, enabling Australian beef to capture a strong footprint in these markets.

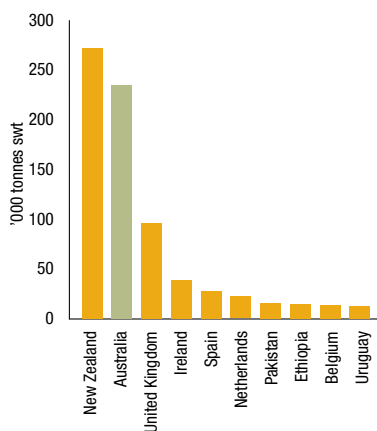
With progress in negotiations around the current World Trade Organisation (WTO) Doha round continuing to stall, free trade agreements (FTAs) provide the strongest potential for trade liberalisation and the reduction of tariffs and trade barriers for Australian beef, lamb and sheepmeat. The increasing number of bi- and multi-lateral FTAs globally mean that concluding agreements with major trading partners is now of the highest priority.

Australia was the third largest exporter of beef in 2013



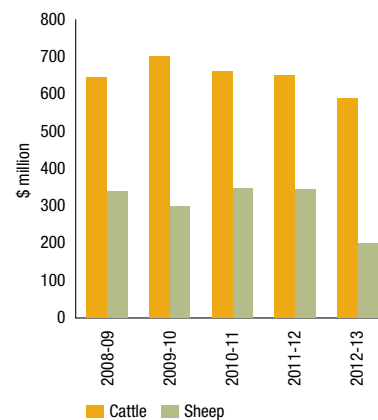
Source: USDA

Australia was the second largest exporter of sheepmeat in 2011



Source: FAO 2011

The value of live cattle exports decreased to \$590 million and live sheep exports fell to \$201 million in 2012-13



Source: ABS

Trade liberalisation also crucially involves alleviating the impact of a large number of technical trade barriers that are placed on exports of Australian beef, sheepmeat and goatmeat in destination markets. These barriers can encompass a wide range of issues ranging from expiry date conditions to product entry restrictions and labelling requirements.

A major industry development in this area during 2012-13 was the need for supply chains to implement the Exporter Supply Chain Assurance System (ESCAS), the Australian Government's system for regulating the livestock export industry and assuring animal welfare in livestock export markets. ESCAS was progressively introduced over 2011 and 2012, and by 1 January 2013 was in force in all overseas market destinations for Australian livestock exports. ESCAS is regulated by the Department of Agriculture, Fisheries and Forestry (DAFF), which is responsible for all compliance issues.

Over the course of 2012-13, MLA invested \$8.8 million in this area including \$3.6 million in producer levy funds, \$1.6 million in processor funds, \$1.9 million in government funding and \$1.7 million from other sources. An additional \$0.2 million was invested through the MLA Donor Company (MDC). These funds included investments to continue the maintenance of the National Livestock Identification System (NLIS) database and Livestock Production Assurance (LPA) system, develop tools and systems for managing food safety based on innovative science, and support the development of new integrity systems that respond to consumer preferences.

PERFORMANCE 2012-13

1.1 Develop and deliver industry systems that underpin product integrity

MLA supports industry to maintain its reputation for producing safe and wholesome beef and sheepmeat by managing food safety and integrity systems.

Strategies under this objective include:

- 1.1.1 Conduct scientific research to ensure food safety systems are at the leading edge of knowledge and practice
- 1.1.2 Develop and implement appropriate meat and livestock traceability systems
- 1.1.3 Support the development and uptake of food safety and quality assurance systems by all sectors of the red meat supply chain

Key milestone	Result
Satisfaction rating of MLA's food safety activities by industry (processors and AMIC) rated more than 85 per cent	Not achieved Satisfaction rating of MLA's food safety activities at 73.4 per cent in September 2012
Five peer reviewed scientific publications on red meat safety delivered	Achieved 16 peer reviewed scientific publications published or in press
Develop and evaluate new approaches to process control in beef processing establishments	Achieved New approaches to process control developed and delivered through training
Independent biennial audit undertaken to ensure NLIS database delivers against national performance standards for livestock traceability	Achieved Independent audit completed as part of the NLIS technology roadmap
Technology roadmap for the NLIS database developed to ensure sustainable delivery into the future	Achieved NLIS technology roadmap completed with implementation expected to commence in second quarter 2013-14
Pilot established to allow producers to enter NVD information on a central web-based database, enabling the electronic transfer of food safety information along the supply chain	Achieved Pilot design endorsed and prepared for in-field evaluation during 2013-14

1. MAINTAINING AND IMPROVING MARKET ACCESS

Key milestone	Result
Implement the LPA accreditation recommitment program to enhance on-farm food safety assurance	Achieved LPA accreditation recommitment program launched in August 2012

Since June 2012, Australian manufacturing beef destined for grinding in the US has been required to be free of an additional six types of *E. coli*. To assist processing establishments reduce the risk of a positive test, MLA ran five training courses around the country in April and May 2013 that were attended by approximately 60 key staff. The workshops were highly rated by attendees and 25 investigations were conducted and documented as part of the training. (1.1.1)

Managed by a subsidiary of MLA, the NLIS database is the technology platform that underpins the national traceability system from property of birth to slaughter. In 2012-13, MLA conducted the biennial audit that ensures the database is being managed effectively and can support compliance with the national traceability performance standards. A number of database improvements were also made during the year, including the development of a data warehouse and business intelligence reporting capability, and improvements to email notifications. A technology roadmap was undertaken and an upgrade plan is currently being developed. An average of 273,970 transactions were processed through the NLIS database each month, a decrease of 12 per cent from 2011-12, driven by a

decrease in the number of data queries. The number of account holders grew by eight per cent to almost 60,050 people. (1.1.2)

Launched by the Cattle Council of Australia in April 2013, the Pasturefed Cattle Assurance System (PCAS) is an assurance program that enables industry to prove claims relating to grassfed cattle production methods. With demand for grassfed beef growing among consumers around the world, most notably the United States, PCAS will provide a valuable marketing opportunity. MLA assisted Cattle Council to develop PCAS through a range of activities including piloting and refining the standards, developing the audit processes that underpin the program, and communication activities to support the program roll-out. The PCAS standards govern the on-farm feed requirements and traceability of the cattle as well as pre-slaughter handling practices which influence eating quality, with two optional modules to support claims relating to freedom from antibiotics and hormone growth promotants. PCAS is gaining a foothold with more than 160 producers registered within two months of the commencement of the program alongside two major domestic and export beef supply chains. (1.1.3)

The SAFEMEAT Initiatives Review will recommend a road-map for the sustainable delivery of industry's on-farm risk management systems. SAFEMEAT partners endorsed the vision and key principles for future SAFEMEAT initiatives in November 2012 and the SAFEMEAT Initiatives Review Working Group continued to progress the development of recommendations and an implementation plan. (1.1.3)

On-farm risk management systems

Key focus area: Assist industry to better integrate and sustainably deliver its on-farm risk management systems

Overseen by an industry advisory committee and administered by AUS-MEAT Ltd, Livestock Production Assurance (LPA) is the cattle and sheep industry's on-farm food safety program. The program had more than 202,000 accredited participants in June 2013, an increase of 3.3 per cent from the previous year.

A communications program was undertaken during the year to reacquaint accredited producers with LPA and increase participation in the program. The communications included a refreshed LPA brand, redesign of the web portal, production of an educational video, development of a refreshed farm record keeping booklet, and new advertising and collateral.

A survey conducted at the completion of the refresh found a 25 per cent increase in awareness of LPA over the course of the campaign. Views of LPA web content increased 21 per cent during the first month of the campaign compared to the previous month. The survey also found that nearly 25 per cent of respondents had changed on-farm practices during the last year to meet LPA requirements, with most of them (73 per cent) focussed on improved record keeping.

MLA assisted industry to further develop an online NVD form, called the eDEC, that was introduced in the previous year. Producers access the eDEC via the LPA online database, with the use of eDECs increasing 47 per cent during the year, with an additional 4,030 producers signed up to the system.

A business case to develop a fully integrated online livestock declaration system to facilitate the capture of declarations in the field and allow access to this data at each point in the supply chain was endorsed by industry with a program pilot being developed for testing in 2013-14. (1.1.3)



The LPA communications programs included advertisements online and in major rural newspapers

1.2 Support industry and government to maintain and liberalise world meat markets

MLA assists industry and government to defend or increase access to export markets by providing research and market intelligence services, undertaking trade liberalisation advocacy programs, and building in-market networks.

Strategies under this objective include:

- 1.2.1 Support industry and government to defend existing favourable market access conditions in overseas markets
- 1.2.2 Assist in positioning industry for the WTO Doha round
- 1.2.3 Assist in positioning industry for FTA negotiations
- 1.2.4 Develop strategies to remove access barriers
- 1.2.5 Provide issues management capability to assist in avoiding loss of market access due to meat safety concerns

MLA invested \$6.9 million in supporting industry and government to maintain and liberalise export markets during 2012-13 including \$3.2 million in producer levy funds, \$3.2 million in processor contributions and \$0.5 million from other sources. Priorities during 2012-13 included assisting government in seeking an FTA with Korea, progressing priorities under the Trans-Pacific Partnership trade talks, ongoing advocacy for an FTA with Japan, and directing additional efforts to tackling the increasing number of technical trade barriers.

Key milestone

Result

Satisfaction rating of MLA market access activities by government and industry maintained above 85 per cent	Achieved Satisfaction rating of MLA market access activities rated at 85 per cent in September 2012
Prepare persuasive and well-researched submissions on market access issues to the satisfaction of industry	Achieved Submissions prepared by MLA and endorsed by industry on eight major market issues
Assist in improving market access to at least one market	Achieved Lamb exports to India recommenced following resolution of sheepmeat certification issues
Trade perception of the safety of Australian red meat held above current levels in key markets	Achieved Trade satisfaction of Australian beef safety: Korea 97.3 per cent (from 85.5 per cent) and Japan 84 per cent (from 81.3 per cent)

The Australian industry continued to take advantage of the expanding European Union grainfed beef quota which, from August 2012, totals 48,200 tonnes per year shared across several exporting nations including Australia, the United States and Canada. This improved market access, alongside reduced competition from the other exporting nations, led to a dramatic increase of 82 per cent in export volumes of Australian grainfed beef with shipments reaching 8,724 tonnes. The European Union remains the

Free trade agreements

Key focus area: Assist government and peak councils to secure free trade agreements that eliminate the current tariffs on red meat exports to Korea and Japan

Expediting FTAs with Korea and Japan – two of Australia's largest beef export markets and growing sheepmeat markets – continues to be the highest priority for industry. The current tariff imposed on Australian beef imported into Korea is 40 per cent and a 22.5 per cent tariff impost is placed on sheepmeat, while Japan imposes a 38.5 per cent tariff on beef. These place significant costs on supply chains.

With beef exports to Korea worth \$704 million in 2012-13, the need to secure an Australia–Korea FTA (AKFTA) that eliminates the tariff on Australian beef has become particularly pressing as the United States has a 5.3 per cent tariff advantage over Australia under the Korea–United States FTA, with the differential increasing by 2.66 per cent per year. This differential has been modelled by the Centre for International Economics to project a loss of around \$1.4 billion over the next 15 years if the AKFTA is not concluded.

MLA is working closely with industry to expedite the signing of the AKFTA by advocating for industry priorities in discussions with government and mobilising broader coalitions of support. The impasse in expediting negotiations hinges on resolving whether an investor state dispute settlement mechanism is incorporated into the AKFTA.

Negotiation of an FTA with Japan progressed during the year with the commitment of both sides to deliver an agreement as soon as possible. While the last formal negotiating round was held in June 2012, inter-sessional negotiations made progress during the year, although there is still a fair way to the conclusion of negotiations. (1.2.3)



A free trade agreement with Korea would assist in building on a strong market position in the third largest export market for Australian beef

1. MAINTAINING AND IMPROVING MARKET ACCESS



Cattle producer Tom Skipper from Guyra NSW supplies the European Union market

highest value large export market for Australian beef, attracting an average of \$9,000 per tonne. The increase in grainfed exports underpinned growth in total Australian beef exports to the region that reached 17,533 tonnes swt for the year, up 31 per cent. (1.2.1)

Bi-lateral FTA negotiations are currently in progress with Korea, Japan, China, Indonesia and India. Multilateral regional FTA negotiations are underway on the Pacific Agreement on Closer Economic Relations (20 country members), Trans-Pacific Partnership Agreement (12 members) and the Regional Comprehensive Economic Partnership (16 members). MLA works to support industry and government in advocating trade liberalisation in these high priority FTA negotiations. (1.2.3)

For the first time since 2002, Australian sheepmeat exports to India recommenced during 2012-13 with the resolution of certification issues that had previously presented a major barrier to trade. The trade-enhancing outcome was the result of a joint effort between industry and government. While exports recommenced slowly, this market could hold significant potential over the long term. (1.2.4)

1.3 Maximise market options for producers and exporters in the livestock export market

Operated in partnership with LiveCorp, the Livestock Export Program provides R&D and market support services to assist cattle, sheep and goat supply chains to meet their responsibilities, particularly under the Australian Government's Exporter Supply Chain Assurance System (ESCAS) that came into force for all livestock export markets on 1 January 2013.

Strategies under this objective include:

- 1.3.1 Assist supply chains to deliver continuous improvement in animal health and welfare
- 1.3.2 Provide research and support to enable improvements in supply chain efficiency and performance
- 1.3.3 Support industry bodies to effectively contribute to community debate
- 1.3.4 Assist industry and government to defend and improve market access conditions and build demand for livestock

MLA invested \$7.5 million in the Livestock Export Program during 2012-13 including \$5.0 million in producer levy funds, \$1.3 million in LiveCorp funds and \$1.2 million in government funding. Activities focussed especially on assisting supply chains to meet their obligations under ESCAS.

Technical trade barriers

Key focus area: Identify high priority technical trade barriers that are impeding red meat export sales, and assist government to alleviate their impact through the provision of science and technology

While the positive impact of trade liberalisation on Australia's export-driven industry has been well documented, alleviating the impact of the large number of technical trade barriers that are placed on Australian beef, sheepmeat and goatmeat exports also present significant opportunities.

MLA completed an industry review into the impact of more than 260 technical barriers to trade (TBT) in 40 key export markets in June 2013. The research found that 136 of these TBTs had significant trade restricting effects, with a total impact estimated at \$1.3 billion in lost sales.

The barriers were mainly around issues of product age and expiry date conditions; market listing and accreditation restrictions; product entry restrictions (bans); tariff quota administration and import permit issues; and increased packing costs from labelling requirements.

The high priority TBTs are concentrated in countries in the Middle East, north Africa and north Asia. MLA continues to work through the results in conjunction with exporters and government, and action plans to address each of the key TBTs are being developed. (1.2.4)



Technical trade barriers cost industry an estimated \$1.3 billion in lost sales of Australian beef and sheepmeat

Assisting supply chains with ESCAS compliance

Key focus area: Maintain access to livestock export markets by assisting supply chains to implement and comply with Exporter Supply Chain Assurance System regulations through the provision of gap analysis, risk analysis, training and technical advice

From 1 January 2013, the livestock export trade with Australia's major markets was covered by the Australian Government-regulated Exporter Supply Chain Assurance System (ESCAS). ESCAS seeks to assure international animal welfare standards for exported Australian livestock and is regulated by the Federal Department of Agriculture, Fisheries and Forestry (DAFF). All Australian feeder and slaughter livestock can now only be exported by companies that meet the requirements of ESCAS.

To assist livestock exporters and importers meet the ESCAS requirements, MLA provided gap and risk analyses of supply chains, including assessment of facilities where Australian livestock would be transported, held and/or processed. Training and technical support was also provided to complement changes in handling and slaughter procedures.

Under the new regulatory framework, exporters must meet the ESCAS requirements throughout their supply chain before DAFF will issue an export permit. All livestock in export consignments must now be accounted for, through to the point of slaughter.

MLA continues to support exporters to build increased ESCAS compliance capacity so that international animal welfare standards can be met in Australia's livestock export destination markets. An important part of this has been helping importers and exporters understand their responsibilities under the new system. (1.3.1/1.3.2)



MLA assists supply chains to implement and comply with the Australian Government's Exporter Supply Chain Assurance System

Key milestone

High levels of satisfaction by Australian livestock exporters and importers of Australian livestock that the technical support and training provided by MLA benefits the supply chain, particularly with the implementation of ESCAS in tranche 2 and 3 markets

Result

Achieved
Overall, exporters and importers highly rate the ESCAS technical and training support provided by MLA to their supply chains

To strengthen livestock exporters' capacity to maintain compliance with ESCAS, the Livestock Export Program provided additional resources in the major markets of Kuwait, Bahrain and Qatar to assist with preparation, logistics and delivery of the support program around the annual Eid-al-Adha festival. Efforts were focussed on assisting exporters and importers to ensure their livestock were handled and processed within the ESCAS handling and slaughter guidelines. Additional support was provided to assist exporters and importers to keep livestock within approved supply chains. The program has been running successfully for several years and has resulted in significant control and welfare improvements throughout the Eid period. (1.3.4)

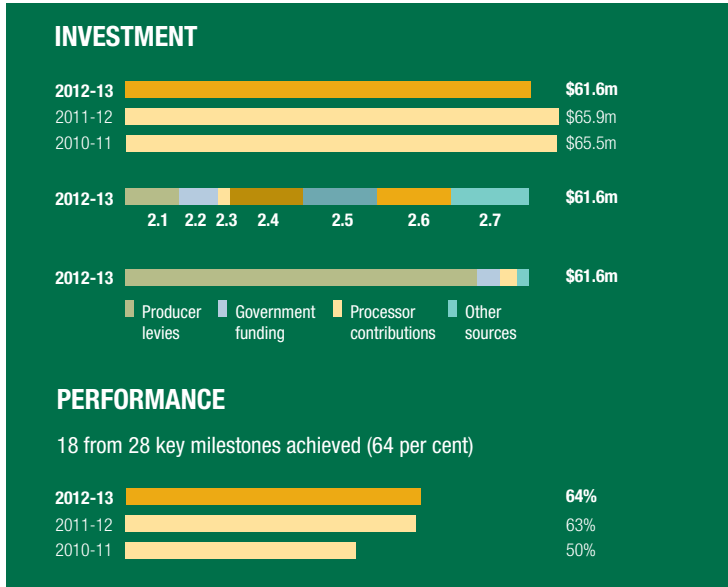
PLANNED ACTIVITIES 2013-14

Across the imperative to maintain and improve market access, in the coming financial year MLA will focus on:

- › Continuing to invest in the maintenance of the NLIS database and LPA systems; developing tools and systems for managing food safety based on innovative science; and supporting the development of integrity systems that respond to customers' ever changing needs
- › Collaborating with government and industry stakeholders to secure FTAs with Korea and Japan; progressing industry priorities under FTA negotiations with India, Indonesia, China, the Trans Pacific Partnership and Regional Comprehensive Economic Partnership; and assisting to alleviate technical access impediments in numerous markets
- › Continuing to assist supply chains to meet and exceed ESCAS standards, including work with foreign governments to explain and promote the new regulations

2. GROWING DEMAND

MLA works to grow demand for Australian beef, sheepmeat and goatmeat through aggressive marketing and promotions in global markets, and eating quality, nutrition research and product development programs.



Objectives under this strategic imperative include:

- 2.1 Develop practices and drive programs that help industry deliver consistent and optimal eating quality
- 2.2 Enhance the nutritional reputation of beef and lamb
- 2.3 Develop new products
- 2.4 Aggressive promotion of beef in the domestic market
- 2.5 Aggressive promotion of lamb in the domestic market
- 2.6 Aggressive promotion in export markets – beef
- 2.7 Aggressive promotion in export markets – sheepmeat

Australian Government research priorities

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

Delivering MLA business units

- Global marketing
- Trade and economic services
- Industry systems
- Client innovation services

KEY ACHIEVEMENTS

Meat Standards Australia (MSA) continued its strong growth with more than 2.4 million head of cattle and 5.4 million sheep graded during 2012-13

MLA-funded research supported a new extended MSA pre-slaughter protocol allowing up to 48 hours from farm to processing for direct consignment cattle

Global business for Australian beef increased strongly with 29 new foodservice and retail chains using Australian product through North America, Middle East and Asia

MLA's summer beef campaign – encouraging Australians to throw a steak on the barbecue – generated a strong consumer response with more than 700,000 views of the advertisement on YouTube within five days and total beef sales values increasing by 0.5 per cent year-on-year

Lamb continued to own the Australia Day period with the annual Sam Kekovich campaign – this year addressing 'lambnesia' – contributing to sales values of lamb during the Australia Day week increasing 48 per cent above the 12 month average

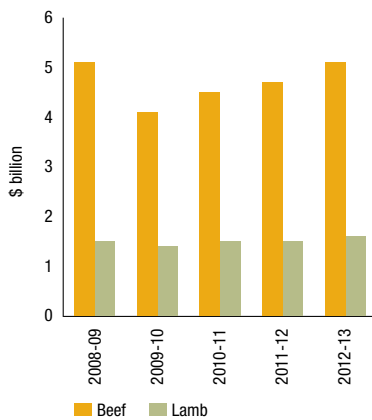
MLA supported exporters and importers in the China market with a range of activities including facilitation of the SIAL tradeshow resulting in more than 500 importer leads and a marketing push into 'second-tier' Chinese cities

A 30-episode television series *100Meat* premiered on a Middle Eastern lifestyle channel featuring 100 beef and lamb recipes and MLA corporate chef Tarek Ibrahim educating consumers about Australian beef and lamb

AREAS REQUIRING FURTHER FOCUS

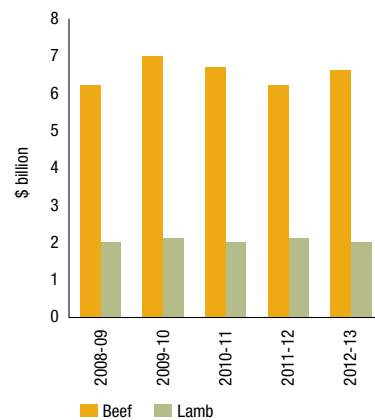
- Continue to engage consumers to build awareness of the MSA symbol and understanding of the program to make purchasing decisions
- Continue to deliver high impact beef and lamb domestic marketing campaigns in a rapidly changing media and social environment
- Balance the need to invest in business development activities in emerging global markets such as China and the Middle East while maintaining program support in established markets

Beef export values increased by 8 per cent to \$5.1 billion FOB and sheepmeat exports increased to \$1.6 billion FOB in 2012-13



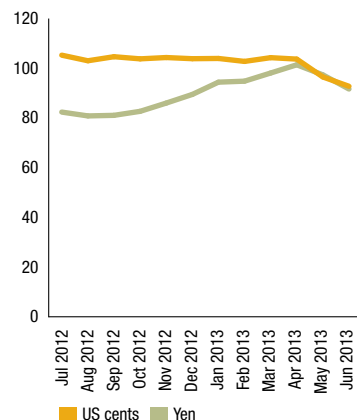
Source: ABS

The retail value of beef consumed in Australia increased to \$6.6 billion and lamb decreased to \$2 billion in 2012-13



Source: MLA estimates based on ABS, ABARES, DAFF data

The Australian dollar fell from a peak of US\$1.05 to US\$0.92 while fluctuating between ¥101 and ¥81



Source: RBA

OPPORTUNITIES AND CHALLENGES

With more than 100 destination countries worldwide, Australian beef, sheepmeat and goatmeat supplies a truly global marketplace. From our largest market within Australia to established markets such as Japan and the United States and emerging markets such as China and the Middle East, the diversity of these destinations spreads risk in an ever-changing global trading environment.

The importance of this market diversity was clearly illustrated this year as two critical developments impacted on industry. Throughout much of 2012-13, heightened livestock production driven by seasonal conditions coincided with the Australian dollar persisting at historically high levels. The growth in global demand for Australian product – particularly with emerging markets such as China and the Middle East increasingly competing with traditional markets – played some role in mitigating these developments.

Inflationary monetary policies in two of the largest export markets for Australian beef – Japan and the United States – had mixed results in generating increased demand from consumers who continued to deleverage following the global financial crisis. Both the volume and value of exports of Australian beef to Japan were down during the year – with values reaching \$1.47 billion or down seven per cent year-on-year and 18 per cent below the five-year average. In line with their economic performance, the United States market was more positive for both Australian beef and lamb during 2012-13 – with beef export values of \$972 million, up nine per cent for the year on the back of slightly higher volumes, and lamb exports steady at \$302.5 million off seven per cent higher volumes. Beef exports to Korea grew by eight per cent during the year to reach \$704 million.

The continuing strong performance of several major emerging markets provided the most critical outlet for additional product, with destination markets outside of the United States, Japan and Korea taking in more than 36 per

cent of Australia's total beef exports for the year. The single most important development for Australian industry during the year was the emergence of China as a fourth largest export market for Australian beef and third largest for lamb. Driven by tight local supplies, restrictions on US and Brazilian imports, growing interest in food safety and the rapidly growing fast food sector, Australian beef export values to China grew almost sixfold to reach \$410 million on a tenfold increase in volume while lamb exports rose 41 per cent to \$147.5 million. The Middle East also continued its strong growth as the largest regional market for Australian sheepmeat with an export value of \$477.8 million for the year, while beef exports grew strongly to be worth \$250 million. These strong results saw beef export values for 2012-13 increasing eight per cent year-on-year to reach \$5.1 billion, or 11 per cent above the five-year average – making it the second highest year for value after 2008-09. Sheepmeat export values also grew strongly by 9.8 per cent for the year to reach \$1.6 billion.



Consumer demand for the quality and safety of Australian beef drove record exports in 2012-13

2. GROWING DEMAND

In Australia, the largest and most loyal market for beef and lamb, a number of factors were at play in maintaining consumer demand. Expenditure on beef during the year reached \$6.6 billion, up 6.4 per cent compared to the previous year, while lamb spending reached \$2.0 billion, a decrease of 6.2 per cent. Consumer confidence continued to lag with ongoing economic uncertainty and household deleveraging, resulting in lower growth in foodservice and stable retail performance. At the same time, beef and lamb faced continued competition from lower priced proteins and price competition among retailers. Marketing campaigns must also continue to keep abreast of emerging social trends, including an ageing population, increasing ethnic diversity, and rise of new media technologies.

PERFORMANCE 2012-13

2.1 Develop practices and drive programs that help industry deliver consistent and optimal eating quality

MLA manages the Meat Standards Australia (MSA) program on behalf of industry to give consumers a consistent and predictable eating quality experience for beef and lamb. Launched 15 years ago, MSA was developed to scientifically assess the impact that livestock management practices, processing systems, cuts, ageing periods and cooking methods have on eating quality as assessed by consumer preferences gauged through more than 693,000 taste tests.

Strategies under this objective include:

- 2.1.1 Develop and prove practices that deliver quantified, improved, consistent and optimal eating quality
- 2.1.2 Ensure sufficient integrity programs are implemented so accurate price signals drive eating quality improvement
- 2.1.3 Support adoption and build recognition of the MSA system through the value chain

MLA invested \$8.2 million in eating quality programs during 2012-13 including \$5.3 million in producer levy funds, \$2.0 million in government funding and \$0.9 million from other sources. This funding supported MSA activities aimed at decreasing eating quality variability between brands, increasing the volume of MSA-graded product per carcass, and strengthening MSA's integrity and predictive power.

Key milestone	Result
Increase MSA cattle grading numbers to 2.1 million head	Achieved MSA cattle grading numbers increased to 2.4 million
Increase MSA sheep grading numbers to 3.5 million head	Achieved MSA sheep grading numbers increased to 5.4 million

Key milestone

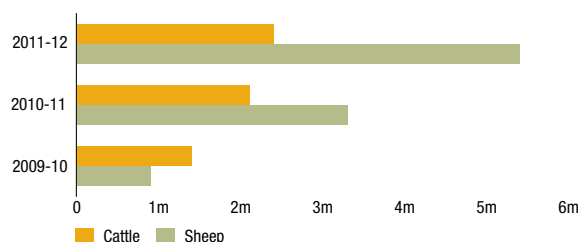
Result

One technology is further developed/validated to improve the overall eating quality of meat	Achieved Trial of a phosphate-free enzyme-based tenderiser showed an initial positive impact on eating quality with further work being conducted to develop more robust technology
Provide scientific recommendations to industry on the development and pathway for implementation of a higher order grading system for MSA lamb (two to five star) including the potential for a yearling sheep meat category	Achieved Research has been completed to allow separation of four grades of MSA lamb which may be furthered if the extensions bid for the Sheep CRC is successful
Four and five star MSA product identified through to end users in 10 per cent of MSA brands	Not achieved Approximately 6 per cent of MSA brands identify four- and five-star product to end users
Increase consumer awareness of the MSA trademark to 50 per cent	Achieved Consumer awareness of MSA trademark at 51 per cent
Increase consumer quality ratings of beef above 7.3 out of 10	Not achieved Consumer quality rating of beef stable at 7.3 out of 10

MSA achieved a critical mass in 2011-12 with large numbers of cattle and sheep carcasses graded and major retailers joining the program. These strong foundations were built upon in 2012-13 with continuing growth in grading numbers and retail uptake. More than 2.4 million head of cattle were MSA graded during the year, an increase of 16.8 per cent or 348,520 head while compliance rates were slightly down at 93.5 per cent. MSA sheepmeat numbers continued to surge with more than 5.4 million sheep graded, up 63.2 per cent or almost 2.1 million head, with compliance rates of 96.2 per cent. An additional 7,080 producers registered to supply MSA taking the total number of registered producers to 30,410 at 30 June. (2.1.3)

A new extended MSA pre-slaughter protocol allowing up to 48 hours from farm to processing for direct consignment cattle, providing they do not spend more than 36 hours in road transport, was introduced in April 2013. The extended protocol is expected to significantly widen the catchment area for MSA-eligible cattle nationwide, particularly in the northern cattle industry.

MSA increased grading numbers to 2.4 million cattle and 5.4 million sheep during 2012-13





Dominic and Kerry Melrose are part of the family team who manage the premium lamb brand Tasmanian Royal which is underpinned by MSA

The protocol change was supported by MLA-funded research into the impact of cattle transport duration on MSA eating quality. The project tested the effect of four cattle truck transport treatments on sensory and objective measurements of meat quality and found no significant difference in eating quality for transport times ranging from 12 to 36 hours. (2.1.1)

A new MSA optimisation model was introduced during 2012-13 to enable processors and brand owners to customise their boning solutions to better meet customer and market requirements. The model analyses the cuts – by cooking method, ageing requirements and level of eating quality – that a processor or brand requires, and then sorts MSA-graded carcasses into boning runs that maximise the harvest of these cuts. It was endorsed by the MSA industry taskforce in April 2013 to be progressively implemented over 18 months. MSA optimisation had six processing plants involved in the pilot phase of implementation. (2.1.1)

MSA consumer education activities continued during 2012-13, building on the launch of a new-look ‘MSA-graded’ symbol and uptake of the program by major retailers in the previous year. A range of in-store promotions were conducted at point of sale, reinforced by the continuation of a 30-second ‘What’s new?’ infomercial, print advertisements and public relations encouraging consumers to ‘take the guesswork out of beef’. Surveys showed that 51 per cent of consumers were aware of the MSA-graded symbol in June 2013, up from 46 per cent the previous year. MSA had 1,590 end user licenses representing more than 2,300 retail outlets stocking MSA product, including all the major supermarket chains and more than 650 independent butchers. (2.1.3)

2.2 Enhance the nutritional reputation of beef and lamb

MLA works to position beef and lamb among healthcare professionals, policy makers and the community as essential to a healthy diet to defend the category against calls to reduce consumption on health grounds.

Strategies under this objective include:

- 2.2.1 Increase our knowledge of the health benefits of red meat
- 2.2.2 Maintain consistent and fact-based dietary recommendations for red meat
- 2.2.3 Communicate and promote evidence-based nutrition information on red meat to health professionals and the broader community

MLA invested \$5.9 million in this imperative during 2012-13 including \$4.8 million in producer levy funds, \$0.7 million in processor contributions and \$0.4 million in government funding. Activities in this area include a communications campaign encouraging consumers to eat three to four beef and lamb meals per week, information and resources for healthcare professionals on healthy eating at key life stages, and conducting research to ensure beef and lamb are appropriately represented in food policy and nutrition recommendations.

Key milestone	Result
Core target of mothers with children in household strongly agree ‘red meat is an essential part of a healthy diet’ remains above 50 per cent	Not achieved Average of 43 per cent of mothers with children in household strongly agreed ‘red meat is an essential part of a healthy diet’
Percentage of mothers limiting consumption of red meat for health reasons does not exceed 32 per cent	Achieved Percentage of mothers limiting consumption of red meat for health reasons decreased to 32 per cent
Maintain the proportion of healthcare professionals who recommend lean red meat at least three times a week at 86 per cent for GPs, 94 per cent for dietitians, and 82 per cent for practice nurses	Not achieved 82 per cent of GPs, 84 per cent of dietitians and 83 per cent of practices nurses recommend lean red meat at least three times a week
Maintain a watching brief and response capability on emerging health issues	Achieved Response capability maintained through nutrition research including support to industry around the NHMRC dietary guidelines

MLA’s nutrition program continues to fund research to demonstrate red meat’s role in a healthy balanced diet. Based on MLA-funded nutritional research, *The Live Well Plan* was launched in April 2013 to help adults who need to lose weight through a flexible eating plan based on a higher protein, lower-GI diet. To launch the plan, MLA sponsored a symposium hosted by the Dieticians

2. GROWING DEMAND

Association of Australia attended by more than 300 people and a masterclass for 40 key influencers. The brochure has been distributed to more than 10,000 health care professionals, including practice nurses, GPs, dietitians, and consumers. (2.2.1)

The National Health and Medical Research Council (NHMRC) released new Australian Dietary Guidelines in February 2013, which were revised following extensive consultation. MLA worked alongside industry to provide the NHMRC with credible evidence on Australian beef and lamb production, consumption practices and their consequences for both health and the environment. (2.2.2)

Launched in February 2013, the 'Proper Dinner' consumer communications campaign featured world-renowned chef and *Masterchef Professionals* host Marco Pierre White reminding Australians that beef and lamb with plenty of vegetables are essential ingredients for a healthy meal. The campaign included television, digital, print and radio advertisements backed by sponsorship of Channel 10's *Masterchef Professionals* program, *ENTICE* magazine and changes to MLA's consumer website www.themainmeal.com.au. The campaign was linked to significant increases in the percentage of the target audience – mothers with children in the household – who agree that 'beef makes healthy meals' (from 49 per cent to 60 per cent) and 'lamb makes healthy meals' (from 39 per cent to 51 per cent). (2.2.3)



World-renowned chef Marco Pierre White was the face of MLA's 'Proper Dinner' nutrition consumer communications campaign launched in February 2013

2.3 Develop new products

MLA invests in science and technology that has the potential to deliver additional value from lower-value meat and non-meat part of animals including offal, skins and blood products through the development of new products ranging from consumer meals to pharmaceutical ingredients.

Strategies across this objective include:

- 2.3.1 Identify and evaluate emerging opportunities for new products
- 2.3.2 Develop technologies to improve the range of applications of co-products as commercial ingredients
- 2.3.3 Develop new technologies to enable transformation and value-adding of low value cuts

2.3.4 Improve industry capability to adopt and prosper from value adding innovations

MLA invested \$1.8 million in this area over the financial year including \$0.6 million in producer levy funds, \$0.3 million in processor contributions and \$0.9 million in government funds. An additional \$0.6 million was invested in this area through the MDC. These investments supported industry to identify market opportunities for value-added products, and develop and commercialise new technologies.

Key milestone	Result
Launch two high pressure processing value-added meat products capable of adding at least \$2 net value per head	Achieved Five new high pressure processing value-added products were launched into the food service sector with estimates of \$2.80 net value per head
First Smartshape products are launched and shown to deliver net added value of at least \$2 per head	Achieved One SmartShape product has been launched into the quick service restaurant sector reported to yield an extra \$6 per head
A novel bioactive process is developed for one of the top five bioactive products, capable of generating net value add of at least \$2 per head at processor level	Achieved A new process for extracting decoloured red blood cell protein was further developed with a potential benefit of more than \$3 per head

An MDC funded research project identified a method of using high pressure processing (HPP) that increases tenderness. Researchers found that using HPP with temperatures of around 60°C caused meat fibres to become brittle and break into short rods of protein, resulting in increased tenderness. The research also found that combining high pressure and heat produced a marked reduction in cooking loss (meat shrinkage during cooking) – another commercially important consideration. (2.3.2)

MDC worked with the developers of a revolutionary bioplastic called Novatein to develop concept products and seek markets in Australia. Invented at New Zealand's University of Waikato in 2007, Novatein is made from blood meal and creates a new demand for this traditionally low-value by-product. Novatein is a biodegradable bio-plastic that can be safely disposed of in landfill, is price competitive with traditional petrochemical plastics and adds value to a red meat industry by-product. (2.3.3)

2.4 Aggressive promotion of beef in the domestic market

MLA stimulates desire for Australian beef in its largest and most stable market by delivering high impact consumer promotions built around its superiority for seasonal meals, helping improve retail standards, and supporting foodservice promotion of beef.

Strategies under this objective include:

- 2.4.1 Strengthen Australian consumers' emotional bond with beef, create desire and educate consumers to cook a range of seasonal beef meals and cuts
- 2.4.2 Work with retailers and foodservice operators to raise standards of presentation, quality, merchandising and promotion

MLA invested \$10.2 million in beef domestic marketing during the year including \$9.2 million in producer levy funds and \$1.0 million in processor contributions. These investments supported 'Nothing beats Beef' consumer promotions around summer and winter meals and partnering with retailers and foodservice operators to enhance differentiation and build appeal for secondary cuts.

Key milestone	Result
Grow beef market share of fresh meat at retail to more than 38.4 per cent	Not achieved Beef market share grew to reach 38.3 per cent
Improvement in key beef attributes as measured by consumer tracking – 'is the most superior meat' to more than 38 per cent and 'my favourite meat' to more than 20 per cent	Not achieved Key beef attributes 'is the most superior meat' stable at 36 per cent and 'my favourite meat' stable at 20 per cent

Key milestone

Strong retailer support for MLA programs evidenced by retail butchers highly rating their sales impact at more than 63 per cent good/very good/excellent

Result

Not achieved
57 per cent of retail butchers rate the sales impact of MLA programs good/very good/excellent

MLA's consumer website – themainmeal.com.au – was relaunched in May 2013 to give beef and lamb a true online home. New features of the site include greater two-way communication, personal customisation and an improved search function for Australians to find more information and inspiration about beef, lamb and goatmeat. themainmeal.com.au is consistently listed in the



themainmeal.com.au website averaged more than 96,480 unique visitors a month in 2012-13

Increase consumer beef demand

Key focus area: Increase Australian consumers' demand for beef through compelling marketing campaigns encompassing eating quality, enjoyment and nutrition

MLA's 2012-13 summer beef marketing campaign aimed to aggressively defend beef's status by reminding Australians of the relationship between beef and the barbecue. Led by comedian and radio DJ Merrick Watts, the campaign encouraged Australians to correct the international perception that we barbecue 'shrimp', made famous by the 1980s Tourism Australia commercial.

Launched in November 2012, the campaign consisted of a media partnership between Channel 7, radio station MMM (Merrick's employer) and facebook, with a television commercial encouraging consumers to go online or to the butcher shop and sign a petition calling for the tourism ad to be remade. Public relations and point-of-sale materials including bumper stickers, stubby holders, ENTICE and Meat & Co magazines were also part of the campaign.

The campaign generated strong engagement and consumer response. Within five days, the ad had reached almost 700,000 views on YouTube, and ultimately ranked eighth on Google's list of Australian top 10 advertisements on YouTube for 2012. The 'Nothing beats Beef' Facebook page achieved a 50 per cent increase in fans to reach more than 82,000 during the campaign, being named number one in Asia Pacific by Facebook for the period.

The campaign performed well on many campaign metrics, with more than 76 per cent of respondents agreeing that beef is 'the perfect meal for the barbecue'. Total beef sales values increased by 0.5 per cent from November to February year-on-year during the campaign period and sales of steak cuts increased 2.9 per cent year-on-year over the same period. (2.4.1)



Merrick Watts encouraged Australians to correct the perception that we put shrimp and not beef on the barbecue

2. GROWING DEMAND

top 10 food websites in Australia, averaging 96,480 unique visitors per month over the first six months of 2013. (2.4.1)

MLA's 'Masterpieces' program continued to promote non-loin cuts of beef and lamb to the foodservice sector to add more value to the carcass. The latest phase of the program, *Beef Masterpieces volume two*, focussed specifically on the chuck and skirt cuts. A series of chef workshops were held around the country to inspire chefs to utilise more non-loin cuts and further develop their knowledge and skills when using non loin cuts. (2.4.2)

2.5 Aggressive promotion of lamb in the domestic market

MLA marketing programs in the largest and most stable market for Australian lamb aim to defend market share and keep lamb top of mind via high impact seasonal promotions, improve retail standards, and support foodservice promotion of lamb.

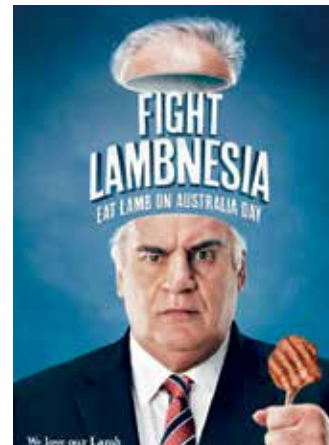
Strategies under this objective include:

- 2.5.1 Maintain lamb as a routine habitual purchase by building national pride in lamb and encouraging consumers to buy and cook a wider range of lamb cuts/meals via consumer promotional efforts around specific community occasions throughout the year
- 2.5.2 Work with retailers and foodservice operators to raise standards of presentation, quality, merchandising and promotion

MLA invested \$8.2 million in domestic lamb marketing during the year including \$7.8 million in producer levy funds and \$0.4 million from other sources. These investments supported 'We love our Lamb' consumer promotions around Australia Day, autumn and spring, and partnering with retailers and foodservice operators to enhance differentiation and build appeal for secondary cuts.

Key milestone	Result
Grow lamb market share of fresh meat at retail to more than 13.5 per cent	Achieved Lamb's market share at retail increased to 13.6 per cent
Improvement in key lamb attributes as measured by consumer tracking – 'top of mind awareness' to more than 17 per cent and 'is loved by Australians' to more than 75 per cent	Not achieved Key lamb attributes 'top of mind awareness' stable at 16 per cent and 'is loved by Australians' at 72 per cent
Strong retailer support for MLA programs as evidenced by retail butchers rating their sales impact highly at more than 53 per cent good/very good/excellent	Not achieved 47 per cent of retail butchers rate the sales impact of MLA programs good/very good/excellent

The 2013 Australia Day lamb campaign – the ninth to feature Sam Kekovich – built on the legacy of the long-running promotion by encouraging Australians



Sam Kekovich fronted his ninth Australia Day lamb marketing campaign with his 'lambnesia' advertisement viewed almost 450,000 times on YouTube

to tackle 'lambnesia', an affliction that makes people forget their Australian identity. The campaign included a humorous television commercial that showed Sam suffering from 'lambnesia' after a knock to the head and an interactive online test allowed people to measure their level of 'unAustralianism'. By the end of January, the 'lambnesia' advertisement on YouTube had been viewed 449,200 times and Sam's lamb Facebook page received more than 45,000 likes. The television commercial had strong impact with consumers and retail participation rates were the highest of any MLA campaign. Sales results for lamb were very strong during the campaign period, with values for the Australia Day week 48 per cent above the 12 month average, breaking the record set in 2012. The 'We love our Lamb' message was extended through Sam Kekovich's appearances as 'Lambassador' in Australia Day campaigns for Woolworths, Coles, McDonalds and Tourism Queensland. (2.5.1)

Launched in mid-April 2013, MLA promoted an 'easy' lamb roast that can be cooked in 30 minutes through a television advertisement, outdoor posters, online and point-of-sale materials. The campaign had good consumer engagement with total sales value for the campaign period up 2.4 per cent, however more work is needed to improve participation from butchers. (2.5.1)

MLA has also conducted 18 'Counter Attack' lamb and beef value-adding workshops nationwide during 2012-13 attended by more than 600 independent retail butchers. The workshops aim to raise retail standards and introduce new value-added product lines, with copies of the *Racking up your profits* and *Beefing up your profits* manuals and product point-of-sale material provided to facilitate professional in-store displays. (2.5.2)

2.6 Aggressive promotion in export markets – beef

MLA delivers marketing and promotions in export markets to maintain sales in traditional beef markets such as Japan and Korea and maximise sales growth in emerging markets such as China, South East Asia, the Middle East and Russia.

Create new business for beef in emerging markets

Key focus area: Create new business for Australian beef in emerging global markets by working with exporters to win at least 20 new major accounts and at least 20 large new product opportunities for branded beef

The emergence of China as one of Australia's largest export markets for beef was one of the most significant developments for industry during 2012-13. Driven by tight local supplies, restrictions on US and Brazilian imports, growing interest in food safety and a rapidly growing fast food sector, Australian product is well situated in the marketplace.

MLA actively supported both exporters and importers throughout this explosion of trade by developing in-country supply chain relationships, training Chinese butchers and food service staff to improve their awareness of Australian beef and lamb, and equipping staff in MLA's China office to identify further business opportunities.

Spearheading these efforts was MLA's facilitation of the SIAL tradeshow, supported by 14 Australian exporters and resulting in more than 500 importer leads. MLA fortified its marketing efforts into the second tier cities of Shenzhen, Tianjin, Hangzhou and Sanya with a seminar road show and new retail sampling programs to raise interest in these key growth cities.

MLA has also keenly sought out foodservice support and fostered 'champions' of Australian beef and lamb via the Red Majesty Chef program. The program has trained 10 Beijing Chinese banqueting chefs in innovative product use and in 2013-14 will capture the opportunity to jointly promote Australian product in the chef's restaurants. (2.6.2)



MLA facilitated a trade presence at the SIAL trade show in May 2013 that resulted in more than 500 importer leads

Strategies under this objective include:

- 2.6.1 Disseminate comprehensive export marketing information
- 2.6.2 Develop new trade and consumer opportunities for Australian beef internationally
- 2.6.3 Position Australian beef as safe, consistent, versatile and nutritious via trade and consumer educational activities
- 2.6.4 Assist in the creation and promotion of strong brand identities through implementation of industry collaborative agreements (ICAs)

MLA invested \$19.9 million in international beef marketing during the year including \$19.5 million in producer levy funds and \$0.4 million from other sources. This investment supported tailored marketing strategies to each major international market for Australian beef with a particular focus on maintaining consumer awareness and key account sales in traditional markets, and business development activities in emerging markets. In all markets, MLA works cooperatively with Australian exporters to develop and grow sales for individual beef brands.

Key milestone

Result

Achieve at least 80 per cent of KPIs listed in regional beef implementation plans	Achieved More than 80 per cent of KPIs achieved in regional beef implementation plans
An additional eight major customers are recruited globally for Australian beef	Achieved 29 new foodservice and retail chains are using Australian beef through North America, Middle East and Asia

Key milestone

Result

More than 80 per cent of Australian exporters and importers satisfied with MLA business development activities	Achieved Positive feedback from exporters and importers at trade events, with 90.8 per cent satisfied with business development activities in Japan
Achieve an increase in ICA participation and uptake on planned activity, from 2011-12 baseline	Achieved ICA participation and expenditure increased from 2011-12

In the United States, Australian beef took advantage of opportunities for the growing niche of grassfed and natural product, with one of the most prominent major fast food casual chains sourcing whole muscle cuts from Australia and a major retail chain rolling out a program under their natural store branding banner. (2.6.2)

In Russia, a temporary ban placed on US beef coincided with the Prodexpo trade show in February 2013, with Australian exporters on hand to take new business orders to fill the gap left by the ban. These new business activities combined with supply chain education to build trust in Australian beef and strong local relationships. Australian chilled beef has replaced the US volume as well as benefiting from further growth in high end specialist steakhouses across the major Russian cities. (2.6.2)

In the Middle East region, a 30-episode television series *100Lahma (100Meat)* on the Arab lifestyle cooking channel *FatafeatTV* premiered during late 2012-13. Featuring MLA regional corporate chef Tarek Ibrahim, the show included 100 beef and lamb recipes and 30 lessons on handling and knowledge of Halal slaughter, traceability and quality with

2. GROWING DEMAND



MLA regional corporate chef Tarek Ibrahim was involved in the 30-episode television series 100Lahma on the Arab lifestyle channel

endorsement of Australian beef and lamb as the world's best. A Facebook competition was also run in partnership with Tourism Queensland and Etihad Airways for an Australian holiday to winners of a red meat quiz based on the show's lessons. The Facebook page had garnered more than 30,000 likes by the end of June. (2.6.3)

In Korea, MLA continued to build on the strong retail presence and recognition of Australian beef by working closely with key accounts. In March 2013, MLA jointly funded a beef promotion with one of Korea's largest burger chains through more than 1,000 stores across the country. The promotion included the 'Australian beef: clean and safe' message on store counter banners and displayed on 5.5 million tray mats. MLA also built trade relationship and product knowledge through the annual Grand Seminar in June 2013 with more than 330 importers, wholesalers, foodservice operators and retailers hearing an update on the latest global beef trends, beef supply from Australia and marketing activities. (2.6.3)

MLA worked with Japan's largest supermarket chain Aeon on their 'Australian Fair' from 15–17 March in more than 1,500 supermarket outlets. The fair included MLA-supported in-store demonstrations at more than 300 outlets with 'Aussie beef' fresh meat and deli-style items and original beef recipe ideas and achieved widespread media exposure. (2.6.3)

2.7 Aggressive promotion in export markets – sheepmeat

MLA delivers marketing and promotions in export markets to maintain sales in traditional lamb markets, especially through foodservice, and partner with Australian exporters to build loyalty to Australian product.

Strategies under this objective include:

2.7.1 Disseminate comprehensive export marketing information

2.7.2 Grow awareness, trial and purchase of Australian lamb in overseas markets through various promotional activities

2.7.3 Position Australian lamb in overseas markets by leveraging its generic positive attributes (product integrity, Halal integrity, consistent quality, delicious, nutritious and easy to prepare)

2.7.4 Under co-operative programs support the growth of branded lamb supply chains to develop trade and consumer loyalty

MLA invested \$6.8 million in international lamb and sheepmeat marketing during the year including \$6.7 million in producer levy funds and \$0.1 million from other sources. This investment supported tailored market promotional activities including business development work with foodservice operators and retailers, working closely with exporters to grow sales of individual lamb brands, and monitoring in-market consumer and business trends.

Key milestone	Result
Achieve at least 80 per cent of KPIs listed in regional sheepmeat implementation plans	Achieved More than 80 per cent of KPIs achieved in regional sheepmeat implementation plans
An additional eight major customers are recruited globally for Australian lamb	Achieved 10 foodservice and retail chains have commenced using Australian lamb as a result of business development activities in North America, Asia and the Middle East
More than 80 per cent of Australian exporters and importers are satisfied with MLA business development activities	Achieved Positive feedback from exporters and importers at trade events, with more than 80 per cent satisfied with business development activities in all regions
Achieve an increase in ICA participation and update on planned activity off baseline 2011-12	Not achieved No increase in ICA participation and expenditure

In the Middle East, Australia's largest overseas lamb and sheepmeat market, MLA continued to build relationships at retail and foodservice, particularly in the tourism sector, as well as with consumers. MLA used the Gulfood trade show in Dubai, the world's largest annual food and hospitality show, to reach different market channels and allow industry partnerships to promote Australian lamb. MLA coordinated an industry stand for Australian exporters to showcase their products at Gulfood, with around 20 commercial players co-funded to participate in the trade show. Exhibitors had more than 40 new inquiries at the show with the most obvious source from Saudi Arabia, following the US and Brazilian beef bans to the country in 2012. MLA also hosted the Middle East's largest free family barbecue on Australia Day 2013 in association with the Red Crescent Foundation. More than 850kgs of Australian lamb were served to the more

Create incremental business for Australian lamb

Key focus area: Create incremental business for Australian lamb in domestic and global markets by increasing consumer perceptions in key markets and working with exporters to win 20 new major accounts for Australian lamb

In the United States, Australia's largest single export market for lamb, MLA's strong focus on supporting foodservice and retail accounts contributed to a growing appetite for Australian lamb, reflected in an eight per cent increase in exports to reach 37,480 tonnes swt for the financial year.

Held in May 2013, MLA partnered with five Australian lamb and beef exporters to promote product at the annual National Restaurant Association (NRA).

More than 61,000 visitors descended on the Chicago event held in May 2013 where the exhibit fielded hundreds of inquiries that led to the generation of 61 new qualified business leads as well as meeting with a number of existing customers to discuss promotional activities for 2013-14.

Held in partnership with the Restaurant Association of Metropolitan Washington, another promotion involved a competition in 10 restaurants across Washington DC in February 2013 to demonstrate the use of Australian lamb in the centre of the plate with diners voting for their favourite on Facebook.

In November 2012, MLA also launched a new 'partner portal' to provide exporters and foodservice with up-to-date resources, export data, market news and trends on the use of lamb and beef in the US to assist them with their marketing and communications. (2.7.4)



Tona Roberts from the US supplier Superior Farms promoted an Australian lamb burger through an industry collaborative agreement

than 3,500 people who attended the event. The Middle East and North Africa region in 2012-13 experienced record import volumes for both Australian beef and lamb and the best year since 2008 on Australian mutton imports. (2.7.3)

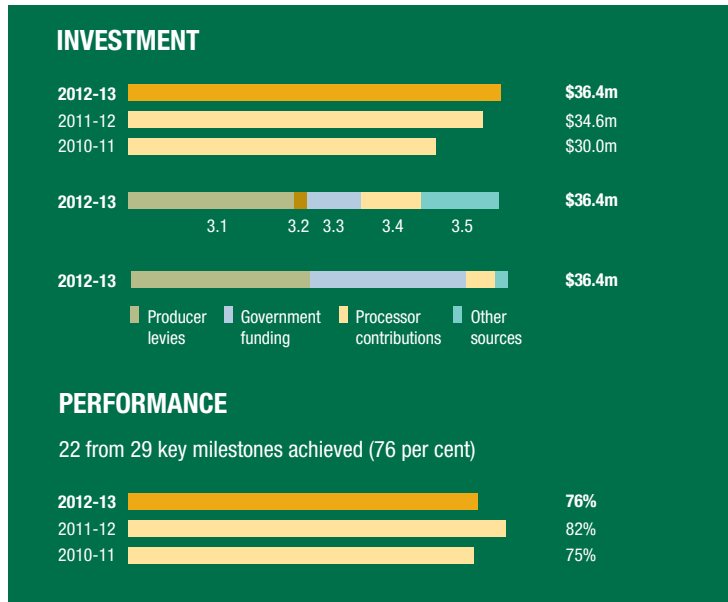
PLANNED ACTIVITIES 2013-14

Across the imperative to grow demand, in the coming financial year MLA will focus on:

- › initiatives to extract greater value and consistency from MSA by decreasing eating quality variation within brands, increasing the volume of MSA-graded product per carcass, expanding the range of products available, and maintaining MSA's integrity.
- › continue investments in the 'Proper Dinner' consumer campaign and generate evidence and credible communications supporting the role beef and lamb can play in addressing key health issues
- › significantly upgrade new product development services delivered to industry by creating a Red Meat Food Innovation Service Hub
- › continue domestic beef consumer promotions with an emphasis on seasonal associations, increasing the consumer repertoire of beef cuts and meals, and targeting opportunities for future growth (e.g. Asian flavours, men cooking, 'foodies'), as well as partnering with retailers and foodservice operators
- › continue domestic lamb consumer promotions focussed on building the association 'Australia bonds over lamb', promoting more economical lamb cuts, and targeting opportunities for future growth as well as partnering with retailers and foodservice operators, particularly the fast growing institutional and catering sectors
- › continue to implement key account 'maintain and defend' strategies and emphasis on country of origin to consolidate commitment in the face of increased competition in Japan and Korea, while focussing on business development activities and creating awareness of Australian beef in emerging markets
- › continue to work with exporters and importers to create new business opportunities for lamb and mutton in retail and foodservice accounts, while supporting continued growth in existing accounts with the best prospects in the Middle East, South East Asia, China and North America

3. INCREASING PRODUCTIVITY ACROSS THE SUPPLY CHAIN

MLA invests in R&D that creates opportunities for cattle, sheep and goat producers and supply chains to improve the productivity and profitability of their enterprises.



Objectives under this strategic imperative include:

- 3.1 Create opportunities to increase on-farm productivity
- 3.2 Identify and deliver opportunities to increase off-farm productivity and capability
- 3.3 Deliver valued supply chain and market information
- 3.4 Support industry to improve animal health and biosecurity
- 3.5 Increase producer engagement with MLA information and tools to build capability

Australian Government research priorities

- Natural resource management
- Productivity and adding value
- Supply chain and markets
- Biosecurity
- Innovation skills
- Technology

Delivering MLA business units

- Livestock production innovation
- Client innovation services
- Trade and economic services
- Industry communication and engagement
- Industry systems

KEY ACHIEVEMENTS

The EverGraze project delivered pasture management solutions for southern livestock producers including a series of four information packages detailing regional production systems and two online tools to assist producer decision-making

The Pasture Variety Trial Network was established to increase producer confidence in their pasture decision making with six MLA-supported sites and 28 independent sites registered

An MLA-funded research project showed a wide variation in breeder mortality rates across northern cattle herds and identified opportunities to improve breeder cow survival

Research demonstrated that genetic methodologies using quantitative polymerase chain reaction testing could provide faster and more accurate detection and assessment of internal parasites than existing methods

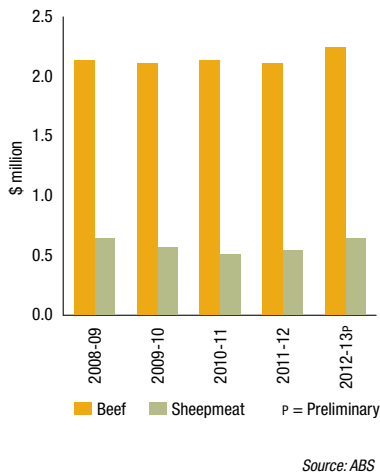
Online use of MLA market information continued to grow strongly, with an increase in website traffic of 13.9 per cent and increase in weekly email subscribers to 11.5 per cent during 2012-13

AREAS REQUIRING FURTHER FOCUS

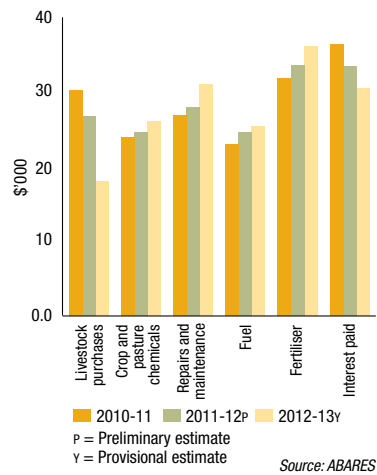
Continue to deliver projects aiming to improve the reproductive efficiency of cattle herds and sheep flocks including completion of the four-year 'Cash Cow' project identifying strategies to improve northern cattle herd reproduction by 10 per cent

Ensure timely completion of key research and extension projects in the face of changing funding and staffing arrangements with various state government funding and delivery partners

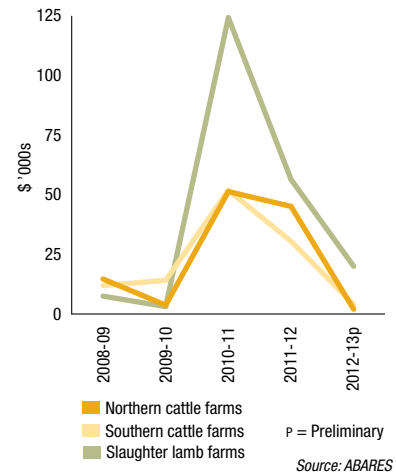
Beef and veal production increased to 2.2 million tonnes cwt and sheepmeat production increased to 640,000 tonnes cwt during 2012-13



Average cash costs of fertiliser, fuel and labour increased for broadacre farms in 2012-13



Average farm business profits decreased to \$2,000 for northern cattle, \$4,000 for southern cattle and \$20,000 for slaughter lamb farms during 2012-13



OPPORTUNITIES AND CHALLENGES

2012-13 graphically illustrated the unpredictability faced by Australian cattle, sheep and goat producers in running their businesses. The sustained dry conditions experienced nationwide in the first half of 2013 – coming on the back of two years of good seasons – dramatically lifted livestock turnoff and meat production nationwide. As a result, beef and veal production for the year increased by six per cent to reach 2.2 million tonnes cwt and lamb and mutton by more than 19 per cent to hit 640,000 tonnes cwt. This inevitably had a negative impact on livestock prices and the financial performance of many enterprises nationwide but particularly in northern Australia.

In the face of this kind of uncertainty, delivering scientific research and providing information resources that help producers to improve the productivity and profitability of their enterprises is critical. Producers' investments in management systems and infrastructure have been a major contributor to maintaining long-term average productivity growth of approximately 0.9 per cent per year in beef enterprises and 0.5 per cent in sheep enterprises. These productivity improvements can only continue through innovations to sustainably increase output through better performance and reproduction of animals and pastures, and the efficient running of enterprises to reduce costs of production.

Productivity gains are particularly important as livestock enterprises continued to struggle with the high costs of key inputs including fuel, labour, chemicals, fertiliser and stock. While the average cash costs incurred by cattle and sheep properties declined slightly in 2012-13, substantial falls in livestock prices and interest payments offset rises in chemical, fertiliser, fuel and labour costs. With the Australian dollar falling back at the very end of the financial year, many producers are bracing themselves for hikes in many of these inputs in 2013-14, particularly fuel and fertiliser.

A significant challenge in the successful delivery of MLA's research and extension projects remains the complexity of funding and program delivery relationships. These relationships include working in partnership with governments, industry organisations, universities and private companies. Particularly with state governments changing their resource allocations, staffing and project budgets, MLA is increasingly adapting to new ways to identify, deliver and evaluate its research portfolio.

Another challenge in increasing productivity lies in encouraging the widespread adoption of innovations and new technologies particularly among smaller livestock enterprises. MLA research has identified a number of barriers to adoption by individual producers ranging from lack of resources, resistance to change, time to implement changes, and 'decision inertia'.



Victorian cattle producer Christopher Murphy made management changes after taking part in an EverGraze workshop in 2012

3. INCREASING PRODUCTIVITY ACROSS THE SUPPLY CHAIN

PERFORMANCE 2012-13

3.1 Create opportunities to increase on-farm productivity

MLA assists livestock producers to increase their on-farm productivity by investing in R&D that creates opportunities to enhance genetic performance of animals and pastures, feed productivity and utilisation rates, animal reproductive efficiency, business performance, and labour efficiency.

Strategies under this objective include:

- 3.1.1 Enhance rates of genetic improvement in livestock and feedbase performance
- 3.1.2 Improve productivity in grazing and feedlot systems
- 3.1.3 Develop and implement new information technologies
- 3.1.4 Utilise producer participatory R&D to maximise rate and effectiveness of development and evaluation of new technologies

MLA invested \$16.3 million in this area during 2012-13 including \$7.2 million in producer levy funds, \$7.2 million in government funds and \$1.9 million from external sources. An additional \$3.1 million was invested through the MDC. These investments include implementation of the feedbase investment plan, lamb and weaner survival programs, and priority activities in northern R&D as part of the national beef and sheepmeat RD&E strategies, as well as supporting investments in the Future Farm Industries CRC, Sheep CRC and Sheep Resource flock.

Key milestone	Result
Implement projects for lamb and weaner survival strategy that lead to a 2 per cent per annum increase in net reproduction rate for sheep	Achieved Seven research projects have commenced to address improving lamb and weaner survival
Implement projects that lead to 5 per cent improvement in beef compliance to market specifications in southern beef	Achieved One research project has commenced to improve beef compliance in southern Australia with another approved to be contracted in 2013-14
Identify psyllid-resistant leucaena commercialisation partner/s and elite line/s undergoing seed increase and commercialisation	Not achieved Psyllid-resistant leucaena lines identified and technical packages prepared with expressions of interest for potential commercial partners to be sought in late 2013
Complete the Cash Cow project, document regional reproductive benchmarks and key risk factors, and communicate findings to the northern beef industry	Not achieved Data collection and analysis completed with the final report delayed to the second half of 2013
Complete pre-commercialisation R&D, develop and have commercialisation plan for genomic tests in sheep endorsed by stakeholders, and deliver tests on a commercial basis	Achieved Pre-commercialisation of 50K of genomic tests trialled, draft implementation plan endorsed by stakeholders, with commercial test delivery progressing during 2013-14
Trial across-breed estimated breeding values delivered to industry for British and European beef breeds	Achieved Trial across-breed estimated breeding values have been developed at the University of New England for the European breeds and delivered to the breed societies

Improve reproductive efficiency

Create opportunities through research, development and extension to improve reproduction efficiency in northern beef (by five percentage points) and maternal sheep breeds (by two percentage points)

A major MLA-funded research project to identify opportunities to increase breeder cow survival in extensive northern beef herds was completed in 2012-13.

Conducted by a team of agricultural researchers and consultants, the project showed a wide variation in breeder mortality rates on different northern pastoral enterprises of between three per cent and 18 per cent.

They analysed 22 factors in breeder mortality using data taken from 45 properties across northern Australia, identifying five key factors with the strongest associations with survival rates which will allow producers to implement strategies that improve breeder survival rates.

The research led to development and release of an online calculator to help producers understand the losses on the property and identify where better record keeping could improve overall breeder survival that is available on the MLA website. (3.1.2)



MLA invests in a range of R&D to help producers improve the reproductive efficiency of the northern cattle herd

Key milestone

Establish a pasture variety trial testing network to increase producer confidence in pasture performance data by 2015

Result

Achieved
The Pasture Variety Trial Network has been established with six MLA supported sites and 28 independent sites registered

MLA-funded research has identified the key genetic traits that correlate to female reproductive performance in northern cattle herds. Conducted by the Beef CRC and its partners, the project measured the reproductive performance of more than 3,500 Brahman and tropical composite bulls against 109 traits to identify those that are correlated to reproductive performance. These results will likely form the basis of an integrated Estimated Breeding Value for reproductive performance that combines existing traits with data on new traits such as age at puberty, post-partum anoestrus interval and percentage of normal sperm. (3.1.1)

MLA-funded research was completed on a range of projects in 2012-13 to improve lamb survival and ewe reproductive performance. One of these reviewed the impact of breed differences between Merino and non-Merino ewes when managing the nutritional requirements to optimise reproductive performance. Conducted by the SA Research and Development Institute, the research found a difference in nutrition response between different breeds. It will provide the foundations for developing the next generation of genotype-specific guidelines for the management of the breeding performance of non-Merino ewes. (3.1.1)

Managed by the Future Farm Industries CRC, the EverGraze project continues to deliver pasture management tools to southern producers. Since 2005, more than 14,000 producers have been involved in

group training through EverGraze affecting changed management practices over 200,000ha. Six research teams across Victoria, NSW and WA were funded through the project, testing new farming systems with a series of four information packages detailing regional production systems released in 2013. In 2012-13 two new tools were released as a result of EverGraze research – one to estimate the food on offer in chicory and lucerne pastures and the other a feed budget rotation planner. (3.1.2)

A number of research projects on the tropical forage legume species leucaena were funded by MLA in 2012-13. Three elite breeding lines of psyllid-resistant leucaena have been developed in a recently-completed, MLA-supported research project conducted by the University of Queensland. The new variety will have a major benefit for the productivity of leucaena especially in humid climates where the negative impact of the parasitic psyllid insect is severe. Technical packages are being prepared with expressions of interest for potential commercial partners to be sought in late 2013. MLA also funded a scoping study into the development of a sterile variety, as a means of reducing the risk of leucaena spreading into ungrazed areas. (3.1.2)

The Pasture Variety Trial Network was established during 2012-13 to increase producers' confidence in performance data and help them make decisions around pasture varieties. The project will assess annual and perennial grass and legume pasture species in a series of field trials across south-eastern Australia. Six MLA supported sites and 28 independent field sites with 74 trials have been registered, with the 2011 and 2012 audits completed. The Pasture Variety Trial Network is a major project delivered as part of MLA's feedbase investment plan. (3.1.2)

Improve pasture and forage crops

Key focus area: Create opportunities through genetic research and management practices to improve pasture and forage crop productivity, quality and persistence

Commenced in 2005, the Enrich project has since shown that incorporating native perennial forage shrubs into mixed livestock and cropping systems can lift profits while contributing to sustainable land management. More than 100 species of native cultivars were tested to find those with the most promise to improve feed reliability, reduce salinity, erosion and greenhouse gases.

Economic modelling through Enrich found planting 10 per cent of a typical WA central wheatbelt property to native forage shrubs could lift whole farm profits by 15–20 per cent. Enrich was supported by MLA through the Future Farm Industries CRC and led by CSIRO Livestock Industries.

The next phase of Enrich will analyse the animal performance and health, grazing management and environmental benefits of combining forage shrub species in a polyculture – where each plant is grown for a specific purpose.

The Enrich project took out a prestigious Eureka Prize in 2013, awarded by the Australian Museum to recognise excellence in Australian research and innovation, recognising its work in sustainable agriculture. (3.1.2)



WA sheep producer Rob Grylls discovered newer forage shrub varieties through the Enrich program

3. INCREASING PRODUCTIVITY ACROSS THE SUPPLY CHAIN

3.2 Identify and deliver opportunities to increase off-farm productivity and capability

Working in partnership with the Australian Meat Processor Corporation (AMPC), individual processors and technology providers, MLA manages an R&D portfolio to improve processing efficiencies, addressing labour availability and OH&S, and increase innovation and capability.

Strategies under this objective include:

- 3.2.1 Develop new technologies and systems that improve productivity and processing efficiencies
- 3.2.2 Assist processing sector to improve work health and safety
- 3.2.3 Develop new systems to support processing decision-making
- 3.2.4 Improve industry capability, knowledge and adoption of new technologies to increase productivity

MLA invested \$1.2 million in this area during 2012-13 including \$0.6 million in processor contributions and \$0.6 million in government funds. An additional \$10.7 million was invested through the MDC. These investments enabled collaborations that developed cost effective automation and manual assist technologies, and novel objective measurement systems.

Key milestone	Result
Realise net benefits of \$0.6 million per annum from processing technologies developed under this program for which installation is completed in 2012-13	Achieved The Scott Technology loin de-boning system installed at JBS Beef City demonstrated a net annual benefit of \$0.7 million
Total aggregated net benefit of technologies installed both in 2012-13 and previous years reaches \$4.5 million per annum	Achieved Total aggregated net benefit of \$5.7 million per year from six technologies
Demonstrate in production a new technology capable of eliminating and/or reducing occupational health and safety risks	Achieved JBS ovine spinal cord removal device reduces repetitive strain tasks
Five off-farm pre-commercial innovations have achieved at least 80 per cent of their annual adoption strategy targets, including associated cost benefit analyses	Achieved Six off-farm commercial innovations achieved an average of 83 per cent of their adoption strategy targets
At least two fully commercial technologies have met their anticipated adoption targets	Achieved Three fully commercial technologies met their adoption targets – ATTEC middle machines, LEAP III, and IBEX
Re-establish engineering network	Not achieved AMPC invested in training materials in 2012-13

Key milestone

All collaborative innovation partners meet at least 80 per cent of their documented innovation strategy KPIs

Result

Not achieved
Not all participants met innovation strategy KPI targets

A manual-assist technology, the beef loin saw was developed with investment via MDC and implemented in one processing plant this year. The saw improves worker safety by keeping the operator's hands away from blades by using trigger-activated handles that 'drive' the loin through the bandsaw on a moving table. The saw also significantly increases product yields with an estimated cost/benefit for the technology of \$3.99 per head over chain boning or \$2.09 per head over table-boning methods. (3.2.2)

The bandsaw brake mechanism BladeStop™, developed by Machinery Automation and Robotics in collaboration with MDC, was in the final stage of pre-commercialisation in 2012-13. There are three prototype machines operating under trial and another nine pre-commercial machines operating with one major processor. The mechanism can stop a blade within 15 milliseconds of sensing contact with an operator's hand, significantly reducing the extent of injury. (3.2.2)

3.3 Deliver valued supply chain and market information

MLA delivers market and supply chain information that provides monitoring, analysis and reporting on the fundamentals of Australia's livestock industries. These tools and information enable businesses and supply chains to make informed decisions based on accurate market intelligence and feedback.

Strategies under this objective include:

- 3.3.1 Collect and maintain domestic and international meat market data of relevance to the Australian meat and livestock industries



MLA's national livestock reporting service covers more than 90 livestock markets nationwide including the Roma saleyards

- 3.3.2 Disseminate incisive analyses of relevant world meat market developments
- 3.3.3 Gather and analyse data on competitors
- 3.3.4 Facilitate improved information flows and risk management within supply chains
- 3.3.5 Work closely with peak councils and government and seek opportunities with like-minded organisations to identify priority industry issues and commission research to support these issues

MLA invested \$5.4 million in this area during 2012-13 including \$3.6 million in producer levy funds, \$1.3 million in government funding and \$0.5 million from other sources. This investment enabled the continued operation of MLA's livestock reporting service, digital provision of market information, more detailed data on trade flows and forward looking analyses, improved supply chain data through Livestock Data Link, and industry issues research.

Key milestone	Result
More than 90 per cent of clients find MLA market information valuable to their business, with more than 60 per cent finding it highly or extremely valuable	Achieved 95 per cent of clients found MLA market information valuable to their business with 66 per cent finding it highly or extremely valuable
Increase electronic distribution of MLA market information by five per cent	Achieved Website unique pageviews of market information increased 13.9 per cent and email recipients increased 11.5 per cent
12 processing plants uploading data to Livestock Data Link	Not achieved Five processing plants actively uploading data to LDL with a further nine making software changes to facilitate data uploads

Key milestone	Result
National Livestock Reporting Service maintains its ISO QMS accreditation	Achieved NLRS maintained its ISO QMS accreditation with no non-conformance or areas of concern raised during audit
Completion of industry issues research as requested by RMAC and peak councils	Achieved Research into coal seam gas conducted as requested by peak industry councils

MLA's national livestock reporting service collected market intelligence from more than 90 different cattle and sheep physical markets across the country each week during 2012-13. A team of 23 livestock reporting officers attend major prime and store markets, direct sales and wholesale meat markets, collecting more than 4.8 million data points that are fed into MLA's analysis team and collated into a range of reports – including price indicators, over-the-hooks reports and physical market reports – that are published on the MLA website and distributed to rural media outlets. (3.3.1)

MLA's market information continued to be the most popular content on the MLA website with more than 22,160 visitors to the 'Price and markets' section each month. There were 522,520 unique pageviews of market information content during 2012-13, an increase in traffic of 13.9 per cent on the previous year. MLA's flagship market information e-newsletter was emailed to 23,260 MLA members (via the weekly *fridayfeedback* email) and approximately 1,550 other subscribers at 30 June 2013, an increase of 11.5 per cent from the previous year. MLA's bi-annual cattle and sheep industry projections were also released to widespread media attention and had combined increase in web traffic of 85 per cent. MLA rolled out new database software during the year to enable more streamlined data collation and support more accurate reporting. (3.3.2)

Improve compliance with market specs

Key focus area: Create opportunities to improve compliance to market specifications by three per cent by providing information and tools that encourage on-farm practice change

Livestock Data Link (LDL) is a carcass performance feedback program that aims to improve the efficiency of supplying the market. It continued to be piloted during 2012-13 and is now being assessed across 14 processing plants.

The capability of LDL was expanded during the year to integrate MSA feedback, along with a library of solutions linked to MSA grading outcomes. An enhanced user interface was developed to provide improved navigation and expanded reporting tools, and scoping was also undertaken to prepare for the integration of animal health and disease feedback into LDL.

An assessment of supply chain compliance commenced with five of the plants actively piloting and uploading carcass feedback into LDL. (3.3.4)



MLA provides tools to help producers to improve their compliance with market specifications

3. INCREASING PRODUCTIVITY ACROSS THE SUPPLY CHAIN

3.4 Support industry to improve animal health and biosecurity

MLA invests in R&D to help industry address major animal diseases affecting the livestock industries and improve biosecurity measures to contain them. Any outbreak of major animal disease could have severe impacts on international trade and adverse effects on productivity.

Strategies under this objective include:

3.4.1 Improve animal health and biosecurity

3.4.2 Improved biosecurity measures at processing establishments that minimise risks to trade from exotic diseases

MLA invested \$5.9 million in this area during 2012-13 including \$2.8 million in producer levy funds, \$2.9 million in government funding and \$0.2 million from other sources. An additional \$2.0 million was invested through the MDC. This funding supported programs to address issues such as rapid diagnosis of bluetongue vectors, controlling sheep measles and worms, developing a barbers' pole worm vaccine, theileriosis control in cattle, bovine respiratory disease in feedlots and developing practical disease management at processing establishments.

Key milestone	Result
Better understanding of the epidemiology of bluetongue in Australia	Achieved Research into the distribution of the biting midge – the bluetongue vector – has completed extensive trappings, with vector potential analysis to be undertaken
New diagnostic capability for the tick-borne disease theileriosis assessed in industry and the disease status better defined and understood	Achieved A research project to develop a rapid qPCR diagnostic test to identify infected cattle and examine theileria genotypes has commenced

Key milestone	Result
Deliver improved diagnostic methods and control strategies for high priority, production limiting diseases, leading to reduced costs associated with endemic diseases	Achieved Improved diagnostic methods and control strategies developed for sheep nematodes, internal parasites, and perennial rye grass toxicity
Outcomes of the feedlot bovine respiratory disease epidemiological study delivered to industry	Achieved The feedlot BRD project results have been communicated to consulting vets and participating feedlots, with the results featured at ALFA's BeefWorks 2013 conference
Deliver R&D outcomes that will contribute to improved lamb survival and reduce ewe mortality by one per cent	Achieved Research is being conducted to generate ASBVs to reduce flystrike mortality and improve ASBV selection for fertility and lamb survival

Research completed during 2012-13 showed that genetic methodologies can provide more accurate detection and assessment of internal sheep parasites than existing methods. Conducted by CSIRO and the University of Melbourne, the project demonstrated that real time quantitative PCR, a rapid and high-throughput DNA-based methodology, could be used to count and identify nematode eggs from faecal samples faster and more precisely than traditional visual worm egg-count and faecal larval differentiation methods used to diagnose intestinal helminth parasites. The commercial application of the test will require further work to validate the results, streamline methodology and develop decision-making tools for evaluating results. (3.4.1)

MLA-funded research on perennial ryegrass toxicosis (PRGT) has delivered new knowledge on the sub-clinical effects of the syndrome. It was previously unknown that the sub-clinical effects, those that cannot be easily observed,

Minimise the threat of animal disease

Key focus area: Create opportunities through research to minimise the threat and impact of exotic, emerging and endemic diseases on Australian livestock enterprises

MLA's research portfolio into a major endemic cattle and sheep disease – Johne's disease – totals more than \$6 million over the next five years funded through the MDC in partnership with Animal Health Australia. Research into bovine Johne's disease (BJD) in particular aims to provide producers with practical tools to control the disease through improved diagnosis, new vaccination options and greater understanding of the disease.

A major MLA-funded project conducted by University of Sydney researchers investigating the improved diagnosis and prevention of BJD identified several promising areas of research. This included the benefits to be gained from a new direct faecal PCR test which cuts the waiting period for herd test results from three months to as little as three days.

Two projects are also looking at improving vaccination against BJD. MLA funded trials to assess the efficacy of Silirum, a vaccine from Zoetis Australia (formerly Pfizer Animal Health) that has been trialled in Victoria and is ready for commercial release. Further research is being conducted to see whether the current vaccine can be improved. (3.4.1)



MLA's research portfolio into Johne's disease totals more than \$6 million over five years

can cause reduced weight gain potential. MLA will be continuing research on PRGT including the development of perennial ryegrass lines with a suitable endophyte that allows the production benefits to be gained with minimal risk of toxicosis to livestock. (3.4.1)

A research project funded through the MDC aimed to improve the vaccination options for three day sickness (bovine ephemeral fever), a disease estimated to cost industry up to \$100 million per year. The research confirmed that the current vaccine is effective against the virus under Australian conditions when applied according to the manufacturer's instructions, and research is continuing into an inactivated single dose vaccine that may lead to more widespread vaccination. (3.4.1)

More than 40 projects on feedlot research were underway in 2012-13. These projects included research to produce a best practice manual on managing bovine respiratory disease (BRD). Findings from another major project exploring the epidemiology of BRD that was completed during the year were presented to participating feedlot operators and consulting veterinarians. (3.4.1)

3.5 Increase producer engagement with MLA information and tools to build capability

MLA produces a range of information, tools and services that help livestock producers to make sound business decisions, manage challenges and capture opportunities to boost their productivity. MLA's work in communications and extension aims to inform producers of their opportunities, influence their decision making and enquiry, and involve them in developing programs of relevance.

Strategies supporting this objective include:

- 3.5.1 Keep producers informed about the activities and opportunities created by their levy investment in R&D and marketing
- 3.5.2 Facilitate the uptake of MLA information, tools and learning opportunities to influence positive practice change
- 3.5.3 Partner with producers and stakeholders who use and value MLA tools and information to help influence their peers as well as inform future MLA programs and activities

MLA invested \$7.7 million in this area during 2012-13 including \$4.0 million in producer levy funds, \$3.3 million in government funding and \$0.4 million from other sources. Investments in this area during 2012-13 included the continued roll-out of the flagship extension programs More Beef from Pastures, Making More From Sheep and FutureBeef, development of new producer resources, and delivery of *feedback* magazine, producer events and online tools.



Victorian sheep producers hear about weaning more lambs at a Making More From Sheep event

Key milestone	Result
Members rate satisfaction with MLA communications activities at 3.6 out of 5 or above	Achieved Members rated their satisfaction with MLA communications activities at 3.6 out of 5
At least 50 per cent of commercial sheep and cattle producers engage with MLA information or tools	Achieved 58 per cent of producers surveyed agreed they had engaged with MLA information or tools
At least 50 per cent of those producers engaged with MLA information, tools and learning opportunities, improve their knowledge, skills and/or capacity to change practice as a result of this engagement	Not achieved 46 per cent of producers who engaged with MLA information and tools changed management practices as a result
At least 20 producer demonstration sites completed to deliver localised R&D information to producers	Achieved 27 producer demonstration site projects established to deliver localised R&D information
Extension delivery partnership program established and producer engagement targets met with at least two extension providers	Achieved Two partnerships initiated with the Farm 300 program and MLA challenge

MLA produces a suite of information and tools for livestock producers. The flagship *feedback* magazine is mailed to almost 49,000 MLA members 10 times per year, containing practical information on outcomes from their levy investments, with more than 83 per cent of surveyed members saying it has an influence on their business decisions. The MLA website had an average of more than 49,660 unique visitors per month over the course of 2012-13, an increase of 44 per cent from the previous year, with 82 per cent of survey respondents rating it somewhat or very useful. MLA reached almost 4,800 producers with key on-farm messages by either holding MLA events such as Meat Profit Days, innovation seminars at major industry events or sponsoring other industry events. (3.5.1)

3. INCREASING PRODUCTIVITY ACROSS THE SUPPLY CHAIN

Improving labour efficiency

Key focus area: Create opportunities with new practices or technologies to improve labour efficiency by five per cent, encompassing occupational health and safety, labour resource need and yield

A producer demonstration site funded by MLA and run in conjunction with the Richmond Beef Challenge is showing how remote monitoring technologies can be used on-farm to make labour more efficient. Remote technologies can save time travelling to sites and allow producers to allocate labour to tasks more effectively. The sites tested a walk-over-weighing (WOW) system that allowed producers to monitor liveweight gain in response to pasture quality.

The WOW technology helped producers begin feeding dry season lick six weeks after a neighbouring site that used traditional visual assessment. The trials found that using the system saved up to \$68 per head.

Remote monitoring cameras were also tested as part of the project with the camera taking five photos per day which can be accessed online to monitor watering points, reducing the need for bore runs. (3.5.3)



A producer demonstration site trialled new labour-saving technologies including walk-over-weighing systems

Two key publications were produced during the year. Published in November 2012, the 50-page manual *Phosphorus management of beef cattle in northern Australia* provided advice on ways to better overcome phosphorus deficiency in northern cattle herds, with more than 2,670 hard copies distributed and 820 downloads from the MLA website. Developed by the Sheepmeat Council of Australia and MLA, the 56-page *Producer's guide to sheep husbandry practices* helps sheep producers provide good health, welfare and management outcomes for their livestock, and in the first month of its publication was downloaded 750 times. (3.5.2)

MLA's flagship southern R&D extension programs continued to perform strongly during 2012-13. An evaluation of the second phase of More Beef from Pastures found that over the past three years more than 2,180 southern beef producers had built their knowledge and skills, and almost 1,900 changed practices as result of participating. Making More From Sheep showed similar three-year results, with almost 3,100 sheep producers building their knowledge, skills and confidence and more than 1,560 changing practices as a result of their participation. In northern Australia, 10 BeefUp forums were held with almost 390 participants, 63 per cent of these reported intending to change to their business management as a result. Two BusinessEDGE and six grazing land management workshops were also held for more than 100 producers. (3.5.2)

MLA's producer demonstration site (PDS) program enables local producers to apply the latest R&D to find solutions to real world problems. Twenty-seven PDS sites had been established nationwide by the end of the financial year, covering topics as diverse as phosphorus supplementation, fertiliser use, reproductive efficiency, parasite management and new technologies. Approximately 62 per cent of PDS participants said that they changed management practices as a result. (3.5.3)

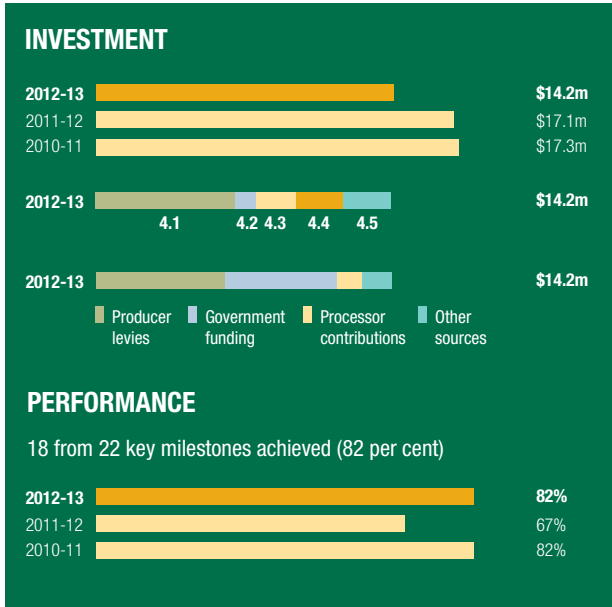
PLANNED ACTIVITIES 2013-14

Across the imperative to increase productivity across the supply chain, in the coming financial year MLA will focus on:

- › continued implementation of the feedbase investment plan, lamb and weaner survival program, lamb supply chain and animal information program, southern beef compliance program, priority activities within the RD&E priorities prospectus for the northern Australia beef industry, and a comprehensive research program addressing feedlot nutrition and heat stress
- › assisting and strengthening activities in a range of key innovation areas such as cost effective automation and manual assist technologies to improve efficiencies and OH&S as well as the feasibility, evaluation and preliminary development work of novel objective measurement systems
- › achieving industry best practice for market information data functionality, continuing to foster the adoption of price risk management and improving feedback and benchmarking data along the supply chain
- › addressing topics such as a national livestock disease survey, integrated sheep parasite management, footrot diagnostics and vaccine development, theileriosis diagnosis and control in cattle, cattle tick vaccine, and developing practical emergency disease management at processing
- › delivering targeted and timely packages of information, tools and learning opportunities including a new campaign showcasing R&D in action, the MLA challenge, and a review of national extension programs

4. SUPPORTING INDUSTRY INTEGRITY AND SUSTAINABILITY

MLA invests in programs that support industry's environmental, animal welfare, community communications and workforce sustainability practices.



Objectives under this strategic imperative include:

- 4.1 Support on-farm environmental sustainability
- 4.2 Support off-farm environmental sustainability
- 4.3 Support industry to make continued improvement in animal welfare without reducing productivity levels
- 4.4 Support industry's effective engagement with the community
- 4.5 Develop sustainable innovation capability within the industry and its service providers

Australian Government research priorities

- Natural resource management,
- Climate variability and climate change
- Innovation skills
- Technology

Delivering MLA business units

- Livestock production innovation
- Client innovation services
- Industry communication and engagement

KEY ACHIEVEMENTS

Submitted application to register Australia's first bio-herbicide Di-Bak to combat the invasive woody weed parkinsonia

Research into the two main forms of bull castration used in the northern cattle industry found surgery had improved welfare outcomes over tension banding

Industry's flagship sustainability communications program Target 100 continued to engage urban audiences and won two major environmental education awards

AREAS REQUIRING FURTHER FOCUS

Identify practical opportunities for livestock producers to improve efficiency and reduce carbon emissions from major Australian Government climate change research programs

OPPORTUNITIES AND CHALLENGES

As custodians of more than 47 per cent of Australia's landmass, producers have a strong sense of their responsibility for managing their properties and livestock to ensure the sustainability of their industry for future generations. Animal welfare, environmental and social considerations are central to the sustainable management of Australia's livestock properties.

Livestock producers work in a complex social environment, with high expectations of many consumers that their meat is produced sustainably to high ethical standards. The ethics of food production are changing rapidly, with a relatively small but influential segment of Australian consumers considering environmental impacts and animal welfare in their purchasing decisions. A particular strand of MLA's research portfolio is focussed on solutions to assist producers to further improve animal welfare outcomes.

A major component of MLA's R&D spending is tied to the Australian Government's research priority around climate change. Developing production strategies that respond to Australia's highly variable climate while increasing the efficiency of production are expected to be major outcomes of these programs. MLA's research in this area draws on a major three-year Australian Government funding program, the National Livestock Methane Program, which commenced in 2012-13 to replace the last cycle of three-year climate change funding.

4. SUPPORTING INDUSTRY INTEGRITY AND SUSTAINABILITY

PERFORMANCE 2012-13

4.1 Supporting on-farm environmental sustainability

MLA supports the livestock industry to further its environmental sustainability through R&D focussed on improving natural resource management, responding to climate change, and increasing productivity while demonstrating environmental stewardship.

Strategies under this objective include:

4.1.1 Natural resource management

4.1.2 Responding to climate change

MLA invested \$6.7 million in this area during 2012-13 including \$2.7 million in producer levy funds, \$2.7 million in government funding and \$1.3 million in external funding. This funding supported the development of new techniques for controlling major weed species, new invasive animal controls, self-assessment tools for natural resource management, and research into reducing greenhouse gas emissions and adapting to climate variability.

Key milestone	Result
Determine feasibility of use of biological controls for two weed species – parkinsonia and prickly acacia	Achieved Assessment of looper <i>Eueupithecia cisplatensis</i> found it specific to parkinsonia and three insect species imported into quarantine with potential against prickly acacia
Publish reports highlighting productivity, economic and natural resource management benefits of new plant combinations	Achieved Sixteen producer publications developed and promoted from the EverGraze project

Key milestone	Result
Produce publications for improved environmental management of feedlots, including feedlot design and effluent management	Achieved Two publications – <i>Beef cattle feedlots: waste management and utilisation</i> and <i>Feedlot design and construction handbook</i> – were produced
Improve climate forecasting from multi-week to seasonal to assist livestock producers facilitate key management decisions and activities	Achieved An improved seasonal climate prediction model POAMA was trialled during the year and will be released in late 2013
Commence a group of high quality projects that will deliver technologies and management practices to reduce methane emissions and improve production efficiency in livestock	Achieved A total of 23 research projects into climate change and livestock were approved as part of the Australian Government's Filling the Research Gap program, with \$5.2 million in MLA investment and \$26.1 million in government funding over three years

MLA-funded research was conducted by the Invasive Animals CRC (IACRC) during 2012-13 to reduce the impact of wild dogs and pigs on the Australian livestock industry. PIGOUT – a shelf-stable room temperature casing for 1080 bait – attracts and eliminates feral pigs while reducing the poisoning of non-target species, and is commercially available through Animal Control Technologies Australia. Testing is currently underway on a smaller product PIGOUT Econobaits, however registration has not been achieved. Development is also ongoing of multi dose ejectors for wild dog and fox management. With Australian Wool Innovation and IACRC support, new products have been developed including PAPP, a new toxin to complement 1080 that is currently undergoing registration approval for release. (4.1.1)

Improving sustainability

Key focus area: Create opportunities through research that will deliver a 10 per cent improvement in production efficiency through new tools and management that will decrease greenhouse gas emissions from livestock systems by up to 30 per cent

Funded by the Australian Government under the major Filling the Research Gap funding stream, the National Livestock Methane Program (NLMP) is a three-year program of 16 major research projects worth a total of more than \$13.8 million. It builds on the findings of the three-year Reducing Emissions from Livestock Research Program that concluded in June 2012.

These research projects commenced during 2012-13 and are investigating issues such as animal nutrition, rumen processes, genetics and modelling that underpins the methodology of other climate change programs.

One of the projects, managed by the NSW Department of Primary Industries, aims to deliver genetic technologies for breeding cattle with a low methane producing trait and potentially incorporate this into BREEDPLAN breeding values. Another will explore the potential for cattle grazed on leucaena to reduce net methane emissions by assessing herd emissions and carbon soil sequestration. (4.1.2)



The National Livestock Methane Program will investigate opportunities to mitigate climate change and increase production efficiency



Queensland producers David and Michelle Fryer were involved in the parkinsonia dieback trials that resulted in the development of a new bio-herbicide

Australia's first bio-herbicide began the registration process with the Australian Pesticides and Veterinary Medicines Authority during 2012-13, supported by data collected at MLA-funded trial sites. The initial research that led to this outcome began in 2004, when 200 native soil fungi that caused a parkinsonia dieback phenomenon were isolated and assessed. Called Di-Bak, the bio-herbicide can be used to control parkinsonia and reduce the cost of chemical control of this woody weed across northern Australia. Di-Bak is administered in a gelatine capsule inserted into the woody weed's trunk, killing it within six months to two years. Successful registration of the bio-herbicide, currently being pursued by a team at the University of Queensland, could pave the way for bio-controls targeting other damaging weeds such as prickly acacia and giant rat's tail grass. (4.1.1)

4.2 Support off-farm sustainability

MLA conducts R&D in collaboration with AMPC to identify strategies to mitigate and manage the impact of meat manufacturing on the natural environment and capture beneficial effects and practices.

Strategies under this objective include:

- 4.2.1 Research to improve resource use efficiency
- 4.2.2 Develop technologies, tools and procedures that contribute to improved waste management systems and value add to waste products
- 4.2.3 Develop mitigation strategies to reduce greenhouse gas emissions
- 4.2.4 Engage industry stakeholders to demonstrate environmental stewardship and to respond to emerging regulatory and market requirements
- 4.2.5 Improving industry capability, knowledge and adoption of new technologies and processes to achieve sustainable resource management and adaptation to climate change

MLA invested \$1.0 million in this area during the financial year including \$0.5 million in processor contributions and \$0.5 million in government funding. No producer levies were invested in this imperative. A further \$0.9 million was invested through the MDC. This funded research into reducing resource use (water and energy), generation of clean energy, more effective waste treatments and greenhouse gas mitigation.

Key milestone	Result
Define and/or validate new technologies or processes capable of reducing the total cost of electricity for meat plants by two per cent	Achieved A suite of technologies or processes capable of reducing the cost of electricity for meat plants by more than two per cent have been defined and will be validated during 2013-14
Demonstrate and/or validate new technologies or processes capable of reducing abattoir water consumption by two per cent	Achieved Three new technologies validated with the potential to reduce water consumption by more than two per cent – dry manual cleaning regimes, reuse of steriliser water, and bore water substitution
Pilot system of new technology developments to reduce wastewater-related environmental footprint in the processing sector are designed, built and in operation (subject to 2011-12 results)	Achieved A pilot scale temperature phased anaerobic digestion plant has been designed, built and is in near continuous operation at a meat processing plant
Complete new environmental benchmark project and ready for publishing	Not achieved The environmental benchmarking project is due for completion before the end of 2013
A dissemination and custodian vehicle is identified and agreed to host an anaerobic lagoon knowledge centre	Not achieved AMPC did not support funding of the anaerobic lagoon knowledge centre
At least two off-farm pre commercial innovations have achieved at least 80 per cent of their annual adoption strategy targets, including associated cost benefit analyses	Achieved Key adoption targets achieved for energy efficient, water efficient technologies and covered anaerobic lagoons

MLA worked with two processing companies, through MDC projects, to benchmark their energy use and identify the most effective methods to reduce energy use and costs while maintaining standards. The projects were initiated to improve the processing sector's understanding of where and how much energy is used in their operations. Through the project a number of recommendations were made which the involved companies have already begun implementing and energy management strategies were developed so that these improvements will continue into the future. (4.2.1)

MDC supported a processor to install a covered anaerobic lagoon (CAL) to produce biogas. The project is

4. SUPPORTING INDUSTRY INTEGRITY AND SUSTAINABILITY

designed to fill information gaps in wastewater treatment design, biogas optimisation, collection and handling, and comparison of CAL performance at a mixed beef/sheep plant to a beef plant. CALs are a cost-effective, low energy technology for reducing wastewater and greenhouse gas emissions in the processing sector. A stage two project is underway to understand how the management of wastewater can improve CAL biogas production. (4.2.3)

4.3 Support industry to make continued improvement in animal welfare without reducing productivity

MLA invests in R&D to create cost effective opportunities for industry to support continuous improvements in the welfare of livestock being raised, handled, transported and processed in Australia.

Strategies under this objective include:

4.3.1 Manage and improve livestock welfare to meet community expectations

4.3.2 Manage and improve livestock welfare at processing establishments to meet community expectations

MLA invested \$1.9 million in this area during 2012-13 including \$0.9 million in producer levies and \$0.9 million government funding. An additional \$0.4 million was invested through the MDC. This investment contributed to addressing priorities such as investigating needleless injectors for applying analgesics and promoting and measuring animal welfare standards on farm and at processing establishments.

Key milestone	Result
Develop a nationally-agreed standard to score the body condition of beef cattle	Achieved A national body condition scoring system has been developed and approved by CCA with extension materials being developed
The polled gene test developed in Beef CRC III commercially delivered for Brahman and other breeds	Not achieved Research into markers to improve the diagnostic accuracy of the test in some breeds completed, with refined test due to be available in late 2013
Demonstrate practical use of non-surgical alternatives to spaying	Achieved Proof of concept of non-surgical alternatives to spaying has been demonstrated
Develop practical procedures that facilitate improved surgical husbandry practices in beef herds	Achieved Research identified surgical castration as having superior animal welfare outcomes to tension banding in northern cattle and improved regime for buccal treatment of cattle using meloxicam
Innovative tools and products available to control predators on farm to decrease mortality	Achieved The IACRC has delivered several feral animal controls with several other improved tools – including Pigout Econobaits, new wild dog toxin and multi-dose ejectors – in development

MLA supported a CSIRO-led research project to refine the poll gene marker test and improve its accuracy to 99 per cent for all major breeds. Developed by the Beef CRC, the current test has been commercially available for the past two years and is currently achieving accuracy of 99 per cent in Brahmans and between 72–74 per cent in other tropical breeds. The research also found that being horned is a stand-alone genetic trait meaning that selecting for

Improving animal welfare

Key focus area: Create cost effective opportunities to replace, relieve, refine animal husbandry practices to continuously improve animal welfare

MLA-funded research into the animal welfare outcomes of the two main forms of bull castration used in the northern cattle industry – surgery and tension banding – was completed during 2012-13. Conducted by researchers from the University of Queensland, CSIRO and Massey University, the project found that there were no weight or production differences between tension-banding and surgical castration.

However, measuring pain and discomfort as reflected in cortisol levels, researchers found that while surgery caused more pain during the procedure, it appeared less painful during the next hour and a half and then at two and four weeks afterwards. This research also tested the use of pain relief, finding that surgically castrated animals responded better to pain medication in maturity.

This research provides important evidence for northern producers when making decisions around the management of their bulls. (4.3.1)



MLA's animal welfare R&D portfolio aims to deliver improved cattle and sheep husbandry practices

Effective community engagement

Key focus area: Create opportunities through media, social media and events for producers and industry to engage with the community and maintain current high levels of trust (more than 80 per cent)

The Target 100 initiative continues to drive conversations between producers and consumers, promote industry initiatives and demonstrate the sustainability of cattle and sheep producers through digital media, events, advertising and other communications.

Based on more than 100 sustainability initiatives that are on track to be completed by 2020, Target 100 is managed and promoted by MLA through a central website and social media channels that have been operating since January 2012.

In its first year, Target 100 held a 'virtual farm' in Sydney's Martin Place, and sponsored high profile events like the Taste Sydney food festival, Melbourne's 2013 Sustainable Food Summit, and the TEDx Sydney festival. The Target 100 website averaged more than 2,520 unique visitors a month during 2012-13 with almost 160 producer stories profiled on the website, and had more than 1,550 twitter followers and 2,650 Facebook likes at the end of June 2013.

Target 100 achieved national recognition in taking out the Banksia Environmental Foundation's Gold and education awards, and the World Environment Day Award for Sustainability Education by the United Nations Association of Australia. (4.4.1)



The Target 100 website had more than 2,520 unique visitors a month during 2012-13



Tasmanian producers Matt and Vanessa Dunbabin participate in Target 100 and host urban families on their farm

polledness has no impact on other traits. The refined test is expected for commercial release during 2013-14. (4.3.1)

A project to develop a nationally recognised system to visually assess and record the condition score of cattle was completed and approved by Cattle Council of Australia. The system allows more consistent identification of animal condition without the use of traditional, subjective descriptions. Producers will be able to use either the new body condition score system, or the National Livestock Language – Cattle system (referred to as 'Muscle Score Fat Score'). A glove box guide on using the new system to identify animals in low body condition will be released to industry in late 2013. (4.3.1)

4.4 Support industry's effective engagement with the community

MLA supports industry bodies and individual producers to authentically communicate the integrity of livestock production practices to the broader community and demonstrate industry's commitment to improvements underpinned by science.

Strategies under this objective include:

- 4.4.1 Support the industry to maintain the community's trust and confidence in the integrity and ethics of the Australian red meat industry by building knowledge and providing experience
- 4.4.2 Equip and empower producers and their representatives to build our industry's reputation through facts and engagement

MLA invested \$2.3 million in this area during 2012-13 including \$2.1 million in producer levies and \$0.2 million from other sources. These investments supported the continued building of the Target 100 brand to showcase industry sustainability, education materials and resources, industry social media capability and participation in royal shows.

Key milestone	Result
Increase engagement in Target 100 by 10 per cent through the key platforms of the website, social media channels and events	Achieved Engagement with Target 100 increased with 2,650 Facebook likes, 1,550 Twitter followers, and higher event attendance
300 producers actively engaged in industry advocacy activities utilising MLA-developed resources	Achieved 530 producers attended an advocacy training or social media workshop during 2012-13

4. SUPPORTING INDUSTRY INTEGRITY AND SUSTAINABILITY

Key milestone	Result
The percentage of consumers stating they are reducing red meat consumption due to perceived environmental reasons below five per cent	Achieved 2.5 per cent of consumers reducing red meat consumption due to environmental reasons

Several education programs informed children in schools across the country about the sustainability of Australian livestock production. In partnership with the science magazine *Cosmos*, three Target 100 sustainability guides were produced for school students on greener farming, water conservation and biodiversity. More than 130,000 copies of the study guides have been distributed to students nationwide. MLA support for the Young Farming Champions also saw advocates present to more than 9,000 school students, giving them insights into life on the farm. (4.4.1)

MLA continued to build the social media capability of industry and helped individual producers use communication channels such as Facebook, Twitter, YouTube and blogs. Four intensive social media workshops were held in 2012-13 with social media presentations at four other major industry events. In addition to this MLA provided support to six Influential Women workshops which were also designed to develop the attendees' social media and communication skills. These activities had a total audience of 528 producers. (4.4.2)

4.5 Develop sustainable innovation capability within the industry and its service providers

MLA supports industry innovation and research strategies by working to ensure industry has appropriately skilled people both at the enterprise level and among research providers.

Strategies under this objective include:

- 4.5.1 Work with stakeholders to promote opportunities for innovative people across the industry
- 4.5.2 Collaborate with industry to implement professional and skills development programs
- 4.5.3 Support the development of essential science, research, technical and extension capabilities

MLA invested \$2.3 million in this imperative during 2012-13 including \$0.5 million in producer levies, \$1.2 million in government funding and \$0.6 million in processor contributions. A further \$0.3 million was invested through the MDC. These investments supported enhancing science and technical skills and increasing general innovation skills within enterprises and supply chains, and ensuring long-term R&D capability is available in required disciplines.

Key milestone	Result
Provide a minimum of two scholarship opportunities in each of the (on-farm) categories of industry leadership; graduate and post-doctoral scientific capability; and undergraduate training and placement	Achieved Scholarships, training and mentoring programs were managed across all innovation areas
Provide delivery of a minimum of three scholarship (off farm) programs	Not achieved Two off-farm scholarship programs provided
Deliver at least two programs to attract agreed skills into industry (off farm)	Achieved Off-farm graduate professional development program ongoing and an innovation development program piloted

MLA supported a range of tertiary and post-graduate development initiatives. Ten new post-graduate awards and PhD students were embedded in MLA-funded research projects and CRC programs. Six appointments have been made in the mentor program to develop future scientific leaders. Two undergraduate students were supported through the Horizon Program to attract high potential students into livestock related courses. (4.5.1)

Four new companies have joined the Collaborative Innovation Strategies program in 2012-13. Five companies completed the first phase of the program and are continuing to second phase. Evaluation from companies that have successfully completed the first phase indicates that the accelerated adoption of R&D outcomes and comprehensive innovation strategies developed through the program have delivered an average \$16.47 per head benefit. (4.5.2)

PLANNED ACTIVITIES 2013-14

Across the imperative to support industry integrity and sustainability in the coming financial year, MLA will focus on:

- › refining existing knowledge to enhance natural resources, developing new techniques for controlling major weed species and feral animals, trialling a self-assessment tool and continuing projects to reduce greenhouse gas emissions and adapt to variable climates
- › continuing off-farm environmental initiatives to mitigate greenhouse gas emissions, environmental benchmarking, waste management, water and energy efficiency
- › addressing priorities arising from a new five-year animal welfare plan and promoting and measuring animal welfare standards
- › supporting industry's engagement with the community through the Target 100 initiative
- › continuing to address targeted capability gaps such as enhancing science and technical skills within enterprises and supply chains

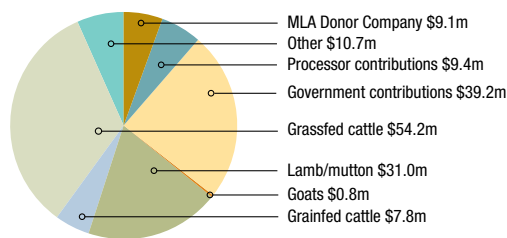
ABOUT MLA

MLA is incorporated under the *Corporations Act 2001* as a public company limited by guarantee. It is the declared marketing and R&D body under the *Australian Meat & Live-Stock Industry Act 1997* and is operated on a not-for-profit basis. MLA has approximately 48,610 cattle, sheep and goat producer members.

FINANCIAL SUMMARY

Revenue

MLA's total income was \$162.2 million during 2012-13, an increase of 1.4 per cent from 2011-12. Income from producer levies increased by 2.2 per cent to \$93.8 million, government contributions decreased 2.6 per cent to \$39.2 million, and processor contributions increased by one per cent to reach \$9.4 million. This change in income reflected an increase particularly in grassfed cattle levy contributions (up 3.3 per cent) due to the increased cattle slaughter that resulted from dry conditions across many parts of Australia in the second half of the year.

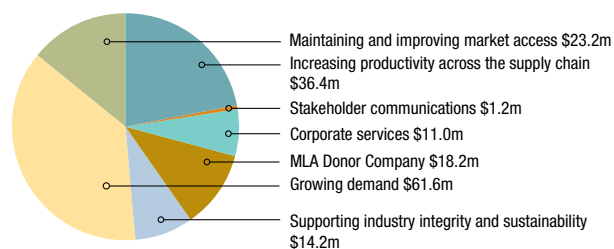


	2012-13	2011-12	2010-11
Total revenue	\$162.2m	\$159.9m	\$167.4m
Grassfed cattle levies	\$54.2m	\$52.5m	\$56.2m
Grainfed cattle levies	\$7.8m	\$8.1m	\$8.5m
Lamb/mutton levies	\$31.0m	\$30.6m	\$30.8m
Goat levies	\$0.8m	\$0.6m	\$0.6m
Processor contributions	\$9.4m	\$9.3m	\$9.0m
Government contributions	\$39.2m	\$40.3m	\$40.3m
MLA Donor Company	\$9.1m	\$8.7m	\$10.4m
Other	\$10.7m	\$9.8m	\$11.6m

Government contributions include matched and unmatched R&D funding

Expenditure

MLA's expenditure reached \$165.8 million during 2012-13, a decrease of 3.0 per cent on 2011-12. This included expenditure of \$86.2 million on marketing, a decrease of 3.0 per cent from the previous year, and of \$79.6 million on R&D, a decrease of 6.5 per cent. This decrease in



expenditure reflected a decision to reduce program expenditure to improve MLA's reserves position.

	2012-13	2011-12	2010-11
Total expenditure	\$165.8m	\$171.0m	\$166.5m
Maintaining and improving market access	\$23.2m	\$23.1m	\$20.7m
Growing demand	\$61.6m	\$66.4m	\$66.1m
Increasing productivity across the supply chain	\$36.4m	\$34.6m	\$30.0m
Supporting industry integrity and sustainability	\$14.2m	\$17.1m	\$17.3m
MLA Donor Company	\$18.2m	\$17.5m	\$20.8m
Stakeholder communications	\$1.2m	\$0.9m	\$1.0m
Corporate services	\$11.0m	\$11.4m	\$10.6m

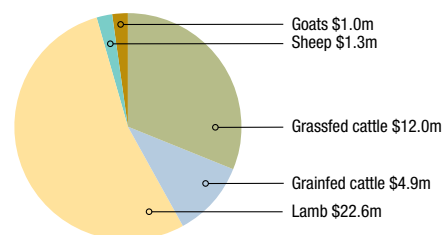
Revenue/expenditure summary

	2012-13	2011-12	2010-11	2009-10	2008-09
Total revenue	\$162.2m	\$159.9m	\$167.4m	\$171.8	\$163.4m
Producer levies	\$93.8m	\$91.8m	\$96.1m	\$96.4m	\$98.1m
Government contributions	\$39.2m	\$40.3m	\$40.3m	\$42.7m	\$33.7m
Other	\$29.2m	\$27.8m	\$31.0m	\$32.7m	\$31.6m
Total expenditure	\$165.8m	\$171.0m	\$166.5m	\$170.7m	\$146.8m
Marketing	\$86.2m	\$92.4m	\$90.4m	\$88.4m	\$80.2m
R&D	\$79.6m	\$78.6m	\$76.1m	\$82.3m	\$66.6m

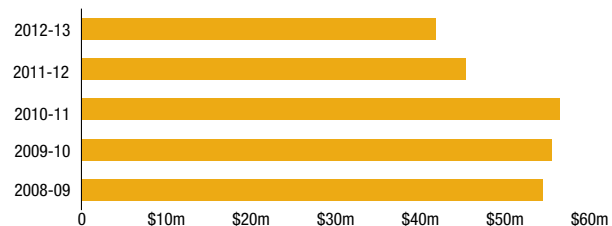
Government contributions include matched and unmatched R&D funding

Retained earnings

MLA's deficit for the year was \$3.6 million taking the retained surplus as at 30 June 2013 to \$41.8 million. This retained surplus is broken down as follows:



MLA had a retained surplus of \$41.8 million at 30 June 2013



Income and expenditure by funding source 2012-13

Strategic imperative	Goat		Mutton		Lamb		Total sheep		Cattle grassfed	
	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000
1. Maintaining and improving market access										
1.1 Develop and deliver industry systems	6	83	46	78	402	745	448	823	381	1,432
1.2 Support to maintain and liberalise world meat markets		10	8	115	51	1,013	59	1,128	65	1,661
1.3 Maximise market options in the livestock export market	16	52	123	389	133	559	256	948	282	3,489
2. Growing demand										
2.1 Help industry deliver optimal eating quality	1		94	81	433	590	527	671	828	2,566
2.2 Enhance the nutritional reputation of red meat				5	149	1,114	149	1,119	102	2,857
2.3 Develop new products	0		31		180	(5)	211	(5)	327	(12)
2.4/2.5 Aggressive promotion in the domestic market		28		10		7,747		7,757		8,437
2.6/2.7 Aggressive promotion in export markets		141				6,552		6,552		17,338
3. Increasing productivity across the supply chain										
3.1 Create opportunities to increase on-farm productivity	278	(1)	240	(12)	2,719	(85)	2,959	(97)	3,482	(1)
3.2 Deliver opportunities to increase off-farm productivity				1				1		10
3.3 Deliver valued supply chain and market information	3	7	46	65	305	609	351	674	893	1,465
3.4 Improve animal health and biosecurity	1		279		1,649		1,928		573	
3.5 Increase producer engagement	8	5	145	18	1,321	226	1,466	243	1,751	424
4. Supporting industry integrity and sustainability										
4.1 Support on-farm environmental sustainability			147		625		772		1,299	
4.2 Support off-farm environmental sustainability										
4.3 Support improvement in animal welfare standards	5		33		219		252		514	
4.4 Support industry engagement with the community			4	37	27	356	30	393	62	1,355
4.5 Develop sustainable innovation capability	14		34		228		261		191	
Stakeholder communication and reporting	7	3	12	13	85	195	97	208	130	476
AUS-MEAT				44		66		110		384
R&D Partnerships										
Total expenditure before corporate services	340	329	1,241	844	8,525	19,682	9,766	20,525	10,880	41,881
Corporate services	29	19	68	77	506	1,240	574	1,317	666	2,646
Levy collection costs		4		14		199		213		379
Total actual expenditure 2012-13	370	351	1,309	935	9,031	21,121	10,341	22,055	11,546	44,906
Income available:										
– Levies	483	304	1,117	1,262	8,295	20,301	9,413	21,563	10,905	43,314
– Government										
– Processors										
– Live export										
– R&D partnerships										
– External										
Total actual income 2012-13	483	304	1,117	1,262	8,295	20,301	9,413	21,563	10,905	43,314
Surplus/(deficit)	113	(48)	(192)	328	(736)	(820)	(928)	(492)	(641)	(1,592)
Opening reserves	144	799	1,055	66	10,144	14,027	11,199	14,093	4,648	9,573
Closing reserves	257	751	863	394	9,408	13,207	10,271	13,601	4,007	7,981
Percentage of revenue	53%	247%	77%	31%	113%	65%	109%	63%	37%	18%

Government funds are for eligible R&D matching dollar contributions

	Cattle grainfed		Total cattle		Total levy funds		Processor		LiveCorp		External	MLA total	MLA Donor Co.	Govt	MLA AOP
	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000	M \$000	\$000	R&D \$000	R&D \$000	2013 \$000
58	456	438	1,888	892	2,795	1,048	531	6	17	1,541	6,830			1,946	8,775
12	253	77	1,914	136	3,052	129	3,120			160	6,597			265	6,862
		282	3,489	554	4,489			600	580	169	6,392			1,154	7,546
215	534	1,043	3,101	1,572	3,771	463				359	6,165			2,035	8,200
17	515	119	3,372	268	4,491	175	534				5,468			443	5,912
56		383	(12)	594	(17)	322				25	924			916	1,840
	699		9,136		16,922		1,255			226	18,403				18,403
	2,127		19,466		26,159					556	26,715				26,715
521	(4)	4,003	(6)	7,239	(104)					1,940	9,075			7,239	16,314
	1		11		11	585				(11)	585			585	1,170
55	126	948	1,591	1,302	2,272					477	4,051			1,302	5,354
329		902		2,831		21				192	3,045			2,852	5,897
113	29	1,865	453	3,338	702					338	4,379			3,338	7,717
641		1,940		2,712						1,259	3,971			2,712	6,683
						505					505			505	1,009
152		666		923		11				21	955			934	1,889
6	199	68	1,555	99	1,948	24	88				2,158			123	2,281
72		262		538		621					1,159			1,159	2,318
9	26	139	503	244	714					1	958			244	1,201
	56		440		550						550				550
													9,100	9,100	18,201
2,256	5,020	13,136	46,900	23,243	67,755	3,904	5,528	606	597	7,252	108,885	9,100	36,853	154,838	
156	320	822	2,967	1,426	4,302					3,186	8,914			1,426	10,338
	54		433		650						650				650
2,412	5,394	13,958	50,300	24,668	72,707	3,904	5,528	606	597	10,438	118,449	9,100	38,279	165,827	
2,557	5,251	13,462	48,565	23,357	70,432						93,789				93,789
														38,279	38,279
						3,905	5,528				9,433				9,433
								606	597		1,203				1,203
												9,100			9,100
										10,438	10,438				10,438
2,557	5,251	13,462	48,565	23,357	70,432	3,905	5,528	606	597	10,438	114,863	9,100	38,279	162,243	
145	(143)	(496)	(1,735)	(1,311)	(2,275)						(3,584)				3,584
2,315	2,563	6,963	12,136												
2,460	2,420	6,467	10,401												
96%	46%	48%	21%												

FUNDING ARRANGEMENTS

MLA is primarily funded by transaction levies paid on livestock sales by producers. The Australian Government also contributes a dollar for each levy dollar MLA invests in R&D. This is supplemented by unmatched grants from the Australian Government and cooperative contributions from individual processors, wholesalers, foodservice operators and retailers. Processors and live animal exporters also co-invest levies through their service companies AMPC and LiveCorp into MLA programs.

Producer transaction levies

Transaction levies are charged by the Australian Government on the sale of each head of cattle, sheep and goats sold under the *Primary Industries (Excise) Levies Act 1999*. Transaction levies are collected, administered and disbursed by the Department of Agriculture, Fisheries and Forestry on a cost recovery basis and invested back into the industry to assist in R&D, marketing and market access services. MLA is not the only recipient of livestock transaction levies – it is one of three organisations alongside Animal Health Australia and the National Residue Survey. Levies received by MLA are accounted for in two streams – one to support marketing activities and the other to support R&D.

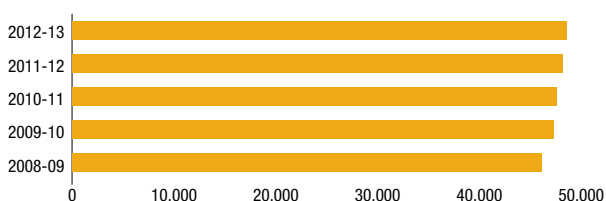
Total levies charged in 2012-13 were \$5 per head of grassfed and grainfed cattle transacted, two per cent of the sale price on each head of sheep transacted and \$0.37 per head of goats transacted. Of this, DAFF distributed the following to MLA:

- From the \$5 per head cattle levy, \$3.66 for marketing and \$0.92 for R&D
- From the two per cent per head sheep levy, 0.87 per cent for marketing and 0.77 per cent for R&D
- From the \$0.37 per head goat levy, \$0.105 for marketing and \$0.167 for R&D

MLA membership

Membership of MLA is open to all levy-paying grassfed cattle, grainfed cattle, sheep, lamb and goat producers and is free of charge. Benefits associated with membership include a range of free information and tools on MLA's market information, R&D and marketing programs. MLA had approximately 48,610 members at 30 June 2013, an increase of one per cent on the previous year.

MLA had approximately 48,610 members at 30 June 2013



MLA membership over five years

	2012-13	2011-12	2010-11	2009-10	2008-09
Total	48,608	48,173	47,556	47,342	46,156
Grassfed cattle	41,334	41,005	40,450	40,224	39,062
Grainfed cattle	5,308	5,301	5,201	5,140	4,962
Sheep/prime lambs	17,862	17,611	17,410	17,375	17,030
Sheep only	9,713	9,872	9,875	9,980	10,074
Goats	2,360	2,344	2,302	2,287	2,248

STRATEGIC FRAMEWORK

MLA stakeholders

MLA operates in partnership with industry and government to deliver services to the cattle, sheep and goat industries.

The Australian Government sets high priority R&D objectives covering community, industry and environmental concerns.

Industry peak councils provide policy direction, scrutinise budgets and monitor MLA's performance on behalf of the red meat industry. These are the Australian Lot Feeders' Association, Cattle Council of Australia, Goat Industry Council of Australia and Sheepmeat Council of Australia.

MLA also works closely with the Australian Meat Processor Corporation, Australian Meat Industry Council, LiveCorp and Australian Livestock Exporters' Council to develop programs that address key industry issues and opportunities, manage projects and communicate outcomes.

Strategic alignment

MLA's work is aligned with industry bodies and government to ensure our activities have greatest impact. We continually strive for efficiencies in how we deliver benefits to members and key stakeholders.

Aligning our investments with industry and government is a critical way of achieving these efficiencies. The *MLA Corporate plan 2010–2015* is a dynamic document that the MLA Board and Executive Committee review annually to ensure it remains relevant to industry, government and community needs. This forms the basis for developing closely aligned annual operating plans, and ensures that we direct our funds to achieve industry's vision.

This strategic plan aligns closely with the *Meat industry strategic plan 2010–2015 (MISP)* which gives focus and direction to our work to build demand, productivity and trust for the red meat and livestock industry. The MISP addresses key drivers across markets to create access advantages; value-add products and marketing; a product focus on food safety and eating quality; and the supply chain addressing community concerns and whole-of-chain efficiencies.

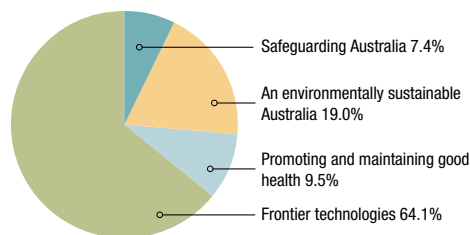
The *MLA Corporate plan 2010–2015* and *MISP* align with the Australian Government's national and rural R&D priorities.

R&D investments

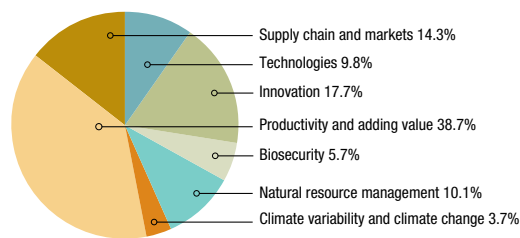
The competitiveness of Australia's red meat and livestock industry is driven by our long history of innovation. Working smarter by applying R&D throughout the supply chain has been the backbone of productivity growth across the industry.

MLA invested \$79.6 million in a range of R&D programs during 2012-13. This investment includes matching funds from the Australian Government and aligns with national and rural R&D priorities.

National R&D priorities



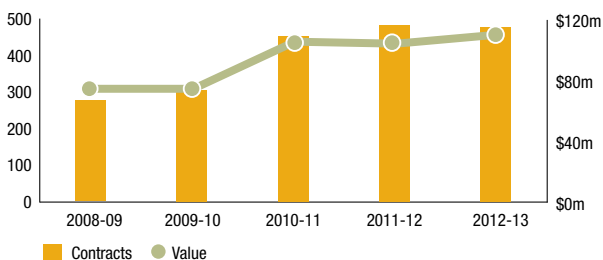
Rural R&D priorities



Throughout the year, MLA completed or terminated 494 research contracts worth \$46.6 million and commenced 488 new contracts during the year worth \$52.5 million.

This resulted in a total portfolio of 476 current research contracts at 30 June 2013 valued at \$110.6 million. It must be noted that each R&D project can include multiple contracts. These reported contracts for 2012-13 include livestock production innovation, client innovation services, nutrition, industry systems, industry communications and engagement, food safety and livestock export R&D programs.

MLA had 476 current research contracts worth \$110.6 million at 30 June 2013



These research contracts cover all ongoing R&D projects, with the major outcomes from these summarised in the *Report to stakeholders* in this *Annual report*. A complete

list detailing R&D contracts with a value of greater than \$10,000 and completed during 2012-13 has been published online at www.mla.com.au/annualreport.

MLA Donor Company

An MLA wholly-owned subsidiary, the MLA Donor Company Limited (MDC) facilitates private investments in R&D innovations across the red meat industry. The Australian Government provides financial support to match voluntary partner contributions through the MDC, where eligible projects deliver outcomes that address broader industry and/or government priorities and are available to benefit the broader industry.

No producer levies are invested in MDC-funded projects.

During 2012-13, the MDC attracted a total investment of \$18.2 million in private and public funds in industry R&D. A total of 53 new project contracts were approved last year totalling \$14.0 million.

Since its inception in 1999, the MDC has approved 567 contracts worth \$215.6 million. Private investors in projects funded through the MDC have included all parts of the red meat supply chain – processors, value-adders, breed societies, pastoral companies and technology providers.

The MDC also facilitates the commercialisation of industry R&D. Through international alliances, the MDC fosters world-class innovation by accelerating access to intellectual property at a much lower cost than would otherwise be possible.

This model injects valuable new funding into red meat industry R&D and commercialisation, with a number of resulting benefits:

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

MDC funding enabled a number of key projects that have been highlighted throughout this *Annual report*:

- High pressure processing – see page 20
- Novatein bioplastic – see page 20
- Beef loin saw – see page 30
- BladeStop™ technology – see page 30
- Bovine Johnes disease research – see page 32
- Bovine Ephemeral Fever vaccine – see page 33
- Processor energy use benchmarks – see page 37
- Covered aerial lagoon technology – see page 38
- Collaborative Innovation Strategies – see page 40

Industry collaborative agreements

Industry collaborative agreements (ICAs) continue to be effective in marketing Australian red meat. In partnership with industry, ICAs involve MLA working with individual Australian exporters or overseas importers to jointly fund specific marketing activities to boost demand for Australian red meat overseas. We also have ICAs in place with domestic suppliers to support marketing of MSA-branded beef and lamb.

The global beef ICA program was formalised in 2008 and the lamb ICA program in 2010, aiming to:

- grow sales of participants' product in specific markets
- enhance the impact and effectiveness of participants' marketing activities
- develop stronger recognition and positioning of beef and lamb in international markets
- strengthen supply chain relationships between participants and in-country customers

For beef, MLA worked with 63 Australian companies during the year to deliver ICA activities across key markets including Australia, Japan, South East Asia, Greater China, Europe, the Middle East and North Africa, North America, Korea and emerging markets. MLA contributed a total of approximately \$3.5 million, and participants contributed the same amount. These activities strengthened brands and built awareness for product across both new and existing accounts.

For lamb, MLA managed ICAs with 27 Australian companies across Australia, Japan, South East Asia and Greater China, Europe, the Middle East and North Africa, North America, Korea and emerging markets. MLA contributed a total of approximately \$405,400 and exporters contributed the same amount. These activities focussed on retaining key accounts and maintaining volumes, given strong lamb prices and the exchange rate.

Region	MLA ICA contribution (A\$)	
	Beef	Lamb
Australia	820,273	102,105
Europe	117,106	40,174
North America	507,060	79,298
Japan	408,641	15,570
Korea	269,350	1,830
Middle East/North Africa	76,944	44,918
South East Asia/Greater China	657,426	46,419
Cross region	604,839	75,090
Total MLA contribution	3,461,639	405,403
Total participant contribution	3,461,639	405,403

Activities conducted under ICAs during 2012-13 included trade missions, sampling, demonstrations, brand development, point of sale design and printing, advertising, website development, trade shows, training seminars, product development and market research.

Details of each ICA participant and the specific funding amounts invested are published at www.mla.com.au/annualreport and in an appendix to this *Annual report*.

Evaluating our performance

In order to remain transparent and accountable to our stakeholders, MLA provides details of returns on industry and government investment.

To determine the value and efficiency of our work and its impact, we set targets through our annual planning process and measure our performance each year against our agreed key performance indicators.

Our evaluation framework developed by the Centre for International Economics (CIE) enables objective assessment of program outcomes against our strategic imperatives. It also reports on the alignment of our programs with the Australian Government's rural R&D priorities.

Independent evaluation of programs across our portfolio of work began in 2006-07 and this year an evaluation was completed into MLA's domestic beef marketing efforts. The evaluation found that industry investment in branding and advertising, market research, channel development and stakeholder consultation has achieved strong consumer recognition in the domestic market and positively impacted beef sales. It concluded that while MLA's beef promotion program has protected beef's 90 per cent market penetration in the face of strong competition from lower priced proteins, the size of the beef market made it difficult to calculate a specific return on this investment.

An independent review of MLA's performance conducted by Arche Consulting was completed in June 2010. It recommended a number of key areas of improvement principally relating to longer term strategic planning and KPI setting and reporting. An MLA working group has managed the ongoing implementation of most of the review's recommendations.

CORPORATE GOVERNANCE

MLA's corporate governance framework reflects our efforts to ensure that our values underpin the way in which we operate and behave. This framework has been established to ensure that we remain accountable to our stakeholders and that stakeholder interests are protected. In developing and implementing our corporate governance practices we have taken into account the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. Documents and policies relevant to our corporate governance framework are available on our website at www.mla.com.au/corporategovernance

The Board

Composition

The Board comprises 10 directors, with the Managing Director the only executive director. The Board is a skills based board with directors appointed for a maximum three year term under MLA's constitution, after which time a director may reapply for a position on the Board in the same way as other candidates. The Board has the appropriate broad range of skills, knowledge and experience necessary to guide the company, and it provides input into the skills requirements for the Board through the Selection Committee. Further information about the Selection Committee is on page 52. The current Chair of the Board was elected to the role in September 2013 and is an independent director.

Board members

The names and details of the company's directors in office during the financial year and until the date of this report are listed on pages 48–50. All directors were in office for the entire year unless otherwise stated.

Board roles and responsibilities

The roles and responsibilities of the Board are formalised in the Board charter, which was reviewed and updated in 2012. The Board strives to build sustainable value for MLA's members and the red meat industry and to achieve MLA's mission to create opportunities across the cattle, sheep and goat supply chains by optimising the return on collective investment in marketing and R&D.

The Board's responsibilities include:

- oversight of management, including the appointment of the Managing Director and the assessment of the Managing Director's performance against the KPIs and objectives set by the Board
- monitoring the performance of the Executive Team against agreed criteria
- providing input into and approving management strategies, budgets, programs and policies
- monitoring implementation of the strategies to determine the continuing suitability and resourcing of strategies

- oversight of financial, operational and capital management, including approving and monitoring significant capital expenditure and significant commitments under agreed programs
- overseeing MLA's accounting and financial management systems, establishing a culture of good governance, supported by a clear set of governance roles and responsibilities
- compliance and risk management
- overseeing the effectiveness of communication with stakeholders

Individual directors may, with the Chair's approval, obtain independent professional advice on matters arising in the course of their Board and committee duties.

Board meetings

The Board had 10 scheduled meetings during 2012-13, and met an additional three times to address issues arising between meetings. All of these additional meetings were held by teleconference.

Meeting agendas are formulated in preparation for each meeting, however the Board also has an annual agenda that sets items to be considered and reviewed throughout the year. These items include regular reviews of MLA's financial position and management reports, a detailed review of the company's strategic imperatives, together with a review of key topics such as industry dynamics and challenges; industry outlook and forecasts; and marketing and R&D programs. The annual agenda also sets key review dates for items that must come before the Board under the categories of performance, compliance and governance.

The Board continually strives to ensure its meetings are conducted efficiently to enable sufficient discussion and contribution from all directors. The Board regularly considers and discusses key strategic issues at both a company and industry level.

During the year, the Board participated in a strategic planning day with the Executive Team. Management attends and provides input into issues arising in Board meetings relevant to their portfolios. Directors regularly meet with management and have regular exposure to other employees through presentations given at Board and committee meetings and attendance by directors at industry meetings, forums and workshops.

The Board has continued this year to undertake its activities with reference to the *MLA Board operating principles*, which set out a series of principles for behaviour, measurement of performance and meeting guidelines. The *MLA Board operating principles* were reviewed and amended in December 2012.

Board members



Michele Allan (Chair from 26 September 2013) BAppSc, MMgtTec, MCommLaw, DBA, FAICD

Director since 2011

Dr Allan has a broad background in executive and board positions within the pharmaceutical, chemical, biotechnology, packaging, food, agri-business, education and government sectors and brings strong expertise in corporate governance, strategic planning and leadership and commercialisation of intellectual property. Dr Allan is a past executive director and non-executive director of Patties Foods Limited and was previously a non-executive director of the Dairy Research & Development Corporation and Forest and Wood Products Australia. Current board positions include RuralCo Holdings Limited, Grape and Wine Research Development Corporation, Grain Technology Australia Limited and Innovation Australia. She is Chair of the William Angliss Institute and Grains and Legumes Nutritional Council and a Fellow of the Australian Institute of Company Directors. She is Chair of the Remuneration Committee and a member of the Audit and Risk Committee.



Scott Hansen (Managing Director) BRurSc GradCertComms GAICD

Director since 2011

Mr Hansen served as MLA's Regional Manager in North America for two years prior to his appointment as Managing Director in July 2011. Since joining MLA in 2004, Mr Hansen has been General Manager for Corporate Communications and from 2006 also had responsibility for MLA's livestock export program. Prior roles as Executive Director of the Victorian Farmers' Federation Pastoral Group and the Sheepmeat Council of Australia have given him an ideal perspective on both producer and industry interests. He also worked with the Victorian Department of Primary Industries. After graduating with a rural science degree from the University of New England, Mr Hansen spent time working in agricultural industries in Europe and the Middle East. Mr Hansen is also a director of AUS-MEAT Limited and MLA Donor Company Limited.



Robert Anderson (Chair until 26 September 2013) AdvDipRuralBus FAICD

Director since 2010

Mr Anderson has managed his family's beef cattle operation near Mullaley in northwest NSW for the last 35 years. During this time he has focussed the business on cross breeding, pasture improvement and sustainable farming systems. Mr Anderson has a strong background in livestock management, marketing, project management, facilitation, negotiation, sustainability and corporate governance. Mr Anderson has had extensive involvement and held leadership positions in industry and government related boards and committees for many years, including state ministerial advisory committees, MLA and SAFEMEAT taskforces and Australian Government sub-committees. Mr Anderson has been a past councillor of Cattle Council of Australia and National Farmers' Federation, both for six years. He spent six years as a director on the Board of NSW Farmers' Association and four years as Senior Vice President. Mr Anderson graduated from the Australian Rural Leadership Program in 1999 and became a Fellow of the Australian Institute of Company Directors in 2003, graduating from the mastering the boardroom program in 2011. He is currently Chair of the AUS-QUAL Advisory Committee and a director of AUS-MEAT Limited. Mr Anderson is also actively involved in his community.



Lucinda Corrigan BScAgr (Hons 1) FAICD
Director since 2007

Ms Corrigan is a Director of Rennylea Angus, a leading beef genetics business running 3,000 head of cattle across five properties in the Murray Valley of NSW. Rennylea supplies commercial producers across Australia and genetic products to international markets. Ms Corrigan has skills and experience in R&D, genetics, natural resource management, communications, marketing and advocacy and for 20 years has served as a non-executive director on industry bodies and innovation companies. During the last decade she has been a director of four cooperative research centres and was Deputy Chairman of the Future Farm Industries Cooperative Research Centre, retiring in December 2011. She is Chairman of the advisory committee of the Graham Centre, a partnership between Charles Sturt University and NSW Department of Primary Industries. In the Holbrook community, she is convenor of the local beef group's activities. She is a Fellow of the Australian Institute of Company Directors and the Australian Rural Leadership Foundation. Ms Corrigan is a member of the Audit and Risk Committee and a Director of MLA Donor Company Ltd.



Christine Gilbertson BCom (Hons 1) MAppFin CA GAICD FRM

Director since November 2012

Ms Gilbertson's family has a long history in the meat industry, commencing in the wholesale meat trade in 1901 to become one of Australia's largest processing businesses. She was a member of the management team of the business from 1989 to its eventual sale in 1997, and performed the roles of Chief Financial Officer and Company Secretary. Ms Gilbertson has held a number of directorships in community services, financial investment and management, and property development. She is currently the principal of a private consulting practice, a member of NAB's Private Wealth Advisory Council, and a director of a residential property joint venture between her family group of companies and Lend Lease. Ms Gilbertson has a strong accounting, finance, audit and risk management background, having worked as an auditor and management consultant for Ernst & Young. She is Chair of the Audit and Risk Committee and a member of the Remuneration Committee.



Dr Gregory Harper BSc PhD
GradDipMgmt GAICD
Director since 2009

Dr Harper is a career scientist with extensive research experience within universities, CSIRO and cooperative research centres. Dr Harper's research has been into aspects of genetics, biochemistry, and human nutrition and development. He has worked in laboratories in Australia, the USA and Sweden. More recently he has turned his attention to the translation and commercialisation of science for the benefit of the community. Dr Harper is currently the Director, External Engagement for CSIRO's Animal, Food and Health Sciences division, and previously Deputy Chief for Business Development of CSIRO Livestock Industries. He holds a bachelor of science degree as well as a doctorate in biochemistry, a graduate diploma of management majoring in Technology, and a company director's diploma from the Australian Institute of Company Directors. He is a member of the Selection Committee.



Geoffrey Maynard BBus
Director since 2011

Mr Maynard runs a 10,000-hectare cattle stud seedstock operation near Jambin in central Queensland. He has 35 years experience in northern production systems, and has had significant involvement in collaborative research and genetics programs. Maynard Cattle Company is one of the largest users of embryo technology in northern Australia. He was the Vice-Chair of the Beef Australia Board until 2012 and a past member of the industry advisory committee of the Beef CRC II. Mr Maynard is a director of MLA Donor Company Limited.



John McKillop BBus GradDipAg
MBA GAICD
Director since November 2012

Mr McKillop has extensive agribusiness experience gained through various executive and director roles in the meat and livestock, and grains industries. From 2007 to 2011, Mr McKillop was the managing director of diversified commodities producer Clyde Agriculture, a fully-owned subsidiary of John Swire and Sons. Previous executive roles included general management positions with Elders Australia Limited, and as a senior executive with Stanbroke Pastoral Company. Mr McKillop has considerable experience evaluating R&D proposals, as well as strong skills in global marketing, financial management, strategic planning and corporate governance. He is currently CEO of Australian Farms Funds Management, the manager of Sustainable Agriculture Fund, which owns and operates grain, cotton, beef and dairy farms across NSW, Victoria and Tasmania. He is a non-executive director of Dairy Australia, CS Agriculture (Cubbie Station) and Primary Industries Education Foundation. He is a member of the Audit and Risk Committee and the Remuneration Committee.



Peter Trefort
Director since 2003

Mr Trefort manages his family's property at Narrogin in WA. He has more than 40 years' experience in sheep and cattle production as well as management across the supply chain. Mr Trefort has worked extensively developing on-farm and processing R&D strategy with the Department of Agriculture (WA), University of WA and Murdoch (WA). In 2007, he received an Honorary Doctorate in Science from Murdoch University. He remains actively involved in the processing sector and has been successful in developing and commercialising innovative ranges of meat cuts for both domestic and international markets. He is a current member of the WA Beef Council and director of the Sheep CRC. In 2010, Mr Trefort was recognised as the Rural Achiever of the Year by the Royal Agricultural Society of WA. He is currently Chair of the Selection Committee.



Rodney Watt
Director since 2011

Mr Watt is the manager of a family farming partnership based near Cowra NSW, producing Poll Dorset and White Suffolk rams, prime lambs and crops. Mr Watt is past Vice President and Treasurer of Sheepmeat Council of Australia. He is also a past member of the Sheep Genetics Australia Advisory Committee which oversaw the establishment of Sheep Genetics and the development of Merinoselect. Mr Watt is a member of the Selection and Remuneration Committees.

ABOUT MLA

Directors who retired or resigned during the year



Michael Carroll BAgrSc MBA
FAICD

Retired November 2012

Mr Carroll serves a range of agribusiness companies in a board and advisory capacity. His board positions include Queensland Sugar Limited, Warrnambool Cheese and Butter, Select Harvests, Sunny Queen Farms, Rural Funds Management and Rural Finance Corporation. Advisory clients span government, major banks and institutional investors and successful family owned agribusinesses. Prior to this Mr Carroll worked for the National Australia Bank (NAB) in a number of roles, including being responsible for establishing and leading NAB's Agribusiness division. Before joining NAB, he worked for a number of companies involved in agricultural research and product development. Mr Carroll comes from a family who have been involved in the cattle industry for more than 150 years and has his own property in western Victoria. Mr Carroll was a director of MLA from 2007 to 2012.



Iain Mars BSc (Economics)
Retired November 2012

Mr Mars is CEO and Director of Minerva Dawn Farms Limited, Brazil. Prior to this he was the CEO and Director of JBS Australia Pty Ltd. With 30 years' experience in the meat industry he was responsible for the management of JBS's extensive meat processing facilities and feedlot operations across Australia. Mr Mars joined the Vesty Group in London in 1981 as a management trainee visiting pubs, restaurants and butcher shops with samples of processed meat products. He has retained his passion for the industry, working in most of the major production markets and with organisations at different stages of development and market presence. Mr Mars has extensive executive management experience covering operations, sales and marketing roles developed during his time working in Asia, the US, Russia, Egypt, South America and the UK. Mr Mars was a director of MLA from 2009 to 2012.

Company secretary



Rachel Debeck BA LLB (Hons)
GAICD

Appointed July 2006

Ms Debeck joined MLA in September 2005. In addition to holding the office of Company Secretary, Ms Debeck also holds the position of General Manager, Legal and Human Resources. Prior to joining MLA, she was a legal secondee to MLA from Banki Haddock Fiera Lawyers. Ms Debeck has experience in banking and finance, corporate and commercial law and has worked in law firms in Australia and overseas, as well as in-house for a financial institution. She holds a company director's diploma from the Australian Institute of Company Directors.

Board evaluation

The Board reviews its own performance at the conclusion of each meeting and also evaluates its performance through a formal annual performance review, which is facilitated by an external specialist. As part of this year's review, each director, and members of the Executive Team completed a survey and participated in an interview. Observations from the review were reported to, and discussed, by the Board. The Chair also discussed individual results with each director.

The Board held a workshop in August 2013 to discuss and progress the key recommendations from the Board review.

Board training

The Board held an in-boardroom training program in February 2013 which was facilitated by the Australian Institute of Company Directors. The program focussed on responsibilities and practice in the boardroom. In addition, directors are encouraged to participate in individual training programs throughout the year.

Independence

The Board considers each director's independence on an annual basis. Directors are considered to be independent if they are not a member of management and are free of any business or other relationship that materially interferes with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement. In assessing a director's independence, materiality is considered on a case-by-case basis by reference to each director's circumstances. A *Policy on the independence of directors*, which requires that the Board assess independence annually, or more regularly if a director's circumstances change, is currently implemented and in force. The Board has determined that all of the non-executive directors are independent.

Conflicts of interest

Each director provides information about their business and other interests to the Board at the time of their appointment and this information is updated following further notifications by a director. The Board reviewed and amended its *Conflict of interest policy and procedures* during the year to further strengthen its management of conflicts in the board room.

Board committees

There were two Board committees that met during the year:

- Audit and Risk Committee
- Remuneration Committee

These Board committees are comprised solely of non-executive directors, with management attending committee meetings by invitation only. A program of committee meetings is developed at the beginning of each year and committees also meet throughout the year to consider issues which may arise. The Chair of each committee provides a verbal update of each committee meeting to the Board and minutes of committee meetings are provided in the Board papers.

The role of each committee is set out in the committee charters, which are regularly reviewed. The members of each committee, together with each member's attendance at meetings are set out in the *Director's report* on page 58.

Audit and Risk Committee

The Audit and Risk Committee is governed by a charter which delegates oversight responsibility to the committee for the company's financial reporting, internal control structure, risk management, compliance framework and the internal and external audit functions, including both appointment and planning.

In keeping with community expectations, the chair of the committee is not the Chair of the Board. Both internal and external auditors attend meetings at the invitation of the Chair.

The Audit and Risk Committee consisted of Christine Gilbertson (Chair), Michele Allan, Lucinda Corrigan and John McKillop at 30 June 2013. The committee met six times during the year. Details of each member's attendance at meetings is set out in the *Director's report* on page 58.

During 2012-13, in addition to its routine functions, the Audit and Risk Committee commenced the roll out of the internal audit engagement and commissioned the recalibration of the risk matrix in line with the dynamic environment in which the company operates.

Remuneration Committee

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

This year, the Remuneration Committee developed a comprehensive schedule of activities to be undertaken by it during the year and with Board endorsement amended its charter to reflect its new areas of responsibility.

The responsibilities of the Remuneration Committee include the review of remuneration matters, including establishing and monitoring KPIs, a remuneration framework for, and the performance of, the Managing Director, remuneration and incentive framework for senior

executives and all staff, and recruitment, remuneration and retention strategies. The Committee also has responsibility for succession plans for senior executives and key staff and strategic HR policies and practices.

The Committee also assists the Board by developing plans for identifying, assessing and enhancing director competencies and ensuring that there is an appropriate induction program in place for new directors and reviewing its effectiveness.

During the year, the Committee oversaw the development of the company's new *People and Values Business Plan*, which sets out MLA's key internal strategies relating to its people and will continue to monitor its implementation.

The Remuneration Committee consisted of Michele Allan (Chair), Christine Gilbertson, John McKillop and Rodney Watt as at 30 June 2013. The committee met three times during the year. Details of each member's attendance at meetings is set out in the *Director's report* on page 58.

Selection Committee

The role of the Selection Committee is to report to members of MLA on the suitability of candidates for re-election or election as a director at general meetings.

The Selection Committee consists of:

- three persons elected by livestock producers
- three persons appointed by peak councils
- three MLA Board directors

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

The Selection Committee assesses candidates against a range of criteria, including experience and skills, personal qualities and their available time commitment. The committee met four times during the year. The composition of the Selection Committee, together with each member's attendance at meetings is set out in the *Directors' report* on page 58.

Reporting framework

MLA is operating under its 2012-16 Statutory Funding Agreement with the Commonwealth of Australia through the Department of Agriculture, Fisheries and Forestry, which took effect from 15 October 2012 (the deed). The deed sets out the requirements for the company's expenditure of levy funds and matching funds and provides a framework under which the company must report to the Department.

Key reporting obligations include:

- *Corporate plan* (known as the Strategic plan) – a strategic plan which sets out the company's objectives, performance indicators and resource allocations
- *Annual operating plan* – linked to the Corporate plan, the Annual operating plan covers intended operations

of the company for the current year and R&D and marketing programs and activities to be undertaken

- *Risk management plan* – specifies measures to manage risk
- *Fraud control plan* – sets out measures to minimise the risk of fraud within the company
- *Intellectual property plan* – specifies procedures for the management, adoption and commercialisation of intellectual property

Financial and risk management

MLA's risk management policies and assessments are documented in the *Risk management plan* (the plan). With the appointment of Deloitte as MLA's internal auditors, an internal audit program has been developed, with a focus on reviewing the plan. The current plan outlines the process followed to identify risks and categorises risks as 'strategic risks' or 'operational risks'. Individual risks have been identified, assessed, categorised and entered into a risk register, which forms part of the plan. The Board has delegated to the Audit and Risk Committee the responsibility to monitor and review risks.

Code of business conduct and ethics

The Board has implemented a *Code of business conduct and ethics* (the code), which embodies the company's values and sets out the principles which must be met to ensure the company meets its commitments to all stakeholders.

Key principles outlined in the code are:

- acting with openness, integrity and fairness
- protecting our business and using company resources appropriately
- protecting confidential information
- acting responsibly towards individuals
- acting responsibly in relation to safety, health and the environment
- avoiding conflicts of interest
- integrity in financial reporting
- acting responsibly to members, stakeholders and the community
- complying with the law

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

The code was updated during the year to further focus on the company's commitment to protecting the confidentiality of third-party information.

Diversity

Since April 2011, the Board has implemented a company-wide Diversity policy. At that time the Board also set a number of Board focussed measurable objectives, including that: at least one suitable female candidate should be included on a Selection Committee interview shortlist; at least one female should sit on the Selection Committee and Board Remuneration Committees; and an objective of 30 per cent female MLA Board directors by December 2014.

As at 30 June 2013, 51.2 per cent of MLA's staff were women. On the senior executive team, four of the nine (44.4 per cent) executives are female and three directors are female on the current MLA Board of 10.

Remuneration and performance arrangements

The total limit for directors' remuneration (excluding the Managing Director) is \$750,000. This limit was determined by members at the 2008 annual general meeting. No further increases have been implemented since this time.

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

The remuneration packages for the senior management team are reviewed each year and include a performance based component to ensure the remuneration structure aligns management effort with organisational objectives and attracts, retains and motivates quality management personnel.

ORGANISATION STRUCTURE

MLA has eight business units, each led by a General Manager. Each General Manager reports to the Managing Director.

Client innovation services

fosters an industry-wide culture of continuous improvement, innovation and increased professionalism by partnering with processors and other value chain participants to develop and implement effective innovation and R&D strategies.

Finance and information technology

manages MLA's budgets, planning, financial reporting, risk management, contract management, and information technology systems and infrastructure.

Global marketing

grows demand for Australian beef and lamb around the world. In Australia, MLA promotes the quality, safety and nutritional value of Australian red meat. The activities of overseas regional offices support the development of strong supply chains and customer loyalty to Australian red meat and livestock by promoting its quality, safety and nutritional value.

Industry communication and engagement

aims to ensure producers and industry stakeholders are aware of the opportunities created by MLA's information and tools, as well as their potential benefits to their enterprises and the wider industry. Community communications assists producers to promote the integrity of the industry to the broader community.

Industry systems

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

Legal and human resources

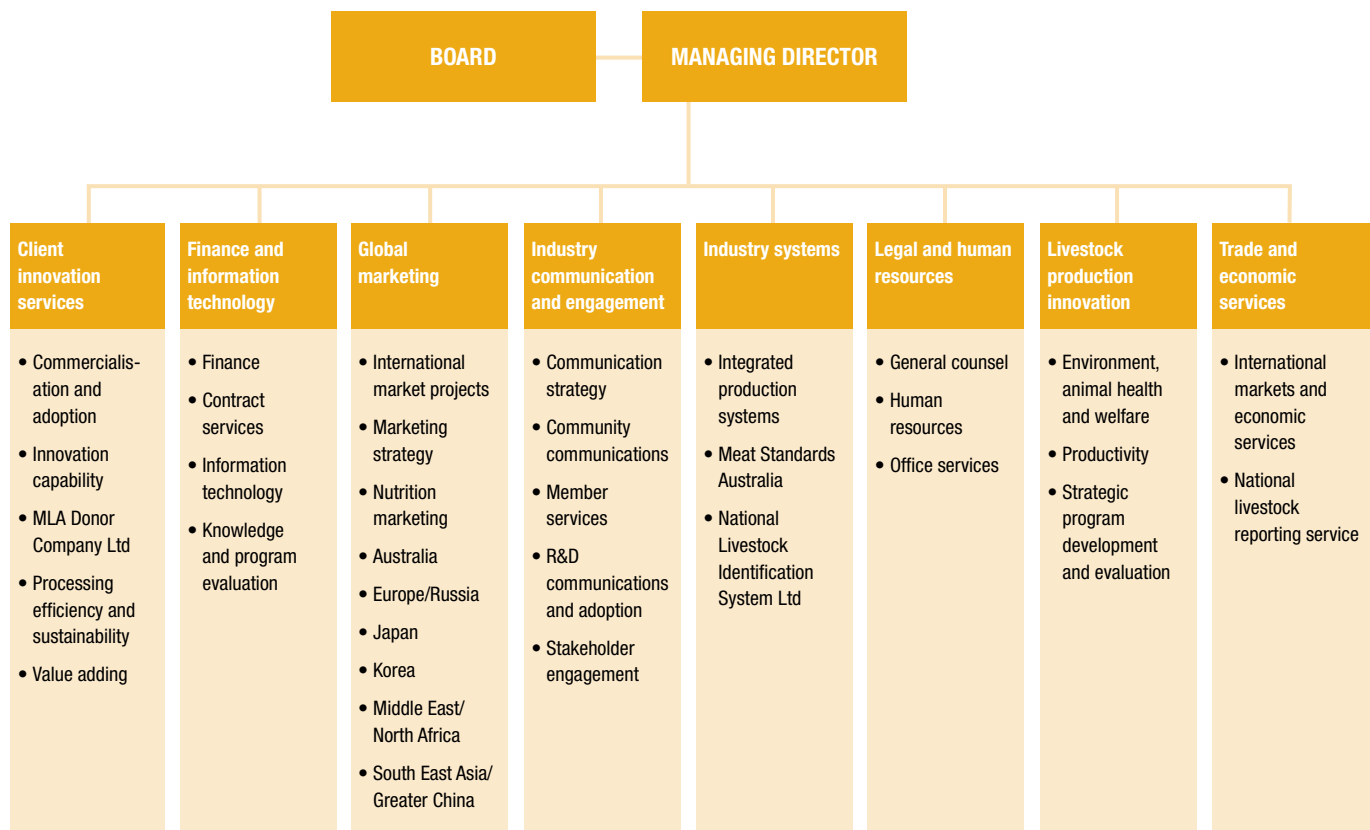
provides legal support services, corporate governance and human resources to MLA management and stakeholders.

Livestock production innovation

conducts R&D targeted at improving on-farm practices to develop a competitive advantage for the red meat industry, creating opportunities for profitable and sustainable red meat production.

Trade and economic services

works with industry and government to maintain and increase access to international markets, and provides market information and analysis that supports the Australian red meat and livestock industry.



Executive Committee

The Managing Director and eight general managers make up MLA's Executive Committee. It is responsible for guiding MLA's performance through the development of key strategies, business plans and policies, and ensuring the company's corporate objectives are met. The Executive Committee members at 30 June 2013 were:



Scott Hansen BRurSc
GradCertComms GAICD
Managing Director

See page 48 for Mr Hansen's profile.



Peter Barnard PhD Econ
General Manager Trade and Economic Services

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



Rachel Debeck BA LLB (Hons) GAICD
General Manager Legal and Human Resources

See page 50 for Ms Debeck's profile



Michael Edmonds
General Manager Global Marketing

Mr Edmonds joined MLA in March 2012 from Simplot Australia, where he was General Manager, Sales and Marketing at Top Cut foods. Mr Edmonds has more than two decades of experience and a unique blend of marketing and industry expertise having worked in both trade and direct consumer marketing of global food and beverage brands with companies including Foster's Group, Mars Inc. and ICI/Orica.



Michelle Gorman BScAg (Hons) MSc GAICD
General Manager Industry Systems

Ms Gorman returned to MLA in 2006 after spending several years working for the American Farm Bureau Federation in Washington DC. Ms Gorman has held a number of roles in MLA including managing the market access program, heading the North America office in Washington DC and establishing the policy research program.



Karen Hellwig BA (Comms)
General Manager Industry Communication and Engagement

Ms Hellwig joined MLA in November 2012. Prior to this she was General Manager Corporate Communications at Horticulture Australia Limited for seven years. She has more than two decades of communications experience working both in-house and in consultancy.



Christine Pitt DBA MHA BSc MAICD
General Manager Client Innovation Services

Ms Pitt held a number of senior positions in retail, manufacturing and financial service companies before joining MLA. She now oversees our extensive off-farm R&D and client innovation programs, and is responsible for overseeing the activities of the MLA Donor Company.



Greg Taylor BComm CA
General Manager Finance and Information Technology

Mr Taylor joined MLA in June 2013. Prior to this he was Chief Financial Officer at a major agricultural company with more than 650,000ha in holdings across beef, poultry and sustainable agriculture. He has extensive experience covering finance, operations, information technology and risk. He is a Chartered Accountant and Registered Tax Agent.



Peter Vaughan BAgriSc MBA
General Manager Livestock Production Innovation

Prior to joining MLA in August 2011, Mr Vaughan was General Manager of Austgrains Pty Ltd, a grains commercialisation company. He spent six years with the Value Added Wheat Cooperative Research Centre initially as the Commercial Director and finally for three years as the Managing Director. He has more than 20 years experience working at the interface between R&D and commercialisation.

Office locations

MLA staff are based strategically to leverage the best possible access to all stakeholders and markets. We have regional and representative offices based in Australia (Adelaide, Armidale, Brisbane, Melbourne, Perth, Sydney), China, Europe, Indonesia, Japan, Korea, Russia and the United States.

Staff profile

At 30 June 2013, MLA employed 248 full time staff equivalents – an increase of 6.5 per cent from the previous year. This increase in staff numbers reflects that staff vacancies existing at the end of 2012 were filled during the year. There was no increase in budgeted staff numbers from 2012 to 2013.

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Total staff	248	233	243	247	235
Male	118	126	127	123	127
Female	130	107	116	124	108
Full-time	233	219	229	227	221
Part-time	15	14	14	20	14
Australia based	210	202	204	213	203
Overseas based	38	31	39	34	32

Approximately 60 per cent of MLA staff come from a rural background through family affiliation, previous industry experience or tertiary qualification.

Voluntary employee turnover was 11.3 per cent or 22 employees during the year – a decrease on the previous year. This rate was below the voluntary staff turnover rate across the wider economy.

Skills development

MLA developed a customised leadership development program which was implemented throughout 2012-13. This was completed by our people managers and encompassed managing team performance; giving and receiving feedback; and delegation and empowerment. We initiated an internal leadership program during the year and through a competitive process selected eight employees to undertake an intensive training and development program.

MLA encourages staff to undertake external education to enhance their skills, with 16 staff members receiving external education assistance during the year – most of these undertaking postgraduate qualifications.

Workplace health and safety

MLA is committed to the health and wellbeing of staff. To further build on the *2012-14 Work Health and Safety Plan*, sdfgfhgukand as part of our ongoing risk management activities, key work health and safety risks were identified and assessed by senior managers across MLA, both nationally and internationally. High risk activities of the business will continue to receive focus, with new initiatives rolled out to maintain focus for our international travellers and travel security awareness training completed for a number of our international offices. There were three workers compensation claims which resulted in total lost time of 15 days. There were no reported breaches of workplace health and safety laws.

Diversity and gender equality

MLA has a diversity policy, which outlines our commitment to diversity, including gender equality and sets measurable objectives for the company's performance. Our pay equity gap analysis shows that our pay equity is below the maximum set by the Workplace Gender Equality Agency for our industry category. As at 30 June 2013, 52 per cent of MLA staff were women, four of the nine executive team members were women and three of 10 MLA Board directors were women.

Corporate reporting

MLA strives to ensure all members have the opportunity to participate in our annual general meeting (AGM) by rotating its location around the nation. The 2012 AGM was held in Fremantle WA and was preceded by Longreach Qld (2011), Launceston Tas (2010), Darwin NT (2009), Orange NSW (2008), Rockhampton Qld (2007), Adelaide SA (2006), and Melbourne Vic (2005).

Our *Annual report 2011-12* was made available through our corporate website as well as in hard copy for members who requested it. It received a silver award in the 2013 Australasian Reporting Awards.



FINANCIAL REPORT

for the year ended 30 June 2013

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DIRECTORS' REPORT

The Board of Directors of Meat & Livestock Australia Limited ("MLA" or "the Company") has pleasure in submitting its report for the financial year ended 30 June 2013.

DIRECTORS

The names of the company's directors in office during the financial year and until the date of this report are: Dr Michele Allan (Chair from 26 September 2013), Mr Scott Hansen (Managing Director), Mr Robert Anderson (Chair until 26 September 2013), Ms Lucinda Corrigan, Ms Christine Gilbertson, Dr Gregory Harper, Mr Geoffrey Maynard, Mr John McKillop, Mr Peter Trefort and Mr Rodney Watt. All directors were in office for the entire year unless otherwise stated.

Directors retired or resigned during the year

Directors retiring during the year were: Mr Michael Carroll and Mr Iain Mars.

COMPANY SECRETARY

The company secretary is Ms Rachel Debeck.

See page 48-50 for names, qualifications, experience and special responsibilities of the directors, directors retired or resigned during the year, and company secretary.

SUBSIDIARIES

MLA Donor Company Limited

The business activities of MLA Donor Company Limited are overseen by a separate board of directors. At 30 June 2013 the members of the board were Mr Scott Hansen, Mr Geoffrey Maynard and Ms Lucinda Corrigan. Mr Laurence Robinson resigned as a director during the year, with effect from 20 December 2012.

National Livestock Identification System Limited

The business activities of National Livestock Identification System Limited are overseen by a separate board of directors. At 30 June 2013, the members of the board were Mr John Wyld, Mr Ian Feldtmann, Mr Peter Milne, Mr Stephen Kelly and Mr Geoffrey Maynard. Mr Rodney Watt retired as a director during the year and was replaced with effect from 14 February 2013 by Mr Geoffrey Maynard.

DIRECTORS' MEETINGS

During the period 1 July 2012 to 30 June 2013 the MLA Board held 13 meetings of directors. The attendances of the directors at meetings of the Board and of its committees were:

	Board of directors			Committees of the board of directors	
	Full Board			Audit and Risk	Remuneration
	Scheduled meetings	Meetings held between scheduled meetings	Total		
R Anderson	10 [10]	3 [3]	13 [13]		
S Hansen	10 [10]	3 [3]	13 [13]		
G Harper	9 [10]	2 [3]	11 [13]	4 [4]	
M Allan	8 [10]	2 [3]	10 [13]	4 [6]	3 [3]
G Maynard	8 [10]	1 [3]	9 [13]		
L Corrigan	10 [10]	3 [3]	13 [13]	3 [3]	
P Trefort	10 [10]	3 [3]	13 [13]		1 [1]
R Watt	10 [10]	2 [3]	12 [13]	2 [3]	2 [2]
J McKillop	5 [5]	3 [3]	8 [8]	3 [3]	2 [2]
C Gilbertson	5 [5]	2 [3]	7 [8]	3 [3]	2 [2]
I Mars	2 [5]	0 [0]	2 [5]	1 [2]	0 [1]
M Carroll	5 [5]	0 [0]	5 [5]		

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

Selection Committee

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

MLA Directors	
Robert Anderson (Chair)*	2 [2]
Peter Trefort (Chair)^	2 [2]
Lucinda Corrigan*	2 [2]
Rodney Watt	4 [4]
Greg Harper^	2 [2]

Peak Council representatives	
Jim Cudmore	2 [2]
Andrew Ogilvie	3 [4]
Ian McColl	3 [4]
Don Mackay	2 [2]

MLA Member elected representatives	
Warren Barnett	3 [4]
Ben Hooper	4 [4]
Ian McCamley	4 [4]

* On committee to December 2012

^ On committee from December 2012

PRINCIPAL ACTIVITIES

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

- Providing research and development (R&D) support to the Australian red meat and livestock industry
- Providing marketing and promotion services to the Australian red meat and livestock industry both domestically and overseas

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

REVIEW AND RESULTS OF OPERATIONS

Operating result for the period

The result of the Group for the financial year was a net deficit from continuing operations of \$3,584,000 (2012: net deficit of \$11,075,000). This result is under the budgeted deficit of \$7,146,000 for the year.

Group overview

The Group earned total revenue of \$162,243,000 (2012: \$159,891,000) which is comprised of the following:

- Transaction levies \$93,789,000 (2012: \$91,778,000)
- R&D matching grants \$38,279,000 (2012: \$37,086,000)
- R&D contributions (unmatched) \$3,042,000 (2012: \$4,387,000)
- Other income and revenues \$27,133,000 (2012: \$26,640,000)

Total income received/receivable was less than total expenditure, which resulted in a net deficit from continuing operations of \$3,584,000 for the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Post year end, the Company has received endorsement from its Peak Councils to enter into formal negotiations to transfer the ownership of its subsidiary National Livestock Identification System Limited (NLIS) to Animal Health Australia (AHA). Subject to AHA's due diligence and reaching formal agreement, the ownership transfer is expected to take place before the end of the June 2014 year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group does not have a material exposure to any environmental regulations.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

ROUNDING OF AMOUNTS

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

DIRECTORS' REPORT

AUDITOR INDEPENDENCE

The *Auditor's independence declaration* which forms part of the *Directors' report* for the financial year ended 30 June 2013 has been received and can be found following this report.

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



Michele Allan
Chair



Scott Hansen
Managing Director

Sydney
26 September 2013

AUDITOR'S INDEPENDENCE DECLARATION




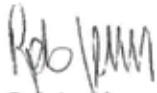
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Auditor's Independence Declaration to the Directors of Meat & Livestock Australia Limited

In relation to our audit of the financial report of Meat & Livestock Australia Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.


Ernst & Young


Rob Lewis
Partner
Sydney
26 September 2013

INCOME STATEMENT

Year ended 30 June 2013		Consolidated	
		2013 \$000	2012 \$000
	Note		
CONTINUING OPERATIONS			
REVENUES FROM CONTINUING OPERATIONS	3	162,243	159,891
EXPENDITURE FROM CONTINUING OPERATIONS			
Improving market access		23,183	23,053
Growing demand		61,070	65,916
Increasing productivity		36,451	34,555
Promoting integrity and sustainability		14,181	17,073
Communicating with stakeholders		1,202	924
Other		550	550
R&D partnerships		18,201	17,458
Corporate costs		10,989	11,437
Total expenditure		165,827	170,966
NET (DEFICIT)/SURPLUS FROM CONTINUING OPERATIONS		(3,584)	(11,075)
TOTAL CHANGE IN MEMBERS' FUNDS		(3,584)	(11,075)

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2013	Consolidated	
	2013 \$000	2012 \$000
NET (DEFICIT)/SURPLUS FROM CONTINUING OPERATIONS	(3,584)	(11,075)
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the Income Statement		
Cash flow hedges:		
Gain/(loss) taken to equity	278	(3)
Transferred to statement of financial position	3	262
Other comprehensive income/(expense) for the year	281	259
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	(3,303)	(10,816)

The accompanying notes form an integral part of this *Statement of comprehensive income*.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013		Consolidated	
		2013 \$000	2012 \$000
	Note		
CURRENT ASSETS			
Cash and cash equivalents	24	65,767	71,528
Trade and other receivables	7	23,751	20,566
Prepayments and deposits	8	1,054	1,019
TOTAL CURRENT ASSETS		90,572	93,113
NON-CURRENT ASSETS			
Property, plant and equipment	12	2,022	1,554
Intangible assets	13	1,756	803
TOTAL NON-CURRENT ASSETS		3,778	2,357
TOTAL ASSETS		94,350	95,470
CURRENT LIABILITIES			
Trade and other payables	14	31,667	27,640
Provisions	15	3,033	2,094
Other liabilities	16	6,952	9,035
TOTAL CURRENT LIABILITIES		41,652	38,769
NON-CURRENT LIABILITIES			
Other payables	17	289	126
Provisions	18	1,350	2,213
TOTAL NON-CURRENT LIABILITIES		1,639	2,339
TOTAL LIABILITIES		43,291	41,108
NET ASSETS		51,059	54,362
EQUITY – MEMBERS' FUNDS			
Contributed equity	27	9,031	9,031
Retained surplus		41,750	45,334
Cash flow hedge reserve	19	278	(3)
TOTAL EQUITY – MEMBERS' FUNDS		51,059	54,362

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

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2013	Consolidated			
	Contributed equity \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
At 1 July 2011	9,031	56,409	(262)	65,178
Deficit for the year	–	(11,075)	–	(11,075)
Other comprehensive income	–	–	259	259
Total comprehensive (expense)/income	–	(11,075)	259	(10,816)
At 30 June 2012	9,031	45,334	(3)	54,362
Deficit for the year	–	(3,584)	–	(3,584)
Other comprehensive income/(expense)	–	–	281	281
Total comprehensive (expense)/income	–	(3,584)	281	(3,303)
At 30 June 2013	9,031	41,750	278	51,059

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

STATEMENT OF CASH FLOWS

Year ended 30 June 2013		Consolidated	
		2013 \$000	2012 \$000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies collected		102,137	102,031
R&D matching grants		41,115	41,126
Receipts from processors and live exporters		9,944	11,132
Other receipts		18,231	19,149
Payments to suppliers and employees		(177,625)	(185,581)
NET CASH FLOWS FROM OPERATING ACTIVITIES	24(b)	(6,198)	(12,143)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		31	9
Purchase of property, plant and equipment		(1,570)	(580)
Purchase of software		(1,281)	(308)
Interest received		3,257	3,914
NET CASH FLOWS FROM INVESTING ACTIVITIES		437	3,035
NET (DECREASE)/INCREASE IN CASH HELD		(5,761)	(9,108)
Add opening cash brought forward		71,528	80,636
CLOSING CASH CARRIED FORWARD	24(a)	65,767	71,528

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Meat & Livestock Australia Limited (“MLA” or “the Company”) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 26 September 2013.

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

MLA is a company limited by guarantee incorporated in Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report is presented in Australian dollars.

(b) Statement of compliance

The accounting policies adopted are consistent with those of the previous financial year other than the following standards that have been adopted from 1 July 2012:

- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 and 1049]

The adoption of these standards does not have a material impact on the Group.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not effective have not been adopted by the Group for the annual reporting period ending 30 June 2013 and the directors having considered the changes to the accounting standards and other than potential disclosure adjustments, do not believe there will be a material impact to the financial statements.

(c) Principles of consolidation

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

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies. A subsidiary is fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies. All intercompany balances and transactions have been eliminated in full.

(d) Cash and cash equivalents

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

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

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

(e) Trade and other receivables

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

(f) Taxes

Income tax

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

Goods and Services Tax (GST)

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

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

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

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

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

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue, trade debtors and accrued

NOTES TO THE FINANCIAL STATEMENTS

revenue are recognised for the major business activities as follows:

- Transaction levies – revenue is recognised in the period to which it relates based on confirmations received from the Levies and Revenue Service who collect and distribute levies to the Company.
- R&D Commonwealth matching payments – revenue is recognised for the matching funding from the Australian Government to the extent that the entity obtains control of the funding, it is probable that the economic benefits comprising the funding will flow to the entity and the funding can be measured reliably. These conditions are considered to be met when approved eligible R&D expenditure has been incurred. Accrued matching payments represent unclaimed funding for the amount incurred on R&D.
- R&D contributions (unmatched) – the company receives funding from various external parties (including the Australian Government) to conduct collaborative R&D programs. Revenue is recognised when the company obtains control of the contribution or the right to receive the contribution based on conditions around expenditure incurred.
- R&D partnership income, processor and live exporter contributions are recognised as revenue when the company obtains control of the contribution or the right to receive the contribution when it is probable that the economic benefits comprising the funding will flow to the entity and the funding can be measured reliably. These conditions are considered to be met based on conditions around expenditure incurred.
- Interest income is taken up as income on an accrual basis.
- Government grants are recognised when the Group obtains control of the grant or the right to receive the grant, which is considered to occur when all attaching conditions have been met. The grant received or receivable will be recognised as income when it is probable that the economic benefits of the grant will flow to the entity and the amount of the grant can be measured reliably.

(h) Derivative financial instruments and hedging

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

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

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

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

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

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

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

Cash flow hedges

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

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

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

(i) Foreign currency translation

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

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

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

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

(j) Impairment of assets

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

(k) Intangible assets

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

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

Intangibles are amortised as follows:

Computer software 1-5 years

(l) Leases

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

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

(m) Property, plant and equipment

Cost

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

Depreciation

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

	Life
Leasehold improvements	Remaining term of lease
Plant and equipment	2–5 years
Furniture and fittings	3–5 years

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

Derecognition and disposal

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

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

(n) Trade and other payables

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

(o) Unearned income

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

(p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, long service leave and other employee benefits.

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

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

	Consolidated	
	2013 \$000	2012 \$000
4. TRANSACTION LEVIES		
Transaction levies:		
– Grainfed cattle	7,808	8,133
– Grassfed cattle	54,219	52,493
– Lambs	28,596	28,573
– Sheep	2,379	1,983
– Goats	787	596
Total transaction levies	93,789	91,778
5. OTHER INCOME		
Processor contributions	9,433	9,266
Live exporter contributions	1,203	449
Co-operative funding	2,008	1,448
R&D partnership income	9,100	8,729
Sale of products or services	1,563	1,738
Other	964	1,088
Total other income	24,271	22,718
6. EXPENSES AND LOSSES		
Depreciation and amortisation of non-current assets included in the Income statement:		
Leasehold improvements	211	374
Plant and equipment	826	578
Furniture and fittings	53	48
Amortisation of intangible assets	328	623
Total depreciation and amortisation of non-current assets	1,418	1,623
(Gain)/loss on sale of assets	(20)	5
Operating lease rentals included in the <i>Income statement</i>	3,834	3,384
Employee benefit expense:		
Wages and salaries	24,369	23,811
Workers compensation costs	40	155
Annual leave provision	1,876	1,671
Long service leave provision	459	528
Superannuation expense	2,002	1,908
Other post employment benefits	68	68
Termination expenses	642	647
Total employee benefit expense	29,456	28,788

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2013 \$000	2012 \$000
7. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	5,125	2,987
Allowance for impairment of receivables (a)	–	(64)
Trade receivables, net	5,125	2,923
Accrued revenue		
– Levies	6,668	5,731
– R&D Commonwealth matching payments	10,379	8,316
– Other	1,541	3,518
Total accrued revenue	18,588	17,565
Other receivables	38	78
Total current receivables, net	23,751	20,566
Movements in the provision for impairment loss were as follows:		
At the beginning of the financial year	64	64
Charge for the year	–	–
Amounts written off	(64)	–
At 30 June	–	64

The ageing analysis of trade receivables (net of impairment) is as follows:

Consolidated

	Total \$000	Current \$000	Past due but not impaired				
			1–30 days \$000	31–60 days \$000	61–90 days \$000	91–120 days \$000	>120 days \$000
Trade receivables (net of impairment)							
30 June 2013	5,125	3,228	1,135	740	18	–	4
30 June 2012	2,923	2,192	730	–	–	–	1

(a) Allowance for impairment of receivables

A provision for impairment loss is recognised when there is objective evidence that a trade receivable is individually impaired (refer Note 2(e)). Financial difficulties of the debtor or defaulting in payments are considered objective evidence of impairment.

Receivables past due but not impaired are: \$1,897,000 (2012: \$731,000). Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these balances will be received when due.

(b) Interest rate risk

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

(c) Security

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

(d) Credit risk

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

	Consolidated	
	2013 \$000	2012 \$000
8. PREPAYMENTS AND DEPOSITS		
Prepayments	738	709
Deposits	316	310
Total prepayments and deposits	1,054	1,019

9. INVESTMENT IN ASSOCIATE

Unlisted:		
AUS-MEAT Limited	-	-

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

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

MLA has a continuing commitment to support AUS-MEAT Limited. The contribution for the financial year ended 30 June 2013 was \$550,000 (2012: \$550,000).

Summary results of the associate entity

	AUS-MEAT Limited	
	2013 \$000	2012 \$000
Revenue	13,397	12,580
Accumulated surplus at beginning of the year	1,997	1,010
Net surplus for the year	919	987
Accumulated surplus at end of the year	2,916	1,997

Financial summary of associated entity

Total current assets	7,567	6,404
Total non-current assets	4,197	4,256
Total current liabilities	3,342	3,377
Total non-current liabilities	219	168
Net assets	8,203	7,115

The investment in AUS-MEAT Limited has been taken up at nil value (2012:\$nil). There is no entitlement to a share of the net results or net assets except in the event of a winding up of the entity.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS IN SUBSIDIARIES

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

Name	Equity interest %		Investment \$000	
	2013	2012	2013	2012
a) MLA Donor Company Limited	100	100	-	-
b) National Livestock Identification System Limited	100	100	-	-
			-	-

- a) MLA Donor Company Limited was incorporated in Australia on 6 August 1998 and is limited by guarantee. If the company is wound up, its Constitution states that MLA is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the company.
- b) National Livestock Identification System Limited (NLIS) was incorporated in Australia on 24 December 2008 and is limited by guarantee. If the company is wound up, its Constitution states that MLA is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the company.

11. PARENT ENTITY INFORMATION

	2013 \$000	2012 \$000
Information relating to Meat & Livestock Australia Limited		
Current assets	90,548	93,089
Total assets	94,259	95,353
Current liabilities	41,668	38,782
Total liabilities	43,200	40,991
Contributed equity	9,031	9,031
Reserves	278	(3)
Total equity – Members' funds	51,059	54,362
(Deficit)/surplus for the year	(3,584)	(11,075)
Other comprehensive income for the year	281	259

As at balance date, the parent entity has not entered into any material contractual commitments for the acquisition of property, plant or equipment other than as noted in the financial statements.

	Consolidated	
	2013 \$000	2012 \$000
12. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
<i>At cost</i>	4,494	4,240
<i>Accumulated depreciation</i>	(3,370)	(3,118)
Total plant and equipment	1,124	1,122
Furniture and fittings		
<i>At cost</i>	342	384
<i>Accumulated depreciation</i>	(278)	(287)
Total furniture and fittings	64	97
Leasehold improvements		
<i>At cost</i>	5,716	5,182
<i>Accumulated depreciation</i>	(4,882)	(4,847)
Total leasehold improvements	834	335
Total property, plant and equipment		
Cost	10,552	9,806
<i>Accumulated depreciation</i>	(8,530)	(8,252)
Total written down value	2,022	1,554

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2013 \$000	2012 \$000
12. PROPERTY, PLANT AND EQUIPMENT <i>continued</i>		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
Plant and equipment		
Carrying amount at beginning	1,122	1,219
Transfer (reclass)	–	3
Additions	840	492
Disposals	(12)	(14)
Depreciation expense	(826)	(578)
	1,124	1,122
Furniture and fittings		
Carrying amount at beginning	97	107
Transfer (reclass)	–	(3)
Additions	20	41
Depreciation expense	(53)	(48)
	64	97
Leasehold improvements		
Carrying amount at beginning	335	662
Additions	710	47
Depreciation expense	(211)	(374)
	834	335
13. INTANGIBLE ASSETS		
Software		
<i>At cost</i>	5,724	4,443
<i>Accumulated amortisation</i>	(3,968)	(3,640)
Total software	1,756	803
Reconciliation		
Carrying amount at beginning	803	1,119
Additions	1,281	308
Amortisation expense	(328)	(624)
	1,756	803

	Consolidated	
	2013 \$000	2012 \$000
14. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables (a)	14,064	9,895
Accrued R&D and other creditors (a)	15,027	14,757
Funds held on behalf of the Commonwealth (b)	95	292
Rent-free period (Refer note 2q)	80	171
Derivative financial instruments (c)	(278)	3
Employee entitlements		
– Annual leave	2,446	2,356
– Other	233	166
Total current trade and other payables	31,667	27,640

- (a) Trade payables, accrued R&D and other creditors are non-interest bearing and are normally settled on 30 day terms. In the case of accrued R&D, any payments are further subject to milestones being satisfactorily completed. Where other creditors and accruals include balances that are denominated in a foreign currency that has not been effectively hedged, these balances have been further disclosed in Note 20.
- (b) The Company has entered into arrangements with the Commonwealth Government, through the Department of Agriculture, Fisheries and Forestry to receive grants in relation to the National Livestock Identification System (NLIS). These funds are distributed at the direction of the NLIS Review Committee and the Minister.
- (c) Pursuant to Note 2(h), the Group remeasured to fair value its outstanding forward currency and option contracts as at year end.

15. PROVISIONS (CURRENT)

	Consolidated	
	2013 \$000	2012 \$000
Employee entitlements		
– Long service leave	2,087	1,984
Leasehold make good	746	110
Legal	200	–
Total current provisions	3,033	2,094

Movements in provisions:

	Consolidated			
	Long service leave \$000	Leasehold make good \$000	Legal \$000	Total \$000
Carrying amount at the beginning of the financial year	1,984	110	–	2,094
Additional provisions/ (provision written back)	284	(157)	200	327
Utilised	(424)	–	–	(424)
Amounts transferred to current during the year	243	793	–	1,036
Carrying amount at the end of the financial year	2,087	746	200	3,033

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2013 \$000	2012 \$000
16. OTHER LIABILITIES (CURRENT)		
Unearned income	6,304	7,893
Other	648	1,142
Total current other liabilities	6,952	9,035

17. OTHER PAYABLES (NON-CURRENT)

Rent-free period (Refer note 2q)	289	126
Total non-current other payables	289	126

18. PROVISIONS (NON-CURRENT)

Employee entitlements		
– Long service leave	1,244	1,328
Leasehold make good	106	885
Total non-current provisions	1,350	2,213

Movements in provisions:

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	1,328	885	2,213
Additional provisions	159	14	173
Amounts transferred to current during the year	(243)	(793)	(1,036)
Carrying amount at the end of the financial year	1,244	106	1,350

	Consolidated	
	2013 \$000	2012 \$000
19. CASH FLOW HEDGE RESERVE		
At the beginning of the financial year	(3)	(262)
Net surplus/(loss) on cash flow hedges	278	(3)
Transfer of cash flow hedge reserve to <i>Statement of comprehensive income</i>	3	262
Total cash flow hedge reserve (a)	278	(3)

(a) The full amount of hedged cash flows as at 30 June 2013 are expected to affect the *Statement of comprehensive income* within one year.

Gains and losses on the effective portions of derivatives designated as cash flow hedges are directly recognised in equity (the cash flow hedge reserve) and are transferred to current year earnings when the cash flows affect the *Statement of comprehensive income*. As at 30 June 2013, a gain of \$278,101 (2012: \$3,147 loss) was recognised in the cash flow hedge reserve. As at 30 June the Company did not have any portion of cash flow hedges deemed ineffective.

20. FOREIGN CURRENCY EXPOSURE

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

	Consolidated	
	2013 \$000	2012 \$000
Current assets:		
– Bahrain dinars	14	55
– UAE Dirham	211	–
– Euro	56	110
– Chinese renminbi	33	10
– Indonesian rupiah	20	14
	334	189
Current liabilities:		
– Bahrain dinars	–	102
– UAE Dirham	28	–
– Euro	1	31
– Chinese renminbi	5	40
– Indonesian rupiah	133	48
	167	221

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2013 \$000	2012 \$000
21. EMPLOYEE ENTITLEMENTS		
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer note 15)	2,087	1,984
Provisions – non-current (refer note 18)	1,244	1,328
Payables – current (refer note 14)	2,679	2,522
	6,010	5,834
The number of full-time equivalent employees as at 30 June	247.9	232.6

22. REMUNERATION OF AUDITORS

	Consolidated	
	2013 \$	2012 \$
Amounts received or due and receivable by Ernst & Young for:		
– auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	156,560	156,500
– other services in relation to the entity and any other entity in the consolidated entity:		
• tax compliance	18,284	8,295
• other non-statutory audit services (a)	58,070	236,411
	232,914	401,206
(a) Summary of the other non-statutory audit fees incurred are:		
Levies and grant audits	46,420	17,000
Internal control and governance review of regional offices	11,650	198,571
Risk management	–	20,840
	58,070	236,411

23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel

(i) Directors

Michele Allan	(Chair from 26 September 2013)
Scott Hansen	(Managing Director)
Robert Anderson	(Chair until 26 September 2013)
Michael Carroll	(retired 15 November 2012)
Lucinda Corrigan	
Christine Gilbertson	(appointed 15 November 2012)
Gregory Harper	
Iain Mars	(retired 15 November 2012)
Geoffrey Maynard	
John McKillop	(appointed 15 November 2012)
Peter Trefort	
Rodney Watt	

(ii) Executives

Peter Barnard	General Manager – Trade and Economic Services
Rachel Debeck	General Manager – Legal and Human Resources (appointed 2 Jan 2013)
Michael Edmonds	General Manager – Global Marketing
Michelle Gorman	General Manager – Industry Systems
Karen Hellwig	General Manager – Industry Communication and Engagement (appointed 5 November 2012)
Christine Pitt	General Manager – Client and Innovation Services
Greg Taylor	General Manager – Finance and IT (appointed 24 June 2013)
Peter Vaughan	General Manager – Livestock Production Innovation
Laurence Robinson	General Manager – Corporate Services (retired 20 Dec 2012)

(iii) Compensation of key management personnel by categories

		Consolidated	
		2013	2012
		\$	\$
<i>Directors</i>			
Short-term benefits		942,786	827,424
Post employment benefits		54,490	56,000
Other long-term benefits		15,054	18,858
	(a)	1,012,330	902,282
<i>Executives (b)</i>			
Short-term benefits		2,231,066	1,998,216
Post employment benefits		144,014	106,483
Other long-term benefits		81,918	33,050
	(a)	2,456,998	2,137,749

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

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

NOTES TO THE FINANCIAL STATEMENTS

23. DIRECTOR AND EXECUTIVE DISCLOSURES continued

(b) Related party transactions

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

- Dr Allan is Director and Chair of the William Angliss Institute. During the year they have invoiced the Company \$1,070 (2012: \$4,264) for various marketing activities. Dr Allan is a non-executive director of Grain Technology Australia Limited (a wholly owned subsidiary of Grain Growers) which has invoiced the Company \$3,500 (2012: \$nil)
- Mr Robert Anderson received director's fees including superannuation totalling \$17,440 (2012: \$17,440) from AUS-MEAT Limited.
- Mr Carroll was a Director of Australian Farm Institute Limited and during the year the institute have invoiced the company \$80,955 (2012:\$444,570). The outstanding balance as at 30 June was \$nil (2012: \$102,740). Mr Carroll has declared an interest in Australian Agricultural Company Ltd (AACo) whose parent company is AA Company Pty Ltd. AA Company has invoiced the Company \$381,147 (2012:\$66,388). The outstanding balance as at 30 June 2013 was \$115,287 (2012:\$18,173). AACo has invoiced the Company \$14,837 (2012:\$12,304) for sheep product positioning. Mr Carroll has declared an interest in the Angus Society of Australia and during the year the Company has been invoiced \$738,830 (2012: \$764,152). Mr Carroll has declared an interest in Team Te Mania and during the year the Company has been invoiced \$72,500 (2012: \$106,509). The Company has invoiced Team Te Mania for their contribution for beef supply chain optimisation of \$41,566 (2012: \$96,064). The outstanding balance as at 30 June was \$35,579 (2012:\$1,329).
- Ms Corrigan was appointed to the External Advisory Board for the Hawkesbury Institute for the Environment at the University of Western Sydney. The Company received a refund of \$2,229 relating to an under spend in ruminant pan-genome knowledge, gaps and needs analysis research program (2012: \$nil). The outstanding balance as at 30 June was \$nil (2012: \$nil).
- Dr Harper is the Director of External Engagement for the Division of Animal, Food and Health Sciences (CAFHS) at the CSIRO and the Business Development Leader for the CSIRO Food, Health and Life Science Industries Group. CSIRO has invoiced the Company \$5,829,964 (2012: \$4,102,008). The balance outstanding as at 30 June was \$623,283 (2012: \$264,414). The Company has invoiced CSIRO \$15,245 (2012: \$20,611). The outstanding balance as at 30 June was \$4,981 (2012: \$517). Dr Harper is an Adjunct Association Professor at the University of Melbourne. The University of Melbourne has invoiced the Company \$1,128,818 (2012: \$1,480,856) with the outstanding balance as at 30 June \$13,172 (2012: \$554,933).
- Mr McKillop is a director of Dairy Australia Limited which has invoiced the Company \$103,446 (2012:\$4,135). This is primarily for the Company's contribution to a whole farms analysis of greenhouse abatement options in southern Australia. The outstanding balance at 30 June was \$nil (2012: \$nil). The Company has invoiced Dairy Australia Limited \$126,471 (2012: \$213,898) for their contribution to the National Livestock Methane Program. The outstanding balance at 30 June was \$126,066 (2012: \$1,939). Mr McKillop was recently the interim CEO of Harvey Beef. The Company has invoiced Harvey Beef WA \$5,076 (2012: \$5,422) for MSA producer training during the year and outstanding balance at 30 June was \$nil (2012:\$nil).
- Mr Trefort is a director of Sheep Co-operative Research Centre Limited (Sheep CRC), joining the Board in June 2009. The Sheep CRC is supported by major providers, managers and users of research in the Australian sheep industry and is supported under the Australian Government's Cooperative Research Centres (CRC) Program. The role of the CRC is to facilitate transformation of the sheep industry. The Sheep CRC is a company limited by guarantee which MLA is a participant and member of. It was established in July 2007 for a term of seven years. The MLA Board approved its participation and contribution in February 2006. The Sheep CRC invoiced the Company \$2,770,035 (2012: \$2,166,351) to carry out R&D projects. The outstanding balance at 30 June was \$713,982 (2012: \$1,337,325).

	Consolidated	
	2013 \$000	2012 \$000

24. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

Cash on hand	10,448	8,196
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	95	303
Short term money market deposits	55,224	63,029
Closing cash balance	65,767	71,528

(b) Reconciliation of net cash from operating activities to net surplus

Net (deficit)/surplus	(3,584)	(11,075)
Adjustments for:		
Net (gain)/loss on disposal of property, plant and equipment	(20)	5
Depreciation expense	1,090	1,000
Amortisation expense	328	623
Interest received	(3,257)	(3,914)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
– (Increase)/decrease in trade and other receivables	(3,185)	1,688
– (Increase)/decrease in prepayments and deposits	(35)	330
Increase/(decrease) in liabilities:		
– Increase/(decrease) in trade and other payables	4,190	(201)
– (Decrease)/increase in other liabilities	(2,083)	(1,069)
– Increase in provisions	358	470
Net cash from operating activities	(6,198)	(12,143)

25. EXPENDITURE COMMITMENTS

Expenditure (primarily R&D) contracted for is payable as follows:

– Not later than one year	51,617	42,794
– Later than one year but not later than five years	35,232	34,949
– Later than five years	–	–
Aggregate R&D expenditure contracted for at balance date	86,849	77,743

Operating lease expenditure contracted for is payable as follows:

– Not later than one year	3,650	3,271
– Later than one year but not later than five years	9,024	2,118
– Later than five years	12,225	–
Aggregate lease expenditure contracted for at balance date (a)	24,899	5,389

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

NOTES TO THE FINANCIAL STATEMENTS

26. MEMBERS' FUNDS

The Company is incorporated in Australia and is a company limited by guarantee. If the Company is wound up, its Constitution states that each member is required to contribute a maximum of \$5 each towards meeting any outstanding obligations of the Company. At 30 June 2013, the number of members was 48,608 (2012: 48,173).

27. CONTRIBUTED EQUITY

	Consolidated	
	2013 \$000	2012 \$000
Capital contribution	9,031	9,031

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MLA's principal financial instruments include derivatives, cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

MLA enters into derivative transactions, including forward currency contracts and currency option contracts. The currency option contracts are limited to vanilla options and collar options. The purpose is to manage the currency risks arising from the Group's overseas operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

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

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

Risk exposures and responses

(i) Interest rate risk

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

Cash deposits and short term cash assets are held at floating exchange rates of interest that range between 0 per cent and 5.10 per cent at 30 June 2013. Some of these assets are held in foreign currency accounts.

Sensitivity analysis:

At 30 June 2013, if interest rates moved, as illustrated in the table below, with all other variables held constant, the effect on the Group's net surplus would have been as follows:

Judgements of reasonable possible movements:

	Consolidated Surplus	
	2013 \$000	2012 \$000
+1.00% (2012: +1.00%)	640	682
-1.00% (2012: -1.00%)	(640)	(682)

There is no direct impact on other comprehensive income.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(ii) Foreign currency risk

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

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

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

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

Option contracts give the Group the right to purchase specific amounts of US dollars and Japanese yen at an agreed rate of exchange maturing at specific times up to 12 months from balance date.

At 30 June 2013, the Group held forward exchange contracts designated as hedges of forecasted future cash outflows to its overseas offices. The cash flows are expected to occur within 12 months from 30 June 2013. The following tables summarise by currency the Australian dollar value of forward foreign exchange contracts. The "buy" amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies under forward contracts.

Foreign exchange – forward contracts

	Consolidated			
	Average exchange rate		Buy amount	
	2013	2012	2013 \$000	2012 \$000
United States dollars				
Maturing in:				
Three months or less	1.0091	1.0273	1,139	973
More than three to 12 months	0.9870	1.0228	1,317	880
			2,456	1,853
Japanese yen				
Maturing in:				
Three months or less	87.42	78.63	915	1,145
More than three to 12 months	94.19	80.62	1,486	1,364
			2,401	2,509
Korean won				
Maturing in:				
Three months or less	1101.13	1144.44	908	786
More than three to 12 months	1100.31	1153.67	772	520
			1,680	1,306

Sensitivity analysis:

There is minimal sensitivity to foreign currency risk exposures on the Group's net surplus/deficit for the year and on equity as overseas spending is subject to a fixed budget which is determined in Australian dollars. As there is no material impact on the net surplus/deficit or equity in local currency, a sensitivity analysis has not been prepared.

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(iii) Credit risk

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

The Group's financial assets are largely due from government related bodies, recognised creditworthy third parties and highly credit-rated financial institutions that have minimal risk of default. No collateral is held as security.

All receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant.

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

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

(iv) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

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

The Group manages its liquidity risk by monitoring the cash inflows and outflows expected on a weekly basis.

A. Non derivative financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities as at the reporting date based on contractual undiscounted repayment obligations. The Group ensures that sufficient liquid assets are available to meet all the short term cash payments.

	Consolidated	
	Less than 6 months \$000	6 to 12 months \$000
Financial liabilities		
Trade and other payables	28,607	–
Funds held on behalf of the Commonwealth	95	–

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(v) Fair value

The carrying values of all financial assets and liabilities approximate their fair value at the balance date. The net fair value of a financial asset is the amount at which the asset could be exchanged in a current transaction between knowledgeable and willing parties after allowing for transaction costs.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

Financial assets

Derivative instruments

Forward currency contracts

Consolidated	
Year ended 30 June 2013	
Market observable inputs (level 2) \$000	Total \$000
278	278
278	278

Financial instruments that use valuation techniques with only observable market inputs include forward currency contracts. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

29. FINANCING ARRANGEMENTS

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

- A \$500,000 (2012: \$500,000) emergency fund can be accessed by MLA for scoping purposes following consultation with the affected species sector/sectors.
- In addition, a \$5 million (2012: \$5 million) contingency fund for the management of industry crises may be accessible. Use of this facility requires a two-thirds majority decision of RMAC directors with terms and conditions as agreed by RMAC and the Commonwealth Government.
- No amount has been withdrawn from these funding facilities.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Michele Allan
Chair



Scott Hansen
Managing Director

Sydney
26 September 2013

INDEPENDENT AUDITOR'S REPORT



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Independent auditor's report to the members of Meat & Livestock Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Meat & Livestock Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

INDEPENDENT AUDITOR'S REPORT



Opinion

In our opinion:

1. the financial report of Meat & Livestock Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.


Ernst & Young


Rob Lewis
Partner
Sydney
26 September 2013

APPENDIX: INDUSTRY COLLABORATIVE AGREEMENT (ICA) PARTICIPANTS 2012-13

The following list is of all ICAs undertaken in 2012-13 for marketing activities conducted across all markets, with MLA's contribution to each participant listed. MLA provides funding to match that of the participants. The amounts listed are for payments made during the financial year to 30 June 2013.

Global beef ICA participants 2012-13		Global lamb ICA participants 2012-13	
AAco	\$249,375	Arcadian Organic Meats	\$10,952
Andrews Meats	\$3,766	Classic Meats (Hudson Holdings)	\$939
Arcadian Organic	\$223,271	Country Fresh Nationwide	\$26,813
Atron Enterprises	\$161,660	Dardanup Butchery Co.	\$50,000
Australian Country Choice	\$45,179	Elders International	\$6,507
Australian Organic Meats	\$22,513	Fletcher International	\$3,001
Beak & Johnston	\$19,688	Homebush Exports Meat Co	\$25,750
Bidvest	\$119,150	Intec Pty Ltd	\$44,424
Bingil Bay	\$2,659	JBS Australia	\$21,902
Carpenter Beef	\$45,085	Mathias Meats Pty Ltd	\$5,111
CAAB	\$84,509	Meat Tender Pty Ltd	\$3,008
Dardanup	\$128,664	Melrose Meats	\$13,103
Dunnett & Johnston	\$3,916	Mulwarra Exports	\$33,683
Elders	\$97,226	OBE Lamb Pty Ltd	\$4,331
Floreat	\$2,618	PrimeAg Meats International	\$875
Foodcomm	\$242,776	Sanger Australia	\$32,922
G&K O Connor	\$5,650	T&R Pastoral Co.	\$47,939
Gippsland	–	Top Cut Foods	\$13,999
Greenhams	\$113,536	V&V Walsh Pty Ltd	\$11,250
HK Pty Ltd	\$10,851	WAMMCO	\$2,751
Homebush Export Meat Co	\$246,250	White Stripe Foods	\$46,144
Intec Pty Ltd	\$36,773	TOTAL	\$405,404
J&A Lewis Pty Ltd	\$11,956		
JBS Australia	\$216,993		
John Dee Exports	\$31,912		
Johnson Meats	\$2,784		
Kilcoy Pastoral Co.	\$32,902		
Margaret River Premium Meats	\$14,654		
Mariani Foods	\$109,275		
Matrad Pty Ltd	\$59,112		
Mulwarra Export	\$49,708		
Nippon Meats	\$90,598		
Nolan Meats International	\$11,050		
OBE Beef Pty Ltd	\$67,722		
Oz Nature Pty Ltd	\$3,687		
Prestige Foods International	–		
PrimeAg Meats International	\$875		
P&M Quality Smallgoods	\$18,102		
Rangers Valley Cattle Station	\$107,985		
Richard Gunner Fine Meats	\$20,351		
Sams Paddock	\$635		
Sanger Australia	\$70,808		
Stanbroke Beef	\$209,129		
Stockyard Pty Ltd	\$30,802		
T&R Pastoral International	\$165,000		
Tasmania Feedlot Pty Ltd	\$54,728		
Teys Australia	\$50,168		
Top Cut Foods	\$12,823		
V&V Walsh	\$36,750		
Western Meat Packers	\$32,663		
White Stripe Foods	\$79,006		
Wilnot Natural Beef	\$4,244		
TOTAL	\$3,461,537		

USEFUL INFORMATION

In preparing this Annual Report a number of MLA's planning and evaluation documents are referenced.

These are publicly available via our website at www.mla.com.au/corporatedocuments or by phoning 1800 675 717:

MLA Corporate plan 2010–2015

MLA Annual operating plan 2012–13

MLA evaluation series

Acronyms

AMLC	Australian Meat and Live-Stock Corporation
ABARES	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
AGM	annual general meeting
AHA	Animal Health Australia
AKFTA	Australia–Korea Free Trade Agreement
AMPC	Australian Meat Processor Corporation
BJD	bovine Johnes' disease
BRD	bovine respiratory disease
CAL	covered anaerobic lagoon
CIE	Centre for International Economics
CRC	Cooperative Research Centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
cwt	carcase weight
DAFF	Department of Agriculture, Fisheries and Forestry
ESCAS	Exporters Supply Chain Assurance System
FAO	Food and Agriculture Organisation
FOB	free on board
FTA	free trade agreement
HPP	high pressure processing
IACRC	Invasive Animals CRC
ICA	industry collaborative agreement
KPI	key performance indicator
LDL	Livestock Data Link
LPA	Livestock Production Assurance
MDC	MLA Donor Company Limited
MLA	Meat & Livestock Australia
MSA	Meat Standards Australia
NHMRC	National Health and Medical Research Council
NLIS	National Livestock Identification System
NLMP	National Livestock Methane Program
NRA	National Restaurant Association
NSW	New South Wales
NVD	National Vendor Declaration
OH&S	Occupational health and safety
PCAS	Pasturefed Cattle Assurance System
PDS	producer demonstration sites
PRGT	perennial ryegrass toxicosis
R&D	research and development
RBA	Reserve Bank of Australia
RD&E	research, development and extension
SARDI	South Australian Research and Development Institute
swt	shipped weight
TBT	technical barriers to trade
WA	Western Australia
WOW	walk-over-weighing
WTO	World Trade Organization

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MLA's *Annual report 2012-13* is available online at
www.mla.com.au/annualreport



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