

Meat & Livestock Australia

Annual Report 2014-15

Contents

MLA at a Glance	2
Chair's Report	4
Managing Director's Report	6
MLA 2014-15 Highlights	10
Report to Stakeholders	12
About MLA	66
Financial Report	92
Appendix 1	125
Tables, Illustrations and Charts	126
Useful Information	127
Index	128

About this report

This *Annual Report* presents a summary of Meat & Livestock Australia's programs, outcomes and financial performance during 2014-15. It contains four main sections:

- > a summary of MLA's operations and highlights of 2014-15 and 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 key performance indicators, and provides an overview of the company, the strategic framework, investments and operations
- > an *About MLA* section with a summary of MLA's finances and corporate strategy, information about corporate governance and overview of the organisation
- > 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.

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ISBN: 9781740363099

Published September 2015

Auditors: Ernst & Young

Bankers: Commonwealth Bank

MLA acknowledges the matching funds provided by the Australian Government to support the research and development detailed in this report.

This report was printed on Precision Offset Laser, an environmentally responsible paper manufactured under the environmental management system ISO 14001 using Elemental Chlorine Free (ECF) pulp sourced from sustainable forests.

2014-15: a year of listening and changing

Over the past 12 months MLA has listened to levy payers and positively changed the way it operates:

Efficiency

More than \$6.5 million in fixed costs savings have been achieved in 2014-15 to channel back into research, development and marketing.

Engagement

Our Managing Director hosted 40 face-to-face MLA forums across Australia and many other events attended by senior staff helped MLA speak directly to more than 5,000 producers.

Consultation

A new regional consultation model is being developed to encourage more producers to have their say on the direction of research and development investment.

Transparency

The new MLA website provides a clear breakdown of levy income and key investments.

Our vision

To be the recognised leader in delivering world-class research, development and marketing outcomes that benefit the Australian red meat and livestock industry.

Our mission

Working in collaboration with the Australian Government and wider red meat industry, MLA's mission is to deliver value to levy payers by investing in research, development and marketing initiatives that contribute to producer profitability, sustainability and global competitiveness.

Our strategic imperatives

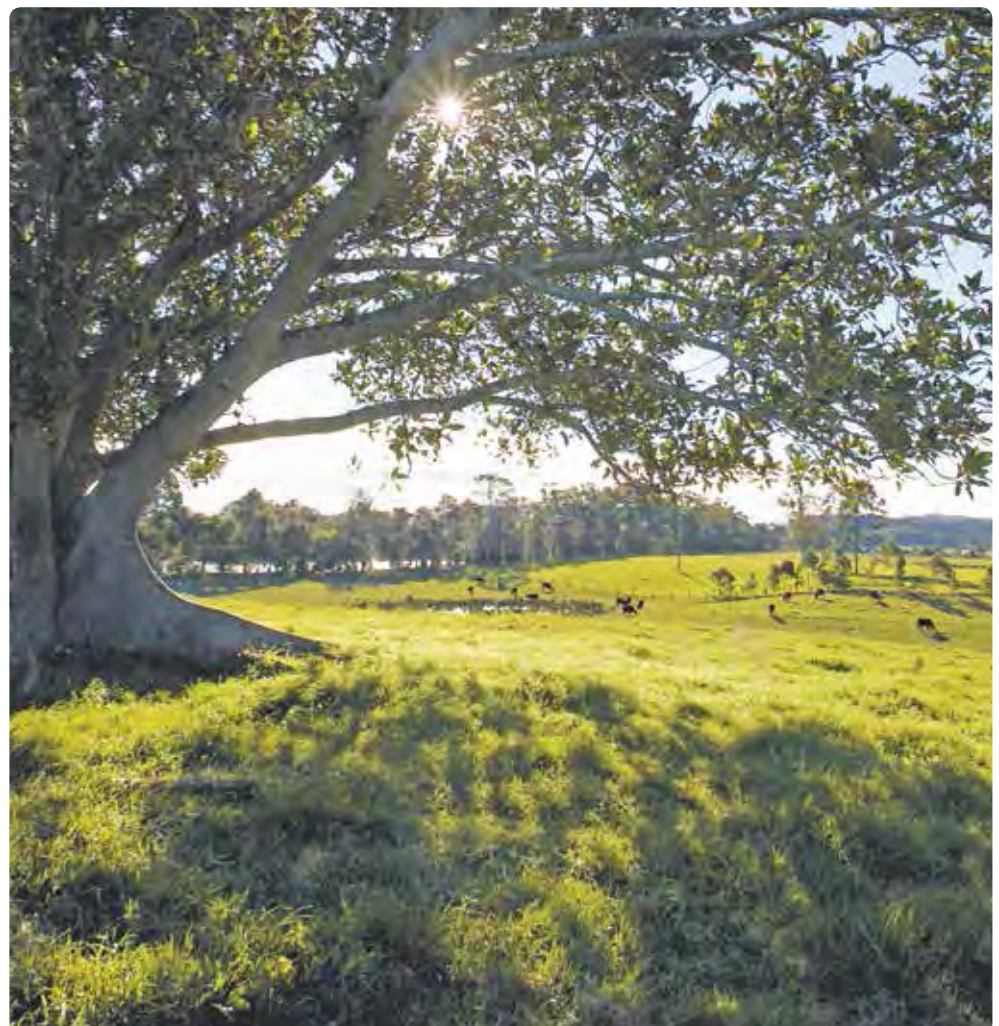
- > Maintaining and improving market access
- > Growing demand
- > Increasing productivity across the supply chain
- > Supporting industry integrity and sustainability

Our values

- > Customer centricity
- > Accountability through transparency
- > Outcomes that make a difference

Our history

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



Our funding

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 research and development. This can be supplemented by unmatched grants from the Australian Government and cooperative contributions from other Research and Development Corporations, individual processors, wholesalers, foodservice operators and retailers.

Processors and live animal exporters also co-invest levies into MLA programs through their service companies: Australian Meat Processor Corporation and LiveCorp. Exporters and importers can also co-invest with MLA on marketing activities.

MLA generates additional income via voluntary contributions which are matched by the Australian Government. This funding is invested in research and development partnerships that benefit the Australian red meat industry through the MLA Donor Company.

Our members

Membership of MLA is open to all levy-paying grassfed cattle, grainfed cattle, sheep, lamb and goat producers and is free of charge. MLA had 49,845 members at 30 June 2015.

Our stakeholders

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

Through the National and Rural R&D Priorities, the Australian Government sets high-level priority research and development objectives covering community, industry and environmental concerns.

Peak industry 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 through the supply chain, manage projects and communicate outcomes.

Our decision making processes

MLA doesn't spend levies and make decisions in isolation. This is done in concert with producers, the government, peak industry councils and other industry organisations (see 'Our stakeholders' and page 73 for other consultation mechanisms).

The new regional consultation model (see pages 73-74) will give producers direct input into MLA's research and development priorities, commencing in the second half of 2015.

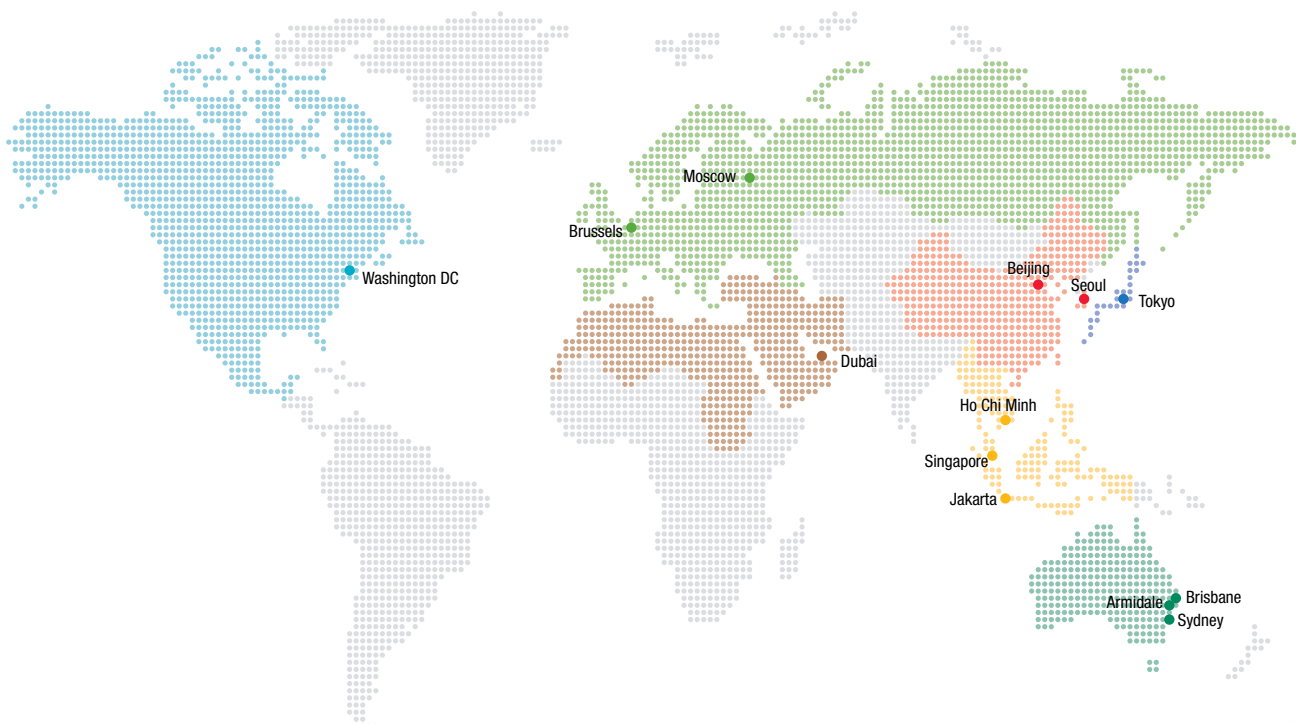
Our staff

At 30 June 2015 MLA employed 237 staff. More than 50 per cent were from a rural background and more than 33 per cent were under 35 years of age (see staff profiles on page 91).

Our locations

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

MLA office locations



Chair's Report



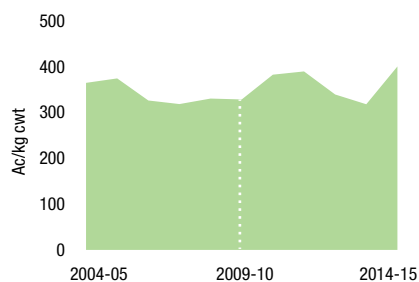
Dr Michele Allan, Chair

This past year could be summed up as record-breaking for the cattle, sheep and goat industry. Record production, cattle and retail prices, and exports have contributed to the total off-farm value of the beef, lamb and mutton industry increasing to \$23.2 billion in 2014-15, 18 per cent higher year-on-year. Although this is a stellar result, it is tempered by the ongoing challenges faced by producers with continuing drought conditions across the eastern states.

Despite this, I'm very optimistic about the future of the red meat industry.

Since April 2014, three free trade agreements have been signed, with MLA playing a crucial behind-the-scenes role assisting the Australian Government and industry to get these agreements over the line.

Eastern Young Cattle Indicator



Source: MLA

The global consumer wants our red meat like never before. The safety and integrity systems that underpin Australian red meat have now been wrapped up in our new *True Aussie* country of origin brand to give our exporters an added platform to help promote Australian red meat and underpin their own brands. The early success and support for *True Aussie* indicates this marketing element is adding value (see page 35).

Cattle and beef market and outlook

Intense export demand – particularly from the US, Japan and Korea – has rippled through saleyards, processing plants, and supermarket and butcher meat cabinets across Australia this year. Consumers in Melbourne, producers in Longreach, saleyard operators across NSW and processors in Brisbane have all felt the impact: record cattle prices, turnoff and retail beef prices.

Despite many areas of the eastern states yet to receive significant relief from drought conditions, cattle prices across all categories reached record levels in the first half of 2015.

Export demand is so intense that less beef is available at home, with per capita consumption forecast to drop

from 30.6kg/person in 2014 to 25.7kg/person in 2015. Despite this, red meat still remains a popular and important choice of protein for Australians.

Driving strong export demand has been the lower Australian dollar, higher US cattle and beef prices and our safety and integrity systems, lifting demand for imported Australian beef.

Demand and prices also remain high for livestock exports, with volumes reaching 1.4 million head in 2014-15, 22 per cent above year-on-year.

Looking ahead, the historically high cattle turnoff of 2014 and 2015 will mean a much smaller cattle herd over coming years and a continuation of strong cattle prices and reduced availability of beef in the domestic market. In 2015, 76 per cent of beef production is expected to be exported. This is in addition to livestock exports which may reach 950,000 head at the end of 2015.

Lamb market and outlook

Record production and exports have also been features of the lamb industry in 2014-15. Although lamb and mutton prices aren't at the record levels of earlier this decade, they are historically high, as dry seasonal conditions keep the supply of lambs coming forward.

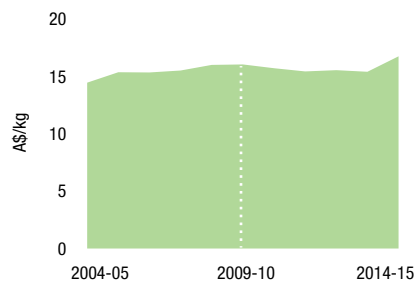
Another positive emerging trend has been marking rates – a measure of the reproductive performance of a flock – which appear to have increased considerably in recent years. Looking forward, this productivity improvement will pay dividends as Australia's core breeding flock declines.

The lower Australian dollar has made exports more attractive, putting pressure on domestic lamb consumption with per capita consumption forecast to average 8.5kg in 2015, 3 per cent lower year-on-year. Close to 63 per cent of our sheepmeat is exported where again, our high safety profile and traceability credentials help to underpin demand.

Goat market and outlook

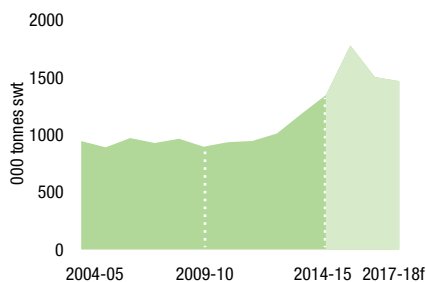
In the goat market, prices and production peaked at record levels in 2014-15. Most goats have been

Domestic retail beef prices



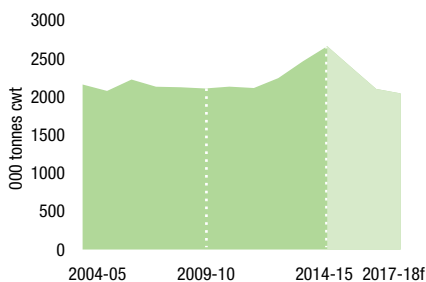
Source: ABS

Beef and veal exports



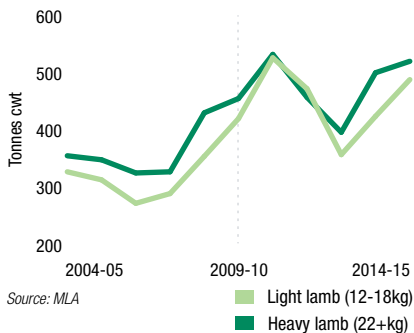
Source: Department of Agriculture and MLA forecasts f - forecast

Annual cattle production

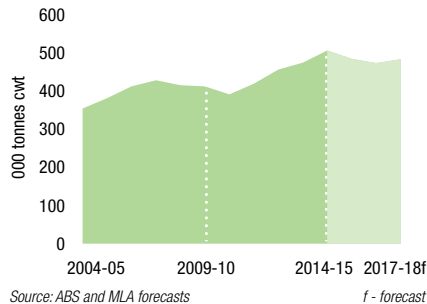


Source: ABS and MLA forecasts f - forecast

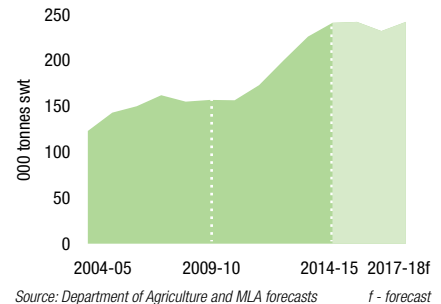
Light lamb and heavy lamb prices



Annual lamb production



Lamb exports



sourced from NSW and are then trucked to processing plants across NSW, Victoria and in Charleville, Qld.

The US remains the largest destination for Australian goatmeat, taking 56 per cent of exports. Our next biggest market destinations were Taiwan and Canada.

Board business

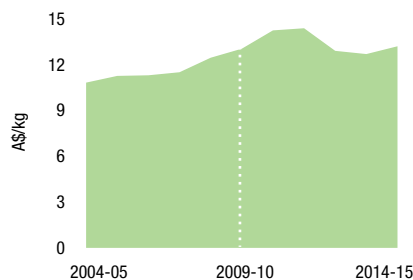
In a year when the industry has received these long awaited and well deserved higher returns, MLA has been working hard to deliver research and development and marketing activities to add value and prosperity to the industry. We have also spent the year listening to levy payers and changing the way we operate.

In whatever we undertake, consultation with industry is part of our processes. MLA is close to completing a full assessment of the automation of levy payments to voting entitlements, which will allow the industry to make an informed decision around costing and implementation challenges, for identifying all levy payers and not just MLA members, which is how the system we work within, currently operates. Most of the Research and Development Corporations, including MLA, have a register of levy payers who have elected to become members for free.

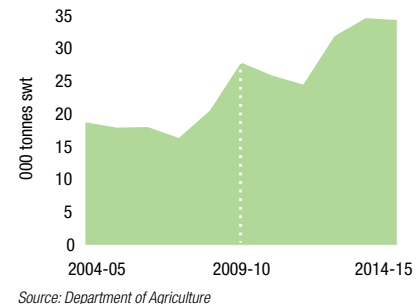
In MLA's case, we do not have access to a full list of levy payers, which is held by the Australian Government, who collects the levy. Identifying levy payers responds to a recommendation from the Senate Inquiry into grassfed levies.

At last year's annual general meeting (AGM), members voted to make amendments to MLA's Constitution.

Domestic retail lamb prices



Goatmeat exports



One of these was to change the composition of MLA's Board Selection Committee by reducing the number of MLA directors from three to two. Another change was that I, as MLA's Chair, would no longer chair the Selection Committee. Instead, members of the Selection Committee elected the Australian Lot Feeders' Association President as Chair of the Selection Committee.

A further change was to increase the number of grassfed cattle producer representatives on the Selection Committee from one to two people to give grassfed cattle producers greater representation and influence over the MLA Board selection process. MLA has been advertising this to producers and all nominees will be put forward to this year's AGM in Brisbane, for election by grassfed cattle producer members. This change demonstrates that the Board is committed to demonstrating an absolute focus on levy payers.

The MLA Board is a skills based board, but crucially, there are always board members who are also producers, to bring a direct understanding of levy payers to the table. Currently we have six livestock producers on the board

– including Managing Director Richard Norton.

MLA managing director Richard Norton will cover other areas where MLA has listened and changed in his report on pages 6-8.

MLA is a major funder of research, development and adoption in Australia that supports a vibrant red meat industry. We commission research on farm and in new technology and techniques to help producers improve their productivity, profitability and sustainability. I would like to acknowledge the Australian Government as our most valuable partner in this research, development and adoption, providing matching dollars for the research projects we manage.

In closing, I would also like to acknowledge the many hard working people across MLA and our partners. It has been a challenging year for many but the Board thanks everyone for their service and the many achievements that have been delivered for the industry.



Dr Michele Allan
Chair

Managing Director's Report



Richard Norton, Managing Director

Over the past 12 months I have witnessed a red meat industry that should be proud of what it has achieved by investing in itself – with the support of the Australian Government.

The Australian red meat industry has an extremely bright future with huge export demand and industry leaders who show a willingness to capture this potential through shared resources across the value chain.

This past year has also seen MLA embark on tremendous change.

While the Senate Inquiry into grassfed levies was continuing, MLA commenced a restructure of the entire company in response to concerns raised during the Inquiry, the Systems Review of 2013 and through my

discussions with levy payers and other stakeholders. The restructure was necessary for MLA to become more transparent, efficient and better aligned with the needs of industry.

I was encouraged to hear Minister for Agriculture, Barnaby Joyce, present the Government's response to the Inquiry in July 2015. Minister Joyce acknowledged that MLA – as the provider of research and development and marketing services to the grassfed cattle industry – can provide a solid basis for the future of these services to the red meat industry, with greater direction from grassfed levy payers. Minister Joyce also said the government would continue to allocate the current grassfed levy to MLA.

Being allocated a proportion of the levy by the Government is a privilege, not a right – MLA has a responsibility to use this levy efficiently and effectively to contribute to the profitability, sustainability and global competitiveness of levy payers. This means we need to continue investing in world-class research and development and marketing activities that make a difference.

MLA's year of change has involved four key areas:

Efficiency

Following MLA's restructure, more than \$6.5 million in fixed cost savings have been achieved in 2014-15 to be channelled back into research, development and marketing in future years.

Engagement

This year of change has been informed by hours of listening at over 40 MLA forums across the country where I held face-to-face discussions with more than 1,200 producers. In addition, my senior staff have attended many other industry events across Australia, taking the number of producers who we have engaged directly with to more than 5,000. Not only have I listened to concerns but I've spoken about MLA's role as the provider of R&D and marketing services to the red meat industry. I've also had the opportunity to bust some myths – one of the main ones being that MLA is the representative organisation for producers in Canberra. Our Deed of Agreement with the Australian Government clearly prohibits MLA from engaging in any agri-political activity or lobbying. Rather, the peak industry councils have the mandate to lobby and advance the interests of the industry in the policy and political arena.



Events attended by Managing Director Richard Norton in 2014-15

Jul	LambEx (Adelaide, SA)
Aug	AgForce board meeting (Brisbane, Qld), Pasture Update (Moora, WA) WA Beef Forum and Grower Group Alliance Forum (Perth, WA)
Sep	Stakeholder Forum for development of Meat Industry Strategic Plan (Sydney, NSW)
Oct	MLA roadshows (Rockhampton, Charters Towers, Georgetown, Longreach, Cloncurry and Roma, Qld), China and Japan trip with Minister of Agriculture and industry delegation, Pastoral Industry Advisory Group meeting (Mount Isa, Qld)
Nov	MLA annual general meeting (Sydney, NSW)
Dec	MLA marketing taskforce meetings (Sydney, NSW)
Feb	Holbrook Group (Holbrook, Vic), WA Farmers annual general meeting (Perth, WA)
Mar	AgForce events (Moura, Middlemount and Emerald, Qld)
Apr	Indonesia and Middle East industry delegation, Kimberley Cattlemen's Association (Broome, WA)
May	Beef Australia 2015 (Rockhampton Qld), 'Your Levy, Your Industry' forums (Casino, Tamworth, NSW; Wangaratta, Bairnsdale, Hamilton, Vic)
Jun	'Your Levy, Your Industry' forums (Bordertown, Clare, SA)

As Managing Director of MLA I'll continue to take every opportunity to get out among grassroots producers and listen to their concerns and ideas.

Consultation

When MLA makes a decision on how the levy should be allocated, this is always made in consultation with peak industry councils, industry taskforces and producers, whether it's for research, development or marketing.

Forums where levy payers and the wider industry have a direct say in how levies are spent and the direction of programs undertaken by MLA are:

- > Red Meat Co-investment Committee
- > Regional consultation model on research priorities (NABRC, SAMRC, WALRC)
- > Sheep and Beef Forecasting committees
- > Sheep Genetics Advisory Committee
- > MSA Taskforce and Pathways Committee
- > Resource Flock Steering Committee
- > Genetics Steering Committee
- > Region-specific global marketing and market access taskforces for beef and sheepmeat (Australia,

Japan, Korea, North America, Middle East, Europe/Russia, Indonesia, China and South Asia)

To enhance this, one of the steps towards greater consultation and transparency this year has been the creation of a regional consultation model to encourage more producers to have their say on the direction of research and development investment. A model is already in operation in northern Australia through NABRC. Similar committees are being established in Southern Australia (Southern Australian Meat Research Council – SAMRC) and in WA (Western Australian Livestock Research Council – WALRC). For more on this, read pages 73-74.



Also, as our chair Michele Allan mentioned in her report, the MLA Constitution has been changed to increase the number of grassfed cattle producer representatives on MLA's Board Selection Committee from one to two people (see pages 81-82) for more). I'm pleased that the nominees will be voted on at this year's annual general meeting so this change can be implemented.

MLA also consults with the Australian Government on its national and rural R&D priorities to ensure our projects are aligned with these priorities.

Transparency

MLA's renewed commitment to transparency extended to the digital world this year with our new-look website providing a clear breakdown of levy streams and key investments

across MLA's work program. I encourage you to visit it at www.mla.com.au. In addition, you will see more of our senior and expert staff presenting at forums and conferences around the county. Please take the opportunity to speak to them and ask questions if you cross paths.

Financial performance

At 30 June 2015 MLA reported a total revenue of \$205.7 million against expenditure of \$179.5 million. This resulted in the retained surplus growing to \$75.4 million. This is against a backdrop of high cattle turnoff in the past year. This year's higher levy income and retained earnings have been committed against key activities and programs over the next five years, in line with the *Meat Industry Strategic Plan 2020*, allowing programs to continue when we expect turnoff to drop significantly in the next two years and therefore the levy revenue to correspondingly drop.

For more on MLA's financial position refer to pages 92-124.

Program performance

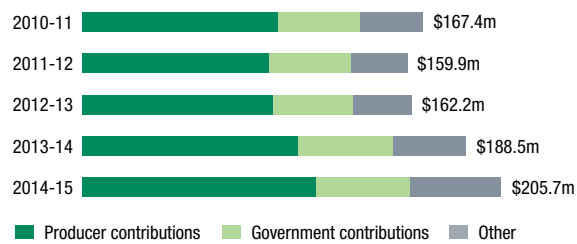
I'm pleased to present the *Report to Stakeholders* on pages 12-65 of this *Annual Report* which showcases the highlights, challenges, opportunities and the outlook of each of MLA's four strategic imperatives; and highlights from each of our 20 objectives and achievements, or otherwise, of milestones. This is an open account of the results of MLA's work program in 2014-15 which I encourage you to read.

I'm proud of what's been achieved in 12 months – although much of this work has been years in the making; the Japan and Korea free trade agreements entering into force and the signing of the agreement with China being just a few examples.

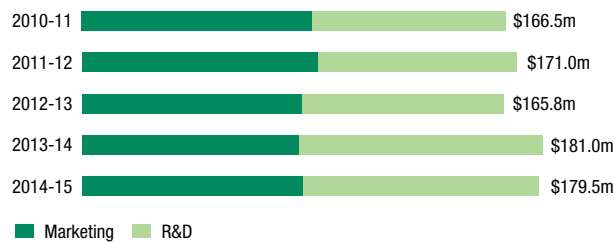
Our team

At MLA I'm very proud of the staff who work tremendously hard delivering research, development and marketing activities for levy payers. We have the skills, expertise and experience to drive results from

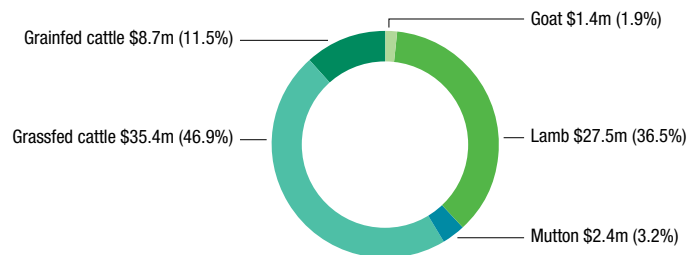
Revenue



Expenditure



Retained earnings by levy stream



programs that make a difference, and to help our industry prosper.

MLA has attracted experts across many fields, a number of whom are highly regarded in research circles around the world, such as Ian Jensen, MLA's Manager – Market Access Science and Technology, who is regarded as a leading authority on food safety research and was recently invited to an expert joint Food and Agriculture Organization (FAO) of the United Nations/World Health Organization (WHO) meeting on control of non-typhoidal salmonella in beef and pork meat.

Veronique Droulez, MLA's Nutrition Manager is a member of the International Meat Secretariat's Human Nutrition and Health Committee which meets annually to collaborate, including providing input into global nutrition policy. In 2014 Ms Droulez was invited to present at the WHO/FAO Rome Declaration on Nutrition.

MLA's Dr Tom Davison, Manager – Climate Change Research and Development, was recently appointed to the United Nations Commission for Agricultural Meteorology Expert Team to provide input into the impacts of climate variability on the livestock sector. This role will provide him a tremendous opportunity to learn about the work other countries are doing to adapt to climate variability.

Many of our workforce are from or have a close affinity with rural Australia, with more than half of our staff having a rural background. I hope you enjoy reading profiles of some of our staff and their connections with the land on page 9.

Richard Norton
Managing Director

Industry Insiders

More than 50 per cent of MLA's staff come from a rural background through family affiliation, previous industry experience or tertiary qualification. Here are the backgrounds of six staff:

Damon Holmes

Operations Manager, National Livestock Reporting Service

I grew up on a cattle property of close to 13,000 acres, located 25km from Theodore in Central Queensland, running a backgrounding operation for a small 1,000 head feedlot. I studied in Brisbane, completing a Bachelor of Economics.

I love to get home when I can during Christmas and will always have a strong affiliation with the land.

At MLA I manage 28 field staff across Australia who collect cattle and sheep saleyard data from 70 yards on a weekly basis to help producers make informed decisions about when to buy/sell or hold stock.



Mary Goodacre

Consultation Strategy Manager, On-farm Innovation and Adoption

I'm a partner in a 300ha merino and beef cattle breeding enterprise near Canowindra, NSW. I was born and raised in Canowindra, studied agriculture and worked for 20 years throughout rural Australia to fund the purchase of 'Goimbla' in 2002.

While I'm based in Sydney now, I relish every opportunity to work with livestock producers and get back into the yards.

At MLA I run the regional consultation strategy (see pages 73-74) to ensure grassfed beef and sheepmeat producers across Australia have direct input into setting MLA's research and development priorities.



Jen Peart

Market Coordinator, National Livestock Reporting Service

I am from a beef cattle property called "Bundaleer" in Central Queensland where my family runs an organic cell grazing operation. My grandparents drew and settled the block just over 50 years ago and still live on the property with us. We breed and fatten with approximately a quarter of the property planted down to leucaena. As a typical bush child, I went to a small school of about six children, boarding school in Toowoomba and did a Bachelor of Rural Science at UNE Armidale. I love getting home, although there are many jobs that Dad seems to have conveniently postponed on news of my pending arrival.



Sophie Fisher

Digital Content Coordinator, Communications and Stakeholder Engagement

I grew up on a property called 'Athlone' which is located at Gulargambone in NSW. It is a fourth-generation sheep and cropping enterprise spread over 4,100 hectares, running 9,000 sheep and 700ha of crops. The property is run by my parents Paul and Annette, brother Jock and sister-in-law Kirsty. I love heading home to the farm and try to get there as often as I can. When I am home I enjoy helping Dad out with mustering sheep, checking water and recently with the drought, feeding, but I am sure if you ask my brother he will tell you I prefer to make scones with Mum and then deliver them to the hard workers instead of doing the work!

I help look after MLA's website to ensure producers can clearly see how MLA is investing their levies.



Claire Austin

Project Officer, Value Chain Innovation

I grew up on my parents' mixed farm, located 28km from Gulargambone in north-west NSW running Poll Herefords, prime lambs and winter cereal crops. I went to boarding school for six years in Sydney, and then completed a Bachelor of Agricultural Science. I worked at NSW Farmers Association for three years before starting at MLA as the Stakeholder Relations Officer in 2010. While living in Sydney I always maintained my own cattle herd, which helped me get out of the city as much as possible.

I now live on my husband's family property near Trangie and Nyngan in central-west NSW. This business is run with his father and brother (whose wife, Bec Austin, also works for MLA). The business runs a backgrounding beef operation targeting the EU market and pasture-fed premiums, merino sheep as well as irrigated crops (depending on water allocation) and winter crops.



Kazu Mitsuhashi

Business Development Manager – Japan, International marketing

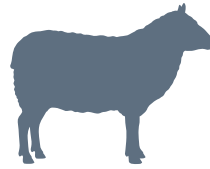
I've been working at MLA for three years following working for a food importing company. I belong to the foodservice team in Japan, working with senior manager Taka Nakayama. I support and organise workshops, seminars and exhibitions for/with key Japanese customers. I'm also responsible for the sheepmeat budget and sheepmeat trade, foodservice, retail and consumer activities. I also do business development – I'm always looking for new business opportunities for our stakeholders.

I've lived in Japan for 34 years and have lived in the US and Australia for one year each. Being Japanese helps me in my role as Japanese customs are sometimes different from Western customs.



Highlights from major projects MLA has led, contributed to or managed include:

MLA 2014-15 Highlights



World first

Sheep vaccine, Barbervax, the world's first vaccine for a gut-dwelling parasite of livestock, was commercially released (page 51).

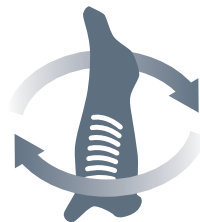


More open trade

Free trade agreements were signed with China, Japan and Korea, delivering both immediate and ongoing tariff reduction benefits in these key export markets (page 19).

MSA growth continues

Uptake of Meat Standards Australia across the supply chain continues to grow, with record price premiums and numbers of cattle and sheep presented for grading (pages 24-25).



Supply chain feedback

The first commercial supply chain rollout of Livestock Data Link – supplying information and feedback from the processor to the producer – commenced (pages 48-49).

Less methane

The federally funded and MLA-managed National Livestock Methane Program found leucaena plantations in northern cattle systems can lift productivity by up to 22 per cent and lower methane emissions by up to 20 per cent (page 57).



New customers

12 new beef and 11 lamb customer accounts were secured in global markets (pages 34-39).

Global branding

MLA's new international *True Aussie* brand was rolled out across global markets (page 35).



Pest control

Two parkinsonia biological control projects offer potential solutions to a rampant weed problem in northern Australia and a new biological control has been discovered to manage rabbits (pages 56-57).

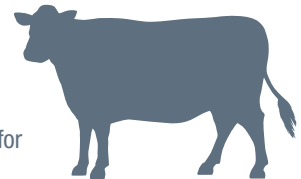
Campaign cut through

MLA's Australia Day lamb campaign was named 'TV Ad of the Year' and lamb sales rose 35 per cent in the week preceding Australia Day – one of our best results ever. MLA's *Better on Beef* campaign saw claimed consumption by mums increase 0.17 meals to 1.73 meals per week. The campaigns saw MLA win the 'Effective advertiser of the year' award at the Australian Effie Awards (pages 31 and 33).



Pain relief

Buccalgesic pain relief gel for calves was launched and NumNuts, a fast-acting pain-relieving local anaesthetic for lambs, was ready for commercialisation (pages 60-61).



Robotics adoption

Lamb automation technology is continuing to be developed and adopted and beef automation technology is being trialled (page 47).



Open communication

The new regional consultation model was established (see pages 73-74) and MLA's website was revamped with greater transparency about levy income and spend (page 53).

Better genetics

A new Brahman days-to-calving estimated breeding value has been developed to improve the reproductive performance of northern herds (pages 44-45).



Report to Stakeholders

This *Report to Stakeholders* provides a transparent overview of MLA's actual activities and outcomes for the 2014-15 financial year, reporting against the objectives and planned activities outlined in MLA's *Annual Operating Plan 2014-15*.

The figure on the next page shows the relationship between the peak industry councils, MLA Board and Leadership Team and the documents that guide and inform MLA's focus and reporting on its progress and performance.

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



MLA's strategic and operational planning process

Whole of industry consultation
(see page 73 for more information)
Industry taskforces

- International markets
- Domestic market
- Meat Standards Australia

National and Rural R&D Priorities
(established by the Australian Government)

Policy direction, budget and performance monitoring
(provided by the peak industry councils and through industry consultation)

Meat Industry Strategic Plan 2010-2015
(established by the Red Meat Advisory Council)

MLA Corporate Plan 2010-2015
(overseen by MLA Board, managed by MLA Leadership Team)

R&D and marketing business plans
(managed by MLA Leadership Team)

MLA Annual Operating Plan 2014-15
(managed by MLA Leadership Team)

- Maintaining and improving market access
- Growing demand
- Increasing productivity across the supply chain
- Supporting industry integrity and sustainability
 - Objectives
 - Planned activities
 - Key performance indicators

MLA Annual Report 2014-15
(report to stakeholders)

Whole of industry R&D consultation
(see pages 73-74 for more information)

- North Australia Beef Research Council
- Southern Australia Meat Research Council
- Western Australia Livestock Research Council
- 18 regional red meat and livestock committees (excluding WA)



Maintaining and improving market access

MLA assists in the maintenance and improvement of 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 for the livestock export sector.

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 National Research Priorities:

- Promoting and maintaining good health
- Safeguarding Australia

Australian Government Rural Research and Development Priorities:

- Productivity and adding value
- Supply chain and markets
- Biosecurity

Delivering MLA business units:

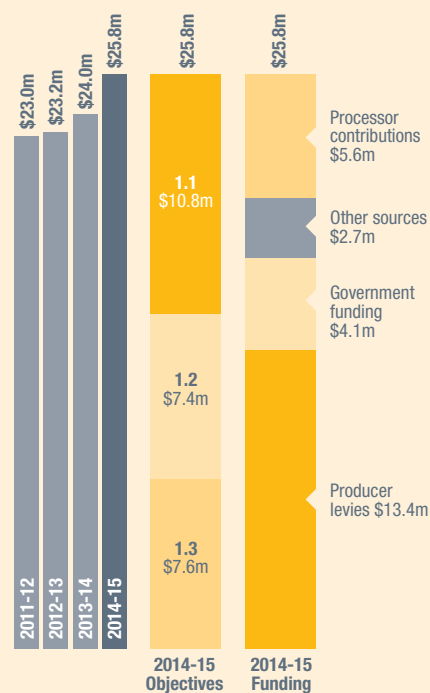
- Value Chain Innovation
- On-farm Innovation and Adoption
- International Markets



MILESTONE SCORECARD

Of 13 milestones: 8 achieved, 3 not achieved, 2 no longer applicable

INVESTMENT



An additional \$294,000 was attracted in voluntary contributions, matched with Government funding and invested via the MLA Donor Company.

KEY ACHIEVEMENTS



More open trade with Japan, Korea and China

Two free trade agreements entered into force, delivering both immediate and ongoing tariff reduction benefits in key export markets. An agreement was also signed with China (see page 19).

Enhanced animal welfare assurance

Planning commenced for a pilot of a new export welfare assurance system – Livestock Global Assurance Program – to enhance the long-term sustainability of the live export trade (page 21).



Vaccine addresses on-board mortality

A salmonella vaccine for sheep was developed and is now undergoing further efficacy trials. It will address one of the most common causes of mortality aboard live export vessels (page 21).

Meat safety R&D assists market access

MLA research found Australian cattle only have four of the seven types of *E. coli* bacteria the US market tests for, putting Australia in a position to negotiate for less stringent commercial testing (page 17).



↑ OPPORTUNITIES

- > The revamp and upgrade of the National Livestock Identification System (NLIS) will enable commercial software providers to develop compatible stock management software, including adaptations for smartphones and tablets, to simplify stock movement recording and reporting.
- > Industry, in close consultation with government, is working on strategies and action plans to tackle the 136 technical barriers to trade identified in an earlier review.

↘ CHALLENGES

- > Tackling non-tariff barriers to trade in the Middle East and China.
- > Beginning discussions with government on pursuing a free trade agreement with the European Union.
- > Encouraging more producers to embrace online National Vendor Declarations and facilitate the uptake of the paperless livestock traceability system across the entire supply chain.
- > For the Livestock Global Assurance Program to graduate from its pilot phase and become the accepted animal welfare standards guide for the livestock export industry worldwide.
- > The \$6 million NLIS upgrade project is a significant technological challenge requiring an enormous communication effort to engage all stakeholders.

🔗 OUTLOOK 2015-16

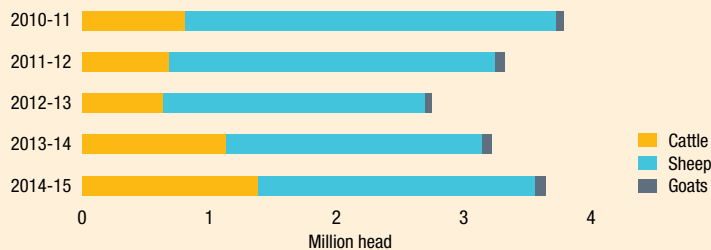
- > Supporting Trans-Pacific Partnership Agreement and EU Free Trade Agreement negotiations.
- > Encourage closer bilateral partnership discussions with Taiwan and continue positioning Australia as a preferred supplier to this market.
- > Leading Australian scientists in *E.coli* research to attend VTEC Boston, an international conference that leads the worldwide conversation on food safety.
- > Deliver an improved, modernised NLIS database with enhanced functions including expanded help sections.
- > Ratification of the China-Australia FTA.
- > China cattle health protocols signed.
- > Potential to export livestock to the US.

FAST FACTS 2014-15

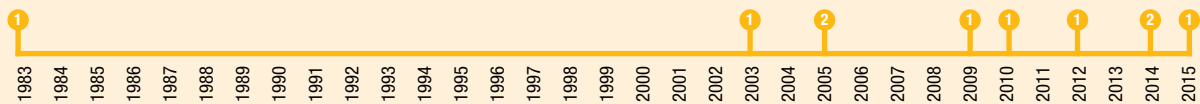
Live sheep exports
2.2 million head
up 9% on 2013-14

Live cattle exports
1.38 million head
up 22%

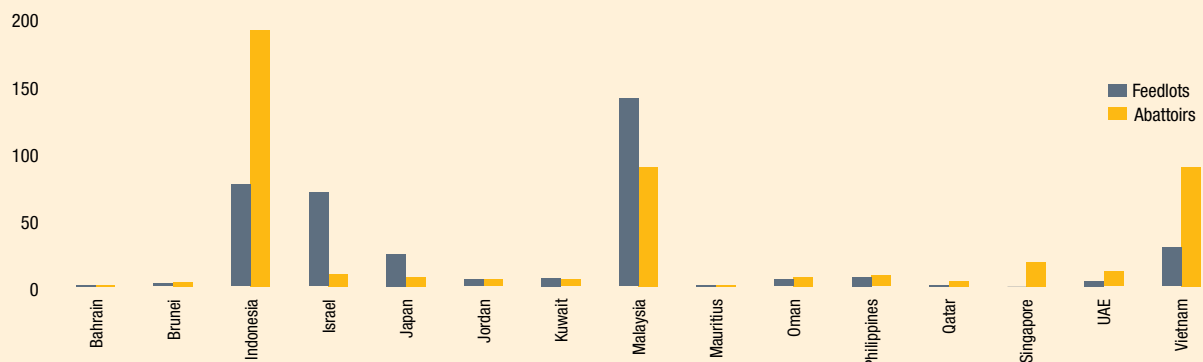
Live cattle, sheep and goat exports (million head)



10 free trade agreements signed by Australia since 1983, **3 of these** since April 2014



Number of facilities in ESCAS approved supply chains, by market



Maintaining and improving market access

OBJECTIVE 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, traceability and integrity systems.

↑ STRATEGIES

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 MILESTONES

Satisfaction rating of MLA's food safety activities by industry (processors and AMIC) at more than 85 per cent

Not achieved RESULT: 78 per cent of surveyed stakeholders satisfied with MLA's food safety activities

All user and third party software interfaces completed as part of ongoing National Livestock Identification System (NLIS) database refresh project

Not achieved RESULT: The NLIS refresh project plan was revised, delaying release to July 2015 and a final release, including all user and third-party software interfaces, to early 2016

Industry-wide rollout of the central web-based electronic National Vendor Declaration (eNVD) database completed by June 2015

Not applicable RESULT: The model for the delivery of the eNVD was revised in late 2014 from a central web interface to licensed commercial software applications

Gap analysis of through chain assurance programs completed by September 2014

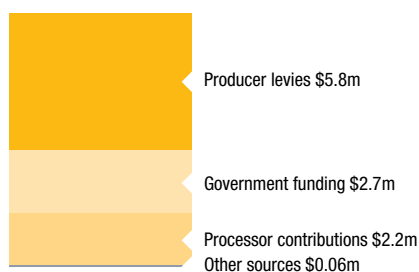
Achieved RESULT: The gap analysis was completed, though not until November 2014

Future funding model for SAFEMEAT programs endorsed by industry by April 2015

Not achieved RESULT: Future funding is being considered by the SAFEMEAT Initiatives Review Steering Group with recommendations due in August 2015

💰 INVESTMENT

\$10.8 million



An additional \$294,000 was attracted in voluntary contributions (\$139,000), processor contributions (\$8,000) and matched Government funding (\$147,000) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > maintenance and refresh of the National Livestock Identification System database
- > management of the Livestock Production Assurance program
- > development of tools and systems for managing food safety based on innovative science
- > development of new integrity systems that respond to consumer preferences

OBJECTIVE HIGHLIGHTS

Food safety update

Projects seeking better ways to identify pathogenic *E. coli* on carcasses and improve meat hygiene practices across the industry are essential for Australia's continued market access. Recent MLA research has found Australian cattle only have four of the seven types of *E. coli* bacteria the US market tests for, putting Australia in a position to negotiate for less stringent commercial testing. In another project, researchers hope to use research data to change the standards for the shelf life of vacuum-packed lamb and boost trade to the Middle East. In March, MLA hosted a food safety symposium at Charles Sturt University, Wagga Wagga NSW, where leading research on *E. coli* control and detection by Australian researchers was presented.

The net benefits of *E. coli* research is estimated to be **\$1.87 million** annually in reduced costs and product losses

Online NVD progress

The National Vendor Declaration (NVD) paper trail shortened during 2014-15 with 57.5 per cent more producers using the online NVD (eDEC) than the previous year.

To further increase the efficiency of this food safety and stock traceability system, MLA has finalised its framework for making the entire process paperless by developing consistent electronic NVD standards, data transfer and validation facilities as well as a central archive database for traceability and auditing. During the second half of 2015, MLA will conduct field trials with various software providers. For producers, accessing an online NVD will soon be as easy as clicking an icon on a smartphone, tablet or computer. Benefits include eradicating data double entry along the supply chain, improving response times to meet changing market requirements and cutting paperwork for producers, with NVDs personalised and partly pre-filled. It is estimated the system may result in industry savings of at least \$5.8 million per annum by removing the costs associated with the reprocessing of NVDs at saleyards, feedlots and abattoirs.

More than **30 million cattle** and **20 million sheep and goat movements** recorded by NLIS in 2014-15

32,762 producers registered to use the eDEC system, a **57.5% increase** this year

NLIS database refresh

The National Livestock Identification System (NLIS) database will soon be easier for producers to navigate online. During July, the website will be refreshed to offer an informative home page and more help options. The help section will be expanded to include 'five steps to using NLIS', frequently asked questions, links to state legislation, EUCAS (European Union Cattle Accreditation Scheme) requirements and tips on how to reconcile stock records on the database. A subsequent release is planned for early 2016 which will see movement recording and reporting simplified, including the addition of a dashboard view for producers, as well as enabling integration with smartphone and tablet technology.

More than **64,000 producers** have accounts on the NLIS database, up from 58,000 at the end of 2013-14



Food safety R&D helps market access

MLA research into food safety is paying global trade dividends with Australia's reputation as a safe and clean red meat supplier growing stronger each year. Australian scientists attend international conventions, such as VTEC 2015 in Boston, a symposium on Shiga Toxin (Verocytotoxin)-producing *E. coli*, to be part of the global conversation on food safety and to identify research directions that will boost red meat's international competitiveness while reducing unnecessary regulations and trade barriers.

In an MLA project concluded this year, researchers gathered and analysed data from Australian processors to ascertain why some are better at controlling bacteria than others. The project will release best practice guidelines which will further improve Australia's performance in food safety.

Maintaining and improving market access

OBJECTIVE 1.2

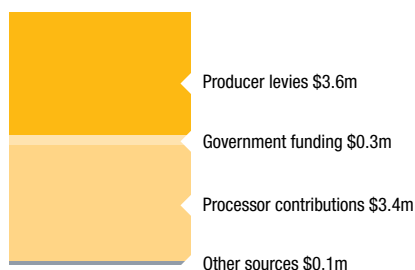
Support industry and government to maintain and liberalise world meat markets

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 alliances.

↑ STRATEGIES	🔑 KEY MILESTONES
1.2.1 Support industry and government to defend existing favourable market access conditions in overseas markets	<p>Action plans for key technical market access barriers are developed and endorsed by peak councils</p> <p>Not applicable → RESULT: Delivery of the milestone has changed to MLA now working jointly with AMPC on non-tariff barriers</p>
1.2.2 Assist in positioning the Australian red meat and livestock industry for the WTO Doha round	<p>Submissions prepared by MLA on economic market access barriers are endorsed by peak councils</p>
1.2.3 Assist in positioning the Australian red meat and livestock industry for FTA negotiations	<p>Achieved → RESULT: MLA prepared submissions reviewed and endorsed by peak councils</p>
1.2.4 Develop strategies to remove access barriers	<p>Demonstrable progress is made on implementing the Indonesia, China and EU market access and engagement strategies¹</p>
1.2.5 Provide issues management capability to assist in avoiding loss of market access due to meat safety concerns	<p>Achieved → RESULT: Demonstrable progress made in Indonesia (through the Indonesia-Australia Red Meat and Cattle Partnership), China and the EU (continuation of the EU High Quality Grainfed Beef quota)</p>
	<p>Trade perception of the safety of Australian red meat held at or above current levels in key markets</p>
	<p>Achieved → RESULT: Survey carried out biennially. Last survey indicated trade perception of safety at 93 per cent in Japan and 95 per cent in Korea</p>

💰 INVESTMENT

\$7.4 million



In 2014-15 this investment included:

- > assisting government to conclude free trade agreements with Korea, Japan and China
- > progressing priorities during Trans-Pacific Partnership trade talks
- > addressing technical trade barriers

¹ Milestone relates to beef focused strategies only.

OBJECTIVE HIGHLIGHTS

The past 12 months were a watershed year for market access, with gains estimated at \$20 billion secured for beef, sheepmeat, goatmeat, offal, skins and hides from a trifecta of free trade agreements negotiated by the Australian Government.

China-Australia FTA

The China-Australia Free Trade Agreement (ChAFTA), signed in June 2015, means:

- > the tariffs levied on Australian beef of 12–25 per cent will be eliminated over the next nine years
- > sheepmeat and goatmeat tariffs of 12–23 per cent will be eliminated over eight years
- > the 12–15 per cent tariffs on offals will be eliminated over four to nine years
- > the 5–14 per cent tariffs on hides and skins will be eliminated over four to eight years
- > the 10 per cent tariffs on live cattle and sheep will be eliminated over four years.

China takes
**25% of Australia's
sheepmeat
exports,**
90% of sheepskin exports
and is our fourth largest
sheepmeat offal customer

ChAFTA is scheduled to enter into force in late 2015, delivering the first tariff cuts, with the second tariff cuts due 1 January 2016. By 2024, removal of these tariffs will deliver an estimated \$830 million in annual benefits to the Australian red meat industry.

Japan-Australia Economic Partnership Agreement

The Japan-Australia Economic Partnership Agreement (JAEPA), which came into force in January 2015, saw an 8 per cent tariff reduction on frozen Australian beef to 30.5 per cent and a 6 per cent tariff reduction on chilled beef to 32.5 per cent. A second round of tariff cuts (2 per cent frozen and 1 per cent chilled) were delivered during April 2015. In the longer term, frozen beef will drop from 38.5 per cent to 19.5 per cent over 18 years and chilled beef will fall from 38.5 per cent to 23.5 per cent over 15 years. While not securing tariff elimination, the agreement does provide Australian beef with a preferential advantage over other imported beef suppliers in Japan. For sheepmeat, the JAEPA tariff will remain at 0 per cent.

Korea-Australia FTA

The Korea-Australia Free Trade Agreement (KAFTA) immediately delivered benefits to Australia's third largest volume beef export market when it came into force during December 2014, reducing the tariff on Australian beef from 40 per cent to 37.3 per cent. A second cut in January 2015 further reduced the tariff to 34.7 per cent. Most importantly, this agreement lowered the previous 8 per cent tariff difference between Australian and US beef to 5.3 per cent and ensured the difference would be no greater than 5.4 per cent during the phased 15-year tariff elimination period. Australian sheepmeat has also benefitted from two tariff cuts as has Australian offal and further processed meat products.

Other FTAs under negotiation

MLA, in partnership with industry, continues to position the red meat sector for favourable outcomes from a range of FTAs presently under negotiation. These include: the Trans-Pacific Partnership (involving Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, US and Vietnam); the Australia-India Comprehensive Economic Cooperation Agreement; the Australia-Gulf Co-operation Council FTA; the Indonesia-Australia Comprehensive Economic Partnership Agreement; and the Regional Comprehensive Economic Partnership involving the 10 ASEAN countries plus Australia, China, Japan, India, Korea and New Zealand.



China's Commerce Minister Gao Hucheng and Australia's Minister for Trade and Investment Andrew Robb with former Prime Minister Tony Abbott looking on. Image courtesy of the Office of the Australian Prime Minister.

The return on MLA's investment

When it comes to brokering trade agreements, MLA does not sit at the negotiating table but plays a vital role in helping secure advantageous results for the industry. MLA provides market insights and advice which, when combined with strong commercial involvement from producers, processors and exporters, helps assist Australian Government officials to achieve high quality trade reform outcomes.

A recent economic evaluation by the Centre for International Economics (CIE) of MLA's involvement in market access concluded that overall market access activities should generate benefits to the red meat industry valued at \$6.2 billion over a 24-year period (2006 to 2030). The analysis indicates the MLA Market Access Program can be credited with \$1.3 billion of the total projected value. The expected payoff to red meat producers, highlighted by the benefit-cost ratio, is high at 39.9 to 1.

Tariff eliminations under ChAFTA will add
\$830 million a year by 2024
across the beef and sheepmeat industries

Maintaining and improving market access

OBJECTIVE 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

- 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 **Provide** communications support for the Industry Reform Strategy
- 1.3.4 **Assist** industry and government to defend and improve market access conditions and build demand for livestock

KEY MILESTONES

85 per cent of exporter/importer requests for gap analysis, risk analysis, training and technical advice are met

Achieved

RESULT: All exporter and importer requests were met for gap analysis risk analysis, training and technical advice across all markets

Deliver four programs to support improvements in supply chain efficiency and performance for each of the five supply chain efficiency key initiatives

Achieved

RESULT: Four programs delivered

MLA advice on live export issues rated as very valuable (four out of five) by peak councils

Achieved

RESULT: Stakeholder survey completed in August 2014 rated MLA's advice on live export issues an average of 4.2 out of 5

MLA advice and management of market access issues rated as very valuable (four out of five) by peak councils and government

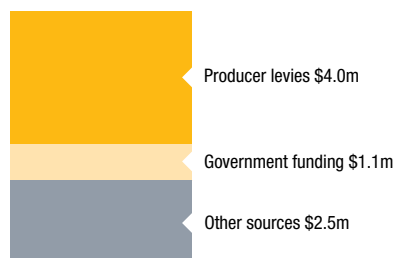
Achieved

RESULT: Stakeholder survey completed in August 2014 rated MLA's advice of market access issues an average of 4.2 out of 5



INVESTMENT

\$7.6 million



'Other sources' includes funding from LiveCorp.

In 2014-15 this investment included:

- > assisting supply chains to meet their obligations under ESCAS
- > monitoring outcomes and improving animal health and welfare through the supply chain
- > managing R&D projects including on heat stress, respiratory diseases and salmonella

OBJECTIVE HIGHLIGHTS

ESCAS support with supply chains

Livestock exports are the fastest growing sector of the Australian red meat industry, generating \$1 billion in income for 2014-15. Helping to facilitate this are MLA's livestock services managers who are positioned in key markets around the world. MLA provides support to exporters and their customers through delivering training and risk assessments that assist in the implementation and compliance to the Australian Government's Exporter Supply Chain Assurance System (ESCAS). MLA managers, through their diplomatic efforts, have effected considerable practice change (see 'Carcase ticketing adopted during Eid al-Adha', right).

In May 2015 MLA appointed a new manager to Vietnam, based in Ho Chi Minh City, to support exporters' ESCAS initiatives and the rapid escalation of live exports there, which have risen from 1,400 head in 2011 to 205,063 head from January to June 2015.

Animal welfare indicators

Australia continues to be a world leader in animal welfare research with MLA and LiveCorp managing a portfolio of key projects, such as the development and assessment of animal welfare indicators. This project aims to identify internationally accepted and currently used indicators of animal welfare for sheep, cattle and goats and to identify their relevant point along the livestock export supply chain. A list of key welfare indicators will be formed to determine the most practical, economical and quantifiable measures of livestock welfare.

A performance benchmark is also being developed to identify areas for improvement using an integrated welfare assessment that measures performance using environmental, physical, physiological and behavioural indicators. This benchmarking will enable data collection, provide continuous feedback and suggest remedial procedures that can be implemented immediately.

Salmonella sheep vaccine

A salmonella vaccine for sheep, developed by the MLA-supported Live Export Research and Development Program, is showing promise to address one of the most common causes of mortality on live export vessels. Delivered orally in water, the vaccine is undergoing further efficacy trials.

Livestock Global Assurance Program

The Livestock Export Research and Development Program is funding a major project that aims to further strengthen welfare assurance in overseas markets. The Livestock Global Assurance Program (LGAP) is being developed and piloted in 2015 to enhance the long-term sustainability of the livestock export trade. As a certified, independent conformance program, LGAP will improve audit robustness and apply more effective and direct accountability measures to assure animal welfare throughout the supply chain.

In 2014-15, the joint
MLA-LiveCorp Live Export
Program delivered
**366 days of
animal handling
and welfare
training in
15 countries**

(throughout South East
Asia and Middle East/North
Africa), attended by
1,912 people



Carcase ticketing adopted during Eid al-Adha

Encouraging and facilitating change on foreign soil is always challenging, however MLA's representatives based in Australia's major live export markets have assisted industry to make significant improvements to animal welfare through nationwide practice change.

A major achievement in 2014-15 was the adoption of a carcase ticketing system during the Muslim Eid al-Adha festival celebrations in Bahrain and Qatar. To minimise stress from individual selection and handling of sheep, importers embraced a ticket-based system whereby customers collected carcasses from an approved abattoir where high standards of welfare were delivered (see picture above).

This system benefited customers with reduced levels of congestion and waiting, and improved welfare outcomes for sheep. This system supports the ESCAS requirement of keeping Australian livestock within approved supply chains.

The MLA-supported Live Export Research and Development Program has funded the translation of animal handling and welfare training resources into
Russian, Vietnamese, Chinese, Indonesian, Khmer, Thai and Hebrew

Growing demand

MLA works to grow demand for Australian beef, sheepmeat and goatmeat through aggressive marketing and promotions in domestic and global markets, as well as through 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 red meat
- 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 National Research Priorities:

- Promoting and maintaining good health

Australian Government Rural Research and Development Priorities:

- Productivity and adding value
- Supply chain and markets
- Innovation skills
- Technology

Delivering MLA business units:

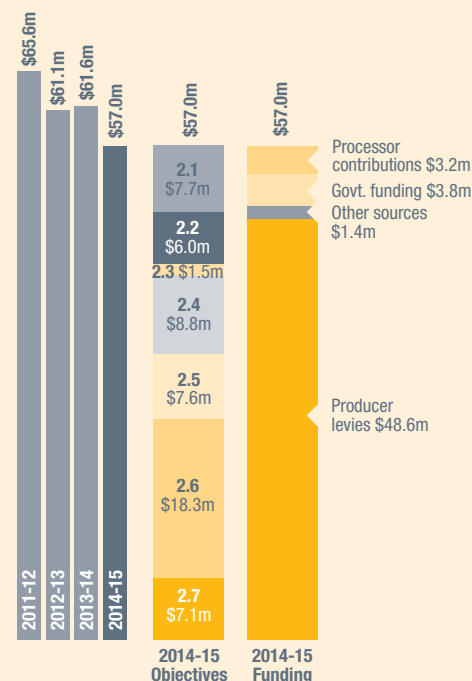
- Central Marketing and Industry Insights
- International Markets
- Value Chain Innovation
- Livestock Productivity



MILESTONE SCORECARD

Of 30 milestones: 20.5 achieved, 9.5 not achieved

INVESTMENT



An additional \$5.9 million was attracted in voluntary contributions, matched with Government funding and invested via the MLA Donor Company.

A further \$2.2 million was contributed by brand owners participating in the CoMarketing Program.

KEY ACHIEVEMENTS



MSA demonstrates value at farm-gate

MSA yearling cattle received a 33c/kg premium on non-MSA yearling cattle, up from 29c/kg in 2013-14. This equates to a \$91/head farm-gate premium and also represents 9 per cent of the value/return on an MSA carcass to the producer (page 25).

Nutrition partnership

MLA raised consumer awareness – through dietitians and GPs – of the recommended red meat intake across all stages of life (page 27).

Whole-of-carcass measurement

New MSA tools mean producers can now closely track and improve the potential eating quality of a whole carcass (page 25).



New customers

12 new beef and 11 new lamb customer accounts have been secured in global markets (pages 34-39).

Campaign cut through

MLA's Australia Day lamb campaign was named 'TV Ad of the Year' and in the week leading up to Australia Day, lamb sales rose 35 per cent. MLA's *Better on Beef* campaign saw claimed consumption by mums increase 0.17 meals to 1.73 meals per week. The campaigns saw MLA win the 'Effective advertiser of the year' award at the Australian Effie Awards (pages 31 and 33).

Global branding

MLA's new international *True Aussie* brand hit global shelves (page 35).

↑ OPPORTUNITIES

- > Growing awareness in product origin is driving strong global demand and Australia is well positioned to deliver products underpinned by assurance programs that guarantee traceability (NLIS), food safety (LPA), eating quality (MSA) and other voluntary certified programs.
- > Innovative technologies, which value-add red meat to overcome consumer barriers such as price, texture, portion size, shelf life and negative health perceptions, are opening up new markets.
- > Growth of five-star hotels in South-East Asia, the Olympics in Tokyo in 2020 and Japan's Rugby World Cup in 2019 present opportunities to grow demand for Australian beef and lamb.
- > The lower Australian dollar and reduced domestic supply of beef in the US has assisted the growth in Australian exports to the region.

↻ CHALLENGES

- > The number of independent butchers in Australia – an important way to connect with consumers – is decreasing.
- > The Australian foodservice sector demands cost-effective ingredients to keep plate costs down, so industry needs to show increased value from secondary cuts.
- > Russian sanctions on agricultural products from Australia, including beef and offal, to remain until August 2016.
- > Australia needs to maintain a strong presence in Korea to retain the dominant position in the imported beef sector.
- > Marketing grassfed beef to the US – a market that has little knowledge of grassfed beef, as almost all US beef is grainfed.
- > While per capita consumption of beef and lamb has declined in Australia, this trend of declining consumption is also evident in all other major western beef and lamb markets.

🔍 OUTLOOK 2015-16

- > MLA aims to grow its nutrition database to 1,500 Australian general practitioners (from 450 at June 2015).
- > All MSA cattle graded using the MSA optimisation model by December 2015.
- > *Dinner 3 Ways* demonstrates to consumers how to overcome constraints to cooking healthy meals using beef and lamb.
- > Marketing *True Aussie* red meat to take advantage of consumer trends in Japan such as the rise of outdoor barbecues and eating beef with less marbling – a health trend called 'akaminiku'.
- > A new beef and lamb campaign launched in Australia, fronted by international celebrity chef Marco Pierre White.
- > Grow awareness, perceptions and sales of Australian grassfed beef in the US.
- > Enhanced consumer and market insights framework to identify new red meat demand opportunities and innovation strategies.

FAST FACTS 2014-15

Chef Tarek trained over **2,000 chefs** using a wide range of lamb and beef cuts across the Middle East/North Africa

35.3% lamb sales lift in the week before Australia Day

Australia Day campaign generated **82.7 million cumulative views**

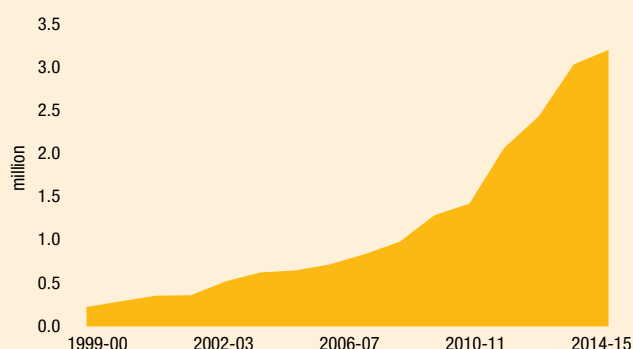
There are **3,000 independent butchers** around Australia

256 five-star hotels (87,831 rooms) opening in the Middle East over the medium term

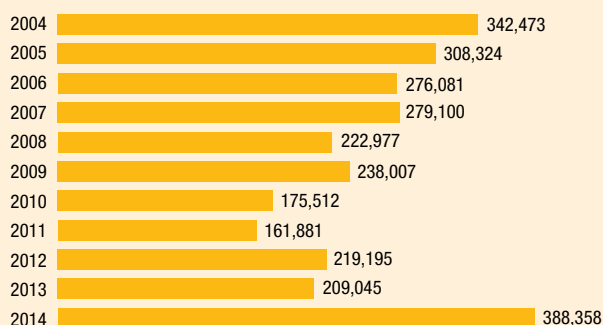
88% of Japanese consumers are aware of Australian beef (unprompted)

53% of imported beef in Korea is Australian

National MSA beef grading numbers



Australian grassfed beef exports to the US (tonnes swt)



Growing demand

OBJECTIVE 2.1

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

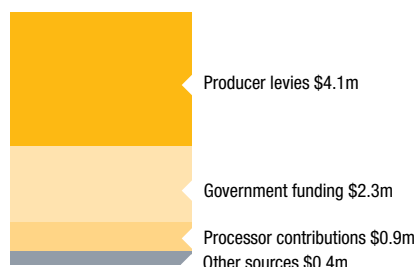
MLA manages the Meat Standards Australia (MSA) program on behalf of industry to give consumers a consistent and predictable eating quality experience for beef and lamb.

↑ STRATEGIES

- 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

\$ INVESTMENT

\$7.7 million



An additional \$1.1 million was attracted in voluntary contributions (\$0.55 million) and matched Government funding (\$0.55 million) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > reducing eating quality variation within brands
- > increasing the volume of MSA-graded product per carcass
- > expanding the range of products available
- > maintaining MSA's integrity and increasing the predictive power and accuracy of the MSA grading model
- > equipping industry with the latest eating quality innovations

🔑 KEY MILESTONES

Increase MSA cattle grading numbers to 2.5 million head or more

Achieved RESULT: 3.2 million head of MSA cattle were presented for grading

Increase MSA sheep grading numbers to 6.2 million head or more

Achieved RESULT: 6.8 million lambs processed through MSA processor pathways

55 per cent or more of consumers are aware of the MSA trademark

Not achieved RESULT: Consumer awareness of the MSA trademark reached 45.9 per cent

All MSA licensed beef processing plants grading using MSA Optimisation

Achieved RESULT: All active MSA processors have implemented MSA Optimisation

MSA beef Index successfully implemented with more than 50 per cent balanced/favourable media reports

Achieved RESULT: The MSA Index has been implemented and the favourability rating was 60 per cent

Pilot an objective carcass measurement technology with a cuts-based grading model in a lamb processing plant

Achieved RESULT: Objective carcass measurement technology (lamb DEXA) demonstrated at JBS Bordertown

Identify technologies that have the capability to improve beef grading accuracy and integrity by measuring predictors of eating quality

Achieved RESULT: Technologies have been identified: VISNIR, novel low cost line CT scan, Carometec IMF sensors, probe and hyperspectral and beef DEXA test cell

Use consumer sensory outcomes to establish preliminary specifications for a yearling export sheepmeat category

Not achieved RESULT: Customer sensory testing in the US, China and Australia commencing in 2015-16.

OBJECTIVE HIGHLIGHTS

MSA metrics overview

The over-the-hooks premium for MSA-compliant yearling cattle averaged 33 cents per kg compared with 29 cents per kg in 2013-14. This equates to a \$91/head farm-gate premium and also represents 9 per cent of the value/return on an MSA carcass to the producer. MSA uptake continues to grow, with grading numbers for cattle and sheep increasing in 2014-15 by 6 per cent and 25 per cent respectively. Despite dry seasonal conditions in production regions such as western Queensland, cattle compliance to MSA minimum requirements remained high at 93 per cent. More producers are adopting MSA practices with 4,357 registering in 2014-15, bringing the total to 41,973.

Beef and sheepmeat brands underpinning their products with MSA increased to 131 with 21 new brands licensed this financial year. End users of MSA are also increasing, with 917 new retail, wholesale and foodservice outlets coming on board as authorised to promote MSA, bringing the total to 3,676.

DEXA sensing

Dual emission X-ray analysis (DEXA) was a significant technological breakthrough – and a world first – for lamb and beef processing during 2014-15. Developed by MLA, New Zealand firm Scott Technology and processor partners, the DEXA prototypes allow for precision cutting that maximises product value. The lamb system has also demonstrated more accurate predictions for fat, meat and bone distribution which will provide objective measurements and eating quality predictors for the red meat supply chain in both lamb and beef.

The beef initiative was developed by voluntary partner contributions through the MLA Donor Company (MDC) (no producer levies were used). The lamb DEXA solution has benefited from producer levies and joint funding from the Australian Meat Processor Corporation and technical collaboration with Sheep CRC. DEXA technology was developed from single emission X-ray analysis (SEXA) technology used for LEAP (see page 47).

Objective lamb carcass measurement

Industry levy funds, in conjunction with the MDC and commercial partners, are funding technologies to objectively measure critical traits, such as carcass yield and eating quality, which will ultimately underpin value-based marketing in the beef and sheep industries.

In May, 100 lambs were processed in a proof-of-concept trial at the JBS processing plant at Bordertown, SA, using DEXA technology to predict yield. This delivered a predictive accuracy of 60-80 per cent, relative to CT scans. This paves the way for 600 lambs from the MLA-managed National Resource Flock to be processed through the plant's LEAP system during July to September 2015. This will further test prototype carcass measurement technologies including DEXA, 3D and multi-spectral cameras, and near-infrared probes.

Impacts of packaging on lamb eating quality

MLA combined the principles of MSA with the latest findings from meat packaging research to identify opportunities to increase eating quality and shelf life. Previous international studies found that as well as extending shelf life, some retail-ready packaging systems can change meat tenderness, flavour and colour.

MLA put new packaging technologies (Cryovac Darfresh®) and modified atmosphere packaging to the test with sensory tests on MSA lamb topside and striploins. The results indicated the eating quality of lamb in Cryovac Darfresh® vacuum skin packaging was superior to modified atmosphere packaging in terms of consistent eating quality as well as shelf life. This packaging format has recently been used for retail-ready MSA-branded lamb and veal.



Triple treat of MSA tools

The MSA index, MSA Optimisation and myMSA tools were implemented this year. The MSA Index provides a standard national measure of predicted eating quality of beef, by allocating a number between 30 and 80 (to two decimal places) to each carcass. It is independent of processing inputs and is calculated using attributes influenced by pre-slaughter production, providing a tool for producers to make on-farm decisions about management, nutrition and genetics. The myMSA online portal was launched in August 2014, giving producers access to carcass grading feedback, including MSA Index values for their cattle.

MSA Optimisation was rolled out to all MSA-accredited beef processing plants in 2014-15. It replaced the standard national boning groups with a more flexible and efficient system, customised to meet the needs of individual processors based on the cuts being harvested in their business, their target market requirements and the eating quality potential for each of those cuts.

In 2014-15:

5,457 producer logins
to the myMSA feedback system

41,973 producers
are now registered for MSA

21 new
MSA beef and sheepmeat brands
registered

33 cents per kg
premium for MSA yearling cattle

Growing demand

OBJECTIVE 2.2

Enhance the nutritional reputation of red meat

MLA's nutrition program aims to increase knowledge of the health benefits of eating beef and lamb by funding credible and relevant research on the role of beef and lamb in a balanced and healthy human diet.



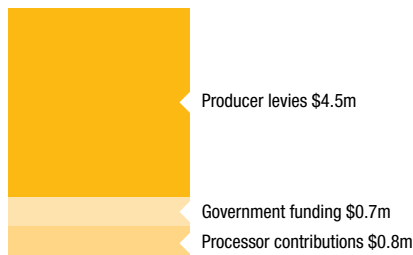
STRATEGIES

- 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



INVESTMENT

\$6.0 million



In 2014-15 this investment included:

- > *Entice* magazine encouraging consumers to eat three to four beef and lamb meals per week by providing delicious recipe ideas
- > providing information and resources for healthcare professionals on healthy eating at key life stages



KEY MILESTONES

At least 49 per cent of mothers with children in the household agree that beef makes healthy meals and 39 per cent agree that lamb makes healthy meals

Not achieved for beef

RESULT: 46 per cent of mothers agree that beef makes healthy meals and 40 per cent agree on lamb

Achieved for lamb

Less than 33 per cent of mothers with children in the household limit consumption of red meat for health reasons

Not achieved

RESULT: 38 per cent of mothers limiting red meat consumption for health reasons

Maintain the proportion of healthcare professionals who recommend lean red meat at three or more times a week at 78 per cent for GPs, 84 per cent for dietitians and 83 per cent for practice nurses

Achieved for GPs

RESULT: 83 per cent of GPs and 78 per cent of dietitians recommend lean red meat three to four times per week. Practice nurses are no longer a key target

Not achieved for dietitians

Balanced reporting of red meat and health issues in media with more than 70 per cent average of favourable and neutral reports

Achieved

RESULT: 89 per cent average of favourable and neutral media reports

OBJECTIVE HIGHLIGHTS

Healthy balanced meals

Red meat is recommended in the *Australian Dietary Guidelines* because it is a critical source of iron and zinc which are essential nutrients to keep the body functioning well every day including for growth, development, brain function, immune function, skin, vision, hair and general health and wellbeing.

MLA's investment into research on main meal choices and preparation practices has informed the development of healthy, balanced meal guidelines led by MLA which will be finalised in 2015-16. MLA has consulted extensively on the guidelines with nutrition experts and 18 key stakeholders from government, non-government organisations, professional organisations and industry partners indicating their support for the guidelines.

The importance of the meal was a key theme of the annual nutrition symposium, sponsored by MLA, hosted by the Nutrition Society of Australia and supported by the Dietitians Association of Australia and primary food industry partners, including dairy, eggs, horticulture and grains. The event was attended by more than 450 nutrition professionals and a further 275 have watched the recorded webinar. The content presented at the symposium was well received, including unique insights generated from MLA-funded research.

Healthy, balanced meals provides a useful context for understanding diet-disease relationships, including diabetes, colorectal cancer and heart disease and informing MLA's nutrition education material on healthy eating with beef and lamb.

Speciality GP hub on nutrition

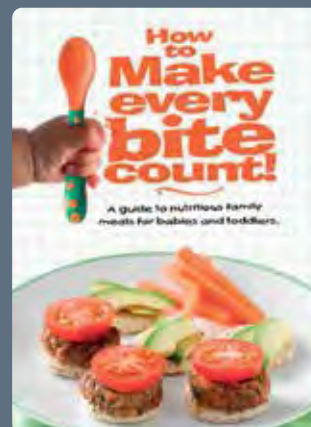
MLA partnered with *Australian Doctor*, the leading media source for general practitioners (GPs), to create an online nutrition portal. The Nutrition Update – hosted on *Australian Doctor's* website and promoted through its newsletter – is a repository for MLA-commissioned articles, videos and downloadable resources. These resources relate to the nutritional needs (such as iron requirements) at four life stages – babies starting solids, young women, middle-aged women and ageing. A database has been created to overcome the challenge of directly communicating with GPs who are interested in nutrition. The first resource was downloaded by more than 900 GPs, outstripping the 750 GPs who MLA has regular contact with. Planned activities include growing the database to 1,500 GPs in 2015-16 (from 450 at June 2015).

Red meat fuels active ageing

MLA-funded research shows the protein requirements of older people should be higher than the current recommendations. The study conducted by Deakin University and published in the *American Journal of Clinical Nutrition* showed women aged 65 years and older who did resistance training twice a week and ate 160g/day of red meat to increase their protein intake reported greater improvements in muscle mass and strength than those eating a lower protein, higher carbohydrate diet. Compared with younger adults, older people need more protein to stimulate muscle synthesis, which is key in the prevention of sarcopenia, associated with the increased risk of falls, fractures and chronic disease.

In addition, their requirements for vitamins B12, B6, D, calcium and potentially zinc are also increased. The challenge for older people is to ensure adequate nutrition with less food since their energy requirements decrease with age. This study showed regular intake of nutrient-rich food such as beef and lamb not only increased their protein intake, but also their intake of iron, zinc and omega-3 and, consequently, their muscle health. Further MLA-funded research is investigating the consequences of these findings for dietary recommendations for older people.

Another study by Deakin University looked at whether the combination of protein and exercise has benefits for cognition as well as muscle health.



Make every bite count

MLA's nutrition education resource for healthcare professionals continues to be popular, with 44,729 copies of the *Make every bite count* brochure distributed in 2014-15. MLA consumer research revealed that while parents know red meat is nutritionally important, they are often unsure about how to cook meat for their babies. Parents also prefer not to cook multiple types of meals for dinner. *How to make every bite count* features recipes developed by MLA and teaches parents how to feed the whole family from one meal, by turning red meat into the right texture for their children's developmental stage.

The brochure is popular with child health nurses because of the credibility and relevance of the information. Most parents will visit a child health nurse during the first year of their baby's life and many nurses are distributing the brochure as part of their advice. It is available from most child health centres in Australia as well as through NSW parenting support clinics: Tresillian Family Care Centres and Karitane.

Entice

The point-of-sale publication *Entice* had a facelift in 2014-15, with the first new-look magazine coinciding with the launch of MLA's new beef marketing campaign in March. *Entice* is part of MLA's nutrition strategy to educate consumers on how to prepare healthy beef and lamb meals which are based on the Australian dietary guidelines. As well as showcasing secondary cuts, the publication features 'inspiring meals made deliciously simple'.

Entice is available online and in hard copy: in 2014-15, 1.09 million copies were distributed to consumers through butchers, independent retailers and IGA stores, 403,000 copies through Woolworths and 180,000 copies through ALDI supermarkets.

Growing demand

OBJECTIVE 2.3

Develop new products

MLA works to identify and evaluate opportunities for new beef and lamb products and develop new technologies enabling transformation and value-adding of low value cuts to create a wider range of market options.



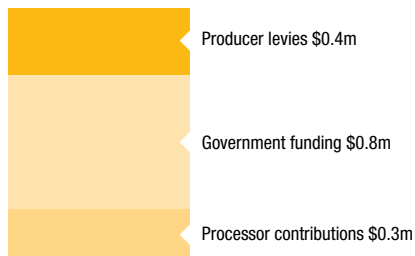
STRATEGIES

- 2.3.1 **Develop** innovation insights
- 2.3.2 **Develop** global innovation strategies
- 2.3.3 **Build** industry capability to adopt new products and packaging concepts and value chain business innovation
- 2.3.4 **Develop** technologies to enable transformation of co-products into value-added ingredients



INVESTMENT

\$1.5 million



An additional \$4.8 million was attracted in voluntary contributions (\$2.1 million), processor contributions (\$0.3 million) and matched Government funding (\$2.4 million) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > supporting industry to identify market opportunities for value-added products
- > developing and commercialising new technologies



KEY MILESTONES

Global innovation strategies for five emerging markets or market segments developed based on an upgraded innovation insight capability with demonstrated engagement of stakeholders

Achieved

RESULT: Insights completed for five emerging markets/segments. Industry and bespoke workshops held and MDC projects and proposals since developed

Implement 10 pilot programs with supply chain partners to develop and implement value adding strategies which create value for customers and capture value for industry

Achieved

RESULT: 10 pilot programs implemented

Develop at least five new red meat value-added products or packaging concepts that demonstrate increased value for customers or consumers

Achieved

RESULT: Five new red meat value-added products developed

Implement at least two new co-product/bioactive value chain partnerships that deliver new products to market

Achieved

RESULT: Two new co-product/bioactive value chain partnerships implemented and products developed

OBJECTIVE HIGHLIGHTS

Insights to innovation: active ageing

MLA's Insights to Innovation program spearheads product development and value chain development by identifying growth areas for red meat consumption. This commenced with a focus on China, Indonesia, and domestically in the 'active ageing' community (regarding the latter, see Objective 2.2). Baby Boomers are entering their senior years with vastly different economic and social expectations and spending power from previous generations of older people. There is an opportunity for 'active agers' to adopt a high protein diet which fits around their social and active life. MLA is partnering with leading brand owners of ready meals that supply to both retail and foodservice, including Meals on Wheels, to understand how to innovate and grow red meat demand within this market segment and to create and capture value for the industry. Opportunities considered include packaging innovations to assist seniors' dexterity concerns, and designing portion sizes as well as functional foods, such as combining super foods with red meat (see lupin example below).

Lupins

The MLA Donor Company (MDC) (which doesn't use producer levies; see page 75) is developing value-added products in partnership with Lupin Foods Australia by combining the health benefits of red meat (iron, zinc and protein) and the 'super food' traits of lupins (antioxidants and dietary fibre). Lupin flakes are a gluten-free alternative to binding agents and breadcrumbs when cooking dishes such as meatballs or crumbed lamb cutlets. Independent evaluation projected an annual \$9.4 million benefit to Australia's red meat and lupin industries by 2017 if these products are commercialised. Lamb and lupins were the winning combination in the 2014 WA's Signature Dish competition – the top dish was Dorper lamb cutlets with a lupin-based crust, accompanied by a sweet potato salad with Moroccan flavours.

High moisture extruded meat

The MDC is partnering with ProForm Foods to use a novel application of extrusion to value-add secondary cuts of red meat. The technology, commonly used to create Twisties, breakfast cereals and pasta, turns lower-value cuts into a cooked product with natural meat texture suitable for the fast-service food industry. Prototype products, such as meat for curries, casseroles and pizza toppings, received positive consumer feedback. A demonstration site is being built in NSW with a capacity to produce 50 tonnes per week of commercial product by late 2015. There is strong interest from Asia for this product.

Lamb on the Red Rooster menu

As part of MLA's national foodservice national account program, MLA engages with several quick service restaurants by providing them with an annual presentation of beef and lamb product concepts designed to keep beef and lamb strongly positioned on their menus. These concepts are based on international food trends and the changing needs of Australian consumers. Care is taken to ensure the products can be replicated through the kitchen facilities available at each chain.

In October 2014, MLA presented a number of concepts including a lamb souvlaki with coleslaw to the Product Development Chef at Oporto, which is the parent company for Red Rooster. The goal was to give an iconic Australian wrap a healthy makeover, making it more readily available to everyday consumers. In July 2015 Red Rooster started featuring lamb shank, mash and peas, and a pulled lamb and slaw roll on its menu.

It traditionally takes 9-12 months for successful items to appear on a menu. MLA has previously presented lamb burger, steak sandwich and pulled beef roll concepts to quick service restaurant chains and some of these items (including modified versions of them) have appeared on menus.



'Active agers' – a new demographic for red meat

In 2014, seniors represented 20 per cent of Australia's population and 16 per cent of grocery and foodservice spending. By 2020 this will increase to 24 per cent and 25 per cent respectively. By 2050 there will be one person aged over 65 years for every 2.5 people under 65 years (Australian Bureau of Statistics). Those over 65 will likely expect to stay physically fit, mentally alert and socially active despite a likely loss of appetite, which will require redesigned red meat solutions. The medical profession recognises that for approximately one in eight seniors seeking medical attention, English is not their first language – therefore, it is likely ethnicity will also affect eating preferences. This represents a significant opportunity for the red meat industry to develop innovative new value chain solutions to provide age-specific, lifestyle-specific, convenient red meat products.

Growing demand

OBJECTIVE 2.4

Aggressive promotion of beef in the domestic market

MLA stimulates desire for Australian beef in its largest and most stable market at home in Australia by delivering high impact consumer promotions built around its superiority for seasonal meals and supporting retail and foodservice beef promotions.

↑ STRATEGIES

2.4.1 **Strengthen** Australian consumers' emotional bond with beef, create desire and educate consumers to cook a range of seasonal beef meals/cuts

2.4.2 **Work** with retailers and foodservice operators to raise standards of presentation, quality, merchandising and promotion

🔑 KEY MILESTONES

Maintain beef's value share at 36 per cent or higher of all fresh meat and penetration with purchase in last four weeks at 69 per cent or higher

Achieved value share

RESULT: Beef's value share was 36.9 per cent and purchase in last four weeks was 68.3 per cent

Not achieved penetration

Improve key beef attributes measured by consumer tracking: "is the most superior meat" at 36 per cent or above, and "my favourite meat" at 19 per cent or above

Not achieved

RESULT: 31.9 per cent of consumers rate beef "is the most superior meat" and 18.7 per cent "my favourite meat"

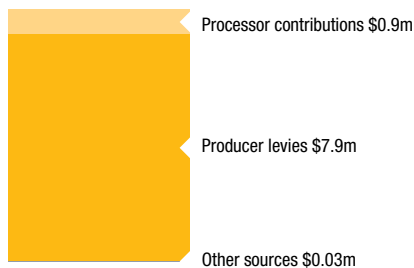
Strong retailer support for MLA programs as evidenced by more than 60 per cent of retail butchers rating their sales impact as good/very good/excellent

Not achieved

RESULT: 45.5 per cent of retail butchers rating their sales impact as good/very good/excellent

💰 INVESTMENT

\$8.8 million



An additional \$517,000 was contributed by brand owners participating in the CoMarketing Program.

In 2014-15 this investment included:

- > revision of consumer marketing strategy in March 2015 to boost performance
- > implementing consumer marketing campaigns
- > increasing whole-of-carcass utilisation in foodservice and the wholesale sector
- > working with retailers to raise standards and add value to beef products

OBJECTIVE HIGHLIGHTS

You're Better on Beef

MLA's latest marketing campaign, *You're Better on Beef*, is designed to reinforce beef's health credentials. The first phase of the campaign, launched in March 2015, signalled a repositioning of beef as a brand, as part of a long-term strategy to achieve attitudinal change. The campaign is targeted at time-poor families who have nutrition high on their agenda – making up one-third of Australian households and spending more than \$2 billion on beef every year.

The new campaign responds to a recent review of MLA's consumer beef marketing program which revealed the need to develop a stronger, revitalised message relevant to consumers all year round rather than at traditionally seasonally-focused campaign periods.

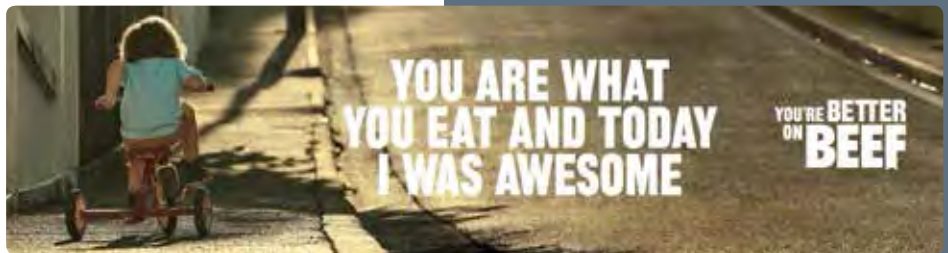
The campaign drove a 13 percentage point reduction in mums limiting red meat consumption due to health concerns to 34 per cent during the campaign period (from 47 per cent). Claimed consumption among the target audience increased

by 0.17 meals to 1.73 meals per week and beef's value share finished the year at 36.9 per cent.

The campaign has received creative accolades from around the world. It was a finalist in the 'TV ad of the year' category at the prestigious Mumbrella Awards, a finalist in the NY Festival awards and was 'Ad of the Week' for 'Best ads on TV' at launch.

88% of the target audience

(mums) saw more than one message during the *You're Better on Beef* campaign period



After the *You're Better on Beef* campaign, mothers limiting red meat consumption due to health concerns

dropped 13 percentage points

MLA collects prestigious marketing award

MLA won the 'effective advertiser of the year' award at the prestigious the Australian Effie Awards in September 2015. The award is the highest accolade for an Australian advertiser as it recognises an organisation who champions marketing effectiveness.

MLA Central Marketing and Industry Insights General Manager Lisa Sharp said the award celebrated MLA's whole body of work to drive consumers to buy more beef and lamb, going beyond the impact of individual campaigns.

"Our campaigns, including *You Never Lamb Alone (Richie's BBQ; see page 33)* and *You're Better on Beef* were recognised as part of the inaugural award but most importantly, it was the effectiveness of these campaigns to drive demand and deliver value back to producers, that impressed the judging panel.

"We continually look for improvements across all aspects of our marketing business. We do this because as a levy funded organisation we understand the importance of making the most of every dollar we invest in promoting red meat.

"This is a terrific outcome for MLA's domestic marketing team and represents an area that we can celebrate tangible returns on investment to our stakeholders," Ms Sharp said.

Australian Butchers' Guild

The top questions consumers ask butchers in-store relate to recipes and cut selection, so MLA ran consumer and value-added recipe campaigns through the Australian Butchers' Guild. The 2,000 butchers in the Guild's database received eight consumer recipes at the start of each month, a list of the cuts required for the month's recipes, and then a beef and a lamb recipe every week with supporting digital resources such as images and instructions on how to promote the recipes in-store and via social media. In 2014-15, there was a 56 per cent uptake of the consumer recipes and 66 per cent of butchers used the value-added recipes.

The Australian Butchers' Guild also ran an in-store competition linked to *You're Better on Beef*, encouraging consumers to post #betteronbeef photos on social media for the chance to win one of 100 Fitbits. The competition reached more than 350,000 people via social media, however it unfortunately lacked traction with the butcher channel with only five butchers entering the point-of-sale promotion component.

Beef Masterpieces

The beef and lamb *Masterpieces* initiative showcased the versatility of secondary cuts to foodservice venues across Australia, including cafes, restaurants, fast-food outlets, sports stadiums and hospitals. *Masterpieces* promoted non-loin cuts as a low-cost option through recipes and chef education. The campaign reached more than 50,000 chefs and ended in November 2014 with a competition where chefs who developed a recipe using secondary cuts had the chance to win a US food tour. Competition winner Glenn Flood, Development Chef, ALH Group, said the tour provided 18-24 months of projects to execute within the group's 330 pubs.

Growing demand

OBJECTIVE 2.5

Aggressive promotion of lamb in the domestic market

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

↑ STRATEGIES

- 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 occasions through the year
- 2.5.2 **Work** with retailers and foodservice operators to raise standards of presentation, quality, merchandising and promotion

🔑 KEY MILESTONES

Grow lamb market share of fresh meat at retail to more than 13.5 per cent

Not achieved → **RESULT: Lamb's market share (value share) was 13.4 per cent**

Improvement in key lamb attributes as measured by consumer tracking: "top of mind awareness" to 16 per cent or above and "is loved by Australians" to 72 per cent or above

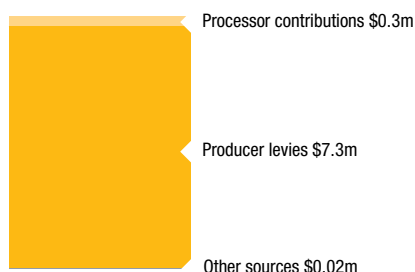
Not achieved → **RESULT: Lamb's "top of mind awareness" at 14.7 per cent and "is loved by Australians" at 70.9 per cent**

Strong retailer support for MLA programs as evidenced by more than 55 per cent of retail butchers rating their sales impact good/very good/excellent

Not achieved → **RESULT: 52 per cent of retail butchers rating their sales impact as good/very good/excellent**

💰 INVESTMENT

\$7.6 million



An additional \$70,000 was contributed by brand owners participating in the CoMarketing Program.

In 2014-15 this investment included:

- > implementing consumer marketing campaigns
- > revision of consumer marketing strategy in March 2015 to boost performance
- > partnering with retailers and foodservice operators to enhance differentiation and build appeal for secondary cuts

OBJECTIVE HIGHLIGHTS

Australia Day campaign

MLA's 2015 Australia Day Lamb campaign was named 'TV Ad of the Year' and was highly commended in the 'Ad Campaign of the Year' category of the 2015 Mumbrella Awards. In the week preceding Australia Day, sales of lamb lifted 35.3 per cent compared to the weekly average. The ad captured the spirit of Australia's national day with a lamb barbecue and a game of backyard cricket, featuring the late cricket legend Richie Benaud and a host of famous Aussies.

The campaign reflected MLA's move away from using a single brand spokesperson. Sam Kekovich remains MLA's Lambassador (making a cameo appearance in the 2015 ads). Future campaigns will remain fresh by featuring different iconic Australians. For every \$1 spent on media, the campaign delivered \$2.76 in value. The campaign generated the highest press value in MLA's campaign history, with 849 pieces of coverage generating 69.4 million cumulative views.

You never Lamb alone

You never Lamb alone is the message behind MLA's lamb marketing campaign which launched in September 2014 to coincide with peak lamb production. The campaign focused on the notion that lamb brings people together for all occasions. It signals a move towards more consistent messaging and a year-round theme, rather than traditional seasonal-focused themes like 'spring' racing fashion and 'spring' romance. The message *You never Lamb alone* ties in with the over-arching brand position of *We love our Lamb*.

The *Meat Cuts* app features 41 beef cuts, 25 lamb cuts, 21 veal and 20 goat cuts, and 107 recipes

The campaign delivered a surge in lamb's value share to 14.5 per cent (exceeding the target of 13.5 per cent), and 81 per cent of independent butchers participated in the campaign with 55 per cent reporting a good or better impact on their business.

Meat Cuts app

MLA's third consumer-focused smartphone app, *Meat Cuts*, has been downloaded 50,000 times since it launched in July 2014. The app (for Apple and Android) guides consumers through the process of selecting and cooking a wide range of red meat cuts. *Meat Cuts* identifies beef, lamb, veal and goat cuts, suggests cooking methods for each (as per the Meat Standards Australia recommendations), recommends alternative cuts and provides recipes. *Meat Cuts* featured as the best new app in the Apple App Store when launched and is a regular 'kitchen tool' feature in the Apple App Store.

The Dinner Project

The Dinner Project series premiered on Foxtel's LifeStyle FOOD Channel on 2 November 2014. It inspired consumers to cook healthy lamb and beef meals at home. The six-episode series starred cook and popular former *MasterChef* contestant Hayden Quinn as he travelled Australia meeting everyday people at different life stages to find out challenges to cooking healthy meals, such as time, convenience, budget, skills and knowledge. The TV episodes were repackaged and promoted through the Jetstar Australia in-flight entertainment network and MLA's BeefandLamb.com.au YouTube channel. An integrated strategy, which saw *The Dinner Project* content and key messages repurposed for other media channels, delivered \$3.07 in value for every \$1 MLA invested in the campaign.

For every \$1 spent on media, *The Dinner Project* series delivered \$3.07 in value



Lamb sales in the week preceding Australia Day lifted 35 per cent.



The Dinner Project host goes on farm

Cook and former *MasterChef* contestant Hayden Quinn headed to Armidale for *The Dinner Project*, to visit cattle and sheep producers and owners of the Milly Hill Lamb brand, Sally and Peter Strelitz and their four children (pictured). He gained an understanding of livestock production and helped Sally overcome her hurdle of 'dinner inspiration' by cooking family-friendly recipes such as smoky lamb loin chops with egg and green bean salad. During the series, Hayden visited other families to help them overcome hurdles around time, preparation, budget, skills and knowledge to provide inspiration for simple, quick and healthy recipes.

100,553 people reached per episode of *The Dinner Project*, 400,000 people through content syndication and video seeding (paid distribution of video content through online platforms such as YouTube) and 29,800 people reached through Facebook

Growing demand

OBJECTIVE 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.



STRATEGIES

- 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 individual cooperative programs



KEY MILESTONES

An additional eight major customers are recruited globally for Australian beef

Achieved

RESULT: 12 additional major customers were recruited globally for Australian beef

Over 80 per cent of Australian exporters and importers satisfied with MLA business development activities (trade shows, missions, etc)

Achieved

RESULT: More than 80 per cent satisfaction for MLA business development activities

Successful launch of MLA's *True Aussie Beef* and project market strategies developed in key beef markets of Japan, United States, Korea, China and the Middle East (GCC states)

Achieved

RESULT: *True Aussie Beef* brand launched and market strategies developed in key beef markets

Increase the proportion of strategic marketing initiatives supported under the CoMarketing Program to more than 40 per cent

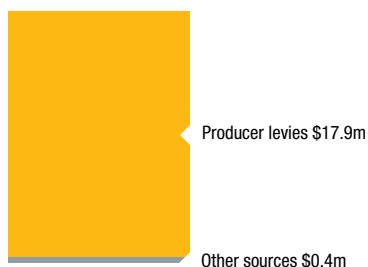
Achieved

RESULT: Over 90 per cent of initiatives classified as strategic initiatives



INVESTMENT

\$18.3 million



An additional \$1.4 million was contributed by brand owners participating in the CoMarketing Program.

In 2014-15 this investment included:

- > implementing tailored marketing strategies in each major international market for Australian beef
- > carrying out business development activities in emerging markets
- > working cooperatively with Australian exporters to develop and grow sales for individual beef brands
- > monitoring in-market consumer and business trends

OBJECTIVE HIGHLIGHTS

True Aussie

MLA's new international red meat brands, *True Aussie Beef*, *True Aussie Lamb* and *True Aussie Goat*, started appearing on retail shelves around the world in July 2014. The brand is built on Australia's strong reputation in overseas markets for its clean, safe, natural image and high quality standards and aims to differentiate and add value to Australian beef, lamb and goat in export markets.

In the past year, *True Aussie* was launched at trade shows such as SIAL China, Asia's largest food trade show attended by more than 60,000 trade visitors from around the world; promoted in retail outlets with in-store consumer activities such as product sampling and point-of-sale material; and on social media to promote the clean, safe and natural image of Australian red meat. The *True Aussie* brand has also been localised to respond to regional challenges and opportunities. For example, in Korea, the existing key Australian beef messaging *Hoju Chungjung Woo* – 'clean and safe' – has been paired with the new logo and other point-of-sale material to ensure ongoing consumer recognition of the product during the transition period.

MLA is applying the brand in innovative ways, such as partnering with a red meat importer to sponsor a *True Aussie* online resource for chefs to access Australian beef recipes developed by leading Netherlands chefs, and promoting *True Aussie* lamb in the US through in-store videos, magazine advertising and editorials to Costco members, who shop at more than 550 retail warehouse outlets in North America. In Japan alone, MLA distributed more than 30 million *True Aussie* pack stickers to retailers, and now over 60 per cent of Australian beef sold at retail in Japan carries the *True Aussie* brand, and is promoted through more than 11,000 foodservice outlets.

CoMarketing

MLA's new CoMarketing Program supports Australian companies to develop marketing strategies for their beef, lamb and goatmeat brands. In 2014-15, 50 beef companies had collaborative marketing programs with MLA. These companies collectively have 186 brands (91 grainfed, 84 grassfed and 11 veal) and sold an average of 95,000 tonnes swt of beef a month (see page 39 for lamb CoMarketing statistics). In the past 12 months, MLA supported 618 collaborative marketing activities in 25 countries, including in established markets such as Australia, US, Japan and Korea and the developing markets of China and South-East Asia (beef and sheepmeat).

CoMarketing program supports on average **95,000 tonnes of branded beef** sales per month

Collaborative marketing activities include: in-store sampling to raise awareness and sales of branded Australian beef and lamb; educational seminars with hotel chefs to improve understanding of

branded products, specifications and applications of a range of cuts in different cuisine styles; sponsoring trade delegations to inspect individual supply chains from paddock to plate to build stronger relationships back down the supply chain to producers; and traditional and social media campaigns.

The program aims to create value along the supply chain for the branded product and capture that value back down the chain to the producers. See pages 75-76 for more on the CoMarketing Program.

United States

MLA has been working closely with exporters and importers to position Australia as the number one imported supplier of grassfed beef to the US market. MLA



The True Aussie Beef brand started appearing in global markets from July 2014.



Producers tap into CoMarketing Program

South Australian beef producers Tim (pictured) and Sarah Burvill are carving out a market for dry-aged beef in Denmark thanks to an MLA CoMarketing arrangement. They started exporting Hereford beef to the A Hereford Beefstouw group of steakhouses, owned by Danish restaurateur Lars Damgaard, in 2006. The Burvills and Lars now own two beef properties in SA, a facility to dry age beef on the bone, and the 'A Hereford Beefstouw' restaurant in Adelaide.

Tim plans on launching the 'A Hereford Beef' brand of dry-aged loin cuts into Denmark in December 2015, and leveraged the CoMarketing Program to design high-end packaging and point-of-sale material, develop social media strategies and access guidance from brand and marketing specialists.

"Like many producers, we don't have the full suite of marketing and brand development expertise, so the CoMarketing Program allowed us to work closely with experts in these fields to develop a comprehensive strategy to market our beef brand," Tim said.

"MLA's CoMarketing Program is an important vehicle to improve farm gate returns for producers, as it creates competition for quality livestock, and thus demand for Australian red meat, by assisting small to medium companies to grow their branded products."

Tim and Sarah are also participating in a complementary MLA Donor Company project (which doesn't use producer levies) for dry-aged beef (within Objective 2.3).

Growing demand

has been implementing brand awareness and business development activities by reaching out to retail meat buyers and foodservice chains to consider taking on Australian grassfed beef. Australian grassfed beef is now available at more than 15 retail chains across North America – collectively representing more than 3,500 stores – and forms part of a number of high profile restaurant chain menus across the country. In the past 12 months, MLA targeted its limited marketing resources towards the regions in the US where some consumers are more predisposed towards seeking alternative protein sources such as grassfed beef. These include the North-East and mid-Atlantic regions (Boston, NYC, Washington DC), South-East regions (Florida); and West Coast (San Francisco, Los Angeles).

Activities in 2014-15 included partnering with chef associations, media campaigns and education activities for importers, chefs and retailers seeking more information about Australian beef and how it is produced. MLA conducted three full-day culinary immersions in Miami, Boston and Chicago, attended by 45 foodservice operators including 19 substantial chain restaurant chefs. Consumer campaigns included 31 outdoor billboards on streets in the Boston area as part of MLA's focus on that city for grassfed beef promotions. MLA partnered with *Fine Cooking* magazine to run a competition (receiving 7,000 entries) and produce an e-zine recipe book of 20 new grassfed beef recipes (most cattle in the US are grainfed). A three-week PR blitz from late May to early June saw 500,000 media impressions on grassfed beef messaging. MLA's 'Home Plate' email newsletter was also distributed directly to more than 44,500 North American consumers.

South-East Asia

MLA's marketing activities in South-East Asia during 2014-15 included supporting Australian red meat exporters and producer groups at major trade shows in the region (WOFEX Philippines, Food & Hotel Vietnam and Food & Hotel Myanmar). Participating exporters attracted new leads, averaging 30-50 new inquiries per event.

MLA-supported cuisine events included the Banqueting Innovation Workshop in Manila and the 'Revolution in Asian Cuisine' conference in Kuala Lumpur. The Asian cuisine conference introduced

Asian chefs to the concept of using non-loin cuts of beef (and lamb) to produce high quality and delicious Asian dishes, without compromising cultural cuisine. Following the event, participating

chefs used beef and lamb non-loin cuts during the Hari Raya Ramadan celebration period in June-July. MLA was also the major sponsor for the Beef Noodle Festival in Taipei, supported Master Butcher and *MasterChef* competitions in the Philippines, Macau and Indonesia, and hosted a group of chefs from South-East Asia at Beef Australia 2015.

Australian red meat exporters attending South-East Asian trade shows collectively receive **30-50 new inquiries** per event

During 2014-15 MLA trained more than 400 chefs in South-East Asia, to encourage innovation and develop their ability to use Australian non-loin cuts in Asian cuisine as a tender, halal and safe meat choice. MLA's involvement in these events supports chefs to be innovative and creative in a region where stronger economies mean they must meet higher expectations of discerning customers with higher disposable incomes.

Korea

The *True Aussie* logo was released in Korea in March 2015, retaining key messaging from the previous *Hoju Chungjung Woo* brand. The logo is now used at 504 retail outlets across the country including all of the 224 Greater Seoul Hypermarkets which are the major users of Australian beef. There have been 6.2 million *True Aussie* stickers distributed in Korea, MLA's Korean *True Aussie Facebook* page reached 15,000 followers since the launch, and the campaign has achieved over \$1.7 million in value through media releases and promotional events.

MLA consumer awareness activities include 9,051 sampling days in 896 stores and an online event to promote beef barbecue while camping during summer, which generated 33,400 views online and 1,200 Facebook interactions. Trade relationships have been strengthened through MLA briefings and forums with 550 Korean industry participants – overall satisfaction ratings from trade on the information provided by MLA was above 88 per cent. MLA also worked with the foodservice sector, conducting product training with 34 chefs and an educational forum with four R&D chefs from leading food companies. MLA conducted menu promotions with eight restaurant chains which collectively operated 1,749 stores.

MLA conducted menu promotions with **8 Korean restaurant chains** which collectively operated **1,749 stores**

European Union

Trade marketing in the EU focused on driving volume and value at events such as the SIAL tradeshow in Paris where seven Australian beef and lamb export companies exhibited. The *True Aussie* brand was launched at SIAL, which was attended by more than 150,000 people.

MLA partnered with importers, exporters and organisations including Tourism Australia throughout 2014-15 to promote Australian red meat. Examples of collaborations include: partnering with a Swedish importer to promote Australian beef at a trade show, resulting in new commercial opportunities for the trade in this high value sector of the EU market; working with an Australian exporter to deliver an Australian beef training program to a large foodservice company in Sweden, giving staff a greater knowledge of the systems that support the safety, sustainability and eating quality of Australian beef; and partnering with another importer to sponsor a *True Aussie* online resource that enables chefs to quickly create new dishes by presenting a range of Australian beef recipes to use in their restaurants.

Middle East/North Africa

Egyptian chef Tarek Ibrahim continues to be an ambassador for Australian beef in the Middle East and North Africa (MENA) region. Working full-time with MLA, Chef Tarek trained more than 2,000 chefs across the MENA region in 2014-15. He also reached an audience of 300 million TV viewers through two TV shows. In the number-one rated series, *Mashawi (Grilling)*, Chef Tarek showcased Australian beef recipes for the barbecue. Each of the 15, 60-minute episodes had 20-second *True Aussie Beef* 'bumpers' (announcements between programming and commercials). The show was supported with an online competition (to win a trip to Australia) with partners Gold Coast Tourism and Qantas. This competition had a social media impact of 17,923 page views, 6,761 active users and 2,392 entries.

In his second TV show *Hakawi (Stories from our Kitchen)* on the Fatafeat network, Chef Tarek joined forces with Syrian chef, Mohammad Orfali. During the 15-episode series, Chef Tarek and Chef Orfali showcased beef recipes for Ramadan. The first run of the show aired twice daily through Ramadan (June-July 2015). Five episodes featured *True Aussie Beef* bumpers. Chef Tarek was a guest of MLA at Beef Australia, Rockhampton in May 2015, where he, together with chefs including MLA's Sam Burke, prepared two dinners for 600 guests and participated in two lunches.

MLA's Chef Tarek trained
more than
2,000 chefs
across the MENA region
in 2014-15

Japan

Australia remains the market leader for beef in Japan, growing market value and market share for the first time since the phased US beef re-entry commenced in 2007. Japanese consumers bought 15 per cent more Australian beef by value than the previous year. MLA partnered with companies that use Australian beef, including some of the largest global users of Australian beef: Aeon supermarkets, Zensho Holdings, McDonald's Japan, Prince Hotels and Bronco Billy.

Provenance is an important marketing tool in Japan. MLA and McDonald's Japan worked to restore faith with consumers after a food safety scare involving imported chicken, developing a campaign in December 2014 to build trust in Australia's beef supply chain. This involved producing 10 million tray mats, digital and print media, and public relations activities. As well as working on specific programs with 50 restaurant chains, MLA engaged many more through events such as trade shows and wholesaler seminars. MLA promoted the benefits of Aussie beef directly to consumers through seasonal campaigns such as the summer barbecue campaign, aimed at building a strong image of Aussie beef as a 'genki' (energy) meal choice.

China

MLA provided opportunities for more than 100 red meat exporter and producer groups to participate in major trade shows across China, including SIAL China (Shanghai), World of Food Beijing in Beijing and the 2014 China (Ningxia) International Beef and Mutton Products and Equipment Exhibition. In post-event surveys, 100 per cent of exporters had positive feedback about gaining immediate business from MLA-hosted trade shows, highlighting the strength of combined activity and drawing the attention of buying groups.

Improving knowledge of cuts and carcass breakdown remains an ongoing challenge in China, so MLA has continued to utilise three full-time local butchers (based in Taiwan) to work across greater China to complement the growing needs of training and meat safety. In 2014-15, 2,143 foodservice professionals (professional chefs, culinary students, restaurant owners and foodservice staff) were trained in using Australian beef, lamb and goatmeat across China, Hong Kong, Macau and Taiwan. In September 2014, MLA opened a new office in Beijing and the launch was attended by Australia's Minister for Agriculture Barnaby Joyce, among other dignitaries.



Let's Barbie in Japan

MLA launched its first summer barbecue campaign in Japan, *Let's Barbie*, in June 2015 with television, magazines, billboards and social media elements. Outdoor barbecue areas are growing in popularity in Japan, so MLA is encouraging Japanese consumers to grab some *True Aussie Beef* before hitting the barbecue this summer.

The new *True Aussie* brand is gaining recognition in this region, with MLA's Japan Facebook followers increasing from less than 500 to 26,000, and website hits rising from 275,000 to 615,000 following the *True Aussie* launch.



The *True Aussie* logo is on
the menus of 32 accounts in
Japan, totalling
11,000 stores

Growing demand

OBJECTIVE 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 partners with Australian exporters to build loyalty around Australian product.



STRATEGIES

- 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 including advertising and sampling
- 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 **Support** the growth of branded lamb supply chains to develop trade and consumer loyalty under cooperative programs such as the CoMarketing Program



KEY MILESTONES

An additional eight major customers are recruited globally for Australian lamb

Achieved

RESULT: Eleven additional major customers were recruited globally for Australian lamb

More than 80 per cent of Australian exporters and importers are satisfied with MLA business development activities (trade shows, missions, etc)

Achieved

RESULT: More than 80 per cent satisfaction for MLA business development activities

Successful launch of MLA's *True Aussie Lamb* and project market strategies developed in lamb markets of United States, Middle East (GCC states), China and Europe

Achieved

RESULT: True Aussie Lamb launched and market strategies developed in key lamb markets

Increase the proportion of strategic marketing initiatives supported under the CoMarketing Program to more than 40 per cent

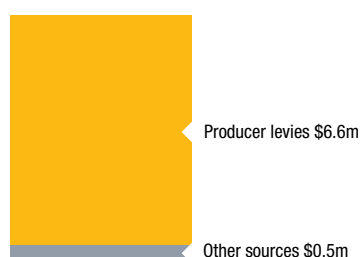
Achieved

RESULT: Over 90 per cent of initiatives classified as strategic initiatives



INVESTMENT

\$7.1 million



An additional \$208,000 was contributed by brand owners participating in the CoMarketing Program.

In 2014-15 this investment included:

- > implementing tailored marketing strategies in each major international market for Australian lamb
- > carrying out business development activities in emerging markets
- > working cooperatively with Australian exporters to develop and grow sales for individual lamb brands
- > monitoring in-market consumer and business trends

OBJECTIVE HIGHLIGHTS

Middle East/North Africa

MLA's Middle East/North Africa (MENA) team joined forces with Weber BBQ to run a six-month marketing campaign. The attributes of Australian red meat were promoted through radio sponsorship, advertising, social media and sampling at UAE's sporting and social events. MLA's co-sponsorship of Arabian Radio Network's prime time sport show, *The Grill*, included *True Aussie Lamb* title introductions, advertising spots, live reads and on-air quizzes to promote lamb.

MLA and Weber BBQ's partnership was leveraged at Dubai's Rugby Sevens competition in December 2014 and the Abu Dhabi Golf HSBC Championship where players and fans sampled *True Aussie Lamb* (see page 35 for more on *True Aussie*) cooked to perfection on Weber barbecues. The campaign reached an on-air audience of 3.2 million and a combined crowd of 182,000 at the sporting events. Three live on-air barbecue cooking competitions on Al Khaleejia and Al Arabiya radio stations also reached an audience of more than 250,000. There were 2,200 lamb posts across social media platforms in MENA during the marketing campaign.

United States

MLA targeted consumers, retail meat buyers and chefs in Florida in key consumption periods of spring (Easter) and winter (Christmas). MLA partnered with steakhouse chain Texas de Brazil (TDB) to run a four-week trivia contest, 'Get Grilled on Australian Lamb', which gave one million TDB e-newsletter subscribers the chance to answer lamb questions to win a trip to Australia. TDB and other restaurants hosted lamb showcase events for consumers, chefs and media.

Australian native, chef Aaron Brooks, became MLA's US 'lambassador' – giving TV lamb cooking demonstrations, hosting a lamb dinner for media and chefs, and serving up lamb in a popular food truck. MLA ran one-day culinary immersions in spring and winter to educate and inspire 24 chefs to use Australian lamb, and ran a contest for Miami area chefs, offering the chance to win a 10-day culinary trip to Australia if they added Australian lamb to their menu for a minimum of two weeks. MLA partnered with Costco Wholesale to integrate in-store activities including lamb tasting demonstrations, magazine articles and TV visuals. The in-store commercial received 1.17 million views.

South-East Asia

MLA ran more than 100 retail butcher training sessions as well as four major retail training events in Taipei, Manila, Penang and Jakarta. MLA now has more than 43,000 Facebook followers in Indonesia and more than 30,000 in Taiwan.

Europe/Russia

MLA supported the marketing activities of an importer to supply branded Australian lamb legs to a large supermarket chain in Denmark. MLA co-sponsored an in-store Australian lamb chump promotion with a major UK retail chain, resulting in a 112 per cent sales increase. MLA partnered with Austrade to host a red meat stand at World Food Moscow, and received inquiries from Russian and European trading companies who have commercial opportunities for Australian beef in China, South-East Asia, the MENA and South America. Activities with importers included a lamb workshop in Novosibirsk (third largest city in Russia) for foodservice and retail end users, and supporting the largest importer of Australian lamb to promote a range of cuts in Krasnoyarsk and Moscow. MLA supported two importers to attend Kazakhstan FoodWeek, where significant leads were generated.



Getting a taste for lamb

Americans have a growing taste for lamb, with Australian lamb exports in 2014-15 the highest on record, at 48,152 tonnes swt. This was 13 per cent higher than the record set the previous financial year. During 2014-15, lamb exports to the US were worth \$532.6 million, up 34 per cent on last year's fiscal year record.

MLA's targeted marketing in the US saw the number of followers of Australian Lamb's Facebook page grow by 6,134, and the e-newsletter subscriber list increase by 11,635. Consumer research revealed that unprompted awareness of Australian lamb in the US rose from 24 per cent in a year to 36 per cent – and passed New Zealand for the first time (33 per cent), while prompted consumers had 73 per cent awareness, up from 47 per cent a year ago. In June 2015 MLA's 2014-15 lamb campaign was recognised with a Stevie Award for marketing from the American Business Association.

CoMarketing

MLA's new CoMarketing Program supports Australian companies to develop marketing strategies for their beef, lamb and goatmeat brands. In 2014-15, 19 lamb companies had collaborative marketing programs with MLA. These companies collectively have 32 lamb brands and sold an average of 23,000 tonnes swt of lamb a month. For more on the CoMarketing Program refer to pages 75-76).

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 Identify and deliver 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 tools and information to build capability



MILESTONE SCORECARD
Of 27 milestones: 18 achieved, 7 not achieved, 2 no longer applicable

Australian Government National Research Priorities:

- An environmentally sustainable Australia
- Promoting and maintaining good health
- Safeguarding Australia
- Frontier technologies for building and transforming Australian industries

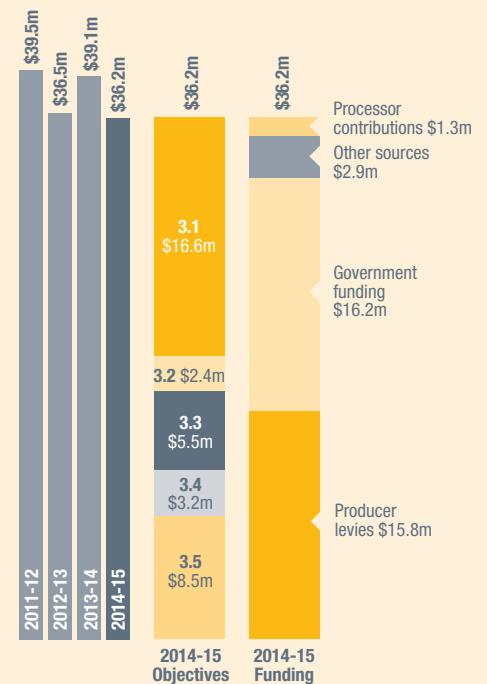
Australian Government Rural Research and Development Priorities:

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

Delivering MLA business units:

- On-farm Innovation and Adoption
- Livestock Productivity
- Value Chain Innovation
- Communications and Stakeholder Engagement
- Central Marketing and Industry Insights

INVESTMENT



An additional \$19.3 million was attracted in voluntary contributions, matched with Government funding and invested via the MLA Donor Company.

KEY ACHIEVEMENTS



A world first

MLA-funded trial work contributed to the commercial release of the sheep vaccine, Barbevax, the world's first vaccine for a gut-dwelling parasite of livestock (see page 51).

Profitable practice change

A review of MLA's *Making More from Sheep and More Beef from Pastures* programs revealed participating producers not only embraced education and practice change but improved their profits as a result (page 53).



Psyllid-resistant leucaena

Seed from a new psyllid-resistant variety of leucaena will soon be available to commercial cattle producers, opening the way for productivity gains in northern Australia (page 43).

Supply chain feedback

The first commercial supply chain rollout of Livestock Data Link – a web-based application for analysing carcass performance information – commenced (page 49).

Better genetics

A new genomic days-to-calving estimated breeding value for Brahmans has been developed, providing a partial solution to low reproductive performance in the northern beef industry (pages 44-45).



Robotics adoption

Lamb processing automation technology is continuing to be developed and adopted and beef processing automation technology is being trialled (page 47).

Information expansion

The Western Young Cattle Indicator was developed and is released weekly for West Australian producers. NLRS added five more saleyards to its reporting network (page 49).

↑ OPPORTUNITIES

- > The latest endemic diseases survey will be a critical tool for assessing research and development priorities and will provide valuable information to producer consultation groups when forming their R&D agendas.
- > Producers' utilisation of the new genomic days-to-calving estimated breeding value (EBV) has the potential to lift the fertility of Australia's Brahman herd by 10 per cent which would improve profitability.
- > *Market Snapshots* aim to keep industry more informed, generate conversations between supply chain partners and help identify business opportunities.
- > Lamb and beef processing automation projects can significantly improve Australia's competitive edge through value-adding and improved yield outcomes.

↻ CHALLENGES

- > Increasing the uptake of the new genomic test for the Brahman days-to-calving EBV to improve its economic viability and speed up its turnaround time.
- > Encouraging producers to embrace technological improvements such as Livestock Data Link, *Market Snapshots* and new market reporting tools under development and use them to their full potential.
- > Ensuring reliability of processing automation systems and assist processors to manage technical and capability risks of installation.
- > Delivering engaging extension programs that achieve on-farm practice change to deliver productivity benefits.

🔍 OUTLOOK 2015-16

- > NLRS will add Deniliquin, Corowa and Moss Vale in NSW and Charters Towers in Queensland to complete its coverage of every major saleyard in Australia.
- > Developing a web-based interactive data querying tool to provide producers and industry with better access to the NLRS database.
- > The 'LEAP V' module, the automated lamb forequarter bone-in processing system, is anticipated to be in production.
- > A safety system, complementary to BladeStop®, is being developed that can be retrofitted to existing saws.
- > The Pasture Variety Trial Network project will provide economic value estimates on commonly used pastures via an online tool.
- > Further work will be undertaken to assess the Barbervax vaccine's efficacy on goats.
- > A prototype decision support tool to the extension package *Feeding Forages in the Fitzroy* is being developed.

FAST FACTS 2014-15

The endemic diseases survey

included goats and diseases diagnosed at abattoirs, but originating on-farm, for the first time

10,000+

MLA Market Information App downloads

70,000 varieties to be stored

in the Australian Pastures Genebank, which will house the world's largest collection of pasture and forage species

The automated LEAP III and LEAP IV lamb boning systems are operating at **2 sites**

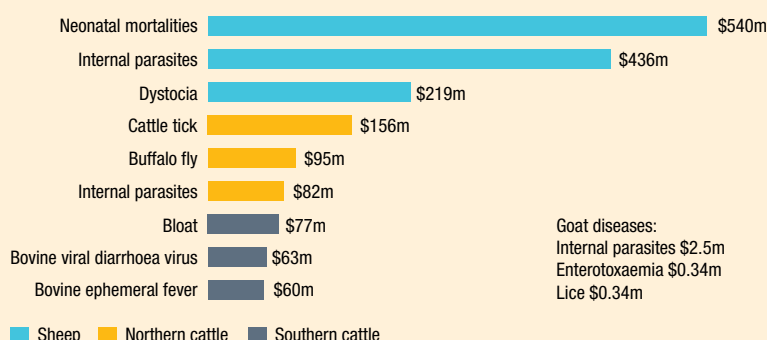
and are commercially available for about **\$4.8 million** for the complete system (excluding site-specific installation costs)

More Beef from Pastures and *Making More from Sheep* delivered participants

4.8% productivity improvements

from adopting practice change

Top three most costly northern cattle, southern cattle, sheep and goat diseases (\$ million)



Source: Priority list of endemic diseases for the red meat industries – MLA final report

Increasing productivity across the supply chain

OBJECTIVE 3.1

Identify and deliver opportunities to increase on-farm productivity

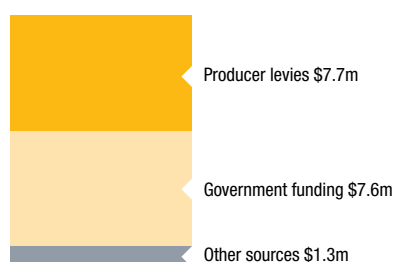
MLA assists livestock producers to increase their on-farm productivity by investing in R&D that creates opportunities to enhance genetic performance of animals and pastures, feed productivity and utilisation rates, animal reproductive efficiency, business performance and labour efficiency.

↑ STRATEGIES

- 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 practices and technologies to increase labour efficiency and compliance to market specifications
- 3.1.4 **Use** producer participatory R&D to maximise rate and effectiveness of development and evaluation of new technologies

💰 INVESTMENT

\$16.6 million



'Other sources' includes funding from Australian Wool Innovation towards the Sheep Genetics program.

An additional \$4.8 million was attracted in voluntary contributions (\$2.4 million) and matched Government funding (\$2.4 million) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > 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
- > implementation of a comprehensive research program addressing feedlot nutrition and heat stress
- > supporting investments in the Sheep CRC and MLA Resource Flock

🔑 KEY MILESTONES

Private seed companies engaged in trialling and implementing new methods in breeding programs for phalaris and annual legumes

Partially achieved

RESULT: An industry adoption plan was outlined to private seed companies, raising awareness of the two pre-breeding projects and informing use of the new technologies. Technologies not due for delivery from the project so new methods are not available for adoption by seed companies

Evaluation system of new pasture species (taking account of potential return on investment) established with results published

Achieved

RESULT: Program has been expanded with an MDC project with the Australian Seeds Federation. Analysed data has been published via a website developed with end users (anticipated to be launched in late 2015)

300 lead producers are actively engaged in participatory R&D contributing to conduct and interpretation of research projects

Not achieved

RESULT: An estimated 180 producers are actively involved in feedbase research via 25 Producer Research Sites projects across southern Australia

Sheep CRC extension contracted and projects established

Achieved

RESULT: Sheep CRC extension contracted and projects underway

Productivity improvements from identification and use of animals that convert feed more efficiently established through net feed intake testing of at least 600 progeny from the Beef Information Nucleus herds

Achieved

RESULT: 936 Angus, 102 Charolais, 214 Hereford and 402 Limousin steers have been measured through the Tullimba feedlot at UNE between 2012 and 2014

Residue testing of Kleanup product for feedlot dag treatment completed and research permit for further evaluation of the product under Australian conditions obtained

Not achieved

RESULT: Inability to source details of the composition of Kleanup meant a research permit was not granted from the Australian Pesticides and Veterinary Medicines Authority

At least two series of workshops conducted across regional Australia to communicate latest feedlot research outcomes and deliver industry training requirements

Achieved

RESULT: Two workshop series were conducted, attended by 350 feedlot personnel

OBJECTIVE HIGHLIGHTS

Economic value of high-output forages

A recent MLA-funded benchmarking project is helping central Queensland beef producers make more informed forage choices. Focused on the three sub-regions of the Fitzroy River catchment, the project was a joint exercise with Queensland's Department of Agriculture and Fisheries (DAF). It compared the performance of oats, forage sorghum, lablab, leucaena-grass, butterfly pea and perennial grass pastures across 24 sites in the Fitzroy River catchment during 2011–2014.

Despite the wide variation in productivity and profitability for annual and perennial forages in the area, it was found perennial legume-grass pastures were more profitable than perennial grass pastures and annual forages. Leucaena-grass had the highest gross margin of \$184/ha/year and produced the highest average total beef production of 198kg/ha/year.

The project found annual forages were generally not able to add economic value to a beef enterprise due to their higher growing costs.

The project has delivered producers new decision support tools as well as commercially relevant advice. Key achievements of the project were the development of an extension package, *Feeding Forages in the Fitzroy*. Available in booklet and electronic form, it brings together information on agronomy, management, cattle production and economic performance from high quality forages.

It also developed a series of gross margin spreadsheets for comparing the costs and benefits of forages grown in each of the three sub-regions and work on a prototype decision support tool is ongoing. To help producers apply these decision support tools to their own business, MLA and DAF have offered support activities such as webinars and field days and information from the project is being incorporated into the Grazing Best Management Practice (Grazing BMP) program.

Sheep CRC update

As part of the extension of the Sheep CRC in 2014, MLA supported three new research programs for animal wellbeing and productivity, genomic testing and quality-based sheepmeat value chains.

Researchers are developing risk models to underpin on-farm decision making tools, such as 3D cameras, to measure body condition/wrinkle score for nutrition and flystrike management.

The genomic program is refining *Australian Sheep Breeding Values* to give producers better tools to select genetics which improve eating quality of prime lambs and potentially a yearling sheep meat product.

The MLA Donor Company (which doesn't use producer levies) and commercial and research partners are developing measurement technologies – such as CT, dual energy X-ray, cameras and probes – in collaboration with the Sheep CRC to objectively measure carcass quality and yield.

As part of this, 2,480 lamb and yearling samples will be tasted in China, US and Australia to better understand how consumers perceive different lamb and sheepmeat products.

Protein-packed algae

With funding from MLA, the University of Queensland has established an Algae Energy Farm to cultivate and harvest microalgae for a range of uses, including as a feed supplement for beef cattle. The project findings offer an opportunity to close the gap in dry season protein availability using an economically sustainable feed source with minimal use of land and water.



Psyllid-resistant leucaena to bolster northern production

Seed from a new psyllid-resistant variety of the tropical legume pasture leucaena (pictured being eaten by a heifer) will soon be available to commercial cattle producers, opening the way for massive productivity gains in northern Australia.

Leucaena is a fast growing perennial tree which offers one of the most productive feedbase options for northern cattle producers, but its susceptibility to attack by the leucaena psyllid (*Heteropsylla cubana*) has limited its adoption in high-rainfall and coastal areas.

This is set to change following the development of a new variety named Redlands, which was developed by University of Queensland with funding from MLA, and is resistant to psyllid attack.

“We estimate that the new variety could open up a further 1.5 million hectares of Queensland to potential leucaena production, as well as significant areas of the Northern Territory, which could in turn produce a net benefit to the industry of \$500 million or more per year,” MLA's General Manager of On-farm Innovation and Adoption, Dr Matthew McDonagh said.

“MLA has now signed agreements with two partners in Central Queensland, Carnarvon Pastoral Company and Leuceseeds, to grow seed plots for the psyllid resistant variety, with commercial volumes of seed expected to be available for purchase within three years.”

Increasing productivity across the supply chain

New breeding programs for phalaris and annual legumes

MLA-funded research is applying genomics to plant breeding with several projects aimed at identifying DNA markers to improve the productivity, adaptability and pest and disease resistance of some of Australia's most common pasture and legume species. A \$1.5 million phalaris project, conducted by the University of Melbourne, is using genomics to select for traits, such as yield and persistence, and to identify markers for seed retention, a common problem in phalaris breeding. These markers will be used to develop a rapid screening tool aimed at encouraging more private companies to invest in phalaris breeding.

The research team, supported by CSIRO and Victoria's Department of Economic Development, Jobs, Transport and Resources, is also developing a process to assess the economic value of plant traits, enabling breeders to make useful comparisons between varieties being considered for commercial release and their potential pay-back to producers. It is hoped this work on phalaris will form the basis for improved breeding methodologies in other perennial grass species such as cocksfoot.

The \$1.5 million, MLA-funded pre-breeding in annual legumes project is harnessing genetic technologies to rapidly improve varieties. Work on subterranean clover so far has shown the number of generations that can be produced in one year could be improved from one to between three and five. Researchers hope it could potentially cut breeding times of some species by up to four years.

The project has defined the genome of subterranean clover and this will be formally published after critical review. Other subterranean clover traits under the microscope include: cotyledon resistance to redlegged earth mites, optimum levels of hard seed and other seed dormancy traits, genes for increased persistence and increased seedling growth under cooler temperatures. The techniques are also being adapted for annual medics (self-regenerating pasture legumes).

Producer Research Sites

MLA-supported Producer Research Sites are contributing valuable scientific outcomes to Australia's red meat industry and are directly involving producers in research and development. During 2014-15, 25 projects were contracted across southern Australia, all contributing to and building on

MLA funded
**25 Producer
Research Sites**
around Australia

key research projects under MLA's Feedbase Investment Plan.

Projects included: improving efficiency of phosphorus fertiliser and pre-breeding phalaris (Victoria);

comparing legume species that require less phosphorus than subterranean clover and pasture persistence and establishment (Western Australia); trialling sub-tropical pastures (NSW) and investigating soil-borne root disease (South Australia).

Most projects are entering their second year of the \$2.5 million, three-year program, with the exception of Tasmania which is in its first year of a phosphorus-efficient legumes trial.

Producers involved are leaders in their field, not only contributing their own experiences and observations to improving their skills and knowledge base but also taking personal risks with capital, land resources and time. Each project is managed by one of MLA's five state coordinators, who also conduct annual reviews with each producer group, and a facilitator who oversees the trial design.

These projects help fill the gap between researchers and producers, provide better direction for valuable research funds and are expected to result in faster adoption rates at the end of the research. Producers robustly test scientific theory under commercial conditions and the ensuing field days, workshops and over-the-fence discussions bolster research extension.

New fertility test for Brahmans

The new genomic test for female reproduction in Brahmans has the potential to lift fertility across the northern beef herd by 10 per cent. A significant achievement for industry and the Brahman breed, the new days-to-calving direct genomic value means all Brahman producers can now obtain more accurate genetic prediction of daughter reproduction performance on their young bulls.

Blending of direct genomic values increased the accuracy of the days-to-calving breeding value by **10% on average, and up to 35%**

MLA, through its support of the Beef CRC, the Animal Genetics Breeding Unit and the Australian Brahman Breeders Association

(ABBA), has helped engineer a partial solution to one of the most significant issues affecting northern beef enterprise profitability – low reproductive performance.

The test underpins the existing pedigree-based days-to-calving estimated breeding value (EBV) that has been in use for some years. However, the practical implications of collecting reproduction information have impacted on its availability. Blending of the genomic values with the EBVs has been shown to increase accuracy, on average, by 10 per cent and up to 35 per cent. MLA continues to support ABBA in building its database with nearly 4,000 days-to-calving records added since 2013.

However, there has been little to no genetic trend for days-to-calving in the breed and the new genomic test, coupled with increased levels of recording, provides a unique opportunity for the breed to improve female reproduction by selection.

The challenge remains to continue building on the research outcomes delivered by the Beef CRC and to extend this genomic test to other northern beef breeds.

Almost **4,000 days-to-calving records** have been added to the Brahman BREEDPLAN database since 2013

Greater usage of the test will increase its affordability for Brahman breeders over time and further build the accuracy of the breed's fertility data. Additional genomic values will be generated from MLA and industry-funded projects to further expand the trait information available for Brahmans.

Pasture Variety Trial Network

The *Pasture Variety Trial Network* will address a major issue limiting pasture improvement in Australia – the lack of comprehensive information on the merits of pasture varieties. During the past four years MLA has invested \$1.8 million in the development of a national variety testing scheme to provide objective data to southern livestock producers on the merits of a range of commercially available pasture species.

The project has involved the implementation of an auditing and accreditation scheme for seed company pasture trials and the establishment of six independent trial sites in south-west, central and eastern Victoria, southern and central NSW and Tasmania.

Three years of seasonal production data of annual legumes, lucerne, phalaris, fescues, cocksfoot and annual Italian and perennial ryegrasses have been compiled and are being statistically analysed to outline local performance differences. In future there will be opportunity to include new breeding lines in the network, enabling breeders to focus on those traits that will deliver the greatest gains for producers. The aim is to deliver economic value estimates for varieties and assess whether more recent germplasm can provide better options within species.

A new project, in partnership with seed companies and the Australian Seed Federation, will see the number of trial sites increase across southern Australia. This is hoped to boost producer confidence in their outcomes and result in more effective use of the data collected from them. MLA's website will communicate these results in late 2015/early 2016, when analysis is expected to be complete.

Pastures genebank

MLA invested almost \$400,000 in 2014-15 in the Australian Pastures Genebank, a comprehensive seed collection aimed at conserving the diversity of the nation's pasture and forage species.

Created in response to the 2011 National Strategic Rural Research and Development Investment Plan, the genebank will house the world's largest and globally unique collection of pasture and forage species.

This will ensure access to plant genetic diversity, which is critical to national and global food security and underpins Australia's ability to maintain agricultural productivity in the face of environmental and economic challenges.

The Australian Pastures Genebank will strategically acquire, document, conserve and make available plant genetic diversity of all pasture plants important to agriculture in Australia. This includes plants to be grown for livestock, crop rotation and the environment. Australia has been a major beneficiary from the importation and utilisation of genetic resources in pasture and forages and it is important to maintain this material and not have to reimport.

MLA, along with state and federal governments, Dairy Australia, GRDC, AWI and research institutions, is investing funds to transition seed and data from major state genebanks into the Australian Pastures Genebank to rationalise collections and minimise running costs.

Grazing enterprises, including all food and fibre production, as well as crop rotation, are worth **\$48 billion per annum** to the Australian economy



The Brahman fertility test process at a glance

MLA, through its support of the Beef CRC, the Animal Genetics Breeding Unit and the Australian Brahman Breeders Association (ABBA), has helped engineer a partial solution to one of the most significant issues affecting northern beef enterprise profitability – low reproductive performance.

The Brahman days-to-calving genomic test combines traditional performance records with information from an animal's DNA to generate a unique estimated breeding value (EBV) for every animal. The test process involves: sending a hair sample to the Australian Brahman Breeders Association which registers the animal and includes it in the BREEDPLAN analysis; hair is sent to the University of Queensland for genotyping and then to the Animal Genetics and Breeding Unit for analysis where direct genomic values (DGVs) are produced and included in the Brahman BREEDPLAN analysis. Blended EBVs are then reported directly to the breeder by the breed society.

Increasing productivity across the supply chain

OBJECTIVE 3.2

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

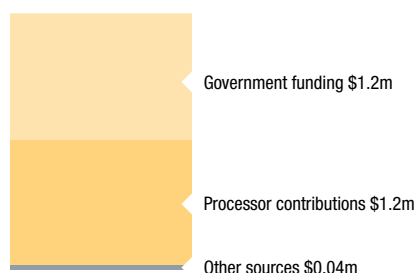
Working in partnership with technology providers, individual processors and the Australian Meat Processor Corporation (AMPC), MLA manages an R&D portfolio to improve processing efficiencies, address labour availability and OH&S, and increase innovation and capability. Much of this investment comes from voluntary and processor contributions which are matched with Government funding via the MLA Donor Company.

↑ STRATEGIES

- 3.2.1 **Develop** new technologies and systems that improve productivity and processing efficiencies
- 3.2.2 **Assist** the 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

\$ INVESTMENT

\$2.4 million



An additional \$11.3 million was attracted in voluntary contributions (\$4.6 million), processor contributions (\$1.1 million) and matched Government funding (\$5.6 million) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > enabling collaborations to develop cost effective automation and manual assist technologies
- > developing novel objective measurement systems

🔑 KEY MILESTONES

Realise net benefits of \$1 million per annum from processing technologies developed under the MDC program and for which installation is completed in 2014-15

Achieved

RESULT: LEAP IV lamb processing system installed at Australian Lamb Company alone provides \$3.9 million per annum benefit. Other technologies with benefits include McLaren waterjet French racking DEXA imaging for lamb, X-ray beef rib cutting and goat head browning

Total aggregated net benefit of MDC-funded technologies installed both in 2014-15 and previous years reaches \$8 million per annum

Achieved

RESULT: Confidential ex post cost benefit analysis completed at two processors for LEAP III and LEAP IV lamb automation installations show \$17.6 million per year benefit

Five MDC-funded commercial innovations achieved at least 80 per cent of their annual adoption strategy targets including associated cost benefit analyses

Achieved

RESULT: 11 out of 20 off-farm technologies achieved their technical or commercial adoption targets. Where appropriate these are supported by independent cost benefit analyses

OBJECTIVE HIGHLIGHTS

A LEAP for lamb processing

Australia is leading the world in the automation of beef and lamb processing, with the help of the MLA Donor Company (MDC) (which doesn't draw upon producer levies). During the past year, lamb processing advancements alone have added up to \$4.20/head in extra value at participating sites. LEAP III and IV, X-ray guided lamb primal cutting and middle processing systems, are already paying dividends to industry, with two commercial demonstration installations – the Australian Lamb Company in Sunshine and JBS Australia in Bordertown. The latest LEAP III is now also at Australian Lamb Company's Colac plant. Both machines allowed the companies to recoup their purchase and installation costs in less than a year.

LEAP II is the hindquarter deboning system, a technically complex module of the LEAP development suite that will have important yield and operational health and safety outcomes once adopted by industry. Research has demonstrated the system's feasibility and the MDC, along with its strategic technology partner and commercialiser, Scott Technology, New Zealand, hopes to see LEAP II undergoing trials within a year.

Lamb automation processes at **10 per minute** (similar to non-automated plants) but with millimetre accuracy

Further development of the LEAP V module, the lamb forequarter bone-in processing system, is also anticipated to start production in Australia within a year.

A LEAP for beef processing

The Beef Automation Transformation program, also funded by the MDC, has taken the first steps towards the development and adoption of semi-automated system modules and operator aids. In 2014-15, a loin deboning saw and oven-prepared rib saw were trialled in a number of participating plants. Work continues to quantify the value proposition of automation in beef processing, however it is anticipated to be as significant as it is with lamb.

BladeStop® and GloveCheck®

BladeStop®, an ultra-high-speed brake mechanism for bandsaws, has proven to be an adoption success during 2014-15. There are now over 80 BladeStop® products operational across industry, with each of Australia's largest processors installing two or more. Developed through the MDC with strategic technology partner, Machinery Automation & Robotics, this major safety initiative, which stops the bandsaw blades upon human contact, could prevent an estimated 10 serious accidents a year, many of them near amputations.

In addition to BladeStop®, Machinery Automation Robotics has also developed GloveCheck®, an additional safety feature that involves a saw operator wearing a camera-sensitive glove. If the glove enters the danger zone ahead of the blade, the saw stops, again preventing serious injury. GloveCheck® became commercially available during 2014-15 with more than 10 units now in operation. Developing the world first 'know-how' around this technology has taken almost 10 years and a co-investment of \$3.3 million, and has enjoyed strong long-term support from industry.

BladeStop® is estimated to **prevent 10 serious accidents** a year, many of them near amputations



Taking a leap forward

JBS innovation manager Graham Treffone first encountered the 'LEAP' system in 2011 when he visited the Scott Technology facility in New Zealand.

"Coming from a beef processing background, it was hard to imagine how a 24kg lamb carcass could add so much complexity and variation into a processing business," he said.

"This complexity increases cost and requires accuracy and consistency, so I was impressed to see that the LEAP system used X-ray technology to determine coordinates for accurate cutting. This precise cutting presented JBS with the opportunity to take inconsistencies out of cutting carcasses and maximise high value cuts such as the loin and rack."

The team at JBS did the calculations and, based on potential savings through reduced labour, increased yield and the 'knock-on' effect of reducing workplace injury risk, the project was given the green light at the JBS Bordertown plant. Installation began in June 2013 for the LEAP primal cutting system, and in early 2014 for the LEAP IV middle cutting system.

Graham said a critical component of investing in LEAP was the associated R&D support from the partnership between JBS, the Australian Meat Processing Corporation and Scott Technology, and the MLA Donor Company through matched government dollars. (No producer levies were used to support this project.)

"The system delivers our customers quality and consistency – they can now expect a consistent number of ribs in every rack, loins that are the same size and so on," Graham said.

Increasing productivity across the supply chain

OBJECTIVE 3.3

Deliver valued supply chain and market information

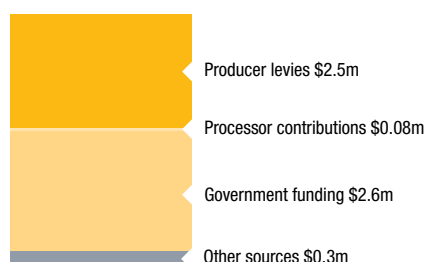
MLA delivers market and supply chain information that provides monitoring, analysis and reporting on the fundamentals of Australia's livestock industries. These tools and information enable businesses and supply chains to make informed decisions based on accurate market intelligence and feedback.

↑ STRATEGIES

- 3.3.1 **Collect and maintain** domestic and international meat market data of relevance to the Australian meat and livestock industries
- 3.3.2 **Disseminate** incisive analyses of relevant world meat market developments
- 3.3.3 **Facilitate** improved information flows within supply chains
- 3.3.4 **Work** closely with peak councils and government and seek opportunities with like-minded organisations to identify priority industry issues and commission research to address these issues

💰 INVESTMENT

\$5.5 million



In 2014-15 this investment included:

- > operation of MLA's livestock reporting service
- > digital provision of market information and analysis
- > improved supply chain data through Livestock Data Link
- > industry issues research

🔑 KEY MILESTONES

Over 90 per cent of clients find MLA market information valuable to their business, with over 60 per cent finding it highly or extremely valuable

Not available

RESULT: Quantitative survey not undertaken this year. However, qualitative research indicated the majority of producer stakeholders were satisfied, however, some refinements could be made

20 processing plants uploading data to Livestock Data Link

Not achieved

RESULT: 13 processing plants uploading data to Livestock Data Link across eight supply chains. There was a change in focus during the year to work more closely with the existing Livestock Data Link plants to drive adoption of the feedback tool within these supply chains

60 per cent of Livestock Data Link plants actively delivering feedback to their suppliers

Not achieved

RESULT: 30 per cent of Livestock Data Link plants are actively delivering feedback to their suppliers using Livestock Data Link

Develop methodology, implement and commence reporting on Australian beef 'cutout values'

Not applicable

RESULT: A current project aims to address the benefits and costs of mandatory price reporting, including an Australian cutout value

Increase reporting and analysis of cattle markets in northern and Western Australia

Achieved

RESULT: Increase market analysis in the north including live export prices and coverage of new saleyards. Western Young Cattle Indicator launched

Maintain ISO accreditation for MLA's market information activities

Achieved

RESULT: ISO accreditation maintained

Complete industry issues research as requested by Red Meat Advisory Council and peak industry councils

Achieved

RESULT: Research completed as requested by RMAC and peak industry councils

OBJECTIVE HIGHLIGHTS

Market Snapshots

Beef producers benefited from a new MLA initiative during 2014-15 with the launch of *Market Snapshots*. The reports give a big picture perspective, including domestic and export market information, analyses of consumer and customer trends and valuable insights into the latest developments in global beef markets.

Market Snapshots was produced in response to producer feedback received at forums which revealed that while MLA was producing significant detailed analysis, producers were seeking more of a broad overview of core market trends. It is hoped these market insights will promote more informed discussion along the entire supply chain and help producers to make more informed on-farm decisions that will contribute to their business profitability. So far *Market Snapshots* cover nine key beef markets: Australia, the US, China, Japan, Korea, Indonesia, South Asia, Middle East and the EU. As the service develops it will also incorporate information on Australia's main competitors such as New Zealand, India and Brazil. *Market Snapshots* will be developed during 2015-16 for Australia's core sheepmeat markets.

Market information enhancements

MLA's National Livestock Reporting Service (NLRS) continues to expand with another five selling centres added during 2014-15. Market information from Boyanup, WA, Mt Compass, SA, Gracemere and Emerald in Queensland, and Cootamundra in NSW, are contributing to a more complete picture of saleyard action nationally.

More than 13,000 people
and more than 25
newspapers subscribe to the
NLRS email service

Market reports, generated by 26 trained livestock market officers based around Australia, are available free an hour after the sale and disseminated by radio, available on MLA's website and MLA's Market Information App. In a new project, MLA is working on a customised online market tool which will select information for users based on their business objectives and geographic location. It is expected to be operational by early 2016. To further improve MLA's information services, beef and sheep industry projections have transitioned from six-monthly to quarterly and beef projections are now accompanied by a short video summary.

With 909,860 views in 2014-15
market information and
NLRS price data is highly
sought after via MLA's
website

Livestock Data Link and adoption by JBS

Livestock Data Link (LDL), a web-based application that allows processors and producers to analyse carcass performance information, is being rolled out on a supply chain basis. Embraced by JBS Southern, MLA is working with a further five supply chains to ensure this feedback service is available to a wide range of producers over the coming year. So far it is accessible to 2,300 JBS producers under the JBS Farm Assurance program.

LDL connects slaughter data from the National Livestock Identification System and Meat Standards Australia database with analytical tools and benchmark reports and the 'Solutions to Feedback' library. The library is an online resource that helps producers address non-compliance issues on farm. MLA is continuing to enhance its functionality by adding an animal health and disease feedback module. The aim for 2015-16 is to increase LDL's uptake by processors and producers and to enhance its functionality to make it more user-friendly.



In other news

West Australian producers are benefiting from improved market information with the launch of a Western Young Cattle Indicator (WYCI).

In July 2015 MLA hopes to build its northern market reporting capacity by creating a monthly overview of markets north of the Tropic of Capricorn. The new information service will include reports on the live export trade, over-the-hooks and saleyard prices (via daily radio broadcasts) to deliver meaningful sales data to all members of the supply chain.

With 5,983 views and downloads
MLA's three 2015 beef industry projections
and online videos were highly valued
by stakeholders

Increasing productivity across the supply chain

OBJECTIVE 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 a major animal disease could have severe impacts on international trade and adverse effects on productivity.

↑ STRATEGIES

3.4.1 **Improve** animal health and biosecurity

💰 INVESTMENT

\$3.2 million



An additional \$3.1 million was attracted in voluntary contributions (\$1.54 million) and matched Government funding (\$1.54 million) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > integrated sheep parasite management
- > footrot diagnostics and vaccine development
- > theileriosis diagnosis and control
- > cattle tick vaccine
- > bovine respiratory disease in feedlots
- > the national livestock disease survey

🔑 KEY MILESTONES

Phases one and two of the National Livestock Disease Survey completed

Achieved → **RESULT: Final report published**

Technologies to identify poor performing cattle in feedlots prioritised for further evaluation in feedlots

Achieved → **RESULT: Two scoping study reports have been received and are currently being reviewed by the ALFA R&D Committee, with a view to undertaking further development of applicable technologies**

Assessment of the bluetongue vector potential of midges in southern Australia completed, and mathematical prediction model for the spread of the disease completed

Achieved → **RESULT: Final report published**

Efficacy of two-in-one bovine respiratory disease vaccine established and plan developed to attract a commercial partner for its further development

Not achieved → **RESULT: Plan developed to attract a commercial partner. Potential partners sought a further efficacy pen trial and delays ensued. Discussions with partners may recommence following results**

Review of the impacts of fluoroacetate toxicity completed

Achieved → **RESULT: Review completed and concluded toxicity causes increased mortality and reduced stocking rates and has the potential to affect approximately 2.9 per cent of the Australian herd**

OBJECTIVE HIGHLIGHTS

Barbervax

MLA-funded trial work on the world's first vaccine for a gut-dwelling worm parasite of livestock has contributed to a major advancement in ovine internal parasite control. Barbervax will control barber's pole worm, a sheep parasite that occurs mainly in south-east Queensland and north-east NSW. It can cause sudden mass mortalities and is a significant contributor to the \$400 million annual cost of internal parasites to the Australian livestock industry.

Barbervax is expected to cost
\$3 per head
for an entire program

Barbervax had a limited commercial release during September 2014 for use in lambs and experienced an immediate sell-out of the initial batch of 600,000 doses. With extra vaccine supplies being produced for the 2015 barber's pole worm risk window, it is expected to cost 60 cents per dose or \$3 per head for an entire program.

The vaccine is now also registered for use in yearlings and adult sheep with the Australian Pesticides and Veterinary Medicines Authority and can deliver significant, ongoing cost savings to producers. Barbervax will reduce dependence on chemical worm control, helping to address issues of drench resistance, while vaccine-resistant worms are not expected to evolve.

The vaccine has no residue issues or withholding periods, meaning it is safe for organic producers to use without compromising their accreditation. It can also be used in conjunction with clostridial vaccines, if injected at a different site, drenches (which may be needed if sheep are infested with more than just barber's pole worm) and insect and/or lice medication. Work is continuing to assess the vaccine's efficacy for goats.

There is an MLA Donor Company partnership project underway (which isn't using producer levies) seeking to register a Barbervax treatment for goats.

Updated endemic diseases survey results

A comprehensive economic assessment of the most significant endemic diseases affecting Australia's red meat industry will provide the principal criteria for prioritising research and development investments. The MLA-funded report, which considered the goat industry for the first time, highlighted 17 cattle, 23 sheep and nine goat diseases as having the greatest economic impact.

For cattle, pestivirus appeared on the list for the first time as a significant disease affecting the southern beef industry but internal parasites were estimated as having the highest annual cost for northern and southern sectors at \$82 million per year. When setting research priorities however, the report recommended considering weighing this outcome against existing disease knowledge and the availability of control mechanisms. Diseases and conditions that still had relatively high annual costs (greater than \$5 million) and lower overall knowledge and available controls (less than 50 per cent) included neonatal calf mortality, vibriosis and *Theileria*.

The endemic diseases survey's list of priority diseases included
**17 cattle,
23 sheep and
9 goat diseases**
as having the greatest economic impact

For sheep, neonatal mortalities (\$540 million) and internal parasites (\$436 million) had the highest estimated annual economic impacts.

Internal parasites had the highest estimated annual impact on the goat industry, costing \$2.5 million. The next two priority diseases were enterotoxaemia and lice. This project completes phases one and two of a four-phase MLA initiative.



Barbervax – a family collaboration

Scottish father and son team, David and Robin Smith, collaborated to develop Barbervax, the ground-breaking vaccine against barber's pole worm (see Barbervax story at left). David, a scientist at Moredun Research Institute near Edinburgh, has devoted his career to researching immunity to, and vaccines for, parasitic worms of sheep and cattle. For him, the advent of Barbervax ended a 30-year quest. Contributing significantly to this success was his engineer son, Robin, who developed a worm-harvesting machine, the NemESys (Nematode Extraction System). This enabled the cost-effective collection of large amounts of intestinal enzymes from clean worms, keeping the vaccine economically viable.

Barber's pole worm females are prolific egg layers, laying up to
10,000 eggs per day

Increasing productivity across the supply chain

OBJECTIVE 3.5

Increase producer engagement with MLA tools and information 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 and evaluating programs of relevance.

↑ STRATEGIES

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

🔑 KEY MILESTONES

Increase satisfaction with MLA communications activities from 3.6 to 3.8 out of 5

Achieved

RESULT: Member satisfaction with MLA communications rated an average of 3.8 out of 5 in the August 2015 member survey

At least 50 per cent of commercial sheep and cattle producers engage with MLA information or tools

Not achieved

RESULT: An average of 44 per cent of MLA members 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

Achieved

RESULT: 74 per cent of producers that engage with MLA information, tools and learning opportunities adopt at least one practice change

At least 25 Producer Demonstration Sites in operation to deliver localised R&D information to producers

Not achieved

RESULT: 21 Producer Demonstration Sites are currently in operation to deliver localised R&D information

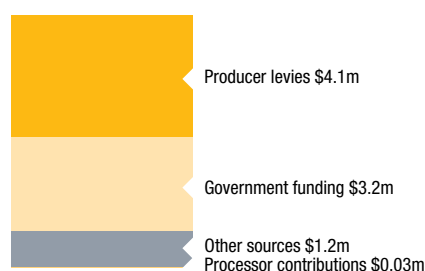
Implement a new monitoring, evaluation and reporting framework to enable more effective reporting against strategic objectives

Achieved

RESULT: The framework has been developed for extension projects to demonstrate practice change and impact and has been applied to pilot projects. Application to extension projects more broadly has commenced

💰 INVESTMENT

\$8.5 million



'Other sources' includes funding from the Department of Agriculture for the Farm300 program, and from Australian Wool Innovation for the *Making More From Sheep* program.

An additional \$135,000 was attracted in voluntary contributions (\$67,500) and matched Government funding (\$67,500) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > continued rollout of the flagship extension programs including *More Beef from Pastures*, joint MLA-AWI programs *Making More From Sheep* and *Pastoral Profit* and the *FutureBeef* collaboration
- > development of new producer resources
- > delivery of *Feedback* magazine, *Friday feedback*, producer forums and events and online tools

OBJECTIVE HIGHLIGHTS

LambEx and Beef Australia 2015

MLA supported Australia's two major meat industry events this year, connecting with beef and lamb producers and showcasing the latest research outcomes and industry insights.

About 90,000 people attended Beef Australia 2015 in Rockhampton where MLA presented a packed program of information sessions and networking opportunities. Popular attractions included MLA's Innovation Marquee sessions, which delivered the latest research and development outcomes, as well as the packed-out Producer Forum, which covered some key programs where MLA is investing producer levies.

The lamb industry event of the year, LambEx in Adelaide, attracted processors, exporters, researchers and agribusinesses. MLA gave presentations to attendees on growth markets, opportunities and consumer trends that are likely to impact lamb sales.

Website refresh

MLA has delivered a refurbished website which puts producers as its primary audience. Featuring a modern look that is consistent with other communication channels, streamlined navigation and new emphasis on levy investment transparency, the new website should encourage more online traffic and underpins MLA's aims and objectives. The project's second phase, to be delivered in early 2016, will introduce more personalisation, including a home page featuring news and market information pertinent to the user's enterprise and geographic location. MLA's aim is to improve accountability to levy payers and to share the existing online resources more effectively through improved delivery.

Pastoral Profit program

Producers in the pastoral zone can ramp up their business skills with the support of a new MLA and Australian Wool Innovation-funded program to boost farm profits. The *Pastoral Profit* program is regionally customised and features multiple delivery platforms including webinars, phone conferences and online resources, as well as face-to-face tutorials. Its launch webinar in June 2015, featuring agricultural consultant and livestock profitability specialist Dr Phil Holmes and pastoral producer Andrew Miller, attracted 120 producers. The program, which runs for three years, aims to upskill producers to make informed decisions on the business and management options they have available.

Farm300

More than 300 beef and sheep producers Australia-wide participated in Farm300, a program aimed at improving producers' awareness and skills at reducing on-farm emissions while also increasing productivity. The two-year, \$950,000 project, funded by the Federal Government and managed by MLA, finished in May 2015 and succeeded in training 128 advisors and 333 producers to manage emissions. Two-thirds of the participants intended to implement practice change as a result and the program has significantly enhanced the online resources available to producers. Economic modelling from the program showed reductions in emissions and increases in profit were possible.



Extension delivers practice change and profitability

Producers involved in the MLA-funded *More Beef from Pastures* (MBfP) program lifted their average net on-farm income by \$6,000 per business. A two-year review of the program's efficacy also showed that 75 per cent of producers who participated made changes they said they would, or made another change, as a direct result of attending MBfP.

Similarly, an in-depth review of the *Making More From Sheep* (MMFS) program showed participants gained an additional \$10/ha in income, on average, and 76 per cent of all attendees were making changes to their business following workshops.

After attending MMFS workshops, 98 per cent of attendees said they had increased confidence to adopt practice change and 56 per cent said they had decreased their stock losses as a direct result of applying their workshop learnings on farm. The review also showed that 89 per cent of participants felt they had increased their knowledge and skills and 85 per cent observed improved animal wellness on their farms.

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 Provide industry with solutions to meet high standards of 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 National Research Priorities:

- An environmentally sustainable Australia
- Frontier technologies for building and transforming Australian industries

Australian Government Rural Research and Development Priorities:

- National resource management
- Climate variability and climate change
- Innovation skills
- Technology

Delivering MLA business units:

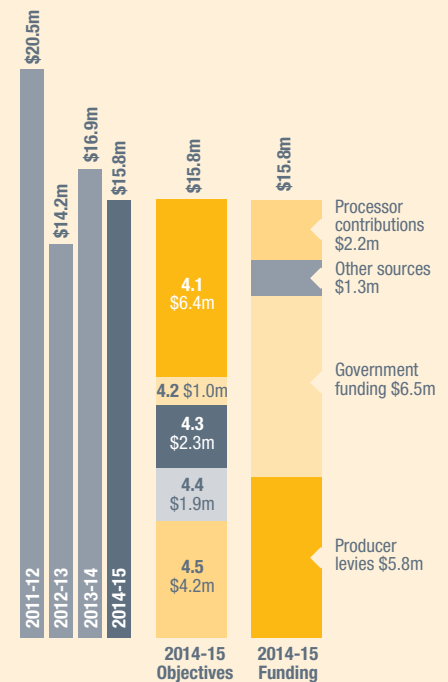
- On-farm Innovation and Adoption
- Communications and Stakeholder Engagement
- Value Chain Innovation



MILESTONE SCORECARD

Of 20 milestones: 14 achieved, 6 not achieved

INVESTMENT



An additional \$4.4 million was attracted in voluntary contributions, matched with Government funding and invested via the MLA Donor Company.

KEY ACHIEVEMENTS

An Australian first

The commissioning of a new waste-to-energy plant at Oakey Abattoir is the first time the COHRAL™ technology from Europe has been used in Australian meat processing (see page 59).



Pain relief

Buccalgesic pain relief gel available for calves launched and NumNuts, a fast-acting pain-relieving local anaesthetic for lambs, was ready for commercialisation (pages 60-61).

Rabbit control

The isolation of K5, a strain of rabbit haemorrhagic disease virus (RHDV), will target rabbits in cooler, wetter regions where RHDV is currently less effective, helping to minimise the impact of Australia's most destructive pest (page 57).



Weed breakthrough

Two parkinsonia biological control projects offer potential solutions to a rampant weed problem in northern Australia (pages 56-57).

Less methane

The federally funded and MLA-managed \$32.8 million National Livestock Methane Program found leucaena plantations in northern cattle systems can lift productivity by up to 22 per cent and lower methane emissions by up to 20 per cent (page 57).



Utility reduction

Electricity usage in participating processing plants has been reduced by at least 3 per cent (pages 58-59).

↑ OPPORTUNITIES

- > Commercial partnerships to reduce animal welfare product development costs.
- > Strategies to reduce the major energy consuming activities in red meat processing plants, such as refrigeration and the production of steam and hot water.
- > Methane emissions research has opened the door to a range of new directions in productivity gains in livestock.
- > Using biological controls to reduce weeds, such as parkinsonia, is not only a low-cost option for producers but further underpins Australia's clean, green image for food production.
- > The establishment of new dung beetle species in temperate Australia will improve pasture growth and soil health.
- > MLA-funded rabbit control research has found a way of 'recycling' viruses, addressing issues of rising immunity among rabbit populations and significantly reducing the cost of introducing new viruses.
- > The 2015 release of K5, a Korean strain of rabbit haemorrhagic disease, should reduce the rabbit population in Australia's temperate regions. Further research into refining and progressing the rabbit virus 'recycling' discovery will continue.
- > Discoveries from the National Livestock Methane Program have the potential to feed into the Emissions Reduction Fund methodologies.

↻ CHALLENGES

- > Replacing, refining and relieving painful animal husbandry practices.
- > The red meat industry uses significant quantities of fuel and electricity in processing activities such as rendering.
- > The success of dieback-inducing fungi control of parkinsonia has been proven but a commercial partner is needed to further develop this work into a market-ready product.
- > For successful distribution of new dung beetle species, researchers need to better understand failures of the past and why many previously imported species have failed to persist.
- > Discoveries from the National Livestock Methane Program need to be translated into extension activities, such as Farm300, to utilise productivity opportunities.

🔗 OUTLOOK 2015-16

- > Develop a cost-effective method to increase adherence of dehorning patches.
- > Pain relief product for sheep, developed through the MDC-Troy partnership, is due for release later in 2015.
- > Research to optimise how to deliver pain relief to cattle during castration and dehorning.
- > MLA and industry partners will continue to work on identifying energy efficiency opportunities and implement new energy-smart technologies.
- > *Target 100* will market learning guides with MLA-developed content to schools around Australia (via video-conferenced lessons).
- > A second YouTube series showing on-farm practices and addressing community questions, following from #GoodMeat, will be developed in 2015-16.
- > Refining mass rearing techniques will enable the new imported dung beetle species to be distributed over more locations.
- > During 2015-16 MLA will continue its research and extension work on livestock methane emissions.
- > MLA will continue its partnership with the Invasive Animals Cooperative Research Centre.
- > An additional 145 growers have agreed to conduct demonstration trials for the coming silverleaf nightshade season.

FAST FACTS 2014-15

#GoodMeat YouTube videos have received **200,000 views**

The lack of dung beetles in temperate Australia in late winter/early spring represents an **annual loss of 17-25%** of potential benefit

National Livestock Methane Program research shows that with the right tools and strategies, up to **40% or more** of feed energy that is lost in methane, can be captured and put to productive purpose

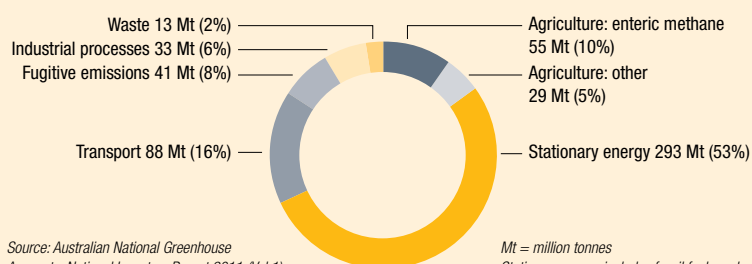
People are eating less red meat for perceived environmental or animal welfare reasons

Environment ↑ 3.9% in 2015 from 2.6% in 2010

Welfare ↑ 3.3% in 2015 from 0.7% in 2010

Source: Pollinate research, 2015

Major sources of greenhouse gas emissions in Australia (CO₂-e Mt)



Source: Australian National Greenhouse Accounts: National Inventory Report 2011 (Vol 1)

Mt = million tonnes
Stationary energy includes fossil fuel combustion in electricity and heat production

Supporting industry integrity and sustainability

OBJECTIVE 4.1

Support on-farm environmental sustainability

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

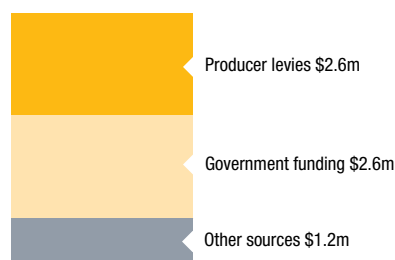
↑ STRATEGIES

4.1.1 **Manage** natural resources

4.1.2 **Respond** to climate change

💰 INVESTMENT

\$6.4 million



'Other sources' includes funding from the Department of Agriculture for the National Livestock Methane Program.

An additional \$56,000 was attracted in voluntary contributions (\$28,000) and matched Government funding (\$28,000) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > controlling major weed species
- > new invasive animal controls
- > self-assessment tools for natural resource management
- > research into reducing greenhouse gas emissions and adapting to climate variability

🔑 KEY MILESTONES

Documented evidence indicating 10,000ha of perennial summer weed infected areas in southern Australia are under best management during the 2014-15 control season

Achieved RESULT: Up to 51,000ha of infected land is under best management from the 2014-15 season

Implementation of parkinsonia control in northern Australia with the registration and commercialisation process underway for a bioherbicide and looper caterpillars released at six locations

Achieved RESULT: Two species of looper caterpillars have been released at 72 sites across northern Australia. One species 'uu' has been confirmed as established and is spreading. A registration application of a bioherbicide for parkinsonia has been completed and is being assessed by the Australian Pesticides and Veterinary Medicines Authority

Release of starter colonies of the dung beetle *O. vacca* at three sites across southern Australia, and commencement of mass rearing of *O. vacca* and *B. bubalus* with collaborators for public releases in spring 2015

Not achieved RESULT: Release of starter colonies has occurred at three locations. No (lab) mass rearing program was commenced due to budget reduction

Development of a strategy for investment in climate adaptation with contracting of two significant projects

Not achieved RESULT: A climate adaptation strategy has been developed and presented to peak councils for review. No projects have been contracted due to budget reduction

Incidence of heat stress events in Australian feedlots for a range of future climate variability scenarios established and reported to industry

Achieved RESULT: Project was completed and the final report is available on the MLA website

Benefit of lignite as an ameliorant for feedlot manure nitrogen-based greenhouse gas emissions established and reported to industry

Not achieved RESULT: Experimental work has been completed and the final report is currently being reviewed. Information will be made available to industry later in 2015

OBJECTIVE HIGHLIGHTS

Parkinsonia – bioherbicide and loopers

Parkinsonia, one of the 20 Weeds of National Significance that occupies more than 3.5 million hectares across northern Australia, was the target of an MLA-funded bioherbicide project. Involving large-scale field trials across Western Australia, Northern Territory and Queensland, the project proved the feasibility of using a dieback fungi, in capsule form, as a control agent. Successful dieback was achieved in all trees and a co-treatment with a low dose of herbicide (glyphosate) stimulated infection, particularly in very healthy populations. In densely populated locations, tree-to-tree spread was also successful. Storage and viability testing of the bioherbicide capsule found it remained active after 12 months at 4 degrees celsius and was still viable after nine months at 25 degrees, demonstrating it would be compatible with standard transport and storage conditions. Two successive MLA projects (2007–2010 and 2010–2013) funded the discovery and testing of biocontrol agents for parkinsonia.

MLA is also supporting the mass rearing and release of two parkinsonia loopers, non-descript moths whose juveniles are caterpillars that defoliate parkinsonia. More than 600,000 agents have been released across Queensland and Western Australia with six nursery sites across four regions. Releases will progress in the Northern Territory from 2016. Plant inspections up to 5km from release sites have shown the agent is established and spreading.

Release of dung beetle starter colonies

An MLA-funded dung beetle project aims to improve soil health and pasture growth in temperate Australia through the importation of two new climate-matched dung beetle species. It is hoped *Onthophagus vacca* and *Bubas bubalus*, from France and Spain, will address a dearth of early spring-active beetles, particularly in the cattle grazing areas of temperate Australia. More than 50 species have been imported and released across Australia since the 1970s and 23 species have established. Tunnelling and dung burial by the beetles improves water penetration, soil aeration and movement of nutrients to the root zone, improving pasture growth and soil health. MLA has funded CSIRO to import the beetles, acclimatise them and refine mass rearing methods to speed up generation time and reduce premature deaths. The beetles were released at five sites across southern Australia during 2014 and field rearing was established at three sites in South Australia. It is hoped beetles will be recovered within three to five years, enabling further distribution.

Feeding red macro-algae has the potential to lift productivity and reduce emissions in cattle and sheep by up to 60%

National Livestock Methane Program

Managing livestock methane emissions has become an increasingly important issue for Australian producers which is why MLA became a key partner in the Commonwealth Government's \$32.8 million National Livestock Methane Program. From 2012 to 2015, researchers confirmed close links between lower methane emissions and productivity gains and formulated management practices and techniques producers can use now to improve sustainability and increase productivity. One example includes using leucaena plantations in northern cattle systems to lift productivity by

up to 22 per cent and lower methane emissions by up to 20 per cent. Research findings are also being applied and extended in other areas such as influencing Emissions Reduction Fund methods, allowing producers to claim carbon credits as well as reap the production benefits.

Methane is a potent greenhouse gas and in Australia about 10% of all national emissions, and two-thirds of agricultural emissions, come from enteric methane produced by cattle and sheep

Pest animal control

MLA is committed to reducing the impact of pest animals on the red meat industry through its investment in the Invasive Animals CRC, a \$72 million, 27-partner collaboration. Through this mechanism MLA continues to support both tactical and strategic research for new control methods.

Rabbits continue to be Australia's most destructive pest, costing agriculture more than \$200 million annually. During 2014-15, MLA-funded research resulted in the discovery of new biological controls which will form part of our future integrated management approach. Bioprospecting revealed a new South Korean strain of rabbit haemorrhagic disease virus (RHDV), formerly known as calicivirus. The new K5 strain will target rabbits in cooler, wetter regions where a benign strain of calicivirus has provided temporary protection from RHDV infection. Other MLA research, in conjunction with CSIRO, is investigating the use of natural selection processes to produce new RHDV strains that are able to overcome immunity and potential resistance to existing RHDV strains. If successful this would enable a continuous supply of suitable RHDV strains for subsequent release that could sustainably address Australia's rabbit problem.

Supporting industry integrity and sustainability

OBJECTIVE 4.2

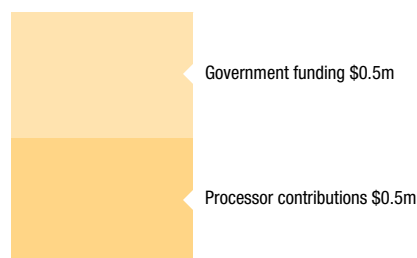
Support off-farm environmental sustainability

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	🔑 KEY MILESTONES
4.2.1 Research to improve resource use efficiency	New technologies or processes capable of reducing the total electricity usage for meat plants by 2 per cent are defined and/or validated
4.2.2 Develop technologies, tools and procedures that contribute to improved waste management systems and value add to waste products	Achieved → RESULT: Projects identified that reduce electricity use by at least 3 per cent
4.2.3 Develop mitigation strategies to reduce greenhouse gas emissions	New technologies or processes capable of reducing abattoir town water consumption by 2 per cent are demonstrated and/or validated
4.2.4 Engage industry stakeholders to demonstrate environmental stewardship and to respond to emerging regulatory and market requirements	Achieved → RESULT: Research found that average potable water usage in the industry was down 8 per cent. An economic assessment tool for a plant to evaluate any proposed recycled water scheme was developed
4.2.5 Improve industry capability, knowledge and adoption of new technologies and processes to achieve sustainable resource management and adaptation to climate change	At least two off-farm pre-commercialisation innovations have achieved at least 80 per cent of their annual adoption strategy targets
	Achieved → RESULT: Covered anaerobic lagoons and energy saving technologies have achieved 80 per cent of their annual adoption strategy targets

💰 INVESTMENT

\$1.0 million



An additional \$1 million was attracted in voluntary contributions (\$0.3 million), processor contributions (\$0.2 million) and matched Government funding (\$0.5 million) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > reducing resource use (water and energy)
- > generation of clean energy
- > more effective waste treatments
- > greenhouse gas mitigation

OBJECTIVE HIGHLIGHTS

Reduced electricity usage in meat plants

MLA Donor Company (MDC) (which doesn't use producer levies) projects surpassed their target of reducing electricity usage by 2 per cent in red meat processing plants across Australia. These included a project to reduce gas consumption at the Thomas Foods International plant at Murray Bridge, SA, where increasing the efficiency of boilers and utilising biogas could contribute to a 3 per cent energy saving per annum. A feasibility study at a plant in Victoria identified that switching from commercial-type Freon refrigeration equipment to a centralised industrial system could reduce the site's power consumption by 28.8 per cent. A third project identified opportunities such as refrigerator and boiler upgrades which could save 8 per cent of another site's total annual energy usage.

3% energy saving
by using biogas and
increasing boiler efficiency

Anaerobic pond at Oakey

The development of an innovative, covered, high-rate anaerobic lagoon (COHRAL™) to treat wastewater at the Oakey Abattoir in Oakley, Qld via the MDC is progressing, with the wet and biological commissioning phase taking place in April 2015. This involved using 'seed sludge' from a nearby sewage treatment plant to commence the biological activity in the system. The treatment plant is expected to reach full operation by late 2015. The COHRAL™ technology will harness

methane-rich biogas from the facility's wastewater in the existing anaerobic lagoon system. It has potential to cut the plant's gas usage by 20 per cent and reduce CO₂ emissions by 15,000 tonnes per year.

First time
COHRAL™ technology from
Europe has been used in
Australian meat processing



Turning the sod at the new waste-to-energy technology project at Oakey Abattoir:
(L-R) Michael Bambridge – managing director of CST Wastewater Solutions, Pat Gleeson – general manager of Oakey Abattoir and the then Federal Minister for Industry, Ian Macfarlane.



Filling the knowledge gap on lagoons

The MLA Donor Company (MDC) (which doesn't use producer levies) funded research, along with the Australian Government and the Australian Meat Processor Corporation, to consolidate industry knowledge and research on Covered Anaerobic Lagoon (CAL) technology, the production and utilisation of biogas from lagoons and how to manage wastewater to treatment to maximise biogas production and end of pipe wastewater quality.

The research was carried out in two stages using CAL technology at the Murray Bridge, SA abattoir operated by Thomas Foods International (TFI). TFI processes four megalitres of wastewater a day, which is then used to irrigate 120 hectares of pasture.

The first stage of research focused on the most effective design of a CAL, along with effective automated sludge removal and biogas collection and handling. The research found that the preferred design was a Dissolved Air Flotation unit without a polymer addition, because the polymers significantly inhibited biogas production.

Stage two investigated the ideal organic load for CALs to enable maximum biogas production, while avoiding overloading and crust accumulation that leads to treatment failure. The research identified many important learnings, including that the pH balance (which should be greater than 6.5) and ensuring a consistent flow of wastewater into the CAL were important for the system to run effectively.

Together with allowing TFI to treat their wastewater to a high standard, the optimised CAL technology has enabled the equivalent of 13,000 (9kg) barbecue gas bottles of biogas to be captured each week and used by the plant as energy, saving 30 per cent of plant requirements. TFI has saved the equivalent of 27,200 tonnes CO₂-e of greenhouse gas emissions per year.

Supporting industry integrity and sustainability

OBJECTIVE 4.3

Provide industry with solutions to meet high standards of animal welfare without reducing productivity levels

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

4.3.1 **Manage and improve** livestock welfare to meet community expectations

INVESTMENT

\$2.3 million



An additional \$0.5 million was attracted in voluntary contributions (\$243,000), processor contributions (\$24,000) and matched Government funding (\$267,000) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > pain relief for aversive procedures
- > promoting and measuring animal welfare standards on farm and at processing establishments

KEY MILESTONES

Uptake and use of the polled gene marker test by 10 Brahman bull breeders

Achieved RESULT: 10 Brahman bull breeders use the poll gene marker test

Evaluation and monitoring of MLA co-funded predator control projects within the Invasive Animals Cooperative Research Centre (IACRC)

Achieved RESULT: Evaluation and monitoring of IACRC projects achieved. Corrective actions were identified for two projects

Euthanasia guidelines for feedlot cattle developed and series of workshops to introduce them to industry completed

Not achieved RESULT: Guidelines have been completed and are undergoing final review before they are released to industry. MLA/ALFA are developing timelines for workshops in 2015-16 where the guidelines will be introduced to industry

Significant progress towards commercial release of an alternative to surgical spaying of cattle

Not achieved RESULT: Two MDC programs were unable to be negotiated due to differing objectives regarding intellectual property. A vaccine option is still underway

One new practical product that gives pain relief for castration developed

Achieved RESULT: Buccalgesic for cattle released May 2015 and NumNuts, a device which injects a fast-acting pain-relieving local anaesthetic into lambs while applying rubber rings for castration and tail docking, is ready for commercialisation

OBJECTIVE HIGHLIGHTS

Dehorning patch

MLA-funded research has delivered a simple, practical strategy for producers to enhance animal welfare after dehorning. Although there is a major shift in the north Australian beef industry towards breeding polled cattle, dehorning is still practised, which can cause frontal sinus exposure.

11% reduction
in infection due to gauze
dehorning patches

Dehorning can contribute to the loss of 1 per cent of dehorned calves a year in northern cattle operations. In the trial at Mittiebah Station on the Barkly Tableland Qld, biodegradable gauze patches (swabs) placed on dehorning wounds reduced haemorrhaging, cut infection by 11 per cent and sped up healing.

54 cents per head
cost of purchasing and the
labour of applying patches
when dehorning

Effective application of swabs could replace the traditional application of chemicals used for insect and infection control.

Needle-free pain relief

A new easy-to-administer pain relief product for calves hit the market in April 2015, funded by a million dollar partnership between the MLA Donor Company (which doesn't use producer levies) and Troy Laboratories Australia. Buccalgesic (which producers can source through their veterinarians) is the first practical product for extensive enterprises.

The gel formula allows rapid absorption via the mouth, becoming effective six minutes after application, with pain relief lasting up to 48 hours. Buccalgesic replaces previous injected products which presented operator-safety, carcass-quality and welfare issues. It has a withholding period of 14 days and an export slaughter interval of 21 days.

**90 cents per head
per dose**
cost to administer
Buccalgesic to a 60kg calf
prior to dehorning, mostly
for labour



More pain relief products on the way

MLA's animal welfare commitment is to replace, refine and relieve painful animal husbandry practices.

Buccalgesic

A commercial partnership between the MLA Donor Company (MDC) (which doesn't use producer levies) and Troy Laboratories Australia saw the release of the pain relief product, Buccalgesic, in April 2015 (see left). The MDC-Troy partnership has also produced a similar pain relief product for sheep (see image above), which is due to be released later in 2015.

NumNuts

A new device – known as NumNuts – which injects a fast-acting pain-relieving local anaesthetic into lambs while applying rubber rings for castration and tail docking is ready for commercialisation. The device has been developed by Scotland's Moredun Research Institute with funding from MLA and Australian Wool Innovation.

Dr Matthew McDonagh, MLA's General Manager of On-farm Innovation and Adoption, said he expected the device would generate significant animal welfare and production benefits.

"The availability of a single, rapid pain-relief tool for tail docking and castration would also help livestock producers get on the front foot in demonstrating to consumers and the community that our industry is focused on continuous improvement in animal welfare," Dr McDonagh said.



Supporting industry integrity and sustainability

OBJECTIVE 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.

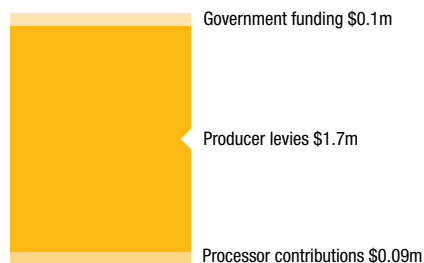
↑ STRATEGIES

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

💰 INVESTMENT

\$1.9 million



In 2014-15 this investment included:

- > continued building of the *Target 100* program to showcase industry sustainability
- > incorporating education materials and resources to schools
- > industry social media capability
- > participation in urban events to reach key influencers

🔑 KEY MILESTONES

Increase engagement in *Target 100* by 10 per cent through the key platforms of the website, social media channels and events

Achieved

RESULT: Engagement with *Target 100*'s social platforms saw YouTube video views increase 720 per cent; Facebook likes increase 304 per cent; Twitter followers increase 31 per cent; and visits to the *Target 100* website increase 32 per cent

300 producers actively engaged in industry advocacy activities utilising MLA-developed resources

Achieved

RESULT: 350 producers involved in *Target 100*, including 100 who attended advocacy events at Beef Australia

Percentage of consumers stating they are reducing red meat consumption due to perceived animal welfare reasons is below 5 per cent

Achieved

RESULT: Reduction in red meat consumption for animal welfare reasons was 3.3 per cent, higher than the 2.8 per cent in 2014

Percentage of consumers stating they are reducing red meat consumption due to perceived environmental reasons is below 5 per cent

Achieved

RESULT: Reduction in red meat consumption for environmental reasons was 3.9 per cent, higher than the 2.2 per cent in 2014

OBJECTIVE HIGHLIGHTS

#GoodMeat

Target 100 developed a three-part, 12-episode YouTube series to explore community perceptions about how beef is produced. The program took animal enthusiast Andrew Ucles, chef Guy Turland from Bondi Harvest and Channel Ten's

Bondi Rescue lifeguard Andrew Reid on a journey to discover why Australian beef is good meat. Each of the hosts explored a topic – animal welfare in Australian feedlots, climate change from methane emissions, and protecting the Great Barrier Reef from sediment run-off – through farm visits, discussions with experts and research projects. The videos were released weekly from 11 March and received 200,000 views, an average of 15,000 views per episode. The series was supported

#GoodMeat YouTube videos
200,000 views

Target 100 Facebook likes
jump from 6,000 to
**15,000 in
12 weeks**

by an online and social media campaign which included the three personalities promoting the series through their own extensive social media networks. During the 12-week campaign, *Target 100* more than doubled its Facebook 'likes', from 6,000 to 15,000. A second YouTube series will be developed in 2015-16.

School curriculum update

In 2014-15, *Target 100* developed and released three primary school learning guides to accompany the previous five high school resources. The materials align with the Australian Curriculum and were developed for students to study sustainability in food production, in order to respond to food security issues in Australia and around the globe. Three interactive digital learning tools supporting the three new guides were also launched on the *Target 100* website, designed to be used on electronic whiteboards in schools. Through its membership of the Primary Industries Education Foundation Australia, MLA also contributed to

**3 new learning
guides**
developed for primary
schools

the development of 17 study guides across all year levels, and learning areas, as part of the Federal Government's Agriculture in Education initiative. The guides were launched in May 2015 by the then Minister for Education and Training, the Hon Christopher Pyne MP.

Consumption metrics

Concerns in the community about animal welfare, environment and different production systems have the ability to impact the trust of consumers domestically and in export markets. Currently, concern for these issues is limited to a small segment of the population, with more than 60 per cent of Australian consumers having no concerns about the industry. However, MLA consumer research shows an increase in the percentage of people eating less red meat for perceived environment or animal welfare reasons over the past five years. In 2015, 5.9 per cent of people reported eating less red meat due to concern with environment/animal welfare.

5.9% of people
report eating less red meat
due to environment/welfare
concerns



#GoodMeat feedlot series

In the first #GoodMeat YouTube series, wild man and animal enthusiast Andrew Ucles (pictured above left) heads to Gundamain Feedlot, near Orange NSW, run by Tess and Andrew Herbert (on right), to investigate animal welfare in Australian feedlots. He talks to animal welfare scientist Dr Andrew Fisher, learns about feedlot design and animal husbandry, and even taste tests the ration and tries his hand as a pen-rider. In the second episode, Andrew Ucles cooks rump cap and eye fillet on a homemade spit and grill. These two 'journey' episodes are supported by an animated video which debunks some common myths and explains the role of feedlots in Australia and a Q&A session where Andrew responds to questions asked by the social media community. The four episodes on animal welfare in feedlots received the most views of the three topics with 72,500 views, including 28,831 for the feedlot visit.

Supporting industry integrity and sustainability

OBJECTIVE 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

4.5.1 **Work** with stakeholders to promote opportunities for innovative people and processes 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



KEY MILESTONES

Initiate strategic investments developed from the education pipeline review and business plan

Achieved

RESULT: Mackinnon residents' program and Livestock Consulting Internship program both commenced to upskill graduates as farm advisers for the red meat and livestock industry

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

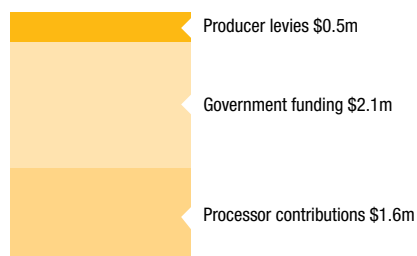
Not achieved

RESULT: The weighted average across all program participants was greater than 80 per cent of innovation KPIs being achieved. All but one innovation partner achieved 80 per cent of their innovation KPIs for 2014-15



INVESTMENT

\$4.2 million



An additional \$2.8 million was attracted in voluntary contributions (\$0.8 million), processor contributions (\$0.6 million) and matched Government funding (\$1.4 million) for investment via the MLA Donor Company.

In 2014-15 this investment included:

- > supporting enhancing science and technical skills and increasing general innovation skills within enterprises and supply chains
- > ensuring long-term R&D capability is available in required disciplines

OBJECTIVE HIGHLIGHTS

Collaborative Innovation Strategies Partnership program update

MLA's Collaborative Innovation Strategies Partnership (CISP) program continues to co-develop innovation capability within red meat value chains. In 2014-15, the MLA Donor Company (MDC) (which doesn't use producer levies) worked with 13 value chains, representing 66 per cent of the industry's total processed livestock. Overall, there has been more than 80 per cent achievement of innovation performance indicators set by all but one of these clients. These include increasing the number of value-added products to market, reducing utility consumption and waste generation and increasing investment in innovations. Through the program, MLA also helped deliver workshops to more than 400 producers, allowing producer programs to be run by companies to provide farm-gate premiums for livestock which meet market requirements. The program has secured partner investment for long-term transformational objective measurement projects. CISP's focus has broadened from individual enterprises to complete value chains. This involved establishing 'flagship value chain programs' so the industry can develop whole-of-value chain innovation programs to respond to market diversification opportunities.

MLA's CISP partners represent **66%** of processed livestock

WA value chain program update

The MDC invested in two new projects in Western Australia during the year. The four-year programs, funded by Department of Agriculture and Food WA (DAFWA) Royalties for Regions, build on the success of the Beef Industry Change Program (an initiative between MLA, the WA Beef Council and DAFWA to develop beef supply chains). The \$15 million Northern Beef Futures project aims to transform WA's northern beef industry by developing capability and infrastructure to expand markets, such as breeding

The Northern Beef Futures project aims to help transform more than **110** pastoral beef businesses in the Kimberley and Pilbara into a resilient, prosperous industry

A Sheep Industry Business Innovation project goal is that by 2018, **4 million ewes, or 50% of WA's ewe flock** will be managed by producers who have completed Lifetime Ewe Management training

heifer exports to Indonesia, boxed beef to China and offshore processing of slaughter-ready cattle. The \$10 million Sheep Industry Business Innovation project aims to position the WA sheep industry as internationally competitive. The program aims to build capacity to supply new markets for sheepmeat and live exports, particularly in nearby Asia and the Middle East. Key activities include Lifetime Ewe Management and the Lamb Survival Initiative, adoption of genetic technologies (using the MLA co-funded Resource Flock at Katanning), and industry placements and study tours (see story at right).

JBS Farm Assurance

Through the MLA CISP, a core activity has been supporting processor JBS in developing a farm assurance program. This program is one of the largest of its kind and the only grassfed, multi-species branded program in Australia. JBS Farm Assurance involves more than 2,000 lamb and beef suppliers, who produce high quality grassfed meat to suit specific market requirements and consistently meet food safety and animal welfare standards in their farming practices. Last year the program delivered \$19 million in farm-gate premiums for program suppliers. A specific CISP investment was funding a Masters student, Jose Webb, to manage the rollout of Livestock Data Link across JBS's Farm Assurance program and develop the useability of the feedback system and user capability (see page 49).



Grand result from China tour

A tour to China in July 2015 not only gave West Australian producer Neville McDonald (pictured above left, next to Kelvin Flugge, Department of Agriculture and Food WA), seven other sheep producers and industry representatives an insight into the supply chain and market requirements, but saw a Memorandum of Understanding (MOU) signed by MLA, V&V Walsh, Grand Farm Group and Department of Agriculture and Food, WA (DAFWA) to supply an additional 500,000 lambs per year into Grand Farms' Chinese distribution channels.

The tour was part of MLA's involvement through the MLA Donor Company (which doesn't use producer levies) to co-invest in a number of targeted, strategically-aligned programs within the \$300 million DAFWA Royalties for Regions program to secure the profitability and sustainability of WA's food and agriculture sector (see 'WA value chain program update' at left).

MLA will use the V&V Walsh and Grand Farm supply chain model to develop other projects which aim to sustainably increase lamb production and improve supply chain efficiencies and returns to producers.

About MLA

MLA is a producer-owned, not-for-profit organisation that delivers research, development and marketing services to Australia's red meat industry.

It 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*.



MLA's Chef Tarek Ibrahim, based in Dubai, trained more than 2,000 chefs across the Middle East/North Africa region in 2014-15. He also reached an audience of 300 million viewers through his two red meat TV shows (see page 37).

MLA's Corporate Chef, Sam Burke, joined Chef Tarek and other chefs to wow crowds at Beef Australia 2015. In 2014-15 he also developed new recipes for secondary cuts and was part of the MLA team to offer lamb product concepts for Red Rooster's menu, which currently includes two lamb meals (see page 29).

Summary statistics at a glance

At 30 June 2015:

Revenue

↑ **9.1 per cent to 205.7 million**

Producer levies accounted for **55.8 per cent** of revenue

Government contributions accounted for **22.6 per cent** of revenue



Expenditure

↓ **0.8 per cent to 179.5 million**

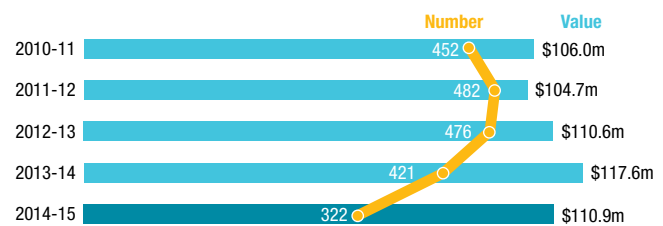
Marketing accounted for **48.2 per cent** of expenditure

Research and development accounted for **51.8 per cent** of expenditure



Number of current research contracts: 322, worth \$110.9 million

Reflects a **smaller number of bigger research contracts**



Number of members

↑ **1.2 per cent to 49,845 members**



Number of employees

↓ **11.9 per cent to 237 employees**



Financial summary

MLA's revenue/expenditure summary

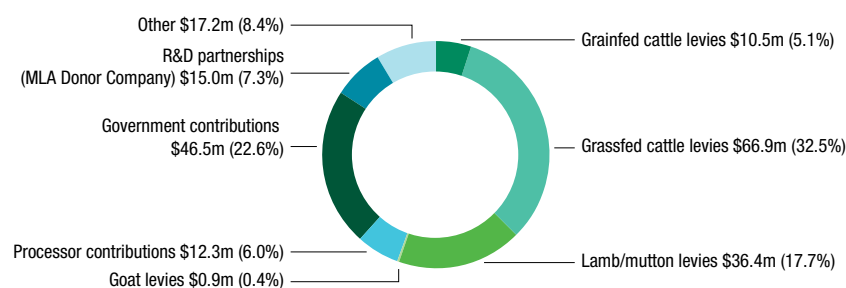
	2010-11 \$ million	2011-12 \$ million	2012-13 \$ million	2013-14 \$ million	2014-15 \$ million	Per cent change 2014-15 compared with 2013-14
Producer levies	96.1	91.8	93.8	106.0	114.7	8.3
Government contributions	40.3	40.3	39.2	46.7	46.5	-0.4
Other	31.0	27.8	29.2	35.8	44.5	24.3
Total revenue	167.4	159.9	162.2	188.5	205.7	9.1
Marketing	90.4	92.4	86.2	85.2	86.6	1.6
R&D	76.1	78.6	79.6	95.8	92.9	-3.0
Total expenditure	166.5	171.0	165.8	181.0	179.5	-0.8

Revenue

MLA's total income for 2014-15 was \$205.7 million, an increase of 9.1 per cent year on year. Income from producer levies increased by 8.3 per cent to \$114.7 million, led by the grassfed cattle levies at \$66.9 million. Government contributions remained constant at \$46.5 million, with processor contributions up by 13.9 per cent to reach \$12.3 million.

This significantly higher income reflected increases in levy revenue across all categories due to the record slaughter levels and consequently increased transaction levy receipts during the year. The higher slaughter and production rate was driven by increased turn-off due to the continuing drought conditions.

Sources of MLA's revenue in 2014-15



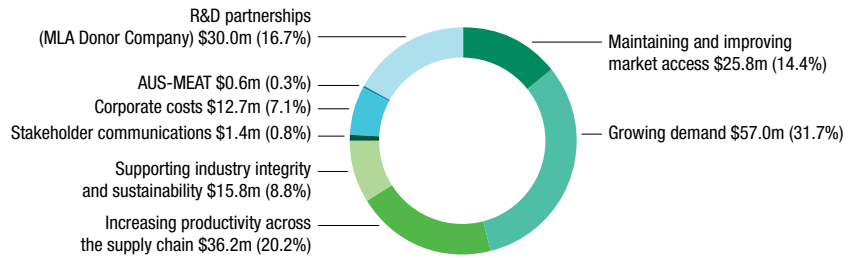
MLA revenue summary

	2010-11 \$ million	2011-12 \$ million	2012-13 \$ million	2013-14 \$ million	2014-15 \$ million	Per cent change 2014-15 compared with 2013-14
Grassfed cattle levies	56.2	52.5	54.2	61.2	66.9	9.3
Grainfed cattle levies	8.5	8.1	7.8	9.8	10.5	7.1
Lamb/mutton levies	30.8	30.6	31.0	34.2	36.4	6.4
Goat levies	0.6	0.6	0.8	0.8	0.9	12.5
Processor contributions	9.0	9.3	9.4	10.8	12.3	13.9
Government contributions	40.3	40.3	39.2	46.7	46.5	-0.4
R&D partnerships (MLA Donor Company)	10.4	8.7	9.1	12.9	15.0	16.3
Other	11.6	9.8	10.7	12.1	17.2	42.1
Total revenue	167.4	159.9	162.2	188.5	205.7	9.1

Expenditure

MLA's total expenditure for 2014-15 was \$179.5 million. This included expenditure of \$92.9 million on R&D programs and \$86.6 million on marketing and non-R&D activities. Reductions experienced across the R&D program throughout the year were offset by increased activity through the MLA Donor Company (which doesn't use producer levies), while the increase in corporate costs was a result of the restructure requirements.

MLA's expenditure in 2014-15



MLA expenditure summary

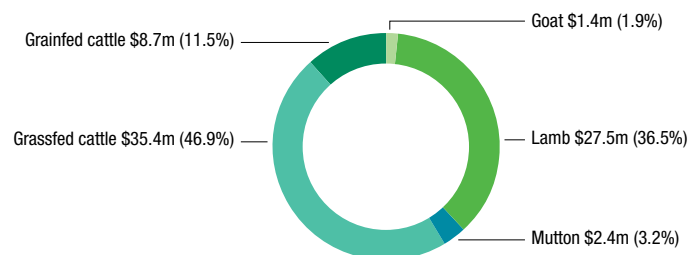
	2011-12 \$ million	2012-13 \$ million	2013-14 \$ million	2014-15 \$ million	Per cent change 2014-15 compared with 2013-14
Maintaining and improving market access	23.1	23.2	24.0	25.8	7.5
Growing demand	65.9	61.1	61.5	57.0	-7.3
Increasing productivity across the supply chain	34.6	36.5	39.0	36.2	-7.2
Supporting industry integrity and sustainability	17.1	14.2	16.9	15.8	-6.5
Stakeholder communications	0.9	1.2	1.6	1.4	-12.5
AUS-MEAT	0.5	0.5	0.6	0.6	0.0
Corporate costs	11.4	11.0	11.4	12.7	11.4
R&D partnerships (MLA Donor Company)	17.5	18.2	26.0	30.0	15.4
Total expenditure	171.0	165.8	181.0	179.5	-0.8
<i>Research and development</i>	<i>78.6</i>	<i>79.6</i>	<i>95.8</i>	<i>92.9</i>	<i>-3.0</i>
<i>Marketing</i>	<i>92.4</i>	<i>86.2</i>	<i>85.2</i>	<i>86.6</i>	<i>1.6</i>

Retained earnings

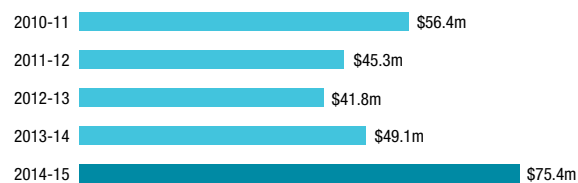
MLA's surplus for the year was \$26.2 million, taking the retained surplus as at 30 June 2015 to \$75.4 million.

The higher levy income from the record cattle sell off in 2014-15 – and consequently the higher retained earnings – have been committed against key activities and programs over the next five years, in line with the *Meat Industry Strategic Plan 2020*, allowing programs to continue during an expected decrease in levy revenue over that time, as a consequence of the reduced availability of stock.

Retained earnings by levy stream



Retained earnings



Income and expenditure by funding source 2014-15

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	11	110	51	93	437	870	487	963	455	2,658
1.2 Support to maintain and liberalise world meat markets		7	5	132	42	1,144	47	1,276	85	1,864
1.3 Maximise market options in the livestock export market	21	22	108	386	109	514	217	900	264	2,570
2. Growing demand										
2.1 Help industry deliver consistent and optimal eating quality			236	66	423	493	659	559	644	1,643
2.2 Enhance the nutritional reputation of red meat				7	212	1,301	212	1,308	236	2,273
2.3 Develop new products	5		18		121		139		234	
2.4 Aggressive promotion of beef in the domestic market										7,465
2.5 Aggressive promotion of lamb in the domestic market		8		10		7,237		7,247		
2.6 Aggressive promotion in export markets – beef										15,868
2.7 Aggressive promotion in export markets – sheepmeat		153		113		6,262		6,375		
3. Increasing productivity across the supply chain										
3.1 Deliver opportunities to increase on-farm productivity	210		320		2,960		3,280		3,274	18
3.2 Deliver opportunities to increase off-farm productivity										
3.3 Deliver valued supply chain and market information	10		66		667		733		1,642	
3.4 Improve animal health and biosecurity	25		153		812		965		286	
3.5 Increase producer engagement to build capability	14	9	170	15	1,315	338	1,485	353	1,560	577
4. Supporting industry integrity and sustainability										
4.1 Support on-farm environmental sustainability			110		898		1,008		1,090	
4.2 Support off-farm environmental sustainability										
4.3 Support improvement in animal welfare standards			19		475		494		186	
4.4 Support industry engagement with the community			4	27	18	306	22	333	95	1,004
4.5 Develop sustainable innovation capability			21		130		151		215	
6. Stakeholder engagement and communication										
Stakeholder communication and reporting	2	2	11	21	79	234	90	256	194	530
AUS-MEAT				44		66		110		384
R&D Partnerships										
Total expenditure pre corporate services	299	311	1,291	913	8,698	18,765	9,989	19,678	10,459	36,857
Corporate Services	12	8	28	31	212	517	239	548	291	1,157
Levy collection costs		2		13		209		222		452
Total expenditure	311	320	1,319	957	8,910	19,491	10,229	20,449	10,750	38,466
Income available:										
– Levies	562	353	1,282	1,439	9,781	23,902	11,063	25,341	13,463	53,475
– Government										
– Processors										
– Live export										
– R&D partnerships										
– External										
Total actual income 2014-15	562	353	1,282	1,439	9,781	23,902	11,063	25,341	13,463	53,475
Surplus/(deficit)	250	33	(37)	481	871	4,411	834	4,892	2,713	15,010

	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	2014-45 \$000
1. Maintaining and improving market access															
	71	1,045	527	3,704	1,025	4,776	1,642	613	14	16	27	8,114		2,681	10,795
	17	332	102	2,196	149	3,480	157	3,173			135	7,094		306	7,400
			264	2,570	502	3,492			635	1,750	122	6,501		1,137	7,637
2. Growing demand															
	172	436	815	2,080	1,475	2,638	852				437	5,401		2,326	7,727
	41	431	277	2,705	488	4,012	205	593				5,300		694	5,994
	40		274		417		347					764		764	1,529
		440		7,905		7,905		918			31	8,855			8,855
						7,254		303			16	7,573			7,573
		2,029		17,897		17,897					403	18,300			18,300
						6,528					541	7,070			7,070
3. Increasing productivity across the supply chain															
	857		4,130	18	7,620	18					1,307	8,946		7,620	16,566
							1,192				35	1,227		1,192	2,418
	118		1,759		2,503		77				319	2,900		2,580	5,480
	309		595		1,585						55	1,640		1,585	3,225
	119	5	1,679	582	3,178	944	28				1,175	5,324		3,206	8,530
4. Supporting industry integrity and sustainability															
	443		1,533		2,541						1,268	3,810		2,541	6,351
							513					513		513	1,027
	480		666		1,161						7	1,168		1,161	2,328
	12	188	108	1,192	130	1,525	18	72				1,745		148	1,893
	126		341		492		1,622					2,113		2,113	4,227
6. Stakeholder engagement and communication															
	3	10	197	540	289	797						1,087		289	1,376
		56		440		550						550			550
													15,000	15,000	30,000
	2,808	4,973	13,267	41,830	23,555	61,819	6,652	5,673	649	1,766	5,878	105,993	15,000	45,857	166,851
	74	153	366	1,310	617	1,866					8,874	11,358		617	11,975
		56		508		732						732			732
	2,883	5,182	13,633	43,648	24,173	64,417	6,652	5,673	649	1,766	14,752	118,082	15,000	46,475	179,557
	3,442	7,068	16,905	60,543	28,530	86,237						114,767			114,767
														46,475	46,475
							6,652	5,673				12,325			12,325
									649	1,766		2,416			2,416
													15,000		15,000
											14,752	14,752			14,752
	3,442	7,068	16,905	60,543	28,530	86,237	6,652	5,673	649	1,766	14,752	144,260	15,000	46,475	205,734
	559	1,886	3,272	16,895	4,357	21,820						26,177			26,177

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 research and development. This can be supplemented by unmatched grants from the Australian Government and cooperative contributions from other Research and Development Corporations, individual processors, wholesalers, foodservice operators and retailers.

Processors and live animal exporters also co-invest levies into MLA programs through their service companies Australian Meat Processor Corporation and LiveCorp.

Exporters and importers can also co-invest with MLA on marketing activities.

MLA generates additional income via voluntary contributions which are matched by the Australian Government. This funding is invested in research and development partnerships that benefit the Australian red meat industry through the MLA Donor Company.

Producer transaction levies

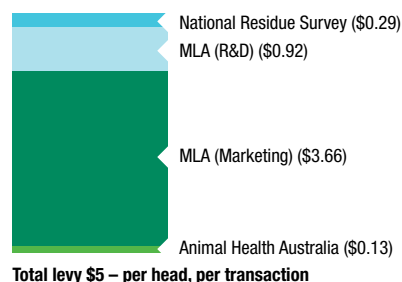
Transaction levies are charged by the Australian Government on the sale of each head of cattle, sheep and goat sold under the *Primary Industries (Excise) Levies Act 1999*. Transaction levies are collected, administered and disbursed by the Department of Agriculture on a cost recovery basis and invested 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.

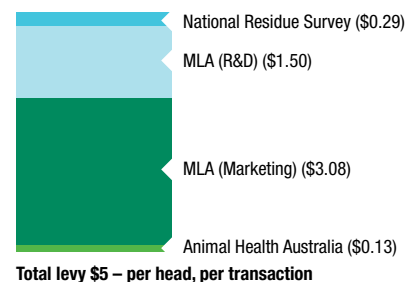
Total levies charged in 2014-15 were \$5 per head of grassfed and grainfed cattle transacted, two per cent of the sale price on each head of sheep transacted and 37.7 cents per head of goats transacted.

The Department of Agriculture distributed the levies in the following way:

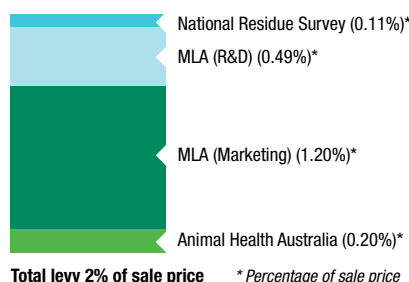
Grassfed cattle levy allocation



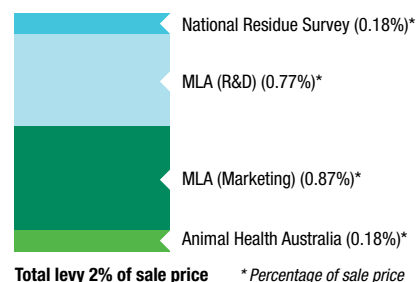
Grainfed cattle levy allocation



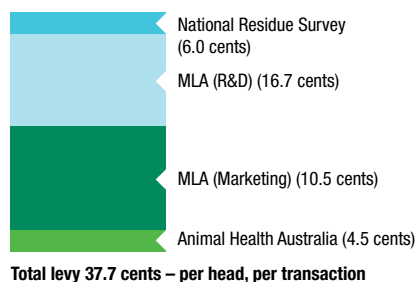
Lamb levy allocation



Sheep levy allocation



Goat levy allocation

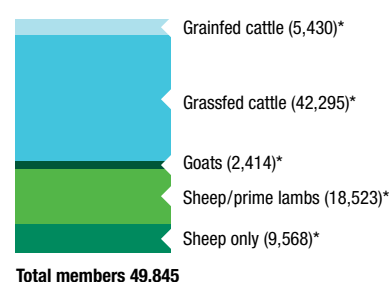


MLA membership

Membership of MLA is open to all levy-paying grassfed cattle, grainfed cattle, sheep, lamb and goat producers and is free of charge.

MLA had 49,845 members at 30 June 2015, an increase of 1.2 per cent on the previous year.

MLA membership by levy stream



* MLA members may be involved in more than one enterprise

MLA members

	2010-11	2011-12	2012-13	2013-14	2014-15
Grassfed cattle	40,450	41,005	41,334	41,828	42,295
Grainfed cattle	5,201	5,301	5,308	5,391	5,430
Sheep/prime lambs	17,410	17,611	17,862	19,262	18,523
Sheep only	9,875	9,872	9,713	9,625	9,568
Goats	2,302	2,344	2,360	2,386	2,414
Total members	47,556	48,173	48,608	49,260	49,845

Note: MLA members may be involved in more than one enterprise

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 research and development objectives covering community, industry and environmental concerns.

Peak industry 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 through the supply chain, manage projects and communicate outcomes.

Industry consultation arrangements

Livestock producers influence the investment of their levies through a number of industry consultation mechanisms.

The Red Meat Advisory Council (RMAC) is the peak body that represents the collective interests of the Australian red meat industry. RMAC is responsible for the development of the *Meat Industry Strategic Plan (MISP)* which provides the overarching strategic framework that enables the direction, measuring and reporting of overall industry progress for government and industry stakeholders.

Levy payers are consulted by RMAC during the development of the five-year *MISP*. The peak industry councils subsequently develop sector specific (grassfed cattle, feedlot, sheepmeat, goats, live export) industry plans.

MLA's five-year corporate planning is cascaded out of the *MISP*, industry strategic plans and Commonwealth national rural R&D priorities. MLA's

five-year corporate plan is translated into annual operating plans that define MLA's marketing and research and development strategies and programs.

Examples of areas where consultation occurs include:

On planning and whole of red meat industry priority areas:

- > *Meat Industry Strategic Plan*
- > *Beef Industry Strategic Plan*
- > *Sheepmeat Industry Strategic Plan*
- > *Goat Industry Strategic Plan*
- > *MLA Five Year Strategic Plan*
- > *MLA Annual Operating Plan*

On research and development:

- > Research, development and adoption investment priorities
- > Red Meat Co-investment Committee
- > Regional consultation model (see below)
- > Sheep and beef forecasting committees
- > Sheep Genetics Advisory Committee
- > MSA Taskforce and Pathways Committee
- > Resource Flock Steering Committee
- > Genetics Steering Committee

On marketing:

- > Region-specific global marketing and market access for beef and sheepmeat (Australia, Japan, Korea, North America, Middle East, Europe/Russia, Indonesia, China and South Asia)
- > MSA Taskforce

The global marketing and market access consultation process underpins the overarching market strategy specific to each region. This process involves peak industry councils and industry representatives consulting with MLA to help set strategic priorities for growing demand and improving market access for the Australian red meat industry across global markets.

The consultation process involves a forum for industry to guide MLA's global market investment strategy. This encompasses reviewing the output/outcomes from the previous year's activities and investments, evaluating MLA's performance, setting strategic priorities and budget allocations for the upcoming financial year and importantly, setting key performance indicators.

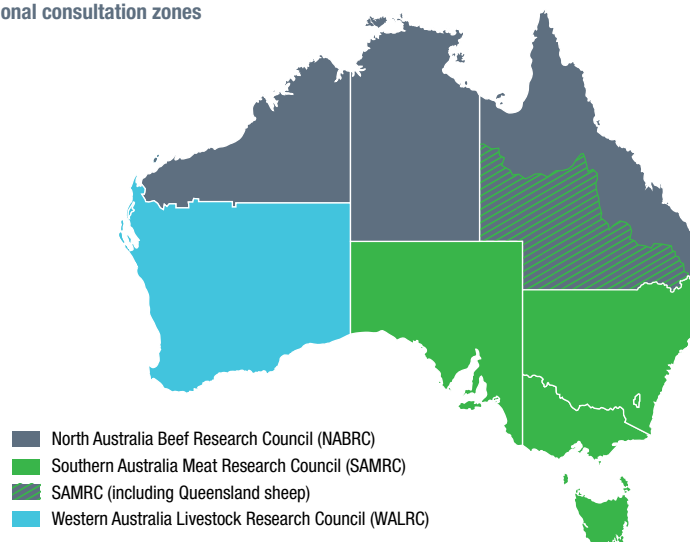
Regional consultation

Following an independent review of MLA's levy investment systems for on-farm research and development, a regional consultation framework has been developed to improve transparency and engagement with stakeholders in setting priorities for research and development.

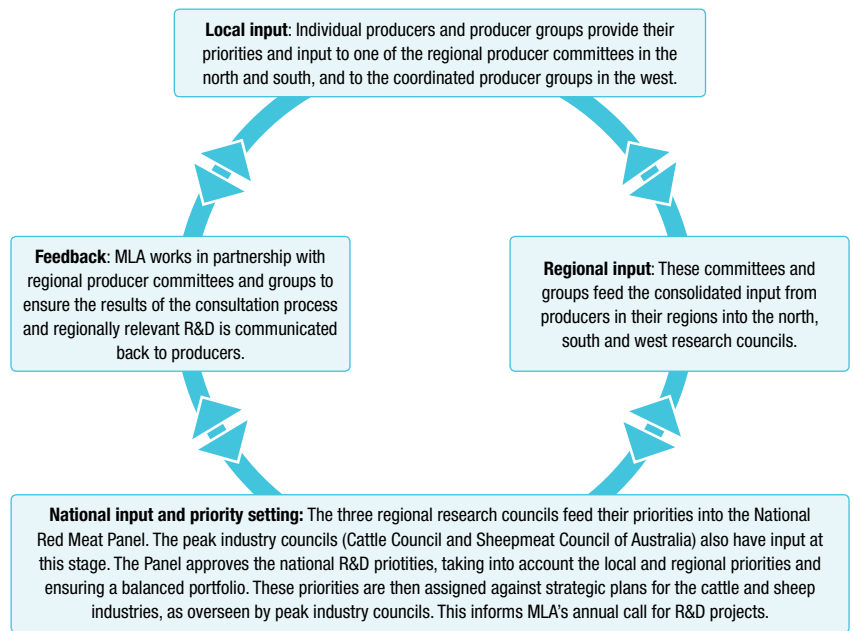
The consultation framework divides Australia's livestock production areas into three zones – northern, southern and western – and each will operate within a national structure.

Eleven producer committees already exist in north Australia and northern producers regularly have the chance to

Regional consultation zones



How the regional consultation will work



nominate to sit on these committees. The regional groups will feed locally important R&D priorities through to a regional producer committee for consideration and then, if successful, onto one of three Research Councils:

- > Southern Australia Meat Research Council (SAMRC)
- > Western Australia Livestock Research Council (WALRC)
- > North Australia Beef Research Council (NABRC) (which has been providing direction to R&D investment for some time)

These Councils will collectively represent the interests of northern, southern and western grassfed cattle and sheep levy payers at further industry meetings.

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 Leadership Team 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.

Refer to page 13 for a graphical view of MLA's strategic and operational planning process.

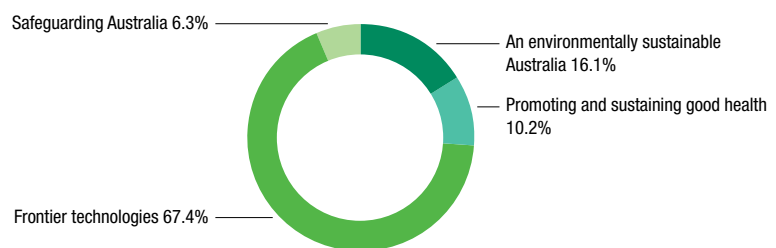
R&D alignment with government priorities

MLA invested \$92.9 million in a range of R&D programs during 2014–15. This included \$30 million invested through the MLA Donor Company. This investment includes matching funds from the Australian Government and aligns with National and Rural R&D Priorities.

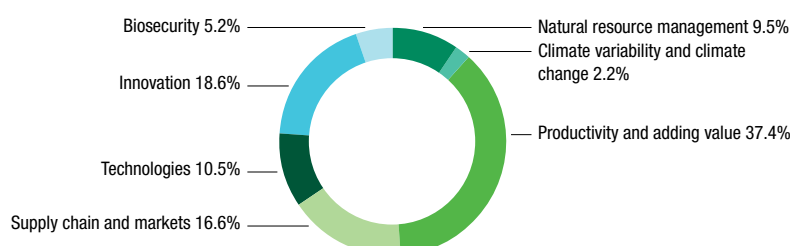
The Australian Government has developed clear, farmer-orientated priorities to target rural RD&E funding in its *Agricultural Competitiveness White Paper*, released in July 2015. The new priorities will include a stronger focus on advanced technology; biosecurity; soil, water and management of natural resources; and the adoption of R&D.

These new Australian Government RD&E priorities for agriculture are consistent with the national Science and Research Priorities announced in May 2015. The national priorities align areas of research excellence with Australia's comparative advantages, including food, soil and water, transport, cybersecurity, energy,

Alignment of MLA R&D projects with the Australian Government's National Research priorities



Alignment of MLA R&D projects with the Australian Government's Rural R&D priorities



resources, advanced manufacturing, health and environmental change.

MLA will report on the alignment of its R&D projects to these priorities in its *Annual Report 2015-16*.

R&D contracts

Throughout the year MLA:

- > completed or terminated 438 research contracts worth \$52.7 million
- > commenced 348 new contracts during the year worth \$47.3 million.

This resulted in a total portfolio of 322 current research contracts at 30 June 2015 valued at \$110.9 million. These contracts only include industry research projects with many undertaken over multiple years.

It is important to note that each R&D project can include multiple contracts. These reported contracts for 2014-15 include the areas of on-farm innovation and adoption, livestock productivity, value chain innovation, nutrition, industry systems, communications and stakeholder engagement, food safety and livestock export R&D programs.

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 2014-15 has been published online at www.mla.com.au/annualreport.

MLA Donor Company

MLA works on research projects with the commercial sector in areas that bring value to producers, through innovation and new technologies. This is via the MLA Donor Company (MDC) where voluntary funding from individual enterprises is matched by Australian Government R&D funds. No producer levies are used in MDC projects. Eligible projects deliver outcomes that address broader industry and/or government priorities and are available to benefit the industry.

The MDC provides a mechanism for attracting commercial investment into the red meat industry and delivers value throughout the supply chain.

Average value of research contracts at 30 June 2015

2010-11	\$234,513
2011-12	\$217,220
2012-13	\$232,353
2013-14	\$279,335
2014-15	\$344,410

No producer levies are used in MDC projects.

During 2014-15, the MDC attracted a total investment of \$30 million in private and public funds in industry R&D.

A total of 72 new project contracts were approved in 2014-15 totalling \$35.2 million. Since its inception in 1999, the MDC has approved 721 contracts worth \$260.5 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* including:

- > Red meat-lupins partnership (page 29)
- > LEAP processing automation (pages 46-47)
- > Electricity efficiency (pages 58-59)

- > Covered anaerobic lagoons (page 59)
- > Buccalgesic pain relief product (pages 60-61)
- > Collaborative Innovation Strategies Partnership program (page 65).

CoMarketing Program

The Collaborative Marketing Program commenced in 2014-15, and replaced the former Industry Collaborative Agreement program.

The CoMarketing Program is an initiative by MLA to support Australian companies who are responsible for the marketing of Australian beef, veal and lamb brands to develop superior brand marketing strategies and effective marketing plans.

The aim of the Program is to assist brand owners create customer loyalty and sustainable brand growth, through investment that delivers ongoing added value back down the supply chain to producers.

For beef, MLA worked with 50 Australian companies during the year to deliver CoMarketing 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 \$1.9 million via producer levies, and participants contributed the same amount or more. These activities strengthened brands and built awareness for beef across both new and existing accounts.

For lamb, MLA managed CoMarketing activities with 19 Australian companies across the same regions as for beef. MLA contributed a total of approximately \$279,000 via producer levies and participants contributed the same amount or more. These activities focused on retaining key accounts and maintaining volumes, given strong lamb prices and the exchange rate.

MLA contributions to the CoMarketing Program

Region	MLA contribution (A\$)	
	Beef	Lamb
Australia	517,299	69,900
Europe	83,895	0
Indonesia	32,593	4,688
Japan	272,164	16,330
Korea	222,875	2,057
Middle East/North Africa	64,129	51,989
North America	146,778	52,821
South East Asia/Greater China	323,736	23,316
Cross regional	282,134	58,055
Total MLA contribution	1,945,603	279,156

Activities co-funded by the CoMarketing Program during 2014-15 included marketing strategies and brand development, trade missions, sampling, point-of-sale design and printing, advertising, social media campaigns, website development, trade shows, training seminars and market research.

Details of each participant and the specific funding amounts invested are published at www.mla.com.au/annualreport and in Appendix 1 to this *Annual Report*.

Evaluation and performance

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

Program evaluation

To determine the value and efficiency of work and its impact, MLA sets targets through the annual planning process and measures performance each year against agreed key performance indicators.

MLA's evaluation framework, developed by the Centre for International Economics, enables objective assessment of program outcomes against our strategic imperatives. It also reports on the alignment of 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 two evaluations

were completed: the animal genetics and genomics program and the market access program.

For the genetics and genomics program, MLA's investment estimated at \$91 million is expected to return a total industry benefit of \$458 million in present value terms over 38 years to 2039-40. This represents a benefit-cost ratio (BCR) of 5.1 to 1 and an internal rate of return of 26 per cent. In the case of southern cattle the BCR was 4.4:1; for northern cattle 1:1 and for sheep 5.8:1.

For the market access program, the earlier evaluation of the program conducted in 2007 was updated. The evaluation carried out in 2014-15 concluded that a total industry investment estimated at \$33 million is expected to return a total industry benefit of \$6.1 billion in present value terms over 24 years to 2030. An average attribution level of 21 per cent back to MLA represents a benefit-cost ratio of 39.9 to 1 and an internal rate of return of 47 per cent (to 2020).

Senate Inquiry

In December 2013 the Rural and Regional Affairs and Transport References Committee was referred by the Senate to examine the representative and R&D levy arrangements for the grassfed cattle sector and options to improve transparency, accountability and engagement with levy payers. The Committee handed down its report in September 2014.

During the Inquiry, in August 2014, MLA commenced a restructure to address the recommendations made in the 2013 Systems Review into levy investment in on-farm R&D. The restructure also responded to the criticism expressed by levy payers through the Senate Inquiry process, for MLA to deliver the support and services required by industry into the future.

Minister for Agriculture, the Honorable Barnaby Joyce, provided the Government's response in July 2015. Minister Joyce acknowledged that MLA – as the provider of R&D and marketing services to the grassfed cattle industry – can provide a solid basis for the future with greater direction from grassfed levy

payers. Minister Joyce also said the government would continue to allocate the current grassfed levy to MLA.

Systems review

In early 2013, MLA commissioned an independent review of the systems used for investing grassfed cattle and sheepmeat levies in on-farm R&D projects to get recommendations as part of its regular drive for continuous improvement. The purpose was to find ways to strengthen the systems to maximise the benefits from producer investment. A key driver for commissioning the review was the changing nature of the R&D landscape including the cessation of the Beef CRC, the continued decline in state agency R&D resources and the implications of working under the National RD&E framework. Given these significant changes in the operating environment, it is critical that as an R&D service provider, MLA ensures it is focused on the efficient and effective investment of industry R&D funds.

MLA asked the review panel to identify areas for improvement in the framework for making investments in on-farm R&D projects and to advise what MLA should be doing to achieve international best practice. The review made 11 recommendations. Presentations have been made to both Cattle Council of Australia and Sheepmeat Council of Australia on the review and its recommendations.

Through the fundamental changes to MLA over the past 12 months, MLA is focused on addressing all 11 recommendations. MLA has systems in place that are addressing nine of the 11 recommendations. Examples of these systems are:

1. The new MLA regional consultation strategy (see pages 73-74), through which MLA has moved to a producer-based engagement process. This is across 20 regional producer research committees to establish research, development and adoption (RD&A) investment priorities and establish a two-way discussion between producers and our RD&A partners in prioritising the MLA RD&A investment portfolio.

2. A new open and transparent annual project call process, through which MLA will manage selection and execution of its RD&A portfolio using independent scientific expertise and under direct oversight of industry.
3. A process through which MLA will invest 30 per cent of its on-farm RD&A budget within long-term strategic partnerships to address critical strategic RD&A needs and address the run-down in the red meat industry RD&A capacity.

MLA is developing approaches to address the remaining two systems review recommendations and will implement these over the next 12 months.

Performance review

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 and updates are published on the MLA website.

Under MLA's Statutory Funding Agreement (SFA) with the Commonwealth, MLA is obliged to undertake an independent review of its performance prior to the expiry of the SFA. As the SFA is due to conclude in October 2016, MLA has worked with the Department to agree on the Terms of Reference for the review which were approved by the then Minister for Agriculture on 10 September 2015. A steering committee has been established comprising representatives from peak industry councils, the Department of Agriculture and Water Resources and MLA to oversee the reviewer selection process and, if requested, to provide guidance in the course of the review. Once the Minister has approved the Terms of Reference, the project will be put to open tender and from this a reviewer will be selected to perform the review. The details of the successful tenderer will be published on MLA's website. The review is currently scheduled to be completed by February 2016 after which time the findings will also be published on MLA's website.

Corporate reporting

MLA strives to ensure all members have the opportunity to participate in the annual general meeting (AGM) by rotating its location around the nation. The 2014 AGM was held in Sydney, NSW and was preceded by Wodonga, Victoria (2013), Fremantle, WA (2012), Longreach, Queensland (2011), Launceston, Tasmania (2010), Darwin, NT (2009), Orange, NSW (2008), Rockhampton, Queensland (2007) and Adelaide, SA (2006).

MLA's *Annual Report 2013-14* was made available through its corporate website as well as in hard copy for members who requested it.

CORPORATE GOVERNANCE

Meat & Livestock Australia Limited (MLA) is the declared industry marketing body and the industry research body under sections 60(1) and 60(2) of the *Australian Meat and Live-stock Industry Act (AMLI Act)*.

MLA's corporate governance framework is set by the Board having regard to the best interests of members, the values of the organisation, MLA's obligations set out under the Statutory Funding Agreement with the Commonwealth of Australia (Deed), and in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition). This long-established framework has been implemented to ensure that MLA remains accountable to its stakeholders and that stakeholder interests are protected. MLA's governance arrangements are reviewed regularly to reflect industry developments, stakeholder

expectations and regulatory and legislative changes. This statement and documents and policies relevant to MLA's corporate governance framework are also available on the MLA website.

The Board

MLA is governed by a skills-based board that works with industry to set strategic priorities for the company. It also approves and monitors progress against the strategic plan, evaluates performance and budgets, oversees risk management and compliance and ensures the company abides by its obligations under the Red Meat Industry Memorandum of Understanding, Deed, and under corporations law.

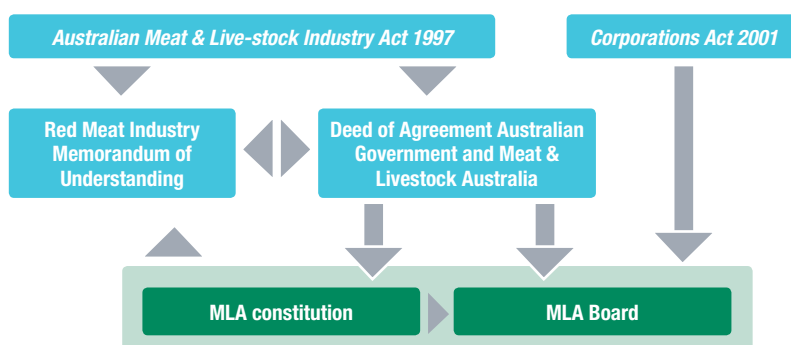
Composition

The Board comprises of directors with a broad range of skills, experience and expertise necessary to guide the company. Many of the Directors are also producers and members of the company. The Managing Director is the only executive director. Directors are nominated through the Selection Committee and appointed at MLA AGMs for a 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. Further information about the Selection Committee is on pages 81-82. The Chair of the Board was elected in 2011 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 as follows. All directors were in office for the entire year unless otherwise stated.

MLA's governance framework



Board members



Michele Allan
(Chair)

BAppSc MMgtTec
MCommLaw DBA FAICD

Director since November 2011

Dr Allan has an academic background in biomedical science, management and law. 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 and Development Corporation, Forest and Wood Products Australia, Ruralco Holdings Limited Tasmania Fruit and Vegetable Taskforce, Tasmanian Irrigation Pty Ltd, Callaghan Innovation, William Angliss Catering and Hospitality TAFE College and Grape and Wine Research and Development Corporation. Current board positions include Innovation Australia, Food Innovation Australia Limited, Apple and Pear Australia Ltd, Grain Growers Limited, Cooperative Research Centre Hearing and member of the CRC Advisory Committee. She is Chancellor of Charles Sturt University, Chair of the CSIRO Food and Nutrition Flagship Advisory Committee, and Legumes Nutritional Council, and a Fellow of the Australian Institute of Company Directors. Dr Allan is also a member of the Selection and Remuneration Committees.



Richard Norton
(Managing Director)

MBA, MAICD
Appointed 2 June 2014

Mr Norton joined MLA as Managing Director in June 2014. The fifth generation of a beef and sheep farming family from Monaro NSW, Mr Norton began his working life as a rouseabout and jackaroo. He has spent more than 20 years serving livestock producers as a stock agent and auctioneer across NSW, where he still farms beef. His drive to see Australian agribusiness thrive has led him to hold various executive positions, including Head of Live Export and International Trade and then Managing Director of Landmark Operations Australia, a subsidiary of Agrium Inc based in North America. In addition to roles in agribusiness, Mr Norton has held executive positions in retail, manufacturing, logistics and warehousing with Woolworths, Coca Cola, Wesfarmers and Toll Holdings. Mr Norton has an MBA from Monash University, and has held various board positions including Agrium Asia Pacific, the Australian Wheat Board, RD1 New Zealand, Landmark Harcourts and Australian Wool Handlers. He was also Chairman of Integrated Traceability Solutions (Global) and AuctionsPlus. Mr Norton is also a director of MLA Donor Company Limited, National Livestock Identification System Limited, Red Meat Traceability Systems Pty Ltd and AUS-MEAT Limited.



Alan Beckett
BEc, FICA, GAICD

Director since November 2014

Mr Beckett has a keen interest in the agriculture industry and in particular the beef industry and currently operates a 550 Angus cow herd at Yea in Victoria. He had 40 years' experience with a major professional services firm, practising in the area of audit and corporate services in the large companies sector with an emphasis on listed public companies. He brings extensive business experience to the Board, along with general finance, accounting and governance expertise together with practical experience in doing business in Oceania, South East Asia, Japan and India. Mr Beckett is also experienced with the operations of audit committees, including chairing audit committees and attendance as the external auditor. Mr Beckett is a non-executive director of Defence Health Limited, Westbourne Capital Pty Ltd and Westbourne Credit Management Limited, and a member of the Very Special Kids Foundation. He is Deputy Chairman of the Audit and Risk Committee of the Department of Defence and the independent member of the Audit and Risk Committee of Note Printing Australia Limited. Mr Beckett was previously Chairman of Basper Limited (formerly Berklee), a publicly listed company in the automotive industry. He is currently Chair of MLA's Audit and Risk Committee.



Lucinda Corrigan
BScAgr (Hons 1) FAICD

Director since November 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. She has been a Director of four CRCs, including Deputy Chairman of the Future Farm Industries CRC. In 2014 she was appointed Commissioner of the Australian Centre for International Agricultural Research. 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 convener 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 is the Chair and a Director of the MLA Donor Company Ltd.



Geoffrey Maynard
BBus

Director since November 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 transfer technology in northern Australia. The Maynard Family was one of the largest suppliers of cattle for the Beef CRC I Project in the 1990s and participated in CRC II and CRC III. Mr Maynard was previously the Vice-Chair of the Beef Australia Board and a past member of the industry advisory committee of the Beef CRC II. Mr Maynard is also a Director of MLA Donor Company Limited.

Company secretary



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 research and development proposals, as well as strong skills in global marketing, financial management, strategic planning and corporate governance. He is Chair of the Remuneration Committee and a member of the Audit & Risk Committee.



Chris Mirams

GradDip Financial Markets
Director since November 2014

Mr Mirams is an agricultural consultant based in Albury and has extensive commercial and practical experience in southern Australian sheepmeat production and managing sheep enterprises covering prime lamb, wool and meat with the latest technology and benchmarking. He has significant experience in strategic research and development, broad commercial experience in southern beef production, specialist skills in business, finance, corporate governance, communication and leadership. Mr Mirams is passionate about the agricultural industry and rural and regional Australia. Mr Mirams participated in the Australian Rural Leadership Program, is a past Chair of Holbrook Landcare Network and EverGraze National Advisory Committees and served on the AVCLP and Scots School Albury boards. Mr Mirams is a member of the Selection and Remuneration Committees.



George Scott

Director since November 2013

Mr Scott has had a lifelong involvement with the north Australian cattle industry initially as an employee of both corporate and private operators in Queensland and NT, more recently as an owner operator. Mr Scott has a broad knowledge of beef production systems, resource management, genetic development, breeding programs, land management and industry associations. During the past decade, Mr Scott has held senior executive and representative roles in the Northern Territory Cattlemen's Association (NTCA), acted as the NTCA Cattle Council delegate, and been a member of the Barkly Regional Advisory Committee to the Northern Australia Beef Research Council. Based at Thylungra Station in south-west Queensland he is currently Managing Partner of Scott Cattle Company producing commercial cattle in Queensland and SA, a Director of Thylungra Cattle Co Pty Ltd and Kyabra Creek Pty Ltd. Mr Scott is also a director of AUS-MEAT Ltd.



Peter Trefort

Director since November 2003

Mr Trefort manages his family's property at Narragin 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 strategies 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 is a 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 was a member of the Selection Committee until December 2014 and is currently a member of Remuneration Committee.



Clare Stanwix

BA (Hons) LLB LLM, GAICD
Appointed June 2014

Ms Stanwix joined MLA in June 2009. In addition to holding the office of Company Secretary, Ms Stanwix also holds the position of General Counsel. Prior to joining MLA she was an external legal adviser with DLA Piper. Ms Stanwix has experience in intellectual property, technology, corporate and commercial law and dispute resolution. She is a Graduate of the Australian Institute of Company Directors and is currently completing a graduate diploma in Applied Corporate Governance with the Governance Institute of Australia.

Directors who retired or resigned during the year



Dr Gregory Harper

BSc PhD GradDipMgmt
GAICD

Director November 2009 –
February 2015

Dr Harper is a career scientist with extensive research experience within Victorian Economic Development, Jobs Transport and Resources, 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 the Executive Director of Agriculture Research and Development for the Victorian Economic Development, Jobs, Transport and Resources. Previously Dr Harper was 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 was a member of the Audit and Risk and Selection Committees until he resigned from the MLA Board on 11 February 2015.



Rodney Watt

Director November 2011 –
November 2014

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 was Chair of the Remuneration Committee until his retirement in November 2014.

Board roles and responsibilities

The roles and responsibilities of the Board are formalised in the Board charter which underpins the conduct of the Board as it strives to build sustainable value for MLA's members and the red meat industry and to achieve MLA's mission. The Board Charter is regularly reviewed by the Board. The Constitution and the Board Charter are available on MLA's website www.mla.com.au.

The Board is responsible for the appointment and assessment of the performance of the Managing Director and monitoring the performance of the Leadership Team (see pages 89-90) against agreed KPIs. The Managing Director's role is to lead MLA and together with the Leadership Team develops and implements MLA's business strategy once approved by the Board.

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 *Directors' Report* on page 93.

Audit and Risk Committee

The Audit and Risk Committee oversees MLA's risk program and has oversight responsibility of the company's financial reporting, internal control structure, risk management and the internal and external audit

functions. In keeping with community expectations, the chair of the committee is not the Chair of the Board.

The Audit and Risk Committee is required to meet at least three times a year and meets separately with the external auditor at least once each year. The Audit and Risk Committee is responsible for making recommendations to the Board for the approval of the annual audit plan and annual financial statements.

The Audit and Risk Committee consisted of Alan Beckett (Chair), Lucinda Corrigan and John McKillop at 30 June 2015. Details of each members' attendance at meetings is set out in the *Directors' Report* on page 93.

External auditor

Our external auditor is Ernst & Young (EY), and the Committee holds discussions with the external auditors and management before the annual financial statements are submitted to the Board. The Audit and Risk Committee oversees our relationship with EY, including:

- > making recommendations to the Board about the appointment of MLA's auditors based on their qualifications, independence, engagement, fees and performance;
- > reviewing and assessing the performance, independence and objectivity of EY; and
- > reviewing EY's proposed annual audit scope and audit approach, including materiality levels.

Internal auditor

The Audit and Risk Committee reviews the adequacy and effectiveness of internal controls, including the company's policies and procedures, to assess, monitor and manage business risk and legal and ethical compliance programs. This review includes monitoring the implementation of MLA's Risk management plan, Fraud control plan and Intellectual property plan. It also reviews the company's foreign exchange and treasury management and oversees the company's risk management program.

To assist its function the Audit and Risk Committee working with Management has appointed internal auditor Deloitte Touche Tomatsu (Deloitte). Deloitte's role during 2014-15 was to conduct a review of MLA's risk and compliance framework and to work with the Board to set a new risk appetite and to establish a program working with management with independent and objective assurance on the effectiveness of our governance, risk management and internal control processes. To maintain the necessary independence it needs to carry out its role, Deloitte has no direct operational responsibility or authority over any of our business or risk management activities.

Remuneration Committee

The Remuneration Committee consisted of John McKillop (Chair), Michele Allan, Peter Trefort and Chris Mirams as at 30 June 2015.

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 and values.

The Remuneration Committee worked in accordance with a comprehensive schedule of activities undertaken by it during the year and with Board endorsement amended its charter to reflect its new areas of responsibility and the revised ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* as set out in the third edition.

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
 - recruitment, remuneration and retention strategies

- > succession plans for senior executives and key staff
- > strategic HR policies and practices.

The Committee also assists the Board by developing plans for identifying, assessing and enhancing director competencies. Details of each member's attendance at meetings is set out in the *Directors' Report* on page 93.

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 annual general meetings.

The Selection Committee consists of:

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

The process for producers to obtain a position on the Selection Committee includes:

- > producers submitting a nomination form
- > all nominees are included in the Notice of Meeting and are put forward to the AGM
- > on the day of the AGM (or by proxy vote), members vote on the person they want to have as their producer representative on the MLA Board Selection Committee.

At the 2014 AGM members voted to change the composition of the Selection Committee by reducing the number of MLA directors from three to two and removing their voting rights. A further change made at the 2014 AGM was that the MLA Chair no longer chairs the Selection Committee. Instead, the Chair of the Selection Committee, Don Mackay, was elected by the members. At the 2015 AGM the number of grassfed cattle producer representatives on the Selection Committee will increase from one to two.

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. In accordance with good governance practice, appropriate checks of each candidate are undertaken before each nominee is put forward to members as a candidate for election as a director. The composition of the Selection Committee, together with each member's attendance at meetings, is set out in the *Directors' Report* on page 93.

Board meetings

The Board had nine scheduled meetings during 2014-15, the agendas of which are formulated in preparation for each meeting and also incorporate items from an annual agenda to ensure regular review of key aspects of the business. The agenda 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. Management attends and presents information relevant to their portfolios and to respond to issues arising in Board meetings.

Board training

The Board held an in-boardroom risk management review session in February 2015 which was facilitated by Deloitte. The program focused on MLA's risk management framework and included a review of MLA's risk profile, governance, policies and systems. In addition, directors are encouraged and do 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

In accordance with the requirements of the Corporations Act and its *Conflict of interest policy and procedures*, Directors must declare any conflict of interest they may have, and must follow the procedures set out in our Policy including, in certain circumstances, abstaining from participating in any discussion or voting on matters in which they have a material personal interest. At the time of their appointment and as notified from time to time, each Director provides to the Board information about their business and other interests. The Board records such notifications in its minutes and maintains a register in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition).

Reporting framework

MLA is operating under its 2012-16 Statutory Funding Agreement with the Commonwealth of Australia through its Department of Agriculture, which took effect from 15 October 2012 (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). During 2014 a full review of the plan and risk management framework was undertaken. In February 2015 the Board set its risk appetite and adopted a revised plan. Individual risks have been identified, assessed, categorised and entered into a risk register, which forms part of the plan. The Board has been actively engaged with this process and has delegated to the Audit and Risk Committee the responsibility to monitor and review risks relating to governance and finance and those risks that are operational/internal in nature. The Committee receives regular updates on matters relating to financial management, treasury, foreign exchange, payroll management, system controls and levels of authority.

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

Code of business conduct and ethics

The Board endorsed the revised *Code of business conduct and ethics* (the code), which embodies the company's values of customer centricity, accountability through transparency and outcomes that make a difference. It otherwise sets out the principles which must be met to ensure that the company and its business associates meet 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 dealing with governments and in business
- > integrity in financial reporting
- > acting responsibly to members, stakeholders, competitors and the community
- > complying with the law.

The code also establishes a reporting framework to enable employees to report any breach of the code. 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. The code was updated during the year to further focus on the company's values and to reaffirm our commitment to maintain integrity in dealing with governments and in business dealings.

As part of an annual program of training and capability building within MLA, training in *Competition and Consumer Act* requirements as well as anti-bribery and corruption training was provided to all staff.

Diversity

Since April 2011, the Board has implemented a company-wide diversity policy. At that time the Board also set a number of Board focused measurable objectives, including: 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 30 per cent of MLA Board Directors by December 2014 should be female.

MLA also recognises the importance of gender diversity in senior leadership roles, as well as the need to focus on other areas of diversity such as age, ethnicity and disability, and further work in the area of flexibility for care givers.

As at 30 June 2015, 52.7 per cent of MLA's staff were women. Six of the 11 (54.5 per cent) executives on the MLA

Leadership Team were female. Two directors on the MLA Board were female – with one being Chair of the Board. The remaining seven MLA Board Directors are men. In accordance with the Remuneration Committee annual work plan, the diversity policy is under review.

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. The Board determined in December 2014 that an increase of 2.3 per cent for directors' fees would take effect from 1 January 2015 and that in recognition of the additional workload on the Audit and Risk Chair that an additional sum of \$5,000/pa be paid taking the total per annum costs to \$488,145.

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

The remuneration packages for the Leadership Team are reviewed each year and include several gateways before eligibility to the performance-based component to ensure the remuneration structure aligns management effort with organisational objectives and attracts, retains and motivates quality management personnel.

Comparison of MLA's Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations (3rd edition)

Recommendation	ASX Corporate Governance Principles and Recommendations (3rd edition)	MLA's Corporate Governance Principles
Principle 1: Lay solid foundations for management and oversight		
1.1	A listed entity should disclose: <ul style="list-style-type: none"> a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management. 	This is outlined in the Board Charter and Operating Principles.
1.2	A listed entity should: <ul style="list-style-type: none"> a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	As part of the Selection Committee process in relation to Director selection appropriate background checks are, and will continue to be, undertaken. Candidates are shortlisted by reference to the selection criteria that act as terms of reference for the committee to ensure there is an appropriate mix of skills in the candidates nominated for election. Candidates' biographical details included on the <i>MLA Notice of Meeting</i> are prepared from the material submitted through the Selection Committee process.

Recommendation	ASX Corporate Governance Principles and Recommendations (3rd edition)	MLA's Corporate Governance Principles
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	MLA has written engagement letters for directors and executive employment contracts with all members of the senior leadership team.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary is accountable to the Board through the Chair on all matters related to the proper functioning of the MLA Board.
1.5	A listed entity should: <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ol style="list-style-type: none"> 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the <i>Workplace Gender Equality Act</i>, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	<p>The Diversity Policy is available on MLA's website www.mla.com.au</p> <p>MLA has set the following measureable objectives for gender diversity:</p> <ul style="list-style-type: none"> • Selection Committee requested to interview at least one suitable female candidate • Board: increase proportion to 30 per cent female representation • At least one female be on the Board Selection and Remuneration Committees • Leadership Team: proportion be at least 30 per cent representation. <p>MLA also enunciates its commitment to diversity in other policies such as Anti-discrimination and bullying policy and Acceptable Behaviours policy which are regularly reported to, monitored by and adjusted with approval by the Board.</p> <p>The proportion of women as at the date of this report:</p> <ul style="list-style-type: none"> • Board members: 22 per cent • Leadership Team: 55 per cent • Senior leaders: 31 per cent • Whole organisation: 53 per cent
1.6	A listed entity should: <ol style="list-style-type: none"> a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>The Board evaluates its performance through an annual performance review, which is periodically facilitated by an external specialist.</p> <p>As part of the Board's review process in 2014-15 it held a session to discuss and progress the outcomes from the Board review which came out of surveys with each director.</p>
1.7	A listed entity should: <ol style="list-style-type: none"> a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>The Remuneration Committee and Board conduct an annual assessment of the performance of the Managing Director and the Leadership Team against agreed KPIs.</p> <p>In accordance with the annual work plan the performance evaluation process for the Managing Director and the Leadership Team has been undertaken.</p>
Principle 2: Structure the board to add value		
2.1	The board of a listed entity should: <ol style="list-style-type: none"> (a) have a nomination committee which: <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: <ol style="list-style-type: none"> 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	<p>MLA's Constitution and operation of the Selection Committee reflects this requirement.</p> <p>Refer also to the section about Selection Committee in the <i>Corporate Governance Statement</i> (pages 81-82).</p>

Recommendation	ASX Corporate Governance Principles and Recommendations (3rd edition)	MLA's Corporate Governance Principles
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Biographical details of directors are published to the MLA website http://www.mla.com.au/About-MLA/Who-we-are/Board-of-directors
2.3	A listed entity should disclose: <ul style="list-style-type: none"> a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director. 	The MLA Board currently considers the independence of its directors on an annual basis. Refer also to the section about Director Independence in the <i>Corporate Governance Statement</i> . Length of service of each director is included in the <i>Corporate Governance Statement</i> .
2.4	A majority of the board of a listed entity should be independent directors.	All of the directors are independent with the exception of the Managing Director.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The role of the Chair and the Managing Director are not performed by the same person.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	MLA has a program for inducting new directors and provides appropriate professional development. Refer also to the section about Director training in the <i>Corporate Governance Statement</i> .
Principle 3: Act ethically and responsibly		
3.1	A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	MLA has a <i>Code of Conduct</i> which covers the governance and sets the expectation for the Board and all MLA personnel. The <i>Code of Conduct</i> is on MLA's website.
Principle 4: Safeguard integrity in corporate reporting		
4.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	The Board has established an Audit and Risk Committee which is structured so it: <ul style="list-style-type: none"> • consists of only non-executive, independent directors; • is chaired by an independent chair who is not chair of the Board; and • consists of at least three members of the Board. The charter of the committee is on MLA's website. Biographical details of directors are published to the MLA website www.mla.com.au/About-MLA/Who-we-are/Board-of-directors Refer also to the section about the Audit and Risk Committee in the <i>Corporate Governance Statement</i> .

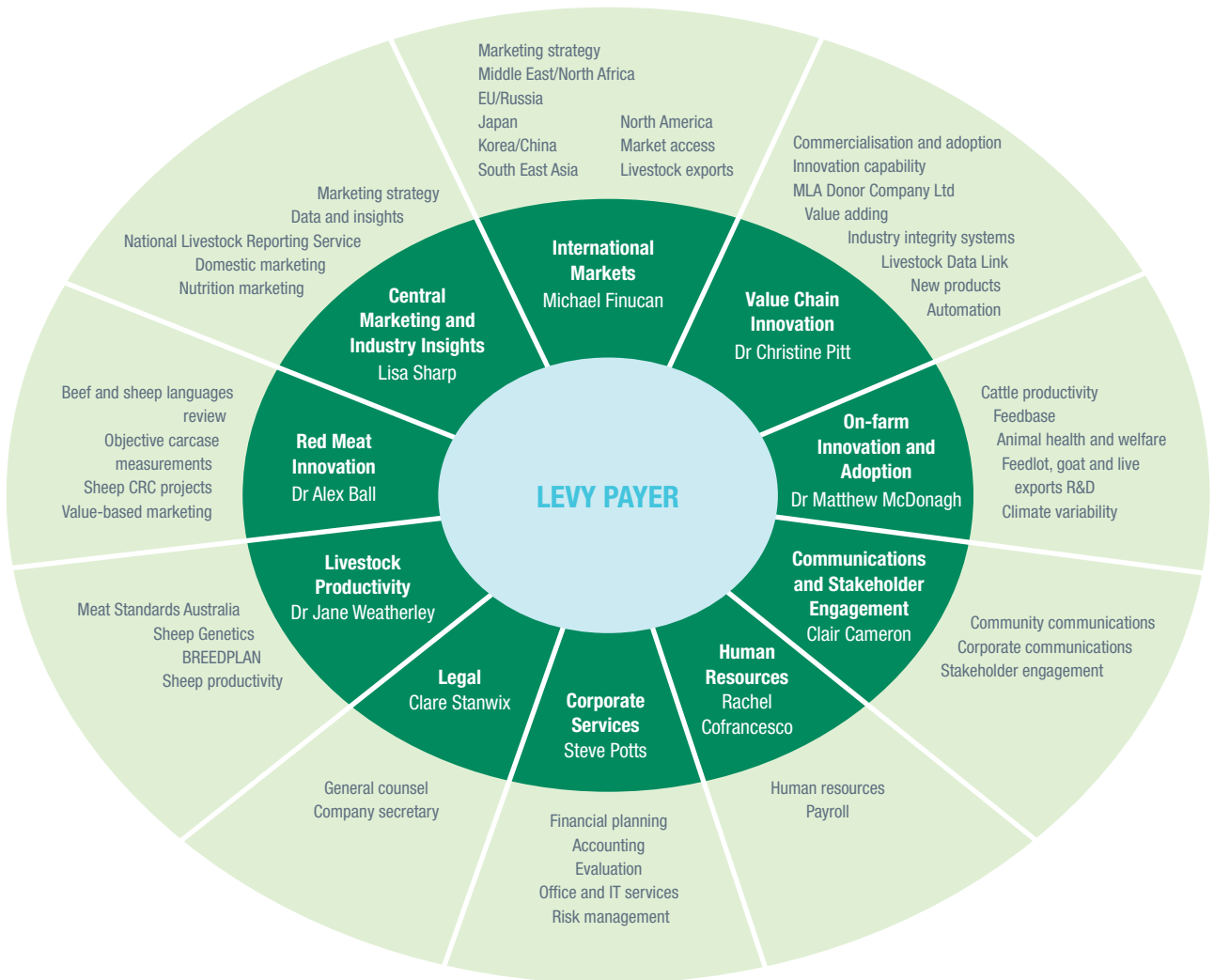
Recommendation	ASX Corporate Governance Principles and Recommendations (3rd edition)	MLA's Corporate Governance Principles
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The wording of the declaration reflects the wording in the recommendation.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	MLA's external auditor attends each AGM and is available to answer questions from members relevant to the audit.
Principle 5: Make timely and balanced disclosure		
5.1	A listed entity should: <ul style="list-style-type: none"> (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. 	As MLA is an unlisted public company it is not an ASX disclosing entity but does report annually to members on its operations and financial results.
Principle 6: Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	MLA provides information about itself and its governance framework on its website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	MLA has a Communications and Stakeholder Engagement team and program to promote effective two-way communication with members and levy payers.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Information about how MLA facilitates and encourages participation by members at meetings is on MLA's website.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	MLA amended its constitution in 2009 to ensure it could provide information electronically. Members can elect to receive and send communications electronically.
Principle 7: Recognise and manage risk		
7.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ol style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. 	The Board has established an Audit and Risk Committee which is structured so it: <ul style="list-style-type: none"> • consists of only non-executive, independent directors; • is chaired by an independent chair who is not chair of the Board; and • consists of at least three members of the Board. The charter of the committee is on MLA's website. Refer also to the section about the Audit and Risk Committee in the <i>Corporate Governance Statement</i> .
7.2	The board or a committee of the board should: <ul style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	Refer to the section about the financial and risk management in the <i>Corporate Governance Statement</i> .

Recommendation	ASX Corporate Governance Principles and Recommendations (3rd edition)	MLA's Corporate Governance Principles
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Refer to the section about the Internal Audit program in the <i>Corporate Governance Statement</i> .
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Refer to the section about the financial and risk management in the <i>Corporate Governance Statement</i> . Further development of the risk register is underway.
Principle 8: Remunerate fairly and responsibly		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Board has established a Remuneration Committee which is structured so it: <ul style="list-style-type: none"> • consists of three non-executive, independent directors; and • is chaired by an independent chair who is not chair of the Board. The charter of the committee is on MLA's website. Refer also to the Remuneration Committee and Remuneration and performance arrangements sections in the <i>Corporate Governance Statement</i> .
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Refer to the remuneration and performance arrangements section in the <i>Corporate Governance Statement</i> .
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Not applicable as MLA does not have an equity based remuneration scheme.

ORGANISATION STRUCTURE

As at 30 June 2015, MLA had 10 business units. This structure was announced in August 2014 to address issues raised in the Senate inquiry into the grassfed cattle levy and recommendations of a review on MLA's on-farm R&D (see pages 76-77).

MLA's business units are as follows:



MLA Leadership Team

The MLA Leadership Team is comprised of the Managing Director, eight General Managers, the Head of Human Resources and General Counsel and Company Secretary. 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 members of the MLA Leadership Team at 30 June 2015 were:



Richard Norton
Managing Director
See page 78 for Mr Norton's profile.



Lisa Sharp
BEC
General Manager
Central Marketing and Industry Insights

Ms Sharp joined MLA in April 2015. She has an extensive background in consumer goods marketing, insights and general management and has held executive positions in Australian and multinational organisations including SPC Ardmona, PZ Cussons and Novartis Consumer Health. At SPC Ardmona, she led the reinvigoration of the Australian packaged fruit category through product, packaging and nutrition marketing innovation and successfully extended the global footprint of the SPC 'Natures Finest' brand. Ms Sharp has also held marketing roles at Kraft, Uncle Tobys and Coca Cola.



Matthew McDonagh
BSc (Hons 1) PhD (ruminant nutrition and meat quality)
General Manager
On-farm Innovation and Adoption

Dr McDonagh has a sheep and cattle farming background and has held research positions focused on ruminant nutrition, genetics, animal growth and development and meat eating quality within the US Department of Agriculture, Victorian and NSW departments of primary industries. Dr McDonagh has led large national cross-agency R&D projects and large collaborative R&D programs. At MLA, Dr McDonagh's team aims to maximise the value of RD&A investments in the grassfed, sheepmeat, feedlot, livestock export and goat on-farm programs.



Christine Pitt
DBA MHA BSc MAICD
General Manager
Value Chain Innovation

Dr Pitt held a number of senior positions in retail, manufacturing and financial service companies before joining MLA. She now oversees MLA's Value Chain Innovation team, including extensive off-farm R&D programs. Dr Pitt is the Secretary of the MLA Donor Company and is responsible for overseeing its activities.



Steve Potts
BlntFin
GradDipAppCorporateGov CPA
General Manager
Corporate Services

Mr Potts joined MLA as Chief Operating Officer in November 2014 and was recently appointed Director of Red Meat Traceability Systems Pty Ltd. He was previously Chief Financial Officer and Company Secretary at Sheep CRC Ltd and prior to that held a number of financial-focused roles in BHP Billiton Ltd and worked in the insolvency and hospitality industries.



Jane Weatherley

BAppSc (Agric) and GradDip (Hons 1A) and PhD (farming systems RD&E) GAICD

General Manager
Livestock Productivity

Dr Weatherley joined MLA in 2006 and worked predominantly in the on-farm research and development and adoption team. Prior to working for MLA she held positions spanning red meat extension program development, delivery and evaluation and has also worked with Rabobank in north-west Tasmania. She maintains an active role in her family beef breeding operation on Bruny Island, Tasmania. At MLA Dr Weatherley oversees meat eating quality R&D, Meat Standards Australia operations, on-farm sheep productivity RD&E, sheep and beef genetics investments and data insights.



Alex Ball

BRurSci (Hons 1) and PhD (livestock productivity)

General Manager
Red Meat Innovation

Dr Ball started at MLA in 1997 and has held roles such as national manager for Sheep Genetics, sheep and southern R&D, eating quality and lean meat yield R&D. He has worked on initiatives such as MSA Optimisation, the MSA Index and finding new tools for objective beef carcass grading and feedback systems. Dr Ball is the author of three book chapters and over 65 refereed journal articles and he is an Adjunct Professor at the University of New England. Dr Ball is currently a wool, sheep and beef producer in the Tenterden district of Guyra NSW running fine wool sheep and cattle. He is a fellow of the Australian Rural Leadership Foundation.



Clair Cameron

MHlthLaw and
BA Communication

General Manager
Communications and
Stakeholder Engagement

Ms Cameron is from a fifth-generation sheep and cattle farming family in the NSW New England area. She started at MLA in May 2015 with almost 20 years of experience in corporate communications and expertise in issues and crisis management, stakeholder engagement, media relations, public relations and strategic communications. Most recently Ms Cameron was a senior director and head of corporate and public affairs at FTI Consulting, where she managed many high profile issues for ASX top 100 companies and multinationals and provided strategic advice to agricultural companies on issues including live export and acquisitions.



Michael Finucan

BAGSc

General Manager
International Markets

Mr Finucan has extensive experience working in international markets after being involved in the export of a range of agriculture commodities including timber, dairy products and live animals before joining MLA in 2007. He has held a number of roles at MLA, including Manager Livestock Exports and International Business Manager in MLA's Korea office. He has now relocated to MLA's China office in Beijing to oversee MLA's investment in international markets.



Rachel Cofrancesco

Head of Human Resources

Ms Cofrancesco joined MLA in April 2015. She has worked in the agribusiness sector over the last seven years. Prior to working in agribusiness she held several senior roles in both human resources and operations management within the retail and hospitality industries.



Clare Stanwix

General Counsel and
Company Secretary

See page 79 for Ms Stanwix's profile

Human resources

Restructure

In August 2014 MLA commenced a restructure to address the recommendations made in the 2013 Systems Review into levy investment in on-farm R&D (see pages 76-77). The restructure also responded to the criticism expressed by levy payers through the Senate Inquiry process (see page 76), that MLA will deliver the support and services required by industry into the future. During the restructure, 31 roles were removed from the organisation, resulting in redundancies.

Staff profile

At 30 June 2015, MLA had 237 employees, including three Australian-based casuals that have been included in the part-time numbers – a reduction of 12 per cent from the previous year. The turnover was 36 per cent, which included redundancies, voluntary turnover and terminations, and probations which didn't continue.

Workplace health and safety

A comprehensive workplace health and safety (WHS) management system is being implemented to support MLA programs and all existing WHS policies, procedures and processes have been reviewed. The revision of the WHS system and review of 'high risk' areas is part of an ongoing program that aims to ensure a safe working environment for MLA workers and management of risks to which workers are exposed. The updated WHS policy and critical safety rules have been adopted by the international offices and translated into native language.

High risk activities of the business will continue to receive strong focus, particularly around off-site activities at saleyards, processing facilities, property visits, events and international travel.

There was one worker's compensation claim which resulted in total lost time of 1.5 days. There were seven incidents reported with corrective action taken to remove or reduce residual risks. There were no reported breaches of workplace health and safety laws.

Diversity and gender equality

MLA has a diversity policy that outlines the company's commitment to diversity, including gender equality, and sets measurable performance objectives (see page 83).

At 30 June 2015, 52.7 per cent of the workforce consisted of female employees. These employees were spread across the business and age groups.

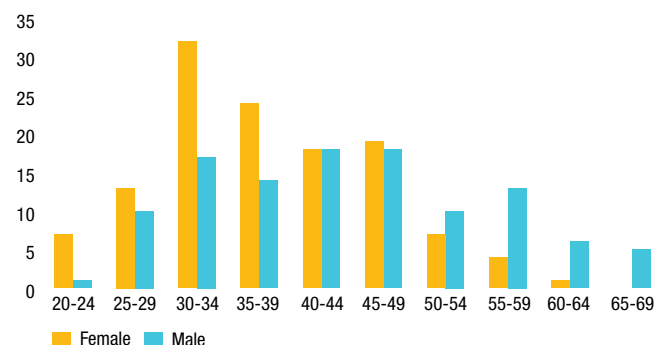
MLA will continue to offer employees flexible work arrangements that support work/life balance, and family or caring responsibilities. These include flexible hours of work, time in lieu, telecommuting, part-time work, job sharing, paid parental leave and personal/carer's leave provisions. MLA also offers access to an employee assistance program, training and formal policies to protect employees against discrimination, harassment and bullying.

MLA staff profile

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Male	127	126	118	127	112
Female	116	107	130	142	125
Full-time	229	219	233	235	208
Part-time	14	14	15	34	29*
Australia based	204	202	210	231	197
Overseas based	39	31	38	38	40
Total staff	243	233	248	269	237

Note: Part-time total includes three casual employees

MLA employees – age and gender composition



Financial Report

for the year ended 30 June 2015

Chef Conor Hanlon was one of a group of US chefs to travel to Australia on an MLA-sponsored sustainability-themed tour to learn about the Australian cattle and sheep industry's supply chain practices and quality programs.



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 2015.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows: Dr Michele Allan, Mr Richard Norton, Ms Lucinda Corrigan, Mr Geoffrey Maynard, Mr John McKillop, Mr George Scott, Mr Peter Trefort, Mr Chris Mirams and Mr Alan Beckett.

DIRECTORS RETIRED OR RESIGNED DURING THE YEAR

Directors retiring or resigning during the year were Ms Christine Gilbertson (resigned on 18 July 2014), Dr Gregory Harper (resigned on 11 February 2015) and Mr Rodney Watt (retired in November 2014).

COMPANY SECRETARY

The company secretary during the year was Clare Stanwix.

See pages 78-80 for names, qualifications, experience and special responsibilities of the directors, directors retired or resigned during the year and the 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 2015 the members of the board were Mr Richard Norton, Mr Geoffrey Maynard and Ms Lucinda Corrigan. Ms Christine Gilbertson resigned as a director during the year, with effect from July 2014.

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 2015, the members of the board were Mr John Wyld, Mr Ian Feldtmann, Mr Peter Milne and Mr Richard Norton. Mr Stephen Kelly resigned as a director during the year, with effect from February 2015.

DIRECTORS' MEETINGS

During the period 1 July 2014 to 30 June 2015 the MLA Board held nine 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			
	Scheduled Meetings	Total	Audit & Risk	Remuneration
G Harper	6 [6]	6 [6]	2 [2]	
M Allan	9 [9]	9 [9]		3 [3]
G Maynard	8 [9]	8 [9]		
L Corrigan	8 [9]	8 [9]	5 [5]	
P Trefort	9 [9]	9 [9]		3 [3]
R Watt	4 [4]	4 [4]		1 [1]
J McKillop	9 [9]	9 [9]	5 [5]	2 [2]
C Gilbertson	0 [0]	0 [0]	0 [0]	0 [0]
G Scott	7 [9]	7 [9]		
R Norton	9 [9]	9 [9]		
A Beckett	5 [5]	5 [5]	3 [3]	
C Mirams	4 [5]	4 [5]		2 [2]

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	
Michele Allan (Chair)	4 [4]
Peter Trefort	2 [2]
Chris Mirams	2 [2]
Greg Harper	2 [2]

Peak Council representatives	
Andrew Ogilvie	2 [2]
Ian McColl	2 [2]
Don Mackay	4 [4]
Jeffrey Murray	2 [2]
Howard Smith	2 [2]

MLA Member elected representatives	
Warren Barnett	2 [2]
Ben Hooper	2 [2]
Ian McCamley	4 [4]
Jane Kellock	2 [2]
Therese Herbert	2 [2]

PRINCIPAL ACTIVITIES

The major activities of Meat & Livestock Australia Ltd and its subsidiaries (the Group) during the financial year comprised:

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

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

REVIEW AND RESULTS OF OPERATIONS

Operating result for the period

The result of the Group for the financial year was a net surplus from continuing operations of \$26,178,000 (2014: net surplus of \$7,428,000). This compared to a budgeted deficit of \$5,172,000 and was primarily attributed to larger than expected transaction levy income resulting from the high level of turnoff due to the continuing drought conditions.

Group overview

The Group earned total revenue of \$205,735,000 (2014: \$188,541,000) which is comprised of the following:

- > Transaction levies \$114,767,000 (2014: \$106,000,000)
- > Research and development matching grants \$46,475,000 (2014: \$46,704,000)
- > Research and development contributions (unmatched) \$238,000 (2014: \$2,374,000)
- > Other income and revenues \$44,255,000 (2014: \$33,463,000)

Total income received/receivable was more than total expenditure, which resulted in a net surplus from continuing operations of \$26,178,000 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

No significant events after balance date.

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

AUDITOR INDEPENDENCE

The auditor's independence declaration which forms part of the *Directors' Report* for the financial year ended 30 June 2015 has been received and can be found following this report.

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



Dr Michele Allan
Director



Richard Norton
Director

Sydney
17 September 2015

Auditor's Independence Declaration

to the Directors of Meat & Livestock Australia Limited



Ernst & Young Australia Operations Pty Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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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 2015, 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
17 September 2015

Income Statement

Year ended 30 June 2015	Note	Consolidated	
		2015 \$000	2014 \$000
CONTINUING OPERATIONS			
REVENUES FROM CONTINUING OPERATIONS	3	205,735	188,541
EXPENDITURE FROM CONTINUING OPERATIONS			
Improving market access		25,832	23,990
Growing demand		57,047	61,551
Increasing productivity		36,219	39,068
Promoting integrity and sustainability		15,826	16,928
Communicating with stakeholders		1,376	1,602
Other		550	550
R&D partnerships		30,000	25,966
Corporate costs		12,707	11,458
Total expenditure		179,557	181,113
NET SURPLUS FROM CONTINUING OPERATIONS		26,178	7,428
TOTAL CHANGE IN MEMBERS' FUNDS		26,178	7,428

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

Statement of Comprehensive Income

Year ended 30 June 2015	Consolidated	
	2015 \$000	2014 \$000
NET SURPLUS FROM CONTINUING OPERATIONS	26,178	7,428
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		
Items that may be subsequently reclassified to the <i>Income Statement</i>		
Cash flow hedges:		
Gain/(Loss) taken to equity	68	(216)
Transferred to <i>Statement of Financial Position</i>	216	(278)
Other comprehensive income/(expenses) for the year	284	(494)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	26,462	6,934

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

Statement of Financial Position

As at 30 June 2015	Notes	Consolidated	
		2015 \$000	2014 \$000
CURRENT ASSETS			
Cash and cash equivalents	25	90,973	62,585
Trade and other receivables	7	34,100	28,706
Prepayments and deposits	8	1,279	1,070
TOTAL CURRENT ASSETS		126,352	92,361
NON-CURRENT ASSETS			
Property, plant and equipment	12	5,332	6,678
Intangible assets	13	1,399	1,656
Other financial assets	14	4,243	5,274
TOTAL NON-CURRENT ASSETS		10,974	13,608
TOTAL ASSETS		137,326	105,969
CURRENT LIABILITIES			
Trade and other payables	15	36,844	34,100
Provisions	16	1,788	2,235
Other liabilities	17	9,793	6,328
TOTAL CURRENT LIABILITIES		48,425	42,663
NON-CURRENT LIABILITIES			
Other payables	18	3,294	3,535
Provisions	19	1,152	1,778
TOTAL NON-CURRENT LIABILITIES		4,446	5,313
TOTAL LIABILITIES		52,871	47,976
NET ASSETS		84,455	57,993
EQUITY – MEMBERS’ FUNDS			
Contributed equity	28	9,031	9,031
Retained surplus		75,356	49,178
Cash flow hedge reserve	20	68	(216)
TOTAL EQUITY – MEMBERS’ FUNDS		84,455	57,993

The accompanying notes form an integral part of this *Statement of Financial Position*.

Statement of Changes in Equity

Year ended 30 June 2015	Consolidated			
	Contributed equity \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
At 1 July 2013	9,031	41,750	278	51,059
Deficit for the year	-	7,428	-	7,428
Other comprehensive income	-	-	(494)	(494)
Total comprehensive (loss)/income	-	7,428	(494)	6,934
At 30 June 2014	9,031	49,178	(216)	57,993
Surplus for the year	-	26,178	-	26,178
Other comprehensive income	-	-	284	284
Total comprehensive income	-	26,178	284	26,462
At 30 June 2015	9,031	75,356	68	84,455

The accompanying notes form an integral part of this *Statement of Changes in Equity*.

Statement of Cash Flows

Year ended 30 June 2015	Notes	Consolidated	
		2015 \$000	2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies collected		125,880	115,630
Research and development matching grants		48,588	48,291
Receipts from processors and live exporters		19,370	12,957
Other receipts		24,550	23,753
Payments to suppliers and employees		(191,526)	(193,395)
NET CASH FLOWS FROM OPERATING ACTIVITIES	25(b)	26,862	7,236
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		–	53
Purchase of property, plant and equipment		(522)	(6,451)
Purchase of software		(271)	(352)
Interest received		2,319	1,556
NET CASH FLOWS FROM INVESTING ACTIVITIES		1,526	(5,194)
NET INCREASE IN CASH HELD		28,388	2,042
Add opening cash brought forward		62,585	60,543
CLOSING CASH CARRIED FORWARD	25(a)	90,973	62,585

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 2015 was authorised for issue in accordance with a resolution of the directors on 17 September 2015.

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 principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations, as listed below, did not have any significant impact on the financial performance or position of the company.

- AASB 2012-3
Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3
Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4
Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- AASB 2013-4
Amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations
- AASB 2013-5
Amendments to Australian Accounting Standards – Investment Entities
- AASB 2014-1
Amendments to Australian Accounting Standards (Parts A – C); and
- Interpretation 21
Levies

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 2015 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). Controls are achieved where the Company has power over the investee, exposure, or rights to variable returns from its involvement with the investee and the ability to use its power to affect its returns. The results of

subsidiaries acquired or disposed during the year are included in the Consolidated income statement and Statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

(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 revenue are recognised for the major business activities as follows:

- Transaction levies – revenue is recognised in the period to which it relates based on confirmations received from the Levies and Revenue Service who collect and distribute levies to the Company.
- Research and development 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 research and development expenditure has been incurred. Accrued matching payments represent unclaimed funding for the amount incurred on research and development.
- Research and development contributions (unmatched) – the company receives funding from various external parties (including the Department of Agriculture and the Australian Government) to conduct collaborative research and development 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*.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(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	1-7 years
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(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 corporate bond rates are used in determining the present value of the future cash outflows.

(q) Fit-out contribution and rent free period

The Company negotiated the lease of new premises in North Sydney in April 2013 which included incentives that involved a combination of a fit-out contribution and rent free period. The benefit of these incentives are being amortised on a straight-line basis over the ten years and five months lease term. The Company's Brisbane office moved to new premises during 2010 with a rent free period. The benefit of the rent free period is being amortised on a straight-line basis over the 60 month lease term.

(r) Investment in associate

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

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

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

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

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

(s) Leasehold make good provision

The Company has entered into a number of office premises lease agreements which include make good clauses. A make good clause requires the Company to restore the premises to its original condition at the conclusion of the lease. The provision has been calculated as the present value of the expected cost, which has been based on management's best estimate.

3. REVENUE FROM CONTINUING OPERATIONS

Revenues from operating activities

		Consolidated	
	Notes	2015	2014
		\$000	\$000
Transaction levies	4	114,767	106,000
R&D Commonwealth matching payments		46,475	46,704
R&D contributions (unmatched)		238	2,374
Other income	5	41,674	31,349
Total revenues from operating activities		203,154	186,427

Revenues from non-operating activities

Bank interest		2,581	2,072
Net gain on disposal of property, plant and equipment		-	42
Total revenues from non-operating activities		2,581	2,114
Total revenues from continuing operations		205,735	188,541

	Consolidated	
	2015 \$000	2014 \$000
4. TRANSACTION LEVIES		
Transaction levies:		
– Grainfed cattle	10,510	9,818
– Grassfed cattle	66,938	61,185
– Lambs	33,683	31,223
– Sheep	2,720	2,944
– Goats	916	830
Total transaction levies	114,767	106,000
5. OTHER INCOME		
Processor contributions	12,325	10,759
Live exporter contributions	2,416	1,184
Co-operative funding	2,855	2,885
R&D partnership income	15,000	12,983
Sale of products or services	1,595	1,911
Other	(a) 7,483	1,627
Total other income	41,674	31,349
(a) Other income includes payroll tax refund of \$5,608,638 resulting from exemption granted for payment of payroll tax in NSW, VIC and SA.		
6. EXPENSES AND LOSSES		
Depreciation and amortisation of non-current assets included in the <i>Income statement</i> :		
Leasehold improvements	785	786
Plant and equipment	1,009	959
Furniture and fittings	28	38
Amortisation of intangible assets	528	452
Total depreciation and amortisation of non-current assets	2,350	2,235
(Gain)/loss on sale of assets	26	(42)
Operating lease rentals included in the <i>Income Statement</i>	3,442	3,808
Employee benefit expense:		
Wages and salaries	26,588	25,917
Workers compensation costs	114	123
Annual leave provision	1,547	1,768
Long service leave provision	237	347
Superannuation expense	2,090	2,112
Other post employment benefits	40	56
Total employee benefit expense	30,616	30,323

	Consolidated	
	2015 \$000	2014 \$000
7. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	5,178	4,045
Allowance for impairment of receivables (a)	–	–
Trade receivables, net	5,178	4,045
Accrued revenue		
– Levies	8,002	7,638
– R&D Commonwealth matching payments	18,714	14,679
– Other	2,090	2,198
Total accrued revenue	28,806	24,515
Other receivables	116	146
Total current receivables, net	34,100	28,706

There have been no movements in the provision for impairment loss.

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 2015	5,178	4,697	316	62	21	47	35
30 June 2014	4,045	2,060	1,662	186	43	44	50

(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: \$481,000 (2014: \$1,985,000). 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 29.

	Consolidated	
	2015 \$'000	2014 \$'000
8. PREPAYMENTS AND DEPOSITS		
Prepayments	658	730
Deposits	621	340
Total prepayments and deposits	1,279	1,070

9. INVESTMENT IN ASSOCIATE

Unlisted:		
AUS-MEAT Limited	-	-

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

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

MLA has a continuing commitment to support AUS-MEAT Limited. The contribution for the financial year ended 30 June 2015 was \$550,000 (2014: \$550,000).

Summary results of the associate entity

	AUS-MEAT Limited	
	2015 \$'000	2014 \$'000
Revenue	14,460	14,412
Accumulated surplus at beginning of the year	3,249	2,916
Net surplus for the year	779	333
Accumulated surplus at end of the year	4,028	3,249

Financial summary of associated entity

Total current assets	11,002	8,842
Total non-current assets	3,223	3,320
Total current liabilities	5,125	3,609
Total non-current liabilities	221	187
Net assets	8,879	8,366

The investment in AUS-MEAT Limited has been taken up at nil value (2014:\$nil). There is no entitlement to a share of the net results or net assets except in the event of a winding up of the entity.

10. 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	
	2015	2014	2015	2014
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

	2015 \$000	2014 \$000
Information relating to Meat & Livestock Australia Limited		
Current assets	122,329	88,159
Total assets	133,154	101,555
Current liabilities	43,823	38,046
Total liabilities	48,440	43,240
Contributed equity	9,031	9,031
Reserves	68	(216)
Total equity – Members' funds	84,715	58,315
Surplus/(deficit) for the year	26,178	7,428
Other comprehensive (expense)/income for the year	284	(494)

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	
	2015 \$000	2014 \$000
12. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
<i>At cost</i>	5,824	5,539
<i>Accumulated depreciation</i>	(4,296)	(3,466)
Total plant and equipment	1,528	2,073
Furniture and fittings		
<i>At cost</i>	336	364
<i>Accumulated depreciation</i>	(289)	(292)
Total furniture and fittings	47	72
Leasehold improvements		
<i>At cost</i>	5,711	5,765
<i>Accumulated depreciation</i>	(1,954)	(1,232)
Total leasehold improvements	3,757	4,533
Total property, plant and equipment		
Cost	11,871	11,668
<i>Accumulated depreciation</i>	(6,539)	(4,990)
Total written down value	5,332	6,678

	Consolidated	
	2015 \$000	2014 \$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	2,073	1,124
Additions	491	1,911
Disposals	(26)	(3)
Depreciation expense	(1,010)	(959)
	1,528	2,073
Furniture and fittings		
Carrying amount at beginning	72	64
Additions	7	46
Disposals	(4)	-
Depreciation expense	(28)	(38)
	47	72
Leasehold improvements		
Carrying amount at beginning	4,533	834
Additions	65	4,494
Disposals	(15)	(9)
Depreciation expense	(826)	(786)
	3,757	4,533
13. INTANGIBLE ASSETS		
Software		
<i>At cost</i>	6,347	6,076
<i>Accumulated amortisation</i>	(4,948)	(4,420)
Total software	1,399	1,656
Reconciliation		
Carrying amount at beginning	1,656	1,756
Additions	271	352
Amortisation expense	(528)	(452)
	1,399	1,656
14. OTHER FINANCIAL ASSETS		
Other financial assets consist of restricted cash which relates to cash held as rental bonds in bank account which is pledged as collateral to landlords for risks retained by the group.		
Total other financial assets	4,243	5,274
	4,243	5,274

	Consolidated	
	2015 \$000	2014 \$000
15. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables (a)	15,484	11,917
Accrued R&D and other creditors (a)	18,903	18,991
Funds held on behalf of the Commonwealth (b)	–	6
Rent-free period (Refer note 2q)	472	476
Derivative financial instruments (c)	(68)	216
Employee entitlements		
– Annual leave	1,787	2,275
– Other	266	219
Total current trade and other payables	36,844	34,100

- (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 21.
- (b) The Company has entered into arrangements with the Commonwealth Government, through the Department of Agriculture, 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.

	Consolidated	
	2015 \$000	2014 \$000
16. PROVISIONS (CURRENT)		
Long service leave	1,667	2,213
Leasehold make good	121	22
Total current provisions	1,788	2,235

Movements in provisions:

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	2,213	22	2,235
Additional provisions/(provision written back)	442	(41)	401
Utilised	(1,151)	(23)	(1,174)
Amounts transferred from/(to) non-current during the year	163	163	326
Carrying amount at the end of the financial year	1,667	121	1,788

	Consolidated	
	2015 \$000	2014 \$000
17. OTHER LIABILITIES (CURRENT)		
Unearned income	8,888	5,960
Other	905	368
Total current other liabilities	9,793	6,328
18. OTHER PAYABLES (NON-CURRENT)		
Fit-out contribution and Rent-free period (Refer note 2q)	3,294	3,535
Total non-current other payables	3,294	3,535
19. PROVISIONS (NON-CURRENT)		
Long service leave	661	1,127
Leasehold make good	491	651
Total non-current provisions	1,152	1,778

Movements in provisions:

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	1,127	651	1,778
Additional provisions	(303)	3	(300)
Amounts transferred (from)/to current during the year	(163)	(163)	(326)
Carrying amount at the end of the financial year	661	491	1,152

	Consolidated	
	2015 \$000	2014 \$000
20. CASH FLOW HEDGE RESERVE		
At the beginning of the financial year	(216)	278
Net surplus/(loss) on cash flow hedges	68	(216)
Transfer of cash flow hedge reserve to <i>Statement of Comprehensive Income</i>	216	(278)
Total cash flow hedge reserve (a)	68	(216)

(a) The full amount of hedged cash flows as at 30 June 2015 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 2015, a gain of \$67,947 (2014: \$216,352 loss) was recognised in the cash flow hedge reserve. As at 30 June 2015, the Company did not have any portion of cash flow hedges deemed ineffective.

21. 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 29). The Australian dollar equivalents of other foreign currency monetary items included in the *Statement of Financial Position* that are not hedged are set out below.

	Consolidated	
	2015 \$000	2014 \$000
Current assets:		
– UAE dirham	386	182
– Euro	52	21
– Chinese renminbi	55	10
– Indonesian rupiah	85	26
– Singapore dollars	36	–
– Vietnamese dong	28	–
	642	239
Current liabilities:		
– UAE dirham	36	31
– Chinese renminbi	44	10
– Indonesian rupiah	82	26
	162	67

	Consolidated	
	2015 \$000	2014 \$000
22. EMPLOYEE ENTITLEMENTS		
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer note 16)	1,667	2,213
Provisions – non-current (refer note 19)	661	1,127
Payables – current (refer note 15)	2,053	2,494
	4,381	5,834
The number of full-time equivalent employees as at 30 June	210	249.9

23. REMUNERATION OF AUDITORS

	Consolidated	
	2015 \$	2014 \$
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	164,800	156,300
– other services in relation to the entity and any other entity in the consolidated entity:		
• tax compliance	8,000	8,000
• other non-statutory audit services (a)	24,624	2,230
	197,424	166,530
(a) Summary of the other non-statutory audit fees incurred are:		
Levies and grant audits	24,624	–
Others	–	2,230
	24,624	2,230

24. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

Michele Allan	Chair
Richard Norton	Managing Director
George Scott	
Lucinda Corrigan	
Christine Gilbertson	(resigned 18 July 2014)
Gregory Harper	(resigned 11 February 2015)
Geoffrey Maynard	
John McKillop	
Peter Trefort	
Rodney Watt	(retired 13 November 2014)
Alan Beckett	(appointed 13 November 2014)
Chris Mirams	(appointed 13 November 2014)

(ii) Executives

Peter Barnard	General Manager – Trade and Economic Services (no longer a KMP from 26 November 2014)
Rachel Debeck	General Manager – Legal and Human Resources (resigned 22 August 2014)
Michael Edmonds	General Manager – Global Marketing (resigned 31 March 2015)
Michelle Gorman	General Manager – Industry Systems (resigned 12 September 2014)
Karen Hellwig	General Manager – Industry Communication & Engagement (resigned 31 March 2015)
Christine Pitt	General Manager – Value Chain Innovation
Greg Taylor	General Manager – Finance & IT (resigned 22 August 2014)
Peter Vaughan	General Manager – Livestock Production Innovation (resigned 22 August 2014)
Clare Stanwix	General Counsel & Company Secretary
Alex Ball	General Manager – Red Meat Innovation (appointed 18 August 2015)
Michael Finucan	General Manager – International Markets (appointed 1 March 2015)
Jane Weatherley	General Manager – Livestock Productivity (appointed 1 April 2015)
Steve Potts	Chief Operating Officer (appointed 4 November 2014)
Matthew McDonagh	General Manager – On-farm Innovation and Adoption (appointed 12 January 2015)
Rachel Cofrancesco	Head of Human Resources (appointed 23 February 2015)
Lisa Sharp	General Manager – Central Marketing and Industry Insights (appointed 20 April 2015)
Clair Cameron	General Manager – Communications and Stakeholder Engagement (appointed 4 May 2015)

(iii) Compensation of key management personnel by categories

Notes	Consolidated	
	2015 \$	2014 \$
<i>Directors (a)</i>		
Short-term benefits	979,095	939,765
Post employment benefits	63,666	62,915
Other long-term benefits	1,153	7,834
(a)	1,043,914	1,010,514
<i>Executives (b)</i>		
Short-term benefits	2,646,775	2,335,122
Post employment benefits	172,794	142,198
Other long-term benefits	45,968	70,616
(b)	2,865,537	2,547,936

(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.

24. 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 Chancellor of Charles Sturt University which has invoiced the company \$598,385 (2014: \$nil) for various R&D projects. Dr Allan is non-executive director of Food Innovation Australia. The Company has invoiced \$126,844 (2014: \$nil) for development of meat based retail-ready chilled toddler food.
- Dr Harper is an Honorary Senior Fellow at the University of Melbourne which invoiced the Company \$46,727 (2014: \$nil) for the Quantifying Welfare Improvements programme and \$199,171 (2014:\$nil) for MSA Statistical Analysis for development of the MSA grading model. Dr Harper is also the Executive Director of the Victorian Department of Economic Development, Jobs, Transport and Resources which invoiced the company \$895,368 for the period 1 July 2014 until his resignation as an MLA Director on 11 February 2015. The projects included EverGraze (\$275,000), methane mitigation (\$161,334), the More Beef from Pastures (MBfP) program (\$110,000), the enhanced Producer Demonstration Sites program (\$77,000) and other smaller projects totalling \$272,035.
- Mr Maynard is a member of Agforce Qld which invoiced the Company \$7,100 (2014: \$nil) for Ag-Grow Field Days. The Company invoiced Agforce Qld for \$7,644 (2014: \$nil) for the Animal Welfare and South Asia/Greater China Beef Week delegation.
- Mr McKillop is a non-executive Director of Dairy Australia Limited which has invoiced the Company \$119,806 (2014: \$126,500). This is primarily for the Company's contribution to implementation of national RD&E water strategy. The Company has invoiced Dairy Australia Limited \$188,798 (2014: \$194,747) for 'Cattle Selection Methods patent' opposition. The outstanding balance at 30 June was \$4,125 (2014: \$14,652). Mr McKillop is also a non-executive director of the Primary Industries Education Foundation which invoiced the Company \$92,950 (2014: \$84,700) for development of the 'Unit of Inquiry' Study Guide.
- Mr Mirams is a Director of Holbrook Landcare Network which is a recipient of Producer Demonstration Site funding for productivity benefits of traditional and non-traditional fertilisers. During the year, Holbrook Landcare invoiced the Company \$18,933.
- Mr Scott is a member of Northern Territory Cattlemen's Association which invoiced the company \$46,500 (2014: \$nil) for Indonesia market access and the 2015 NTCA industry conference. Mr Scott is a member of Agforce Qld which invoiced the Company \$7,100 (2014: \$nil) for Ag-Grow Field Days. The Company invoiced Agforce Qld for \$7,644 (2014: \$nil) for the Animal Welfare and South Asia/Greater China Beef Week delegation. Mr Scott received director's fees including superannuation totalling \$17,600 (2014: \$6,667) from AUS-MEAT Limited.
- Mr Trefort is a director of the 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 \$1,741,528 (2014: \$613,401) to carry out various R&D projects. The outstanding balance at 30 June was \$426,250 (2014: nil). The company invoiced Sheep CRC \$123,654 for continuation of the sheep information nucleus under Sheep CRC management.

	Consolidated	
	2015 \$'000	2014 \$'000
25. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash on hand	14,374	16,987
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	99	98
Short term money market deposits	76,500	45,500
Closing cash balance	90,973	62,585
(b) Reconciliation of net cash from operating activities to net surplus		
Net surplus/(deficit)	26,178	7,428
Adjustments for:		
Net (gain)/loss on disposal of property, plant and equipment	45	(42)
Depreciation expense	1,821	1,783
Amortisation expense	528	452
Interest received	(2,319)	(1,556)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
(Increase) in trade and other receivables	(5,394)	(4,955)
(Increase) in prepayments and deposits	(209)	(16)
(Increase)/decrease in other financial assets	1,031	(50)
Increase/(decrease) in liabilities:		
Increase in trade and other payables	2,503	5,679
(Decrease)/increase in other liabilities	3,465	(624)
(Decrease) in provisions	(788)	(863)
Net cash from operating activities	26,862	7,236
26. EXPENDITURE COMMITMENTS		
Expenditure (primarily research and development) contracted for is payable as follows:		
– Not later than one year	69,009	48,166
– Later than one year but not later than five years	36,668	43,022
– Later than five years	–	–
Aggregate R&D expenditure contracted for at balance date	105,677	91,188
Operating lease expenditure contracted for is payable as follows:		
– Not later than one year	3,943	3,567
– Later than one year but not later than five years	8,926	7,672
– Later than five years	5,422	7,213
Aggregate lease expenditure contracted for at balance date (a)	18,291	18,452

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

27. 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 2015, the number of members was 49,845 (2014: 49,260).

28. CONTRIBUTED EQUITY

	Consolidated	
	2015 \$000	2014 \$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.

29. 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 & 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% and 3.70% at 30 June 2015. Some of these assets are held in foreign currency accounts.

Sensitivity analysis:

At 30 June 2015, 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	
	2015 \$000	2014 \$000
+1.00% (2014: +1.00%)	941	672
-0.50% (2014: -1.00%)	(470)	(672)

There is no direct impact on other comprehensive income.

29. 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 2015, 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 2015. 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	
	2015	2014	2015 \$000	2014 \$000
United States dollars				
Maturing in:				
3 months or less	0.7868	0.9041	3,050	1,991
Over 3 to 12 months	0.7643	0.9106	3,663	3,789
			6,713	5,780
Japanese yen				
Maturing in:				
3 months or less	94.06	91.76	638	1,253
Over 3 to 12 months	92.48	92.60	1,622	2,970
			2,260	4,223
Korean won				
Maturing in:				
3 months or less	867.86	959.56	461	886
Over 3 to 12 months	846.12	944.16	1,725	1,536
			2,186	2,422

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.

29. 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.

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	34,293	-

29. 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 2015	
Market observable inputs (level 2) \$000	Total \$000
68	68
68	68

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.

MLA presents derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparties if they were subject to default. As at 30 June 2015, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by \$114,636 (30 June 2014: \$16,561) and derivative liabilities are reduced by \$114,636 (30 June 2014: \$16,561).

30. 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 (2014: \$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 (2014: \$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 2015 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



Dr Michele Allan
Director



Richard Norton
Director

Sydney

17 September 2015

Independent Auditor's Report

to the members of Meat & Livestock Australia Limited



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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 2015, 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.



Opinion

In our opinion:

a. 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 2015 and of its performance for the year ended on that date; and
- ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rob Lewis'.

Rob Lewis
Partner
Sydney
17 September 2015

Appendix 1: CoMarketing Program Participants 2014-15

Lamb CoMarketing	\$
Arcadian Organic	9,350
Australian Natural Meats	4,091
Beak & Johnston	2,058
Bidvest Australia	12,766
Country Fresh	12,824
Dardanup Butchery	15,000
Fletcher International	12,336
Floreat Meat	1,046
Hassad Australia	45,000
Homebush Export	3,000
JBS Australia	44,742
Meat Tender	3,125
Mulwarra Export	32,573
Ramsden Agriculture	2,000
Saltbush Livestock	9,132
Sanger International	4,179
Thomas Foods International	26,097
Top Cut Foods	9,191
White Stripe	30,646
Total	279,156

Beef CoMarketing	\$
AAco	129,006
Andrews Meat Industries	19,998
AOM Group	11,750
Arcadian Organic	47,435
Atron Enterprises	38,396
Australian Country Choice	53,635
Australian Grassfed Meats	6,365
Beak & Johnston	10,228
Beefcorp International	3,555
Bidvest Australia	10,141
Bindaree Beef	60,768
Bingil Bay	4,873
CAAB	36,297
Carpenter Beef	491
Dardanup Butchery	21,695
Elders International	21,275
Floreat Meat Exporters	1,046
Foodcomm Australia	47,751
G&K O'Connor	5,603
Greenham Tasmania	76,313
Haywill Holdings	1,565
Homebush Export	10,000
JAC Wagyu	5,574
JBS Australia	278,180
John Dee Exports	9,429
KC Natural Meat	2,292

Beef CoMarketing continued	\$
Lee Pratt Agribusiness	6,046
Matrad	50,000
Meat Tender	7,561
Mulwarra Export	67,336
New World Foods	27,423
NH Foods	77,365
Nolan Meats	32,659
Northern Co-Operative	4,545
OBE Beef	30,008
Rangers Valley	24,495
Richard Gunner Fine Meats	9,360
Sanger Australia	42,412
Signature Beef	16,672
Smithfield Feedlot	4,480
South Australian Cattle Co.	19,675
Stanbroke Beef	105,870
Stockyard	55,786
Tabuan	4,250
Tasmania Feedlot	115,680
Teys Australia	189,374
Thomas Foods International	52,500
Top Cut Foods	14,748
Warmoll Foods	35,000
White Stripe	38,697
Total	1,945,603

Tables, Illustrations and Charts

Alignment of MLA R&D projects with National Research Priorities	74
Alignment of MLA R&D projects with Rural R&D Priorities	74
Annual cattle production	4
Annual lamb production	5
Australian grassfed beef exports to the US	23
Beef and veal exports	4
CoMarketing Program participants 2014-15	125
Comparison of MLA's Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations (3rd edition)	83
Domestic retail beef prices	4
Domestic retail lamb prices	5
Eastern Young Cattle Indicator	4
Events attended by Managing Director Richard Norton in 2014-15	7
Free trade agreements signed	15
Goatmeat exports	5
Income and expenditure by funding source 2014-15	70-71
Investment – growing demand strategic imperative and related objectives	22, 24, 26, 28, 30, 32, 34, 38
Investment – maintaining and improving market access strategic imperative and related objectives	14, 16, 18, 20
Investment – increasing productivity across the supply chain strategic imperative and related objectives	40, 42, 46, 48, 50, 52
Investment – supporting industry integrity and sustainability strategic imperative and related objectives	54, 56, 58, 60, 62, 64
Lamb exports	5
Levy allocation – grassfed cattle, grainfed cattle, lamb, sheep and goat	72
Light and heavy lamb prices	5
Live cattle, sheep and goat exports	15
Major sources of greenhouse gas emissions in Australia	55
MLA contributions to the CoMarketing Program	76
MLA Board and Committee meetings	93
MLA employees	67, 91
MLA expenditure	8, 67, 69
MLA membership	67, 72
MLA office locations	3
MLA revenue	8, 67, 68
MLA's governance framework	77
MLA's revenue/expenditure summary	68
MLA's strategic and operational planning process	13
National MSA beef grading numbers	23
Number of facilities in ESCAS approved supply chains, by market	15
Organisation structure	88
Regional consultation	73, 74
Research contracts	67, 75
Retained earnings	8, 69
Top three most costly northern cattle, southern cattle, sheep and goat diseases	41

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/corportatedocuments or by phoning 1800 675 717:

MLA Corporate Plan 2010–2015

MLA Annual Operating Plan 2014-15

MLA evaluation series

Acronyms

ABBA	Australian Brahman Breeders Association	TDB	Texas de Brazil
ABS	Australian Bureau of Statistics	TFI	Thomas Foods International
AGM	annual general meeting	UNE	University of New England
ALFA	Australian Lot Feeders' Association	US	United States
AMLC	Australian Meat and Live-Stock Corporation	WA	Western Australia
AMPC	Australian Meat Processor Corporation	WALRC	Western Australia Livestock Research Council
APVMA	Australian Pesticides and Veterinary Medicines Authority	WHS	Workplace health and safety
AWI	Australian Wool Innovation		
BMP	best management practice		
CAL	covered anaerobic lagoon		
ChAFTA	China-Australia Free Trade Agreement		
CISP	Collaborative Innovation Strategies Partnership		
COHRAL™	covered high-rate anaerobic lagoon		
CRC	Cooperative Research Centre		
CSIRO	Commonwealth Scientific and Industrial Research Organisation		
cwt	carcase weight		
DAF	Department of Agriculture and Fisheries		
DAFWA	Department of Agriculture and Food WA		
DEXA	dual emission X-ray analysis		
EBV	estimated breeding value		
ESCAS	Exporters Supply Chain Assurance System		
EU	European Union		
EUCAS	European Union Cattle Accreditation Scheme		
FTA	free trade agreement		
GP	general practitioner		
IACRC	Invasive Animals CRC		
JAEPA	Japan–Australia Economic Partnership Agreement		
KPI	key performance indicator		
LDL	Livestock Data Link		
LGAP	Livestock Global Assurance Program		
LPA	Livestock Production Assurance		
MBfP	More Beef from Pastures		
MDC	MLA Donor Company Limited		
MENA	Middle East/North Africa		
<i>MISP</i>	<i>Meat Industry Strategic Plan</i>		
MLA	Meat & Livestock Australia		
MMFS	Making More From Sheep		
MOU	Memorandum of Understanding		
MSA	Meat Standards Australia		
Mt	million tonnes		
NABRC	North Australia Beef Research Council		
NLIS	National Livestock Identification System		
NLMP	National Livestock Methane Program		
NSW	New South Wales		
NTCA	Northern Territory Cattlemen's Association		
NVD	National Vendor Declaration		
OH&S	Occupational health and safety		
R&D	research and development		
RD&A	research, development and adoption		
RD&E	research, development and extension		
RHDV	rabbit haemorrhagic disease virus		
SAMRC	Southern Australia Meat Research Council		
SEXA	Single emission X-ray analysis		
swt	shipped weight		

Index

BC Back cover			
IFC Inside front cover			
A			
About MLA	2-3, 66-91		
Animal health	50-51		
Annual Operating Plan	12-13, 73, 82		
Assets	98, 103		
Australian Government	IFC, 2-7, 13, 19, 21, 59, 72-75, 77-78, 102, 116		
Australian Livestock Exporters' Council	3, 73		
Australian Lot Feeders' Association	3, 5, 73		
Australian Meat Processor Corporation	3, 25, 46, 61, 72-73, 107		
Australian Wool Innovation	42, 52-53		
Audit and risk committee	80-82, 85-86		
Auditors	IFC, 81, 114		
Automation	5, 11, 40-41, 46-47, 75, 88		
B			
Biosecurity	50, 70, 74		
Board	5, 7, 13, 74, 77-87, 93-94		
C			
Cash flow	97-100, 102, 113, 119-120		
Cattle Council of Australia	3, 73-74, 76		
Chair	2-3, 78		
CoMarketing Program	34-35, 38-39, 75-76, 125		
Consultation	1, 3, 5, 7, 13, 73-74, 76		
Collaboration Innovation Strategies			
Partnership	65		
Communications and Stakeholder Engagement	88, 90		
Community	60, 62-63		
Company secretary	79, 90, 93		
Conflicts of interest	82		
Contracts	67, 75		
Corporate governance	77, 83-87		
CSIRO	44, 57		
D			
Deficit, financial	70-71		
Dietitians Association of Australia	27		
Diversity	83, 91		
E			
Eating quality	24-25		
Efficiency	1, 6		
Employee entitlements	114		
Engagement	1, 6, 52, 62		
Equity	97-99		
Ernst & Young	IFC, 81, 114		
Evaluation	76		
Events	7		
Expenditure	8, 67-71, 96		
Exporter Supply Chain Assurance System	15, 20-21		
Exports	4-5, 15		
F			
Financial position	8, 98		
Financial report	92-124		
Financial summary	68-71		
Food safety	16-17		
Food and Agriculture Organization	8		
Free trade agreements	14-15, 18-19		
G			
Gender equity	83-84, 91		
Global marketing	34-39		
H			
Hedging	102-103		
History	2		
Human resources	91		
I			
Income	96-97		
Indemnification and insurance	94		
Invasive Animals CRC	57		
L			
Leadership Team	89-90		
Leases	103		
Levies	8, 68-72		
Liabilities	98		
LiveCorp	3, 20-21, 71-73		
Livestock exports	4, 15, 21		
Livestock Data Link	48-49, 65		
Livestock Global Assurance Program	21		
Livestock Productivity	88, 90		
Locations (of MLA offices)	3		
M			
Managing Director	6-8, 78, 89		
Market access	14-21		
Marketing	22-39		
Meat Industry Strategic Plan	13, 73-74		
Market information	52-53		
Meat Standards Australia	24-25		
Membership	3, 67, 72		
MLA Donor Company	75		
Mission	2		
N			
National Livestock Identification System	17, 93		
National Livestock Reporting Service	49		
National Vendor Declaration	17		
New products	28-29		
Nutrition	26-27		
O			
On-farm Innovation and Adoption	88-89		
Organisation structure	88		
Operating environment	4-5		
P			
Pastures	42-45		
Peak industry councils	3, 13, 73		
Production	4-5		
Property, plant and equipment	98, 103		
R			
Red Meat Innovation	88, 90		
Regional consultation	7, 13, 73-74		
Related party transactions	116		
Remuneration Committee	80-87		
Research contracts	67, 75		
Restructure	91		
Retained surplus	8, 69		
Revenue	8, 67-68, 94, 96		
Risk management	81-82, 118-121		
S			
Selection Committee	5, 81-82		
Senate Inquiry	5-6, 76		
Sheep CRC	25, 42-43, 116		
Sheepmeat Council of Australia	3, 73-74, 76		
Staff	3, 8-9, 91		
Stakeholders	3		
Strategies	2, 14, 22, 42, 54		
Street address	94, BC		
Surplus financial	8, 69-71, 93-94		
Sustainability	54-65		
Systems review	76-77		
T			
<i>Target 100</i>	62-63		
Transparency	1-2, 7-8		
<i>True Aussie</i>	4, 34-35		
V			
Value Chain Innovation	88-89		
Values	2		
Vision	2		
W			
Website	7, 53		
Workplace health and safety	91		
World Health Organization	8		

MLA's *Annual Report 2014-15*
is available online at
www.mla.com.au/annualreport



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