



**MEAT & LIVESTOCK AUSTRALIA**  
ANNUAL REPORT 2013-14

# CONTENTS

Who we are	1
Chair's report	3
Managing Director's report	5
<b>Report to stakeholders</b>	<b>7</b>
Maintaining and improving market access	8
Growing demand	14
Increasing productivity across the supply chain	24
Supporting industry integrity and sustainability	34
<b>About MLA</b>	<b>40</b>
Financial summary	41
Strategic framework	44
Corporate governance	47
Organisation structure	54
<b>Financial report</b>	<b>57</b>
Directors' report	58
Auditor's independence declaration	60
Income statement	61
Statement of comprehensive income	62
Statement of financial position	63
Statement of changes in equity	64
Statement of cash flows	65
Notes to the financial statements	66
Directors' declaration	87
Independent auditor's report	88
Industry collaborative agreement participants	90
Useful information	91
Index	92

Cover: Victorian producers Bill and Georgia Wilson took part in the inaugural *MLA challenge*, a program to inspire producers to improve their production systems by using R&D outcomes (see page 33).

## READING THIS ANNUAL REPORT

This *Annual report* presents a summary of Meat & Livestock Australia's programs, outcomes and financial performance during 2013-14.

It is made up of four main sections:

- introductory reports by the MLA Chair and Managing Director
- a *Report to stakeholders* that outlines MLA's performance across four strategic imperatives, program highlights and progress against our key performance indicators, and provides an overview of the company, our strategic framework, investments and operations
- 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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## WHO WE ARE

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

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

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

MLA invested more than \$181 million in these marketing and R&D programs in the past year. This funding comes from transaction levies on livestock sales, Australian Government dollar-for-dollar matched funding for R&D investments, co-investments by processors, livestock exporters, wholesalers, food service operators and retailers, and commercial investments by individual businesses along the supply chain.

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



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

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

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

**VALUES** Integrity  
Respect where the money comes from  
Innovation  
Collaboration  
Agility

# CHAIR'S REPORT

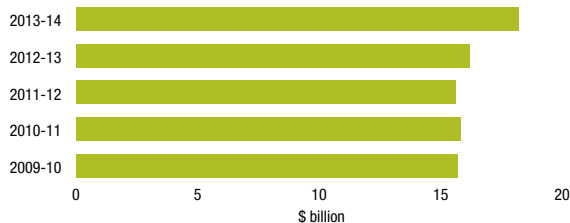
For Australian cattle, sheep and goat producers, 2013-14 continued the climatic conditions that afflicted industry over the previous year. The dry that prevailed across most of the eastern states throughout 2013 pushed many areas into drought, particularly in Queensland.

What resulted was a sustained very high turn-off of livestock and record production levels of beef and lamb – as livestock flooded through markets and processing works across the country for 18 months. This heightened supply continued to dominate the fortunes of the red meat and livestock industry throughout 2013-14.

An indication of the scale of the turnoff can be seen in the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimates which saw cattle slaughter increasing 12 per cent compared to the previous year's high numbers and reach its highest level since 1978-79, with Australia's total cattle herd falling 6 per cent as a result.

The knock-on effect of this flood of supply on livestock prices across the country was marked. The flagship national cattle price indicator – the Eastern Young Cattle Indicator – began the financial year at around 325 cents per kg and hit a trough at 286 cents in January before recovering to finish the final quarter at 334-351 cents.

## The total value of the red meat and livestock industry increased to AU\$18.2 billion

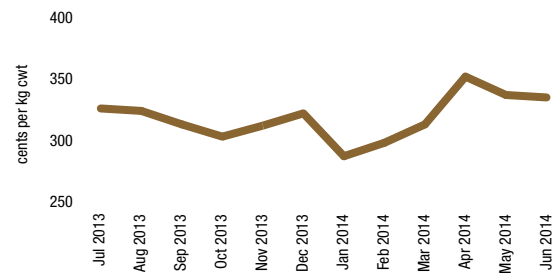


Source: MLA estimate



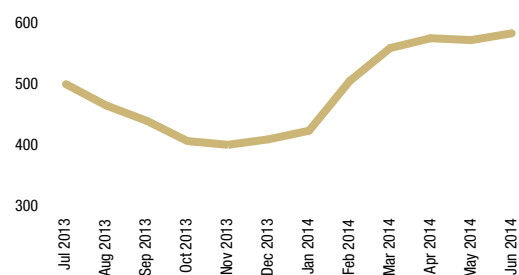
MLA Chair, Dr Michele Allan

## The Eastern Young Cattle Indicator averaged 317 cents per kg cwt over the course of 2013-14



Source: MLA

## The Eastern States Trade Lamb Indicator averaged 484 cents per kg cwt over 2013-14



Source: MLA

Lamb prices followed a similar trend with the Eastern States Trade Lamb Indicator tracking downwards from 497 cents per kg at the start of the financial year to 396 cents in November and then rebounding in June to 580 cents.

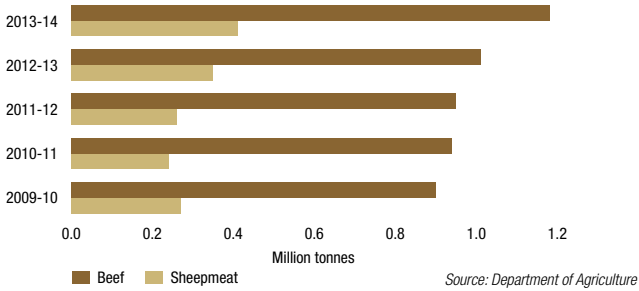
Supply flowed through to red meat production levels that surged past even the record-breaking figures of the previous year. Beef and veal production in 2013-14 reached almost 2.5 million tonnes cwt, an increase of 10 per cent on the previous year, while lamb production hit more than 474,200 tonnes cwt (up 3.7 per cent), mutton production increased to almost 227,900 tonnes cwt (up 24.4 per cent) and goatmeat production reached more than 33,600 tonnes cwt (up 7.9 per cent).

While this flood of livestock supply and meat production had the potential to be calamitous for Australian industry, strong demand across global markets provided a substantial buffer against the impact of Australia's unforgiving climate.

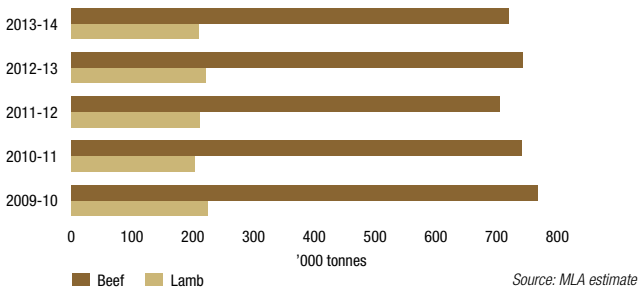
Australian beef and sheepmeat exports smashed previous records with robust demand across most major markets. Beef export values totalled \$6.5 billion FOB for the year, an increase of 27.3 per cent on the previous year, on the back of 16.8 per cent higher volumes that reached 1.2 million tonnes swt. Similarly, sheepmeat export values strengthened considerably to reach \$2.3 billion FOB during 2013-14, an increase of 40.8 per cent on the previous year, off export volumes of 409,500 tonnes swt, 18.8 per cent higher than the previous year. Goatmeat export values also increased by 36.5 per cent to be worth \$199 million.

For beef, the main export destinations included Japan at \$1.44 billion (down 2 per cent), the United States at \$1.36 billion (up 40 per cent), Korea at \$895 million (up 27 per cent), China at \$789 million (up 93 per cent) and the Middle

**The volume of beef exports increased to 1.2 million tonnes swt and sheepmeat exports increased to 409,500 tonnes swt**



**The volume of beef consumed in Australia reached 720,300 tonnes cwt and lamb reached 209,400 tonnes cwt**



East at \$354 million (up 41 per cent). For lamb, the main export destinations were the United States at \$398 million (up 31 per cent), the Middle East at \$368 million (up 20 per cent) and China at \$218 million (up 82 per cent).

The outstanding demand for Australian product in these markets came despite the Australian dollar continuing to hover at high levels. The Aussie dollar tracked relatively tightly against the United States dollar (US\$0.87 and US\$0.95), Japanese yen (JPY88 and JPY95), and Chinese yuan (CNY5.3 and 5.8). This hampered export returns, although to nowhere near the same extent as in the previous year.

Intense competition for Australian red meat from export markets meant lower supply for the domestic market. Expenditure on beef in Australia during 2013-14 reached \$6.3 billion, down 4.1 per cent compared to the previous year. Expenditure on lamb totalled \$1.9 billion, 7.3 per cent lower than the previous year.

Ongoing strong global demand for Australian product means with a turning of the season and anticipated shortage of livestock, industry is well-placed to recover although this is reliant on improved climatic conditions.

In a situation where farm gate prices are low and producers' profitability squeezed, it is unsurprising that industry bodies have come under heightened pressure to deliver for their stakeholders during the year.

In December 2013 MLA came into the spotlight, when the Senate Rural and Regional Affairs and Transport References Committee commenced an inquiry into the industry structures and systems governing the collection and disbursement of marketing and research and development levies on grassfed cattle. The inquiry examined the collection, consultation,

governance and effectiveness of the levies and their investment, and heard from a range of industry stakeholders. The Senate Committee made its recommendations in September 2014.

MLA participated fully and openly in this process and listened to the concerns raised by its stakeholders.

In particular, the process of allocating voting entitlements of levy paying members and transparency in how this is calculated was identified as a key concern.

We have begun the development of 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.

Another concern articulated was how Directors are selected. The Board has consulted with the peak industry councils that represent grass fed cattle, lot feeders and sheep producers to frame a resolution to put to the AGM.

Beyond these changes, the Board is committed to MLA demonstrating an absolute focus on levy payers, being more transparent about how levies are invested. An organisational restructure, and reinvented consultation model, will take full effect in 2014-15.

I would like to thank the many talented people from across the company and across our industry for their dedication and efforts this past year.

Dr Michele Allan  
Chair

# MANAGING DIRECTOR'S REPORT

Much of my time since starting with MLA on 2 June has been spent talking with livestock producers across the country.

A common theme that runs through these discussions is that many in our industry are facing challenging times. Climate and cost of production continue to take a toll, particularly in the north.

The conversations I've had with producers, taking place alongside the Senate Inquiry into the systems and structures governing grassfed levies, feedback from stakeholders, and various media reports, have also provided comprehensive feedback about what levy payers are looking for from MLA. They expect a more transparent MLA, and a greater say in how their levy is invested.

We've listened to this feedback, and considered it in the context of MLA's financial position. Throughout 2013-14 we reported total revenue of \$188.5 million against expenditure of \$181.1 million (page 41). However, while total reserves stood at \$49.2 million at the end of the financial year, in the coming two years we face a declining revenue of up to \$9 million. To accommodate this MLA has to cut its cloth.

In the first quarter of 2014-15 we have restructured to become more transparent, more efficient, and better aligned with the needs of industry. A step towards transparency is a more efficient and easier to use website which will be developed in coming months.

Central to this is a reinvented annual Research and Development (R&D) investment consultation model that builds on existing structures, providing all levy payers with the opportunity to have their say. It's a more accessible and simplified national system.

Within our new structure, we've prioritised on-farm R&D and livestock productivity. The latter has been given an independent focus which aims to redress the lack of productivity gains across the industry over the past decade.

Marketing remains a major focus. With the majority of growth likely out of emerging markets, the distribution of marketing resources is to be determined by a sophisticated, evidence-based approach to marketing strategy.

As the industry's R&D and marketing service provider other MLA's priorities continue to be market access, market insights and innovation of systems and tools through the value chain.

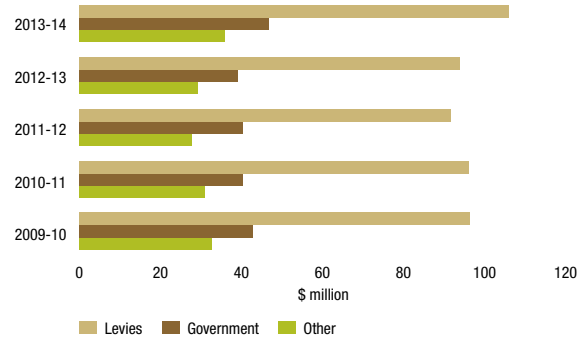
We're committed to becoming as efficient and effective as possible, constantly striving to maximise the levy investment for the benefit of livestock producers.

MLA has contributed significantly to the success of Australia's red meat industry over many years and, due to its nature, much of our work can go unnoticed.

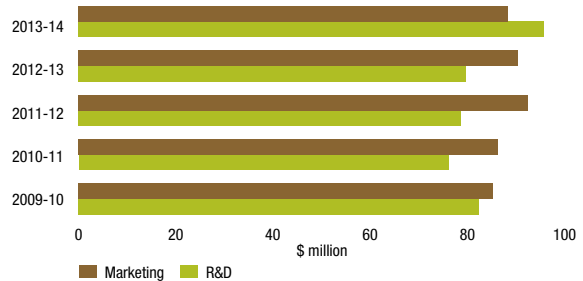
We undertake a remarkable breadth of programs on behalf of industry, from consumer marketing campaigns to in-market business development activities, market access programs, market reporting, and R&D and extension on-farm, and through the value chain.

During 2013-14 a range of MLA activities has helped boost global demand for red meat, and improved productivity and sustainability on farms across the country.

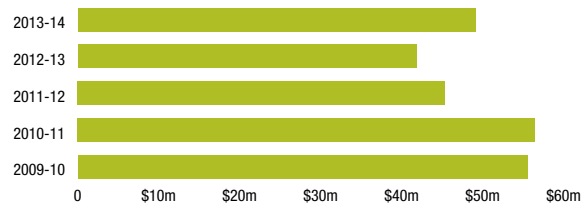
## MLA's revenue increased by 16.2% to reach \$188.5 million during 2013-14



## MLA's expenditure increased by 9% to reach \$181 million during 2013-14



## MLA had a retained surplus of \$49.1 million at 30 June 2014



MLA Managing Director, Richard Norton

In particular MLA's support of government and industry to maintain and improve market access had two major breakthroughs during the year. The signing of a free trade agreement with Korea in April and the Japanese Economic Partnership Agreement in July, provide a significant and enduring boost to the competitiveness of Australian beef in these large markets.

A range of MLA business development activities in the United States grew demand for chilled grassfed beef, including Chipotle, a large fast food chain stocking Australian grassfed beef for the first time. At home, Sam Kekovich passed the Lambassador baton onto the next generation for Australia Day and increased lamb sales by almost 22 per cent.

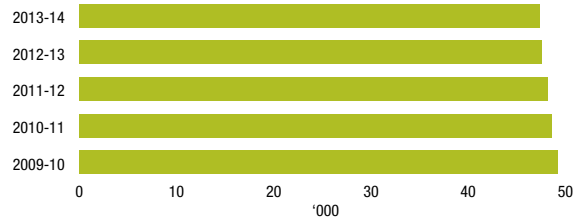
2013-14 also saw continuing strong producer adoption of the Meat Standards Australia program with more than three million head of cattle and 6.6 million sheep presented for grading and compliance rates remaining strong. Measurable premiums to beef producers on the eastern seaboard totalled \$160 million. We will be looking to build on this success in 2014-15.

Several major on-farm R&D and extension projects also had significant outcomes during 2013-14. The four-year MLA-funded Cash Cow project was completed, drawing on data from 78,000 cows on 72 commercial properties to provide a multi-factor analysis of reproductive performance across the northern cattle herd. We are now planning how to ensure this information delivers benefit at farm gate.

A new DNA-based diagnostic test for Johnes disease was developed with the potential to reduce waiting times for a diagnosis from three months to one week – significantly improving how livestock producers can manage this costly disease.

MLA funding also resulted in an improved poll gene marker test for Australian cattle being launched. The test determines if an animal is 'true polled', better informing breeding selection decisions for improved animal welfare and injury costs.

MLA had 49,260 members at 30 June 2014



We took a fresh approach to extension with the launch of the *MLA challenge*. Six producers from across the country took part with specific research outcomes, mentors and benchmarking made available to their businesses. The changes they made to their operations were showcased through a variety of channels and more than a third of MLA members were made aware of the benefits adoption had made to these businesses.

It's during challenging times in particular that levy payers look to MLA for support with innovative R&D and marketing investments to provide a sound foundation from which industry can reach its potential.

It's a task that a refocussed MLA, more closely aligned with levy payers, is well placed to achieve.

Richard Norton  
Managing Director





# REPORT TO STAKEHOLDERS

This *Report to stakeholders* focuses on MLA's activities and outcomes for the 2013-14 financial year, reporting against the objectives outlined in MLA's *Annual operating plan 2013-14*. It is aligned with our four strategic imperatives and structured according to our five-year *Corporate plan 2010-2015*.

MLA's four strategic imperatives are:

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

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

Our *Annual operating plan 2013-14* outlines all MLA's strategic imperatives, strategies to achieve them, planned activities for the year and key performance indicators. It draws on the vision outlined in the *MLA Corporate plan 2010-2015* and more detailed business plans that outline MLA's marketing and R&D programs.

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

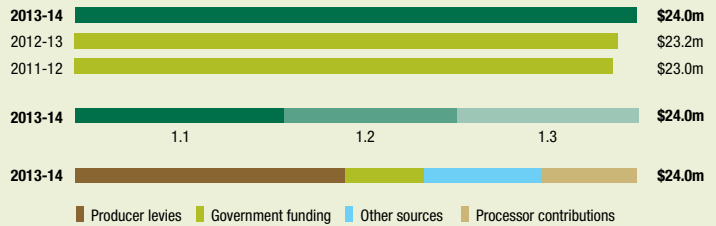
MLA acknowledges the matching funds provided by the Australian Government to support the R&D detailed in this report.

## STRATEGIC IMPERATIVE 1

# 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.

### INVESTMENT



#### 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 access to and liberalise world meat markets
- 1.3 Maximise market options for producers and exporters in the livestock export market

#### Australian Government research priorities:

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

#### Delivering MLA business units:

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

### KEY ACHIEVEMENTS

## Freer trade with Korea and Japan

MLA supported industry and government with the conclusion of a free trade agreement with Korea and economic partnership agreement with Japan (see page 11-12)

## Livestock export support

Livestock export risk assessment, technical advice and training provided to supply chains to assist them meet their requirements under the Exporter Supply Chain Assurance System (see page 13)





## OPPORTUNITIES AND CHALLENGES

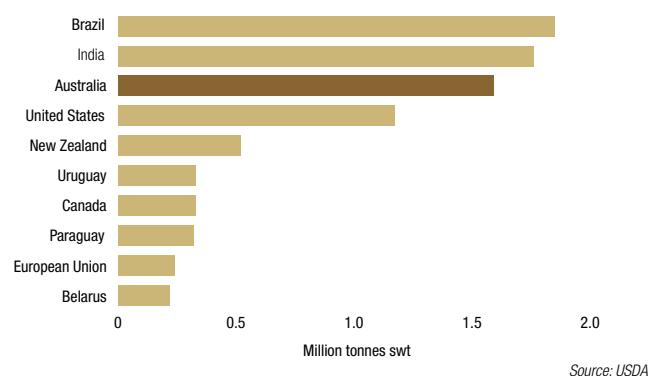
The export-dependent Australian red meat industry knows the importance of maintaining and improving market access. With almost 70 per cent of Australian beef and more than half the lamb destined for overseas markets, the opening or closing of market restrictions – or increase or reduction of tariffs and quotas – can have a strong impact on the profitability of the entire supply chain.

Maintaining and improving market access continues to be a whole-of-industry priority. This involves demonstrating to our trading partners that Australian red meat is safe, traceable and is a quality product that fills an important gap in the market which is demanded by local importers and customers. To help achieve this, one of MLA's roles is to support and equip Australian negotiators and industry with relevant and current science, market research and in-market testimonies. Australia's traceability and assurance systems – in particular the National Livestock Identification System and Livestock Production Assurance – play important roles in underpinning the safety and integrity claims of Australian beef, and sheepmeat and shore up access to markets around the world.

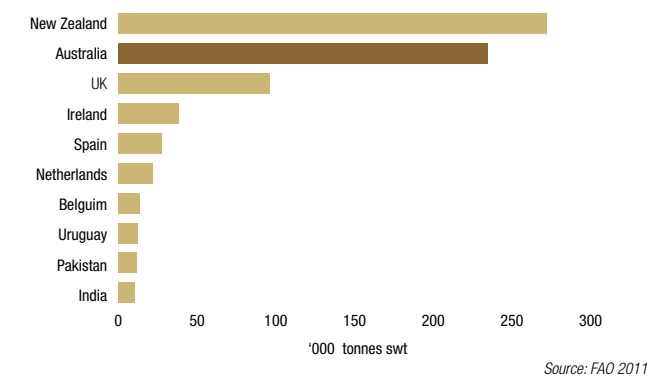
Free trade agreements (FTAs) are proving to be an effective way to secure trade liberalisation for Australian industry. With many of Australia's competitors entering into FTAs with our major trading partners, achieving agreements with positive outcomes for industry are essential not only to improve market access but to maintain a level playing field in some of our biggest overseas markets. For this reason, increasing the numbers of bi- and multi-lateral FTAs and concluding current FTAs under negotiation remains a high priority for MLA and the industry.

The Australian Government implemented the system for regulating the livestock export industry and assuring animal welfare in livestock export markets during 2012-13. Supply chains continued to work during the year to ensure compliance with the new system and maintain access for a livestock export industry worth \$1.1 billion each year.

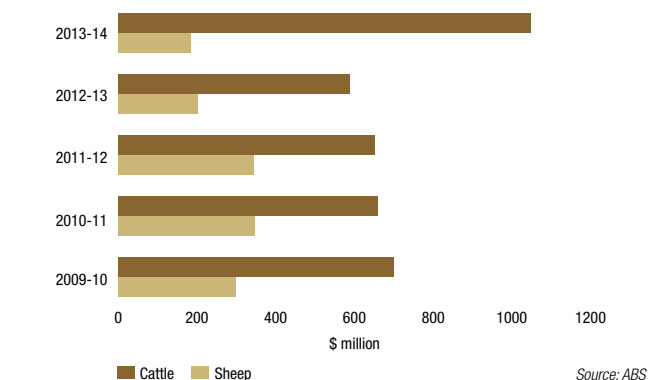
**Australia was the third largest exporter of beef in 2013**



**Australia was the second largest exporter of sheepmeat in 2011**



**Live cattle exports were worth more than \$1 billion and live sheep exports worth \$185 million**



**PERFORMANCE 2013-14**

**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 under this objective include:

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

Over the course of 2013-14, MLA invested \$8.9 million in this area including \$3.8 million of producer levy funds, \$2.1 million of government funding, \$1.5 million of processor funds, and \$1.6 million from other sources. An additional \$0.2 million was invested through the MLA Donor Company (MDC). These funds included investments to continue the maintenance of the National Livestock Identification System (NLIS) database, manage the Livestock Production Assurance (LPA) program, develop tools and systems for managing food safety based on innovative science, and support the development of new integrity systems that respond to consumer preferences.

Key milestone	Result
Satisfaction rating of MLA's food safety activities by industry (processors and AMIC) rated at more than 85%	<b>Not achieved</b> 82% of stakeholders satisfied with MLA's food safety activities
Prevalence of antibiotic resistant enteric bacteria in the red meat supply chain is determined	<b>Achieved</b> Prevalence of antibiotic resistant bacteria in cattle at time of slaughter is very low
Foundation phase of the technology roadmap for the NLIS database commenced, with 25% of identified system enhancements delivered	<b>Achieved</b> 26% of system enhancements in NLIS technology roadmap delivered
Strategy developed for the roll-out of a central web-based database enabling the real-time, electronic transfer of food safety (NVD) information along the supply chain	<b>Achieved</b> Strategy developed for delivery of StockDEC system and proof of concept delivered
Business plan and implementation strategy endorsed by SAFEMEAT partners to reflect the outcomes of the SAFEMEAT Initiatives Review, and agreed recommendations progressed	<b>Achieved</b> Agreed recommendations of SAFEMEAT Initiatives Review progressed

MLA's investment in food safety R&D supports the activities of SAFEMEAT whose primary role is to oversee and promote management systems that will deliver safe and hygienic product to the marketplace. MLA-funded research resulted in the publication of 34 scientific papers and presentations to food industry and food safety conferences in Australia and overseas. This R&D included studies that confirmed a low prevalence of certain toxin-producing strains of *E. coli* in cattle faeces and the low prevalence of antibiotic resistant *E. coli* and *salmonella* in cattle at the time of slaughter. With the United States declaring seven types of *E. coli* to be 'adulterants' and banned from certain beef products, MLA research failed to find four of those seven types in Australian cattle providing grounds for Australia to negotiate less stringent commercial testing procedures. Work has also been focused on investigating the shelf life of vacuum-packed chilled meat, particularly lamb, and providing supporting data to importers and governments to assist in the negotiation of more appropriate standards. MLA ran training and produced a manual, *Processor's guide to improving microbiological quality*, to improve the confidence of processors to meet stringent market requirements.

Livestock Production Assurance (LPA) is the Australian livestock industry's on-farm food safety program. MLA provides support services to AUS-MEAT, who administer the program on behalf of industry. The number of LPA registrations grew by 3.4 per cent to more than 209,090 in 2013-14. The LPA national vendor declaration (NVD) is the main document behind the system and the processing of paper-based NVDs costs industry more than \$13 million each year. In 2013-14, MLA designed a fully integrated paperless NVD system – StockDEC – with the development of a proof-of-concept. This has involved working with commercial software designers to develop innovative ways for producers to access the NVD electronically with field testing to commence next year. StockDEC has the capacity to improve the efficiency by which declarations are delivered to supply chain participants through automatic and real-time access, improve the accuracy of livestock declarations through enhanced integrity checks, and be extendable to encompass other livestock declarations.

Managed by a subsidiary of MLA, the NLIS database is the technology platform that underpins the national traceability system from property of birth to slaughter. In 2013-14, an average of more than 353,570 transactions was processed each month through the NLIS database, an increase of 29 per cent over the previous years. The number of account holders grew by 7.4 per cent to almost 64,490 people. A refresh of the NLIS database commenced in 2013-14 to ensure that it continues to meet the needs of industry and support compliance with national traceability performance standards. MLA continued to work with the levy funded Animal Health Australia (AHA) to progress the transfer of NLIS into their administration to better align the NLIS traceability functions with the biosecurity programs administered by AHA. The transfer planned for July 2014 was postponed pending completion of the Senate committee inquiry into industry structures and systems governing levies on grass-fed cattle.



The signing of the Korea-Australia Free Trade Agreement and Japan-Australia Economic Partnership Agreement in 2013-14 will reduce tariffs and help maintain the competitiveness of Australian beef in these two critical export markets.

## 1.2 Support industry and government to maintain access to 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 under this objective include:

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

MLA invested \$7.4 million in supporting industry and government to maintain and liberalise export markets during 2013-14 including \$3.4 million of producer levy funds, \$3.5 million of processor contributions and \$0.5 million of other funding. Priorities during 2013-14 included assisting government in concluding FTAs with Korea and Japan, progressing priorities under the Australia–China FTA and Trans-Pacific Partnership trade talks, assisting in alleviating access impediments in Indonesia, and directing additional efforts to tackling the plethora of technical trade barriers.

Key milestone	Result
Satisfaction rating of MLA's market activities by industry and government rated more than 85%	<b>Achieved</b> 90% of stakeholders surveyed satisfied with MLA's market access activities
Action plans for key technical market access barriers are developed and endorsed by peak councils	<b>Not achieved</b> Draft action plan on trade barriers in Middle East developed and currently being progressed by industry and government
Demonstrable progress is made on implementing the Indonesia market access and engagement strategy with at least one of the identified projects being implemented	<b>Achieved</b> Australian and Indonesian governments agreed to the strategy with the Australian Government providing \$60 million
Trade perception of the safety of Australian red meat held above current levels in key markets (95% Japan, 85% Korea)	<b>Achieved</b> Trade perception of safety at 93% in Japan and 95% in Korea

With the protracted World Trade Organization Doha Round talks failing to deliver any outcomes on market access over the past year, the successful conclusion of FTA negotiations with major trading partners has been the highest priority for industry. 2013-14 saw bilateral deals concluded with both Korea and Japan. MLA supported industry and partnered the Australian Government through the provision of user-friendly research and market analysis, facilitating in-market relationships, assisting diplomatic activities, and developing and implementing advocacy strategies. MLA ensures that industry priorities are clearly and cohesively communicated to government through submissions and representations on behalf of industry. MLA also coordinates regular industry-convened FTA taskforce meetings and industry advocacy efforts conducted in-market.

These efforts paid clear dividends in the recently-concluded FTA negotiations with Korea. On 8 April 2014, the Korea-Australia Free Trade Agreement (KAFTA) was signed by the respective governments following seven years of negotiations. The KAFTA delivered on industry's priority for beef by securing elimination of the 40 per cent import tariff over a 15-year time period that is equivalent to (albeit lagging) the Korea–United States FTA. Importantly, this outcome will minimise the competitive disadvantage Australian beef faces in our fourth largest beef export destination. Modelling by the Centre for International Economics indicated that the Australian beef industry would have incurred a cumulative loss in export value to Korea of around AU\$1.4 billion over the 15 years the tariff on US beef was being reduced to zero and a significant fall in market share, if no corresponding tariff treatment was secured for Australian beef. KAFTA also secured the elimination of the 22.5 per cent tariff on sheepmeat and goatmeat over 10 years, elimination of the 18 to 27 per cent offal tariffs over 15 years, elimination of the majority of tariffs on processed meat and co-products over 15 years, and the elimination of the majority of tariffs on live animal exports over 15 years.

The second major trade agreement negotiated during 2013-14, also seven years in the making, was the Japan-Australia Economic Partnership Agreement (JAEPA), which was signed on 8 July 2014. As with KAFTA, the JAEPA process involved very close liaison between industry and the Australian Government. This partnership approach delivered beneficial results for our sector – results which were the envy of some other agricultural commodities. Although the Japanese beef tariff regime was a major point of conjecture in the negotiations, with the Japanese seeking to protect a range of 'sensitive' products such as beef, the JAEPA outcome will result in the tariff on frozen Australian beef entering Japan dropping from the current 38.5 per cent to 19.5 per cent over an 18-year period and the tariff on chilled beef reducing from 38.5 per cent to 23.5 per cent over 15 years. Importantly, in year one of the JAEPA, the tariff on frozen beef will be cut by 8 per cent to 30.5 per cent and there will be a 6 per cent cut for chilled beef – delivering a clear preferential tariff advantage over other imported beef suppliers into the market. While falling short of the beef industry's tariff elimination objective, the JAEPA is expected to boost Australian beef export sales to Japan by approximately AU\$5.5 billion over 20 years, delivering an increase in the annual gross value of Australian beef production by up to 7 per cent. A 'most favoured nation' provision was also included in the deal – which importantly commits to conducting an immediate review if there is a significant change to the competitiveness of Australian beef in Japan as a result of preferential access being granted to another country supplier. Additional trade reform with Japan, involving potential gains from the current Trans-Pacific Partnership and Regional Comprehensive Economic Partnership negotiations, will continue to be pursued.

In conjunction with industry representatives, MLA has been implementing targeted advocacy activities in order to position the red meat and livestock sector for additional gains from the other FTAs currently under negotiation including the Australia-China FTA, the Australia Gulf Co-operation

Council FTA, the Australia–India Comprehensive Economic Cooperation Agreement and the Indonesia-Australia Comprehensive Economic Partnership Agreement negotiations.

Following MLA research undertaken last year which quantified the impact of various technical barriers to trade (TBTs), industry is currently strengthening its capability in tackling these barriers in conjunction with the Australian Government with an initial focus on impediments in the Middle East and China. Updated in May 2014, MLA's research identified more than 260 TBTs in 40 key markets – 139 of which have significant trade distorting impacts. In combination, these TBTs have a total impact of almost AU\$1.3 billion per year. TBTs increase product preparation and delivery costs and require compliance to conditions often exceeding commonly accepted standards. Some also involve 'red tape' embodied in regulations in our overseas customer markets and it can therefore be very difficult to secure in-roads into their removal. Slow progress in alleviating the existing TBTs, coupled with additional TBTs being introduced, will require heightened industry and government effort in this area in the immediate to mid-term future.

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

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

Strategies under this objective include:

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

MLA invested \$7.8 million in the Livestock Export Program during 2013-14 including \$4.4 million of producer levy funds, \$1.2 million of LiveCorp funds, \$1.2 million of government funding and \$1.0 million from other sources. Activities focussed especially on assisting supply chains to meet their obligations under ESCAS. The largest area of investment has been projects to monitor outcomes and improve animal health and welfare through the whole supply chain. The R&D program has continued to focus on projects addressing key priority areas, such as heat stress, respiratory diseases and salmonella/inanition.

Key milestone	Result
High level of satisfaction by Australian livestock exporters and importers of Australian livestock that the provision of services by the LEP provides benefits to the supply chain	<b>Achieved</b> Satisfaction scores between 3.5 and 5 out of 5 in stakeholder survey
Through the provision of animal welfare outcomes and appropriate communications support to industry representative bodies and individual producers, maintain government support for the livestock export trade	<b>Achieved</b> Reform strategies developed with government that will ensure long term sustainability of the trade

Conducted by CSIRO, an MLA-funded R&D project examined animal welfare outcomes during sea transport at different stocking densities by assessing weight change and lying behaviour. The research showed that current Australian Standards for the Export of Livestock (ASEL) stocking densities were appropriate on animal welfare grounds, that space allowance had no effect on weight gain and little effect on lying time, and when offered more space, animals spent more time lying, particularly in the early stages of the voyage. Another ongoing R&D project has been electronically tracking and monitoring the feed and drink patterns of approximately 10,500 live sheep exported with a key outcome being that sheep that ate for less than 30 minutes a day were considered to be high risk of not eating at all. This project is assisting in the development of strategies to improve adaption to the pelletised feed, and has demonstrated that after four days on the pelleted ration over 90 per cent of sheep are eating for periods greater than 30 minutes.

The Livestock Export Program has focussed on providing risk assessment, technical advice and training to industry in key livestock export markets to assist supply chains to meet their requirements under ESCAS. In Indonesia, this has included conducting more than 230 separate activities supporting approximately 810 employees. There was a significant focus on animal welfare in Vietnam and Malaysia, with gap analyses, technical advice and training assisting in the expansion of ESCAS-approved supply chains. Program consultants delivered a total of 150 handling and slaughter training days in Vietnam and more than 140 training days in Malaysia in 2013-14. Consultants in the Middle East spent more than 530 days in market assisting staff to deliver activities aiming to improve animal welfare across the region.

To assist livestock exporters' capacity to maintain ESCAS compliance, the Livestock Export Program provided additional resources in the major markets of Kuwait, Qatar, Jordan and Oman during the Eid-Al-Adha religious festival in October 2013. The focus was on providing assistance in the month leading up to Eid to help build livestock handling systems and management structures, and to encourage greater exporter responsibility and control of systems during the festival itself. A new initiative for 2013 was the support provided to supply chains in Kuwait and Oman from two veterinary students from Charles Sturt University who provided feedlot support for three weeks. The Eid program again worked collaboratively with Widam Food in Qatar to implement a carcass only sales policy which reduced the risk of ESCAS animal welfare non-compliances.



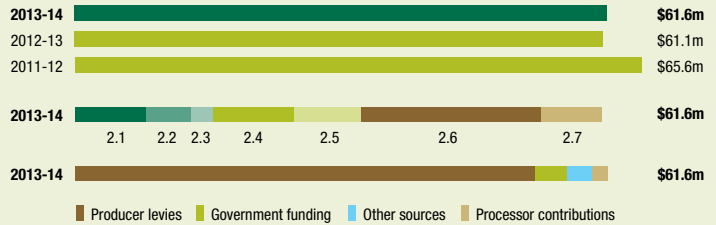
*The Livestock Export Program focussed on providing risk assessment, technical advice and training to industry, with a significant focus on animal welfare in South East Asia.*

## STRATEGIC IMPERATIVE 2

# GROWING DEMAND

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

### INVESTMENT



#### Objectives under this strategic imperative include:

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

#### Australian Government research priorities:

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

#### Delivering MLA business units:

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

### KEY ACHIEVEMENTS

#### MSA powers on

More than three million head of cattle and 6.6 million sheep presented for grading in 2013-14 with program compliance remaining strong (see page 16-17)

#### American grassfed growth

The United States became Australia's largest chilled grassfed beef market in 2013-14 driven in part by higher interest from major foodservice and retail outlets such as Chipotle Mexican grill in natural high-quality beef (see page 21)

#### Chinese business growing

MLA facilitated an Australian beef presence at several major Chinese trade shows generating more than 3,500 new business leads for exporters (see page 22)

#### Steaks go digital

As part of the summer barbecue beef marketing campaign, MLA launched a new SteakMate mobile app that received plaudits and was downloaded more than 42,400 times by the end of the year (see page 19)

#### Next gen Lambassadors

MLA's iconic Australia Day lamb campaign increased lamb sales by 21.9% with Sam Kekovich encouraging the next generation of Lambassadors (see page 20)







## OPPORTUNITIES AND CHALLENGES

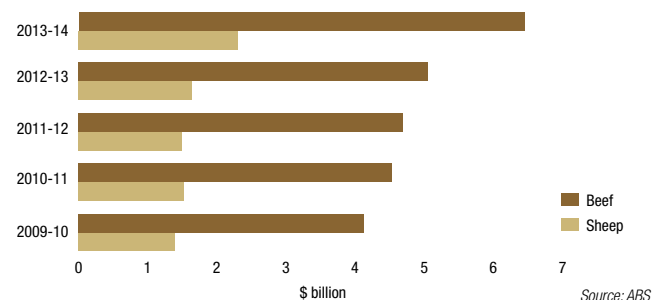
Australia's export markets played a critical role in taking in the huge volume of Australian beef and sheepmeat that flowed through supply chains during 2013-14. The prolonged drought across large parts of eastern and northern Australia was the catalyst for historically high slaughter levels throughout 2013 and into 2014. While this increased supply weighed heavily on livestock prices, strong demand for Australian product in key overseas markets – most notably China, the United States, the Middle East and South East Asia – helped provide some buffer in an extremely difficult situation for many producers. This strong demand was assisted by falls in the Australian dollar during the year which, although still significantly higher than economic fundamentals should dictate, averaged 11 per cent lower than over the previous year. With the elevated slaughter levels, the value of Australia's red meat exports for 2013-14 increased 31 per cent on the previous year, to reach almost \$9 billion.

For beef and veal exports, the record export result worth \$6.4 billion FOB for 2013-14 was driven by strong double digit growth in several traditional and emerging markets. These values were driven by the supply-driven surge in export volumes to reach 1.2 million tonnes swt, an increase of 16.8 per cent on the previous year. Several of the largest destination markets grew strongly – the United States market increased 40 per cent to be worth \$1.36 billion, Korea was up 27 per cent to \$895 million, China continued its dramatic growth by 93 per cent to hit \$789 million, the Middle East was up 41 per cent to \$354 million and the burgeoning Indonesia market increased 88 per cent to be worth \$258 million. Despite a larger volume heading to the US in 2013-14, Japan remained Australia's most valuable export market at \$1.44 billion.

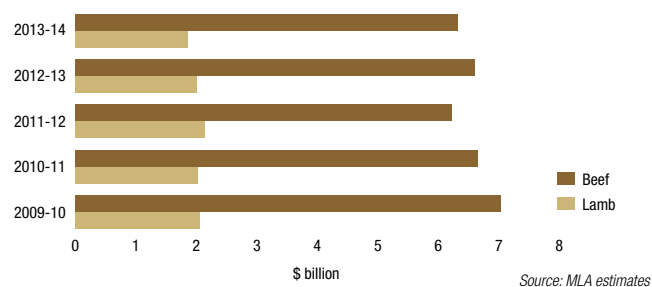
Export demand for lamb and sheepmeat remained strong in 2013-14 across the major markets: Australia, United States, Middle East and China. As well as the influence of increased supply and a lower dollar, this result was assisted by reduced supplies from Australia's primary competitor in the sheepmeat trade – New Zealand. Australian lamb exports for 2013-14 were valued at more than \$1.5 billion, up 36 per cent on the previous year. For the same period, the volume of exports increased 13 per cent to a fiscal year record 226,306 tonnes swt. As with beef, the main markets contributing to this growth were the United States that increased in value by 31 per cent to reach \$398 million, the Middle East (up 19 per cent to \$368 million) and China (up 82 per cent to \$218 million). Mutton export values reached \$772 million on shipments of 183,232 tonnes swt and goatmeat exports reached \$199 million on 34,621 tonnes swt in 2013-14.

In the domestic market, expenditure on beef during the year reached \$6.3 billion, down 4 per cent compared to the previous year. Expenditure on lamb totalled \$1.9 billion, 7.3 per cent lower. This lower consumption was as a direct result of increased competition for product in the global marketplace. Insights and trends, such as healthy ageing, the widespread adoption of social media and increased competition from alternative proteins, continue to drive the focus for MLA's domestic marketing campaigns.

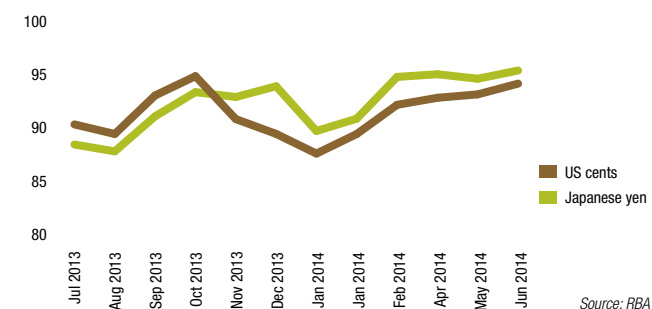
**Beef exports reached \$6.4 billion FOB and sheepmeat exports \$2.3 billion FOB**



**Australian beef consumption reached retail value of \$6.3 billion and lamb \$1.9 billion**



**The Australian dollar hovered between US\$0.88 and US\$0.95 during the year**



**PERFORMANCE 2013-14**

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

MLA manages the Meat Standards Australia (MSA) program on behalf of industry to give consumers a consistent and predictable eating quality experience for beef and lamb. Launched 16 years ago, MSA was developed to scientifically assess the impact that genetics, livestock management practices, processing systems, cuts, ageing periods and cooking methods have on eating quality as assessed by consumer preferences gauged through more than 693,000 taste tests in beef and lamb.

Strategies under this objective include:

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

MLA invested \$8.2 million in this imperative during 2013-14 including \$5.0 million of producer levy funds, \$2.2 million of government funding, \$0.6 million of processor contributions and \$0.4 million from other sources. An additional \$1.4 million was invested in this area through the MDC. This supported MSA activities aimed at decreasing eating quality variation within brands, increasing the volume of MSA-graded product per carcass, expanding the range of products available, and maintaining MSA's integrity. Ongoing investment in eating quality R&D focussed on increasing the predictive power and accuracy of the MSA grading model and equipping industry with the latest eating quality innovations.

Key milestone	Result
Increase MSA cattle grading numbers to 2.2 million head	<b>Achieved</b> Three million head of cattle presented for MSA grading
Increase MSA sheep grading numbers to 5.5 million head	<b>Achieved</b> 6.6 million head of sheep presented for MSA grading
Increase consumer awareness of the MSA trade mark to 60%	<b>Not achieved</b> Consumer awareness of MSA trade mark at 55%
At least 14 processors implemented MSA optimisation by 30 June 2014	<b>Achieved</b> 14 processors implemented MSA optimisation
MSA beef index successfully implemented with a majority of balanced/ favourable media reports on the topic (more than 50% CARMA rating)	<b>Achieved</b> MSA media reporting largely positive with a CARMA rating of 58.3

Key milestone	Result
Launch prototype for a cuts based MSA sheep grading model	<b>Achieved</b> Prototype MSA model for lamb developed and being validated
Use consumer sensory outcomes to establish preliminary specifications for a yearling export sheepmeat category	<b>Not achieved</b> Yearling sheepmeat program extended into second program of Sheep CRC

The number of cattle and sheep presented for MSA grading in 2013-14 continued its double digit annual growth. More than three million head of cattle presented for grading, 25 per cent higher than 2012-13, with compliance decreasing slightly to 92.6 per cent due to the prolonged dry conditions and increased volume of animals graded. Average premiums to producers for MSA-graded cattle reached 29 cents per kg nationally, 3.5 per cent higher than last year, equating to a total return to the farm gate of an estimated \$213 million. More than



*Record MSA grading numbers of three million head of cattle and 6.6 million sheep were driven by brands such as Wingham Beef Exports adopting the eating quality program.*

6.6 million head of sheep were processed using the MSA pathways and standards – up 22 per cent year-on-year with compliance to MSA requirements reaching 93.4 per cent. The record numbers of livestock presented for grading were driven on the supply side with an average of 600 new producers per month becoming registered with MSA. At 30 June 2014, more than 37,610 livestock producers were registered to supply into MSA programs. On the demand side, a major supermarket chain started selling MSA beef and lamb in more than 300 stores nationwide during 2013-14. Thirty-one new brands were also licensed to sell MSA-graded product, bringing the number of MSA licensed brands to 108.

Introduced during 2013-14, the MSA Index is a single value ranging from 30 to 80 applied to a carcass to represent its potential eating quality. The MSA Index is a standard national measurement consistent across all processors, geographic regions and time and is calculated independent of any processing influences. It is intended to provide more meaningful eating quality feedback to producers and may be implemented within processor specifications. The national MSA Index averaged 56.77 in 2013-14. Throughout the year, MLA communicated to more than 1,000 producers and livestock buyers about the MSA Index at 41 workshops across Australia. The MSA Index calculator and an MSA Index Tips & Tools were also developed. Coinciding with the release of the MSA Index was the launch of a new MSA feedback tool. myMSA provides MSA-registered producers with online feedback reports as well as the ability to do more advanced customised reporting. It also provides producers with MSA Index values for their cattle from the past three years and access to MSA feedback following carcass grading.

A further advance for the program, MSA Optimisation, was also implemented during 2013-14, to replace the standardised national MSA boning groups that have been used since MSA's inception to collate carcasses of similar eating qualities. MSA Optimisation provides a more flexible and efficient system, customised to meet the needs of individual processors, allowing processors and brand owners to focus on the cuts that are most important to their markets or customers. This may also provide benefits such as greater extraction in volume of some cuts, reduced variability in brands and more efficient segregation of different eating qualities. Throughout the year, MLA carried out workshops for 67 processor participants to equip them to use and implement MSA Optimisation. Fourteen processors had implemented MSA Optimisation by the end of the year.

## 2.2 Enhance the nutritional reputation of beef and lamb

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 under this objective include:

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

MLA invested \$5.2 million in this imperative during 2013-14 including \$4.0 million of producer levy funds, \$0.6 million of government funding and \$0.6 million of processor contributions. Activities in this area include the 'Proper Dinner' communications campaign encouraging consumers to eat three to four beef and lamb meals per week, information and resources for healthcare professionals on healthy eating at key life stages, and conducting research to ensure beef and lamb are appropriately represented in food policy and nutrition recommendations.

Key milestone	Result
At least 55% of mothers with children in the household agree that beef makes healthy meals and 45% agree on lamb	<b>Not achieved</b> 47% of mothers agree beef makes healthy meals and 45% agree on lamb
The percentage of mothers with children in the household limiting consumption of red meat for health reasons does not exceed 33%	<b>Not achieved</b> 36% 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 82% for GPs; 84% for dietitians; and 83% for practice nurses	<b>Achieved</b> 79% of GPs, 88% of dietitians and 88% of practice nurses recommend lean red meat three or more times per week
Balanced reporting of red meat and health issues in media with greater than 70% average of favourable and neutral reports	<b>Achieved</b> 81% average of favourable and neutral media reports

In 2013-14, MLA funded 16 nutrition research projects into the role of beef and lamb in the Australian diet, in particular related to ageing, young women, toddlers, depression, diabetes, gut health and sleep, and had 42 of papers and conference proceedings published. A nutrition symposium was held by MLA and hosted by the Dietitians Association of Australia in June 2014 symposium focused on 'getting the balance right – novel approaches for addressing dietary imbalances' and attracting more than 420 attendees in person and via webinar.

A 'Back to school' consumer communication initiative ran in January 2014 to assist time-poor parents solve the dilemma of preparing healthy school lunches and quick, nutrient-rich dinners for their children. The campaign offered tips and recipes on turning left-over healthy beef and lamb meals

into lunch ideas and reached a cumulative audience of approximately 27 million through various publications including News Limited’s *Body + Soul* newspaper insert.

MLA also worked with general practitioners to promote beef and lamb’s role in a healthy weight loss diet as part of the ‘Live Well Plan’ – an eating plan based on MLA-funded research and independently reviewed by the National Heart Foundation and the Dietitians Association of Australia aimed at adults needing to lose weight and improve cholesterol, blood pressure or blood glucose levels. In partnership with an accredited service provider, MLA developed an online training module as part of the continuing education program for general practitioners on how to treat overweight patients using the Live Well Plan. Launched in September 2013, the module provides information by key influencers, including Professor Manny Noakes from the CSIRO, case studies and practical eating plans based on a higher protein, low GI diet and provides a guide for serving recommended portion sizes of popular meals. To date, 950 general practitioners have completed the module as part of their continuing education.

### 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 across this objective include:

- 2.3.1 Establish an innovation service hub to identify and evaluate opportunities for new products
- 2.3.2 Work with supply chain partners and end customers to develop new product opportunities
- 2.3.3 Develop new technologies to enable transformation and value-adding of low value cuts
- 2.3.4 Develop value adding capability
- 2.3.5 Improve industry capability to adopt and prosper from new products and value adding innovations

MLA invested \$2.5 million in this area over the financial year including \$1.1 million of producer levy funds, \$0.9 million of government funds and \$0.4 million of processor contributions. An additional \$1.0 million was invested in this area through the MDC. These investments supported industry to identify market opportunities for value-added products, and develop and commercialise new technologies.

Key milestone	Result
Undertake five pilot programs to develop value adding capability in supply partners and demonstrate red meat innovation service hub concept	<b>Achieved</b> Five pilot programs contracted representing different entry points along value chain
Create five new business opportunities for red meat value added products locally or globally	<b>Achieved</b> Five new business opportunities identified and progressed
Develop at least five new red meat value added products from technology platforms under development	<b>Achieved</b> More than five chilled red meat sandwich filling products developed

Key milestone	Result
Develop and launch at least three new products into domestic and export markets from novel uses of secondary primals	<b>Achieved</b> Three new products trialed or launched in supermarkets and foodservice
Develop quarterly communication outputs from the innovation service hub for supply chain partners on new product opportunities and global trends	<b>Not achieved</b> Communication initiatives delivered but not on a quarterly basis
Develop a commercially feasible process for a pilot application of blood derived bio-plastic	<b>Not achieved</b> Pilot scale development underway
Demonstrate technical feasibility of a novel industrial application of blood haemoglobins	<b>Not achieved</b> Process technically feasible but not proven at pilot scale
Identify novel red meat protein sources for pet food and aqua feed industries	<b>Achieved</b> Two blood fractions and hide processing co-product identified

In 2013-14, MLA explored a process to pull meat from beef brisket and lamb shoulder for use in foodservice. Pulled meat is popular in the United States but not currently commercially available in Australia. MLA worked with the Australian agent of machinery manufacturer FAM to develop a new process for beef brisket and lamb shoulder that combined a number of technological platforms including tenderising, sous vide cooking and high speed pulling. The product was found to be well suited to use as a meat filling alternative to the current sliced and shaved small goods with potential as an alternative to ground minced toppings for tacos, hot bun slider rolls and Asian noodle and rice toppings. It is estimated that these products can potentially add a net \$6 per head to the value of the carcass. MLA presented the pulled meat concept product and process to 10 leading domestic retailers and quick service restaurants with adoption plans currently in development.

### 2.4 Aggressive promotion of beef in the domestic market

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

Strategies under this objective include:

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

MLA invested \$9.4 million in beef domestic marketing during the year including \$8.4 million of producer levy funds and \$0.9 million of processor contributions. In the face of increasing competition from other proteins in the fresh meat category, MLA continued to maintain and grow demand for beef in the domestic market with innovative consumer marketing

campaigns, programs aimed at increasing whole-of-carcass utilisation in foodservice and the wholesale sector, as well as working with retailers to raise standards and add value to beef products.

Key milestone	Result
Maintain beef's value share at 37.3% or higher of all fresh meat and penetration with purchase in last four weeks at 69.0% or higher	<b>Not achieved</b> Beef's value share at 36.6% and purchase in last four weeks at 68.8%
Improvement in key beef attributes measured by consumer tracking – 'is the most superior meat' at more than 36% and 'my favourite meat' at more than 19%	<b>Not achieved</b> 34.7% of consumers rate beef 'most superior meat' and 19.6% rate 'my favourite meat'
Strong retailer support for MLA programs as evidenced by more than 55% of retail butchers rating their sales impact 'good/very good/excellent'	<b>Not achieved</b> 54% of retail butchers rating sales impact good/very good/excellent



*The 'Throw another steak on the barbie' campaign again encouraged Australians to throw steaks on barbecues rather than shrimp, defending beef's position as king of the barbie over the summer period.*

MLA ran two major domestic beef marketing campaigns in 2013-14, during the key consumption periods of summer and winter. Launched in November 2013, the 'Throw another steak on the barbie' campaign again encouraged Australians to throw steaks on barbecues rather than shrimp, defending beef's position as king of the barbie over the summer period. The campaign featured a television commercial featuring media personality Merrick Watts, digital media activities including a facebook consumer campaign, outdoor materials including bus shelter posters, scooters carrying billboards, point-of-sale and interactive recipe dispensing sites in major retailer shopping centres. During the campaign period, fresh beef sales volumes increased 2.5 per cent and steak sales increased 1.4 per cent year-on-year. To support the campaign, a new mobile app – SteakMate – was launched to help Australians cook the perfect steak by providing cooking, turning and resting instructions. By 30 June 2014, it had been downloaded more than 42,400 times. It was the top rated app in the Australian app store in early 2014 and received a five out of five rating when reviewed with similar apps in the *Australian Financial Review* newspaper.



*MLA's SteakMate mobile app helped Australians cook the perfect steak and was downloaded more than 42,400 times during the year.*

Fronted by 'The Beef Oracle', a personified standing rib roast with expert beef knowledge, MLA's winter beef campaign ran in June and July 2014 to empower Australians to cook more winter beef meals by dispelling confusion in areas such as cut by cook method. The campaign was run mainly on digital platforms and outdoor advertising with all media directing consumers to the hub of the campaign, the AskTheBeefOracle.com website where consumers could chat live with 'The Beef Oracle'. By the end of the campaign, more than 92,010 people had visited the website, with answers provided to more than 10,000 beef related questions.

The *Masterpieces* program is designed to inspire chefs and foodservice professionals to consider using cuts of non-loin beef or lamb on their menu. The third beef *Masterpieces* publication was released in April 2014 showcasing four new cuts – shin, knuckle, topside and short rib – and promoted through industry events, and print and digital media. Featured cuts were also promoted in MLA's quarterly foodservice journal *Rare Medium* which is distributed to more than 3,000 chefs. Familiarity of the *Masterpieces* program across the industry continues to grow, with awareness increasing to 35 per cent at the end of 2013, an increase of 15 per cent on the previous year. Many featured cuts saw increase foodservice use with brisket up six per cent, bolar blade up four per cent, and oyster blade up 13 per cent.

In 2013-14, MLA rebranded its independent butcher's network as the Australian Butcher's Guild. Formerly the Red Meat Networking Club, the revamp was a natural evolution to continue to be seen as a club where independent butchers can share ideas, continue their industry education and encourage being sustainable, professional and skilled retailers. The Australian Butcher's Guild currently has 1,750 members representing 54 per cent of the total butcher population and held 30 trade nights, networking opportunities and tours during the year.

## 2.5 Aggressive promotion of lamb in the domestic market

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

Strategies under this objective include:

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

MLA invested \$8.1 million in domestic lamb marketing during the year including \$7.7 million of producer levy funds and \$0.3 million from other sources. These investments supported ‘We love our Lamb’ consumer promotions around Australia Day, autumn and spring, and partnering with retailers and foodservice operators to enhance differentiation and build appeal for secondary cuts.

Key milestone	Result
Grow lamb market share of fresh meat at retail to more than 13.5%	<b>Not achieved</b> Lamb’s market share at 13.2%
Improvement in key lamb attributes as measured by consumer tracking – ‘top of mind awareness’ to more than 16% and is loved by Australians’ to more than 72%	<b>Achieved</b> 14.4% ‘top of mind awareness’ and 78.8% saying lamb ‘is loved by Australians’
Strong retailer support for MLA programs as evidenced by more than 47% of retail butchers rating their sales impact ‘good/very good/excellent’	<b>Not achieved</b> 45% of retail butchers rating sales impact good/very good/excellent

MLA rolled out three domestic lamb marketing campaigns in 2013-14. Sam Kekovich celebrated a decade as Lambassador in the Australia Day campaign in January 2014 with a mission to bestow his expert knowledge of all things Australian. With Sam taking a step back, he set the goal that parents should take a step up to successfully raise ‘Generation Lamb’. The campaign included Sam’s traditional Australia Day address, television commercial, digital media activities, outdoor advertising, interactive recipe-dispensing panels in shopping centres, a radio partnership with the Nova FM morning show and point-of-sale materials. Nielsen Homescan registered a 21.9 per cent above average sales uplift during the Australia Day week – a figure in line with the 2010 and 2011 campaigns but is short of the 2012 and 2013 record campaigns. Sam Kekovich has consistently delivered for the past decade but his role has reached its full potential. While MLA will continue to use him as Lambassador in future, new creative directions will be explored in 2015.

MLA’s spring lamb campaign launched in September 2013 with the theme ‘Lamb is for Lovers’ and fronted by a romantically challenged Aussie bloke Don. Lamb is his secret weapon. It featured a television commercial, integration with popular television program *The Bachelor*, digital media activities and point of sale materials. While independent butcher participation in the campaign was strong, it failed to achieve cut through across a number of measures with retail sales volumes of lamb decreasing by 3.8 per cent year-on-year due to increased prices. 2013-14 also saw a continuation of MLA’s easy lamb roast campaign during the autumn period based on promoting a small cut that can be roasted in 30 minutes. Sales volumes fell by 10.7 per cent during the campaign period off the back of a 10.9 per cent increase in price. This resulted in lamb’s value share falling by 0.5 per cent compared to the previous year to reach 12.9 per cent. The autumn campaign also featured the launch of a new LambRoast mobile app in April that had almost 1,240 downloads by 30 June 2014.

The second volume of the lamb *Masterpieces* publication explores how the seemingly ubiquitous lamb leg can be elevated to new heights. Lamb *Masterpieces* highlights the creative potential of lesser known cuts of lamb and how they can maximise a restaurant’s bottom line. More than 15,000 copies of lamb *Masterpieces* have been handed out through a series of workshops and events. The impact to the market since its launch has seen a rise in usage across menus of some of the cuts featured in the program; lamb shoulder use is up eight per cent, shank up four per cent and lamb ribs up two per cent.



*Sam Kekovich celebrated a decade as Lambassador for Australia Day 2014 by encouraging ‘generation lamb’ and boosted lamb sales by 21.9%.*

## 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 under this objective include:

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

MLA invested \$20.9 million in international beef marketing during the year including \$20.2 million of producer levy funds and \$0.7 million from other sources. This investment supported tailored marketing strategies to each major international market for Australian beef with a particular focus on maintaining consumer awareness and key account sales in traditional markets, and business development activities in emerging markets. In all markets, MLA works cooperatively with Australian exporters to develop and grow sales for individual beef brands.

Key milestone	Result
Achieve at least 80% of KPIs listed in regional beef implementation plans	<b>Achieved</b> 91% of KPIs in regional beef implementation plans achieved
An additional eight major customers are recruited globally for Australian beef	<b>Achieved</b> 45 new retail and foodservice accounts recruited globally
Over 80% of Australian exporters and importers satisfied with MLA business development activities (trade shows, missions, etc)	<b>Achieved</b> More than 80% satisfaction for MLA business development activities
Achieve an increase in ICA participation and uptake on planned activity from 2012-13 baseline	<b>Achieved</b> Three additional ICA participants and increased targeted spending compared to previous year

MLA's global marketing strategies are underpinned by insights gained through consumer research. The second global research project conducted during 2013-14 collected global consumer data from China, Taiwan, Malaysia, the Philippines, Indonesia, Saudi Arabia, Japan, South Korea, United Arab Emirates, United States, Canada and Australia focussing on what drives meat purchasing decisions, dining-out habits and shopping preferences. It also enables MLA to track consumption and perceptions of Australian beef and lamb in global markets.

This research provided insights to develop a fresh global identity for Australian beef, lamb and goatmeat that was launched across MLA global markets in June 2014. The Brand Australia program promoted under the *TRUE AUSSIE* trade



mark provides a marketing umbrella of consistent images and messages to underpin Australian exporter brand-building activities, and positively position Australian beef and lamb in overseas' markets through country-of-origin marks. The *TRUE AUSSIE* logo and Brand Australia campaign celebrates Australia's land, farmers, produce and principles, to create a positive image for red meat based on provenance, integrity and an aspirational way of life. The brand will refresh the existing Aussie Beef mark in Japan, while in markets like China, where there is not currently a distinct Australian brand identity presence, it will present opportunities to embed *TRUE AUSSIE* from the ground up. The program is part of a long-term strategy to grow value for Australian red meat supply chains by differentiating Australian red meat from competitor products. A range of branded market materials – including product guides, brochures, videos, banners and point of sale samples – were developed and by the end of 2013-14, the branding was being used at in tradeshow displays and instore in key markets such as Japan, with six major exporters licensed to use the brand.

Australia's production of high quality grassfed beef emerged as a major niche in the North American market where MLA generates awareness and works in partnership with supply chains to demonstrate attributes and production practices. One of the fastest growing casual restaurant chains in the United States, Chipotle Mexican Grill, began stocking Australian grassfed beef in May 2014 to supplement its existing supply. Chipotle has 1,600 stores across the United States and Canada, purchased 20,410 tonnes of beef in 2013 and had a net income of US\$327 million. Chipotle's store ethos is about serving premium and sustainably raised local ingredients, and their motto of "food with integrity" acts as an endorsement of the hardworking producers who invest in raising quality beef supported by industry-led integrity systems. The United States became Australia's largest customer for chilled grassfed beef for the first time in 2013-14, overtaking Japan to account for almost one third of total shipments during the year.

MLA's Japanese summer marketing campaign "Everyone feels genki (energy) with Aussie beef" was created to introduce Aussie beef to Japanese consumers of all ages and across genders, drawing on an iconic symbol and a dose of humour to boost the appeal of Aussie beef. Launched in July 2013, the campaign ran for two months and featured 10 Japanese performing artists, including an 80-year-old body builder, a young hip hop dancer, school gymnasts, a karate kid and a flamenco dancer, perform skits incorporating the famous Aussie Beef hand symbol (in the shape of the Aussie logo) as part of their performance, and consumers voted through social media for their favourite 'Genki' performer. The campaign ad received 19.8 million views on Tokyo trains, 35,870 visits to the campaign website, 54,750 facebook competition votes, and a total assumed reach of 70 million Japanese consumers.



MLA's "Everyone feels genki (energy) with Aussie beef" consumer campaign had a total assumed reach of 70 million Japanese consumers and helped maintain Australian beef's market share at 54 per cent.

Building on the summer campaign, a Genki spring campaign was launched in March 2014 targeting increased retail and foodservice sales in the spring holiday season to keep Australian beef top of mind with Japanese consumers. Despite competition from the United States, Australia remains as a dominant and trusted supplier of safe and quality beef to Japan, with 54 per cent market share in the imported beef market.

MLA's role in China is to actively pursue and generate new business development opportunities, strengthen industry partnerships through training, and build awareness of Australian beef and sheepmeat's safety and quality. Trade shows are an important avenue for building relationships into China's foodservice sector, with MLA facilitating an Australian industry presence at several major trade shows during 2013-14 that generated more than 3,500 new business leads. MLA partnered with 30 Australian exporters at the SIAL Shanghai trade show in May 2014 and 40 exporters at Food Hotel Asia Shanghai in April 2014, MLA also had a presence at the Beijing China Meat Exhibiton, HOFEX in Hong Kong, the Mutton and Beef Expo in Ningxia. Forty-five Australian exporters were involved in MLA collaborative programs in China and MLA conducted over 100 training activities with chefs, retailers and butchers in 2013-14. MLA also used digital platforms to reach Chinese consumers during 2013-14, with the social media Weibo presence attracting 188,000 followers making it the second largest Australian social site after Tourism Australia.

With aviation and tourism booming in the region, the Middle East hotel and restaurant sector is a major long-term opportunity for Australian beef and lamb, particularly in the United Arab Emirates (UAE). Trade shows are an opportunity to meet with importers, key accounts and consumers to facilitate new business for the Australian industry. MLA again attended the Gulfood trade show in Dubai, partnering with 27 importers to exhibit before 77,600 buyers over five days. MLA also partnered with importers to attend the HORECA food and hospitality trade show in Beirut Lebanon, which attracted 16,000 visitors from 30 countries. The show also involved the Hospitality Salon Culinaire chefs competition which involved 250 Lebanese chefs cooking with Australian beef and lamb.

MLA promotions including the celebration of the Lotz burger helped maintain Australian beef's market share in Korea at 54 per cent despite competition from the United States.



MLA works on building consumer awareness in the large market of South Korea. An Australian beef promotion was held to celebrate the 15th anniversary of Tesco Korea, one of the largest retail chains in the country. The *Hoju chungjung woo* (clean and safe Australian beef) promotion was launched in 139 Tesco stores with a focus on promoting short ribs and sponsorship of a beef marinade sauce. More than 100 tonnes of Australian beef were sold during the one week promotion. In the foodservice sector, major restaurant chains recognise the *Hoju chungjung woo* brand and use Australian beef to underpin their own safety and quality reputation. MLA supported a two-month promotion with Lotteria, the largest fast food chain in Korea, to celebrate its first anniversary of the 'Lotz Burger' in 2013. Made with Australian beef, approximately 22 million Lotz burgers have been sold since it was launched and three million Burgers were sold during the promotion. The *Hoju chungjung woo* logo and nutritional information was printed on point-of-sale materials in all Lotteria's 1,090 stores nationally. Australia remained the preferred source of imported beef for Korean consumers in 2013-14 with 54 per cent market share in 2013, despite the US having a 5.4 per cent tariff advantage.

MLA marketing activities in Indonesia focus on working with consumer groups, retail, foodservice and trade which saw a doubling of Australian beef exports year-on-year. To increase awareness of Australian beef in Indonesia's retail sector, MLA developed promotional material for display at 12 retail outlets displaying nutritional, Halal and food safety information about Australian beef, as well as recipe booklets. This was part of a year-long program developed by MLA to enhance the merchandising for Australian beef and lamb in retail stores. In addition, 4,450 Indonesian women took part in 32 educational cooking events and 7,660 students from 20 Jakarta schools were involved in a school program during 2013-14 run by MLA to further increase awareness of Australian beef and increase sales. MLA also established the Australian Beef Junior Chef Challenge, where 2,730 students from junior high schools around Jakarta joined the event to challenge their skills in preparing Australian Beef based meals.



## 2.7 Aggressive promotion in export markets – sheepmeat

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

Strategies under this objective include:

- 2.7.1 Disseminate comprehensive export marketing information
- 2.7.2 Grow awareness, trial and purchase of Australian lamb in overseas markets through various promotional activities
- 2.7.3 Position Australian lamb in overseas markets by leveraging its generic positive attributes (product integrity, Halal integrity, consistent quality, delicious, nutritious and easy to prepare)
- 2.7.4 Under co-operative programs support the growth of branded lamb supply chains to develop trade and consumer loyalty

MLA invested \$7.0 million in international lamb and sheepmeat marketing during the year including \$6.8 million of producer levy funds and \$0.2 million from other sources. This investment supported tailored market promotional activities including business development work with foodservice operators and retailers, working closely with exporters to grow sales of individual lamb brands, and monitoring in-market consumer and business trends.

Key milestone	Result
Achieve at least 80% of KPIs listed in regional sheepmeat implementation plans	<b>Achieved</b> 80% of KPIs in regional sheepmeat implementation plans achieved
An additional 8 major customers are recruited globally for Australian lamb	<b>Achieved</b> 25 new foodservice and retail accounts recruited
Over 80% of Australian exporters and importers are satisfied with MLA business development activities (trade shows, missions, etc)	<b>Achieved</b> More than 80% satisfaction with business development activities
Achieve an increase in ICA participation and update on planned activity from 2012-13 baseline	<b>Not achieved</b> Fewer ICA participants and spending stable compared to previous year

Building longer-term, sustainable demand for Australian lamb is one of MLA's primary roles in Australian lamb's largest export market of North America. MLA focused on getting more cut-through with consumers by focusing on particular geographic areas at key consumption periods. A winter promotion centred on New York and Washington DC in December 2013 and January 2014 – *Winter WonderLamb* – saw chefs and restaurants feature Australian lamb dishes on their menus, as well as in-store promotions including on-pack recipe labels, product signage and in-store video advertising in participating retail stores. A chef's competition was also run as part of the *Winter WonderLamb* promotion where nine top New York restaurants and 18 in Washington DC featured



*MLA partnered with chefs and restaurants to promote Australian lamb in Washington DC and New York through the Winter WonderLamb campaign.*

Australian lamb dishes on their menus for the chance to win a trip to Australia. A 2.5 per cent increase in lamb sales at participating *Winter WonderLamb* retailers was recorded for the promotion period. A *Spring Fling* seasonal lamb promotion was targeted at Greater Miami Florida in March 2014 focused on creating awareness in the foodservice sector through chef masterclasses, foodservice media events and a consumer promotion with the 28-store Texas de Brazil restaurant chain. The restaurant chain promotion reached more than one million of Texas de Brazil's regular customers through targeted emails. Participating lamb retailers recorded a 15 per cent increase in sales of Australian lamb in the Miami area during the *Spring Fling* campaign period. By leveraging the consumer campaigns in winter and spring, fans of MLA's 'Australian Lamb' facebook page grew sixfold with more than 15,000 new fans since September 2013 and email subscriptions doubled to more than 35,000.

In the Middle East, MLA ran a Ramadan campaign from June to August 2013 promoting Australian Halal integrity of Australian beef and lamb and corresponding recipes. The campaign used social media to target consumers in the UAE, Saudi Arabia, Qatar, Kuwait, Oman, Jordan, Lebanon and Egypt during Ramadan to build awareness of Halal integrity and raise Australia's reputation for providing clean, safe and delicious beef and lamb. The promotion ran from 24 June to 7 August 2013 with an estimated reach of 18 million people.

In Korea, MLA partnered with the NS Home Shopping Company in February 2014 to sell Australian lamb packs of bone-in shoulder cuts worth AU\$73. NS Home Shopping is one of Korea's major TV home shopping operators with 24 million household views annually and an of average 100,000 item transactions each day. Six hundred and twenty eight Australian lamb product packs were sold in 35 minutes through the promotion valued at AU\$46,200.

## STRATEGIC IMPERATIVE 3

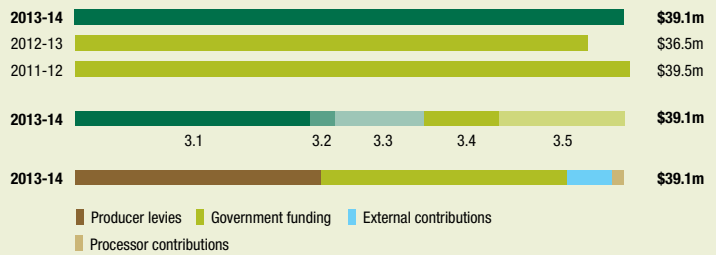
# INCREASING PRODUCTIVITY ACROSS THE SUPPLY CHAIN

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

### Objectives under this strategic imperative include:

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

### INVESTMENT



### Australian Government research priorities:

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

### Delivering MLA business units:

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

## KEY ACHIEVEMENTS

### Cash cow delivers

The four-year MLA-funded Cash Cow project was completed in 2013-14 providing a multi-factor analysis of reproductive performance across northern Australia (see page 27-28)

### Faster Johnes diagnosis

A new DNA-based diagnostic test for Johnes disease was developed with the potential to reduce waiting times for a diagnosis from three months to one week (see page 31)

### Legume fills the gap

MLA-funded research is evaluating the potential of a drought tolerant perennial legume Teder to feed sheep during hot dry summers (see page 27)

### Producers take the challenge

Six producers took part in the innovative new extension program, the MLA challenge, that showcased their progress in making their business more profitable (see page 33)





## OPPORTUNITIES AND CHALLENGES

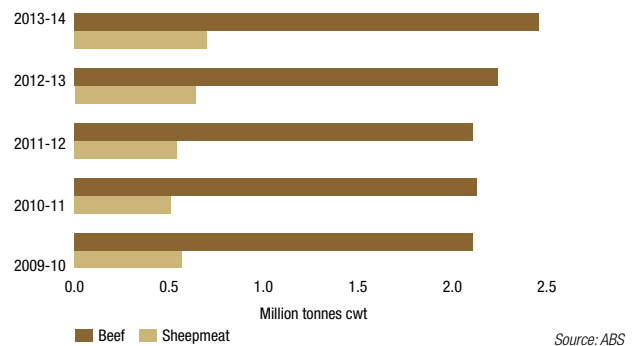
The everyday challenges faced by many livestock producers – caught in a vicious price–cost squeeze that continually cuts into their profitability – presents significant challenges to innovation and increases in the productivity of their properties. The ongoing dry and drought conditions faced by producers across large parts of northern and eastern Australia, with the resulting heightened turnoff of livestock into markets and dampening of farm gate prices, served to exacerbate these problems during 2013-14.

Profitability is a particular challenge for northern cattle producers. ABARES estimates that the average farm cash income for beef cattle farms across northern Australia was 48 per cent lower in real terms during 2013-14 compared with the previous 10 years. Although northern producers turned off greater numbers, beef cattle receipts fell due to lower cattle prices and the reduced quality of stock turned off. At the same time, average farm cash costs increased in 2013-14, with MLA's new Northern Beef Producer Input Price Index increasing five per cent in the June quarter year-on-year driven particularly by significant rises in the capital cost of the northern beef cattle herd. Despite the profitability challenges, the top 25 per cent of northern cattle properties achieved higher income through better herd productivity and lower operating expenses, largely through labour efficiencies.

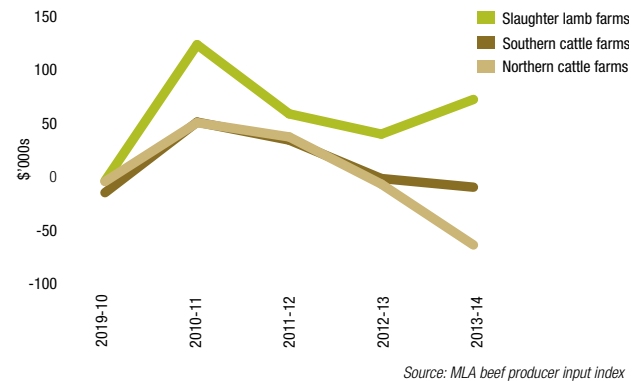
The picture during 2013-14 was slightly brighter for southern cattle producers. The ABARES survey expects average farm cash incomes across southern Australia to have increased to \$85,000 in 2013-14 per farm – up 12 per cent compared to the previous 10 years. Meanwhile, the Southern Beef Producer Input Price Index increased four per cent in the June quarter year-on-year. Labour efficiency represents a substantial opportunity for southern beef enterprises to improve their profitability as labour-related expenses represent between 40 and 50 per cent of total business costs.

Meanwhile, sheep enterprises are currently enjoying superior average profitability, compared to beef and dryland cropping, mainly due to optimising production per hectare. According to ABARES, the average farm cash income for specialist slaughter lamb producing lambs in 2013-14 was estimated to have increased 30 per cent year-on-year to \$91,000 per farm. This recovery is largely attributed to an expected increase in crop receipts, assisted by high winter crop production and favourable grain prices. The opportunities for further improvements in prime lamb enterprises include focusing on production/DSE and maintaining firm control over costs, particularly labour.

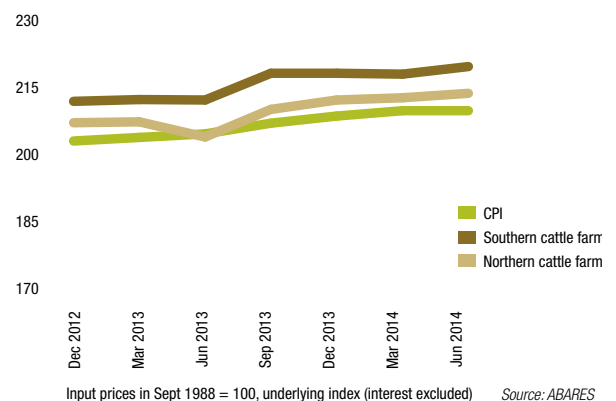
**Beef and veal production reached 2.5 million tonnes cwt and sheepmeat production 702,160 tonnes cwt**



**Cattle producer input costs rose by approximately five per cent during 2013-14**



**Average farm business profits declined across beef cattle farms and increased across lamb farms**



## PERFORMANCE 2013-14

### 3.1 Create opportunities to increase on-farm productivity

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

Strategies under this objective include:

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

MLA invested \$16.7 million in this area during 2013-14 including \$7.0 million of producer levy funds, \$7.7 million of government funds and \$2.0 million from external sources. An additional \$4.1 million was invested through the MDC. These investments included the continued implementation of the feedbase investment plan (cattle and sheep); lamb and weaner survival program (sheep); lamb supply chain and animal information program (sheep) and southern beef compliance program (cattle); priority activities within the RD&E priorities prospectus for the northern Australia beef industry; and implementation of a comprehensive research program addressing feedlot nutrition and heat stress, as well as supporting investments in the Future Farm Industries CRC, Sheep CRC and Sheep Resource flock.

Key milestone	Result
Ongoing implementation of projects for the lamb and weaner survival strategy that lead to a 2% per annum increase in net reproduction rate for sheep	<b>Achieved</b> 16 projects worth \$3 million developed and implemented to investigate management practices that contribute to increased reproduction rate
Initiate program of work to increase cattle reproductive performance in northern Australia by building on the results of the Beef CRC and Cash Cow	<b>Achieved</b> A five-year \$3.8 million program has commenced focusing on Beef CRC and Cash Cow outputs, and increasing BREEDPLAN adoption
Develop investment models for the sheep and beef cattle information nucleus programs and have endorsed by industry and key stakeholders	<b>Achieved</b> Investment models developed and presented to industry lead users
Deliver genomically enhanced breeding values for consumer evaluation scores for lamb	<b>Achieved</b> Research Breeding Values for component eating quality traits (intramuscular force and shear force) available
Develop guidelines for integrating livestock selection, grazing and fertiliser management of low input native pastures into whole of farm management	<b>Achieved</b> Guidelines developed and published on the <i>EverGraze</i> website
Establish research to identify new technologies to increase the rate of genetic gain in annual legume and temperate grasses (phalaris and cocksfoot)	<b>Achieved</b> Two research projects established to increase genetic gain in phalaris and cocksfoot



*The four-year MLA-funded Cash Cow project was completed in 2013-14 drawing on data from more than 78,000 cows from 72 commercial cattle enterprises to provide a multi-factor analysis of reproductive performance across northern Australia.*



MLA's five-year \$21 million feedbase investment plan is funding R&D with a focus on pasture breeding and evaluation, pasture productivity and sustainability, and grazing management and production systems.

Key milestone	Result
Strategies for improved production from rundown buffel grass pastures being tested in 35 on-property research trials with 12 producer groups	<b>Achieved</b> 27 workshops conducted with 347 graziers in Queensland with 206 documented rundown management plans
Establish four goat producer demonstration sites	<b>Not achieved</b> One producer demonstration site established
Complete <i>Manure Handbook and Feedlot Design and Construction Manual</i> and make available to feedlot industry	<b>Not achieved</b> The two publications have been compiled and are being reviewed prior to distribution

Through its five-year \$21 million feedbase investment plan, MLA is funding R&D with a focus on pasture breeding and evaluation, pasture productivity and sustainability, and grazing management and production systems. A key aspect of these focuses on developing and extending legume species to improve the nitrogen content and productivity of pastures. MLA-funded research is evaluating a drought tolerant perennial legume that has the potential to fill the summer feed-gap. Tедера (*Bituminaria bituminosa*) is a perennial exotic legume which out-performs lucerne in lower rainfall environments and provides an opportunity to feed sheep during the hot dry summers in Australia's Mediterranean climatic zones. MLA co-invested with the Future Farm Industries CRC in a project to increase tедера seed production in 2011. A grazing trial in Western Australia in the summer of 2013-14 showed that animals grazing tедера gain 72g per day at a time when animals on traditional pastures would be losing weight. Evaluation of tедера will continue with a replicated grazing trial which will compare two grazing systems (long and short rotation) with, and without tедера, for animal performance and production. An evaluation of the critical phosphorus requirements of alternative legumes has identified that some of the new legumes potentially produce the same biomass as

sub-clover with a 30 per cent reduction in phosphorus applied. This work is being replicated in 2014 to consolidate the results.

MLA-funded R&D is examining the persistence of legumes species to find more solutions for pasture rundown in northern Australia. Conducted by researchers from the Queensland Department of Fisheries and Forestry, the project has identified several legume lines that have persisted for more than 20 years at old research sites across Queensland. Current research and on-farm trial work is focused on improving the establishment and management of these legumes.

The Pasture Variety Trial Network continues to develop a database of performance of over 100 varieties of pasture species that are commonly used in southern Australia. The research project established and managed six independent trial sites across south-eastern Australia with each trial site assessing the performance of commercially-available cultivars of key pasture species under local conditions. This trial data will be integrated into a single database that will help producers and their advisors select high performing pasture cultivars for their region. MLA has entered into a MLA Donor Company partnership with the Australian Seed Federation, which has established Pasture Trial Network Limited to facilitate the ongoing evaluation of pasture varieties. In 2014, four trial sites were sown and eight are planned to be sown in 2015.

MLA-funded research also focuses on improving enterprise productivity through animal reproductive and genetic advances. The four-year MLA-funded Cash Cow project was completed in 2013-14 drawing on data from more than 78,000 cows from 72 commercial cattle enterprises to provide a multi-factor analysis of reproductive performance across northern Australia. Conducted by researchers from the University of Queensland, the project assessed the impact of environmental, nutritional, management and animal health factors on how efficiently cows become pregnant, the likelihood of pregnant heifers and cows rearing a calf, and the likelihood of cows going missing. Data was collected from properties that were divided into four different zones to enable

the development of regional benchmarks that producers can measure their own reproductive performance against. The analysis identified 11 different significant factors on reproductive performance – ranging from body condition score at muster, phosphorus deficiency, previous calving period and pasture quality. The results have provided a step-by-step methodology to help producers assess the reproductive performance of their operations, and forms part of the evidence base for a series of extension products currently in development to assist northern cattle producers to improve their profitability.

MLA also supported the establishment of the largest progeny-test program undertaken for the Brahman breed. The seven-year Brahman Beef Information Nucleus project is funded through the MLA Donor Company in collaboration with the Australian Brahman Breeders Association (ABBA). The project is being run under commercial conditions with herds at two properties in Queensland and aims to improve the accuracy of existing estimated breeding values (EBVs) and collect valuable data on hard-to-measure traits, such as eating quality and female reproduction. Initial findings have shown the accuracy of EBVs for the 26 participating sires evaluated to date had already improved 20 per cent. The results also validated usefulness of EBVs with little change in the ranking of sire even after the improvement in accuracy. The long term benefits of this research will allow animals to be selected for more productive genetics that will allow cows to produce more calves in their lifetime.

MLA is a major participant in the CRC for Sheep Industry Innovation (Sheep CRC) that has secured funding for the next five years. Since 2007, the Sheep CRC has provided industry with new knowledge, tools and technology that have been adopted throughout the supply chain. The CRC's research program has been built around three key areas: enhanced sheep wellbeing and productivity, quality-based sheepmeat

value chains, and faster affordable genetic gain. All levels of industry have been involved in planning the proposed R&D program.

In 2013-14, MLA confirmed its support of the sheep Resource Flock for a further six years providing the basis for industry adoption and further development of genomic selection technology. The funding will protect the accuracy and integrity of genomic testing for hard-to-measure traits, such as lean meat yield and eating quality. Established by the Sheep CRC in 2007, the Resource Flock (originally called the Information Nucleus Flock) has supplied data for new genomic selection methods and improved the current industry genetic analysis by refining the genetic connections between Australian sheep flocks. As new data is collected, it is included in the routine MERINOSELECT and LAMBPLAN genetic analyses, providing new and improved Australian Sheep Breeding Values for traits such as fertility, eating quality, parasite and breech strike resistance.

MLA funding supported research to predict working dog trainability in 2013-14. The University of Sydney's Farm Dog Project is a three-year collaboration using genomic technologies to measure and record behavioural and health attributes in farm dogs to create a simple test for pups as young as six months to predict trainability and working life success. Results of a survey conducted under the project showed that the median cost of owning a working dog was estimated to be \$7,763 for its working life but the work performed by the dog throughout this time was estimated to have a median value of \$40,000. The survey also asked owners to rate a selection of behavioural traits within three working environments – mustering, yard and all-round – and the trial arena. Ability to cast, gather and force livestock, intelligence, calmness and control were found to be the traits producers considered to have the most value in their working dogs.



*The Farm Dog Project is a three-year collaboration using genomic technologies to measure and record behavioural and health attributes in farm dogs to create a simple test for pups.*

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

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

Strategies under this objective include:

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

MLA invested \$1.8 million in this area during 2013-14 including \$0.9 million of processor contributions and \$0.9 million of government funds. An additional \$10.8 million was invested through the MDC. **No producer levies were invested in this area** with funding mainly from processor and private funds matched by government funding. These investments enabled collaborations that developed cost effective automation and manual assist technologies, and novel objective measurement systems.

Key milestone	Result
Realise net benefits of \$1.0 million per annum from processing technologies developed under this program and for which installation is completed in 2013-14	<b>Achieved</b> LEAP III and LEAP IV systems installed with estimated net benefit of between \$1.6 million and \$11.9 million
Total aggregated net benefit of technologies installed both in 2013-14 and previous years reaches \$6 million per annum	<b>Achieved</b> An independent evaluation estimated a projected net benefits averaging \$7.9 million per annum at 2012 present value
Demonstrate in production a new technology capable of eliminating and/or reducing occupational health and safety risks	<b>Achieved</b> 25 <i>BladeStop</i> technologies now installed and first beef deloing saw in production use
Five off-farm pre commercial innovations have achieved at least 80% of their annual adoption strategy targets, including associated cost benefit analyses	<b>Achieved</b> Innovation targets being met for five technologies – LEAP IV, ATTC chining, OP rib bandsaw jig, beef striploin saw and rack barrel semi automatic machine
At least four fully commercial technologies have met their anticipated adoption targets	<b>Achieved</b> Five innovations meeting adoption targets including <i>BladeStop</i> , spray chilling, LEAP III, brisket cutter and SaniVac

The physically arduous and repetitive nature of many tasks in the processing industry can be hazardous. Machinery Automation & Robotics (MAR) has recently delivered a workplace health and safety technology called *BladeStop*, co-funded by MLA. *BladeStop* comprises of a trip mechanism to stop a bandsaw blade in under 10 milliseconds if contact is made with the saw operator. The saw operator wears a waist belt, sensor and electrically insulated glove, which triggers a high speed pneumatic clamp to stop the blade if contact is made with the skin. Several instances of successful operation have now been documented.

MLA funded dual energy x-ray sensing systems that have now evolved to allow a cost effective opportunity to differentiate and measure meat, fat and bone. This data can be used to optimise livestock grid offerings from producers and allow processors to optimise their value adding activities including market allocation of high quality products.

MLA also funded Scott Technology to delivered LEAP™ technologies which comprises an x-ray guided automated lamb primal cutting system and a lamb automated middle processing system. The lamb primal system separates carcasses into shoulder, middle and hind, and increases the value of the carcass with between \$1.30 and \$1.40 per head through precise cutting lines and consequent yield improvement and improved overall processing efficiency. The middle system breaks the rack barrel into various sub-primal components, and increases the value of the carcass with between \$3.20 and \$4.20 per head, once again through precise cutting and processing efficiencies.

### 3.3 Deliver valued supply chain and market information

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

Strategies under this objective include:

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

MLA invested \$6.3 million in this area during 2013-14 including \$3.1 million of producer levy funds, \$2.8 million of government funding and \$0.4 million from other sources. This investment enabled the continued operation of MLA's livestock reporting service, digital provision of market information and analysis, more detailed data on trade flows and forward looking analyses, improved supply chain data through Livestock Data Link, and industry issues research.

Key milestone	Result
Over 90% of clients find MLA market information valuable to their business, with over 60% finding it highly or extremely valuable	<b>Achieved</b> 93% of clients find MLA market information valuable with 51% finding it highly or extremely valuable
Increase electronic distribution of MLA market information by 5%	<b>Achieved</b> Traffic to market information section of MLA website increased 55.4% and email distribution increased by 3.6%
16 processing plants uploading data to Livestock Data Link	<b>Not achieved</b> 11 processing plants uploading data with a further five signed up but changing IT systems to integrate with LDL
Livestock Data Link expanded to incorporate animal health and disease feedback	<b>Achieved</b> Animal health disease feedback incorporated in an LDL pilot and solutions library developed
Develop cost of production indicators that can be widely used by industry	<b>Achieved</b> Quarterly Northern and Southern Beef Producer Input Indexes launched
Increase reporting of cattle markets in northern and western Australia	<b>Not achieved</b> New saleyards identified with aim to be reporting on them by October 2014
Achieve ISO accreditation for MLA's market information activities generally (not just NLRS which is currently ISO accredited)	<b>Achieved</b> ISO accreditation achieved
Complete industry issues research as requested by RMAC and peak industry councils	<b>Achieved</b> Research into co-existence arrangements and coal seam gas operations undertaken and published

MLA's national livestock reporting service collected market intelligence from 62 different cattle and sheep physical markets across the country each week during 2013-14. A team of 24 livestock reporting officers attend and report on major prime and store markets. MLA's analysis team produce more than 100 different reports each week -including price indicators, over-the hooks reports and physical market reports – that are published on the MLA website and distributed to rural media outlets. MLA's national livestock reporting service maintained its ISO accreditation during the year.

MLA's market information continued to be the most popular content on the MLA website with approximately 24,110 visitors to the 'Price and markets' section each month. There were more than 69,830 unique pageviews of market information content per month during 2013-14, an increase in traffic of 55.4 per cent on the previous year. This increase in traffic was largely as a result of the improved presentation and linking of MLA's market reports. MLA's market information was emailed to approximately 23,800 MLA members via the weekly *fridayfeedback* e-newsletter and approximately 1,900 other subscribers through *Meat & Livestock Weekly* e-newsletter at 30 June 2014, an increase of 3.6 per cent from the previous year. MLA's bi-annual cattle and sheep industry

projections were also released to widespread media attention with more than 45,510 unique pageviews of projections content during 2013-14, an increase of 71.8 per cent on the previous year.

MLA launched a new market information mobile app in June 2014 providing producers with the latest livestock market information. The free-to-download app was developed to enable producers to stay informed of news updates and market intelligence across the beef, sheep and goat industries and tap into the increasing numbers of producers using smartphones by providing them with market information central to their day-to-day business decision-making. Information on market statistics, national indicators, feeder cattle, slaughter levels, over-the-hooks, skins and wholesale meat markets and market analysis on Australia's key livestock and export meat markets can all be accessed, and app users can customise searches for market reports specific to region, detailing price, supply, and quality and buyer information. In the two weeks from its launch to 30 June 2014, the app was downloaded almost 1,120 times.

Livestock Data Link (LDL) is a web-based application that links slaughter data from the NLIS database with analytical tools and benchmarking reports. It enables supply chain participants to analyse compliance to market specifications, with performance outcomes linked to a library of solutions on how to address non-compliant issues on farm. MLA continued to enhance the functionality of LDL during the year with three new elements – the MSA Index, regional benchmarks to allow producers to compare their compliance to market specifications such as weight, fat and MSA with other producers in their region, and sheep health and disease feedback. An operational proof-of-concept pilot that was undertaken to demonstrate the feasibility of providing animal health and disease feedback to producers in a consistent and user-friendly manner. Research was undertaken to identify the most effective method for the integration of this data into LDL and an animal health solutions library was developed to provide information on sheep measles, cheesy gland, grass seeds, hydatids and liver fluke.



### 3.4 Support industry to improve animal health and biosecurity

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

Strategies under this objective include:

- 3.4.1 Improve animal health and biosecurity
- 3.4.2 Improved biosecurity measures at processing establishments that minimise risks to trade from exotic diseases

MLA invested \$5.4 million in this area during 2013-14 including \$2.7 million of producer levy funds and \$2.7 million of government funding. An additional \$2.6 million was invested through the MDC. This funding supported programs to address issues such the national livestock disease survey, integrated sheep parasite management, footrot diagnostics and vaccine development, theileriosis diagnosis and control in cattle, cattle tick vaccine, and bovine respiratory disease in feedlots.

Key milestone	Result
Gain critical knowledge of the range of bluetongue vectors and viruses and their interaction with cattle and sheep	<b>Achieved</b> Research conducted to develop a PCR diagnostic test for bluetongue and study insect vectors
Assess registered chemicals for suitability to treat old world screwworm fly strikes in animals	<b>Achieved</b> Several registered chemicals were assessed as being effective in curing fly strikes
Develop new approaches to anthrax surveillance	<b>Achieved</b> Research undertaken on genotyping, soil profiles and use of testing kits across Australia
Better understanding of the impacts of sub-clinical and clinical perennial ryegrass toxicity on production and potential mitigation procedures	<b>Achieved</b> Research into the impact of two novel ryegrass endophytes completed
Initiate research into feedlot bedding options and the benefits of acclimation for feedlot cattle	<b>Achieved</b> Research into bedding and acclimatisation initiated

A new DNA-based diagnostic test for both bovine and ovine Johnes disease developed as part of MDC-funded research was approved by the Standing Committee on Animal Health Laboratory Standards (SCAHLs) in 2013-14 and put to the test after the diagnosis of bovine Johnes disease in Queensland. This event uncovered deficiencies in the method which have been addressed through subsequent collaboration between diagnostic service providers. Known as the High Throughput Johnes (HT-J) Assay, the test reduces waiting times for a diagnosis from three months to one week thereby decreasing the risk of further disease spread and reducing stress on affected producers. The test was developed by researchers from the University of Sydney and



*Researchers from the University of Sydney developed a DNA-based diagnostic test for for bovine and ovine Johnes disease that reduces waiting time from three months to one week.*

NSW Department of Primary Industries, and addresses some of the problems of the time it took the previous culture-based test to analyse the very small amounts of Johnes bacteria secreted by animals. The research project was funded as part of a five-year \$6.4 million program of research into cattle and sheep Johnes disease by the MLA Donor Company in partnership with Animal Health Australia.

MLA initiated research in 2013-14 that aims to develop a vaccine for footrot. Conducted by researchers from Monash University and the University of Sydney, the project began in July 2013 and is focussed on developing a simple vaccination that will be effective for all variations of the footrot bacterium. The current MLA-project builds on work begun by the Monash-based Australian Research Council Centre of Excellence in Structural and Functional Microbial Genomics in 2003. It will allow genes that have been shortlisted as having potential as a footrot vaccine to be tested and assessed in pen and field trials which commenced in 2013-14.

MLA funded research completed in 2013-14 also showed that an increasingly popular theileria treatment, burparvaquone, can leave residues for 147 days or longer. The research was conducted in collaboration with the NSW Department of Primary Industries (DPI) and Queensland Department of Agriculture, Fisheries and Forestry. The results of the research is a critical information for producers when forward planning the slaughter of those animals as there is the potential for the residues to impact access to certain markets.

### 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 supporting this objective include:

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

MLA invested \$8.9 million in this area during 2013-14 including \$4.6 million of producer levy funds, \$3.5 million of government funding and \$0.7 million from other sources. Investments in this area included the continued roll-out of the flagship extension program *More Beef from Pastures*, joint MLA-AWI program *Making More From Sheep* and the *FutureBeef* collaboration, delivery of a new program the *MLA challenge*, development of new producer resources, and delivery of *feedback* magazine, producer events and online tools.

Key milestone	Result
Increase satisfaction with MLA communications activities to 3.6 out of 5	<b>Not achieved</b> Member satisfaction with MLA communications rated an average of 3.5 out of 5
At least 50% of commercial sheep and cattle producers engage with MLA information or tools	<b>Achieved</b> 71% of producers surveyed agreed they had engaged with MLA information or tools
At least 50% 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	<b>Achieved</b> 46% of members participating in programs reported changing practices, with 85% saying they did in program evaluations
At least 40 producer demonstration sites in operation to deliver localised R&D information to producers	<b>Not achieved</b> 33 producer demonstration sites in operation
Establish extension delivery partnership program with at least two major agribusiness extension providers	<b>Achieved</b> Partnerships initiated through Farm 300 and <i>MLA challenge</i>
Initiate two MDC projects with delivery partners to enhance producer engagement and capacity building	<b>Achieved</b> Two MDC projects commenced with McDonalds and other partners building

MLA produces a suite of information and tools for livestock producers. The flagship *feedback* magazine is mailed to almost 48,000 MLA members 10 times per year, containing



*Tasmanian producers John and Anne Ramsay took out the inaugural MLA challenge – and are turning off 30% more lambs and improving their labour efficiency as a result of changes they made through the program.*



*MLA was one of six partners in the decade-long EverGraze extension program that has engaged more than 14,000 producers and advisors to make changes on more than 4,000 properties.*

practical information on outcomes from their levy investments, with more than 76 per cent of surveyed members saying it has an influence on their business decisions. The MLA website had an average of almost 72,980 unique visitors per month over the course of 2013-14, an increase of 24.1 per cent from the previous year, with 55 per cent of MLA members rating it somewhat or very useful. MLA reached almost 3,300 producers with key on-farm messages by either holding MLA events such as Meat Profit Days, innovation seminars at major industry events or sponsoring other industry events.

The *MLA challenge*, a new 12-month program aimed to inspire Australian cattle and sheep producers to improve their production systems by making use of R&D outcomes, ran over the course of 2013-14. The program followed six farming families, selected from over 40 applications, as they made changes to their businesses to improve their profitability assisted by a business mentor. Each quarter, the participants' progress against their business goals was assessed, alongside their benchmarks and decision making process to reach these goals. The program was based on the effectiveness of producer-to-producer learning with participants sharing their journey through blogs, videos, social media and event appearances. The *MLA challenge* section of the MLA website received an average of 6,990 page views per month over the course of 2013-14 and the program received strong media interest with two segments aired on ABC *Landline*.

MLA's flagship southern R&D extension programs entered their third phase in 2013-14. An evaluation of the *More Beef from Pastures* (MBfP) and *Making More From Sheep* (MMFS) showed that more than 12,000 producers have participated in MBfP and 8,000 in MMFS. Approximately 85 per cent of those participating have indicated that they had made a change

as a result of their participation. Approximately 59 per cent of participants said their intended changes has immediate benefit including increased production, feeling more in control and increased income. In northern Australia, five *BeefUp* forums were held with more than 190 attendees and seven *EDGE* network events held for 70 producers during 2013-14. MLA was one of six partners in the decade-long *EverGraze* extension program, managed by the Future Farm Industries CRC, which concluded in 2013-14. Using demonstration sites and case studies, *EverGraze* was able to develop regionally relevant information for farmers which quantifies the productivity, economic, environment, risk and lifestyle impacts of implementing changes on-farm. More than 14,000 farmers and advisors were directly engaged by the program and practice change was achieved on more than 4,000 farms covering at least 200,000ha, with measured increases in productivity and profitability, resulting in a return on funds invested of five to one.

MLA's producer demonstration site (PDS) program enables local producers to apply the latest R&D to find solutions to significant regional issues. Thirty-three PDS sites had been established nationwide by the end of the financial year, covering topics as diverse as phosphorus supplementation, fertiliser use, reproductive efficiency, parasite management and new technologies. PDS projects completed have demonstrated how strategic drenching of ewes can slow the development of worm resistance and that remote sensing technology can be used effectively on hilly terrain with a payback period of less than one year. A further 12 PDS projects are currently under development and are expected to commence during 2014-15.

## STRATEGIC IMPERATIVE 4

# SUPPORTING INDUSTRY INTEGRITY AND SUSTAINABILITY

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

### Objectives under this strategic imperative include:

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

## KEY ACHIEVEMENTS

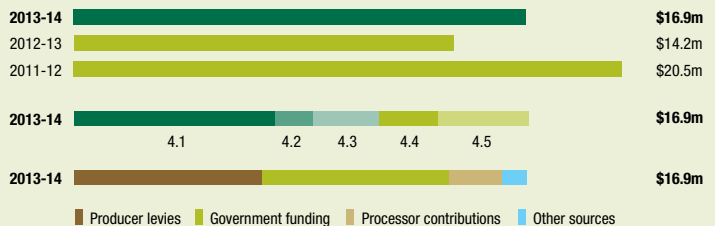
### Reduce need for de-horning

MLA funding resulted in an improved poll gene marker test for Australian cattle being launched in 2013-14 (see page 37)

### Firing up production

MLA-funded research is delivering strategic fire management in northern Australia and showing that late-season burning is substantially more profitable (see page 36)

## INVESTMENT



### Australian Government research priorities:

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

### Delivering MLA business units:

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

## OPPORTUNITIES AND CHALLENGES

As custodians almost half of Australia's landmass, livestock producers have a strong sense of their responsibility for managing their properties and livestock to ensure the sustainability of their industry for future generations.

Livestock production is intimately tied to a range of climatic, geographic and biological systems. The unpredictability of Australia's harsh climate was amply demonstrated during 2013-14 as an extreme summer saw approximately 150 different weather records broken and ongoing dry and drought conditions negatively impacting agricultural production. Producers are also forced to battle a range of invasive animals and plants that negatively impact on production through livestock predation and competition for resources.

Animal welfare, environmental and social considerations are central to the sustainable management of Australia's livestock properties. While price and nutrition top the list of reasons why people reduce beef and lamb consumption, animal welfare is a consideration for a small but increasing number of consumers. MLA conducts R&D to improve animal welfare outcomes and environmental impacts of beef and lamb. This research responds to changing community attitudes to the way livestock should be raised and treated and recognises that any research outcomes must be practical to implement and have productivity benefits.

## PERFORMANCE 2013-14

### 4.1 Support on-farm environmental sustainability

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

Strategies under this objective include:

#### 4.1.1 Natural resource management

#### 4.1.2 Responding to climate change

MLA invested \$7.5 million in this area during 2013-14 including \$3.3 million of producer levy funds, \$3.3 million of government funding and \$0.9 million of external funding. This funding supported the development of new techniques for controlling major weed species, new invasive animal controls, self-assessment tools for natural resource management, and research into reducing greenhouse gas emissions and adapting to climate variability.

Key milestone	Result
Complete reviews in the weed control area, develop an informed investment strategy and contract new weed control projects	<b>Achieved</b> Reviews completed, a weeds strategy outlined and research projects commissioned
Develop technology for successful aerial baiting of wild dogs and fox control	<b>Not achieved</b> PAPP toxin tested for aerial baiting but found inappropriate due to its long period of toxicity
Commencement of MLA co-funded pig and rabbit control projects within the IACRC	<b>Achieved</b> Research underway for rabbit, dog, fox and pig management

Key milestone	Result
Establish size requirements for feedlot effluent ponds to avoid overflows under future conditions of increased climate variability	<b>Achieved</b> Modelling completed indicate that current requirements adequate until 2100 under different scenarios
Projects including those within the National Livestock Methane Program have developed opportunities for productivity increases and delivered one approved CFI methodology	<b>Achieved</b> Research into genetics, forages and novel supplements has demonstrated increased productivity and reduced methane Nitrate methodology delivered for CFI approval
Best practice sheep methane measurement technology developed and available	<b>Achieved</b> Research demonstrated methodologies to measure sheep methane by age and condition
Complete a life cycle analysis for export of lamb and beef from Australia to the USA	<b>Achieved</b> Life cycle analysis completed and results communicated to industry

In 2013-14, MLA-funded research to better understand the invasiveness, spread and ecology of rubber bush in northern Australia's rangelands. The research draws together expertise from the Queensland Department of Agriculture, Fisheries and Forestry, Charles Darwin University and the Northern Territory Department of Land Resource Management. Rubber bush, also known as calotrope, is estimated to have spread over up to 3.7 million hectares in the Northern Territory, the Kimberley and north-west Queensland. It forms large, dense infestations that appear to be reducing livestock carrying capacity and increasing control and mustering costs. To date the project has found that the rubber bush seed bank appears short-lived, averaging 12–24 months providing opportunities

*MLA-funded R&D is examining ways to better control rubber bush, a weed spread over 3.7 million ha across northern Australia*



for effective control and the weed can be controlled using basal bark, cut stump and foliar applications, provided plants are treated thoroughly. The project is due to conclude in mid-2015.

MLA continued to fund the Invasive Animal CRC (IACRC) during 2013-14. The IACRC conducts research to reduce the impact of wild dogs, pigs and rabbits on the Australian livestock industry. In 2013-14 the IACRC released a report that showed that new rabbit biocontrol technologies being developed have the potential to increase agricultural productivity by up to \$840 million over 15 years. Registration packages for fox and wild-dog baits have recently been submitted to the Australian Pesticides and Veterinary Medicines Authority and will be assessed in 2015. New pig baits have faced technical hurdles with stability of the toxin, and a replacement rabbit calicivirus has been identified and steps are underway to enable release. The new strain will still require to be used in conjunction with traditional control approaches.

A MLA-funded research project is delivering strategies for using fire to control woodland thickening on grazed savannas, and showing that late-season burning is substantially better for the bottom line. The fire experiment on Victoria River Research Station (known as 'Kidman Springs') was established with MLA-funding in the 1990s to assess the impact of fire management on woody cover and pasture condition. High-value pastoral land across northern Australia's tropical savannas is not being burned enough to combat woodland thickening, while lower value pastoral land, indigenous and conservation land is falling victim to 'overburning' with too many late-season wildfires. Economic modelling of a commercial cattle station found four-yearly fires improved animal production and enterprise profits, with late season fire providing the greatest benefits.

In 2013-14, MLA-funded research at the Wambiana grazing trial assessed the impact of different grazing regimes on animal performance, pasture composition, land condition and runoff. Adding to that is a three-year trial, in collaboration with James Cook University, which will identify the long-term, paddock-scale impacts of different grazing strategies on vertebrate fauna biodiversity, wildlife abundance and diversity. Over the two trapping sessions, 35 amphibians, almost 1,550 birds, 85 mammals and almost 1,000 reptiles were caught or observed at Wambiana. This information will help producers determine grazing strategies to maintain wildlife biodiversity on their properties.

MLA continued to manage the National Livestock Methane Program (NLMP) in 2013-14. The almost \$3.6 million program is funded through the federal government's Filling the Research Gap (FtRG) program on emissions reductions from cattle and sheep production research. MLA coordinates the 16 projects in the NLMP, which runs to June 2015, in collaboration with the dairy and wool industries to research greenhouse gas abatement and carbon sequestration opportunities. The NLMP has continued to evaluate the opportunities for a methane index to be added to beef breeding systems and has identified leucaena as a forage type that reduces methane emissions and offers productivity benefits.

## 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 under this objective include:

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

MLA invested \$1.4 million in this area during the financial year including \$0.7 million of processor contributions and \$0.7 million of government funding. **No producer levies were invested in this imperative.** A further \$2.0 million was invested through the MDC. This funded research into reducing resource use (water and energy), generation of clean energy, more effective waste treatments and greenhouse gas mitigation.

Key milestone	Result
New technologies or processes capable of reducing the total electricity usage for meat plants by 2% are defined and/or validated	<b>Achieved</b> Five research projects have identified technologies that could each potentially save between 10% and 20% on electricity costs
New technologies or processes capable of reducing abattoir town water consumption by 2% are demonstrated and/or validated	<b>Achieved</b> Research identified technology to replace town with bore water
At least two off-farm pre-commercialisation innovations have achieved at least 80% of their annual adoption strategy targets	<b>Achieved</b> The anaerobic digester and covered anaerobic lagoons have both met 100% of their adoption

Whilst MLA has been investing in anaerobic treatment of abattoir waste with industry and research partners including AMPC since the 1990s, R&D investments in recent years have focused on advanced waste-water treatments such as covered anaerobic lagoons (CAL) and in-vessel anaerobic digestion. CALs reduce waste-disposal costs, generate biogas reducing dependence of fossil fuels, reduce offensive odours and mitigate greenhouse gas emissions. Using CALs, the energy-rich biogas with associated offensive odour are captured beneath a synthetic plastic cover. The last four years has seen significant adoption of CAL technology with 18 CALs being installed by 14 different processing plants. Eight of these plants either use or have provision to use biogas as an energy source. The interest of processors in this technology has

been driven by rising energy costs, increased environmental and social awareness and government incentives aimed at reducing greenhouse gas emissions. Several multimillion dollar investments in CALs that build on feasibility studies conducted with MLA have been announced over the past 12 months.

### 4.3 Support industry to make continued improvement in 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 under this objective include:

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

MLA invested \$2.5 million in this area during 2013-14 including \$1.2 million of producer levies and \$1.2 million of government funding. A further \$1.5 million was invested through the MDC. This investment contributed to addressing priorities such as developing practical means of pain relief replacing aversive procedures and promoting and measuring animal welfare standards on farm and at processing establishments.

Key milestone	Result
Refined and more accurate polled gene test available and delivering greater than 99% accuracy across major breeds	<b>Achieved</b> Refined poll gene marker test commercially available

Key milestone	Result
Commence MLA co-funded predator control projects within the IACRC	<b>Achieved</b> IACRC predator control projects commenced
Implement five-year research program implemented to improve nutritional management and welfare of feedlot cattle during periods of heat stress	<b>Achieved</b> Research program progressing with acute and chronic heat stress trials completed
Reach proof of concept to deliver alternatives to surgical spaying of cattle	<b>Achieved</b> Proof of concept reached
One new practical product that gives pain relief for surgical husbandry procedures developed	<b>Achieved</b> New analgesic Meloxicam developed and planned to be launched later in 2014

MLA funding resulted in an improved poll gene marker test for Australian cattle being launched in 2013-14. The Australian Poll Gene Marker test is used to determine if an animal is 'true polled'; those that carry two copies of the polled gene. Initially developed for use in Brahmans, the test can now be used with a high degree of confidence across a range of tropical and temperate cattle breeds. The first test, developed through the Beef CRC, was based on a single DNA marker, but the new test, which is up to 99 per cent accurate, uses additional markers and increases the proportion of animals for which the test identifies the true genotype. It is available from the Animal Genetics Laboratory at the University of Queensland and Zoetis Animal Genetics. As well as being an animal welfare issue for the beef industry, horns have been identified as the major cause of bruising which costs the Australian beef industry about \$30 million a year.

*MLA funding resulted in an improved poll gene marker test for Australian cattle being launched in 2013-14.*





*Forty producers told their stories to an estimated audience of 250,000 people at urban community events such as the Taste festival.*

Research showed that a veterinary drug used for managing pain and controlling inflammation in cats, dogs, cattle, pigs and horses works successfully in sheep. The MLA Donor Company funded project, in collaboration with Troy Laboratories, confirmed that Meloxicam can be used to manage pain and inflammation during surgical husbandry procedures in sheep and cattle. When administered to sheep by the buccal method (placing it in the sheep's mouth between the teeth and inner cheek lining) the drug worked within eight minutes of administration. The research also showed that Meloxicam administered at the maximum proposed dose of 1mg per kg bodyweight had no detectable residues in any tissue from (and inclusive of) day 10. Meloxicam is in the process of obtaining approval from the Australian Pesticides and Veterinary Medicines Authority and if successful will be the first non-steroidal anti-inflammatory drug available in the Australian market with an on-label WHP. The on-label WHP will help producers satisfy the requirements of the processing sector in complying with residue legislation of importing countries and use of the drug.

MLA also funded a review to identify alternatives to the surgical castration and spaying of livestock. The review of more than a decade of MLA-funded research projects and the relevant scientific literature provided an evidence base for developing MLA's five-year animal welfare R&D strategy. New ways to control livestock reproductive hormones have been earmarked as the most promising alternatives, as well as several others including gonadotropin-releasing hormone (GnRH) agonists and porcine zona pellucida (PZP) vaccine. GnRH antagonists were shown to be a technology that is proven in principle and have a high likelihood of commercial success.

#### 4.4 Support industry's effective engagement with the community

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

Strategies under this objective include:

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

MLA invested \$2.2 million in this area during 2013-14 including \$2.0 million of producer levies and \$0.1 million of government funding. These investments supported the continued building of the *Target 100* program to showcase industry sustainability, incorporating education materials and resources, industry social media capability and participation in urban events to reach key influencers.



Key milestone	Result
Increase engagement in Target 100 by 10% through the key platforms of the website, social media channels and events	<b>Achieved</b> Engagement with Target 100 through social media increased by 59%
300 producers actively engaged in industry advocacy activities utilising MLA-developed resources	<b>Achieved</b> 1,489 producers have taken part in advocacy training opportunities
Percentage of consumers stating they are reducing red meat consumption due to perceived animal welfare reasons is below 4%	<b>Achieved</b> Reduction in consumption for animal welfare reasons decreased to 2.8%
Percentage of consumers stating they are reducing red meat consumption due to perceived environmental reasons is below 3%	<b>Achieved</b> Reduction in consumption for environmental reasons decreased to 2.2%

MLA channelled resources into educating young people about the sustainability and production methods of Australia's cattle and sheep industry. Several education programs informed children in schools across the country about the sustainability of Australian livestock production. In partnership with the science magazine *Cosmos*, MLA developed two *Target 100* sustainability guides for school students on animal health and food for the future. The guides were each distributed via email to more than 6,000 recipients from secondary schools across the country. They were also promoted via a full page advertisement each in *Cosmos* Magazine (95,000 readership). A primary school poster entitled 'Smart farm science' was also developed and distributed to over 3,500 metropolitan schools. MLA has continued to sponsor Young Farming Champions, and supported 12 young beef farmers through the program over three years who spoke at 28 schools and numerous community events, including the state agricultural shows in 2013-14.

MLA supported several metropolitan foodie and urban thought leader events during 2013-14 including Regional Flavours (Brisbane), Taste of Melbourne, Taste of Sydney and TEDxSydney. A total of 40 producers told the stories of their and industry's sustainability practices at these events to a total audience of more than 250,000 people. MLA leveraged these events with social and online media and through *Target 100* ambassadors, Chef Darren Robertson and sustainable food advocate Rebecca Sullivan. This included running online competitions that were promoted at Taste of Melbourne and TEDxSydney that invited consumers to engage with *Target 100* and win a documented trip to a property. The *Target 100* youtube channel was also redeveloped in June 2014 to further bolster the program's digital presence and online engagement.

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

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

Strategies under this objective include:

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

MLA invested \$3.4 million in this imperative during 2013-14 including \$0.5 million in producer levies, \$1.7 million in government funding and \$1.1 million in processor contributions. A further \$1.8 million was invested through the MDC. These investments supported enhancing science and technical skills and increasing general innovation skills within enterprises and supply chains, and ensuring long-term R&D capability is available in required disciplines.

Key milestone	Result
Initiate strategic investments developed from the 'Education Pipeline Review' and the AOP 4.5 business plan	<b>Achieved</b> Business plan and projects developed for approval
All collaborative innovation partners meet at least 80% of their documented innovation strategy KPIs	<b>Achieved</b> KPIs developed with CISP partners

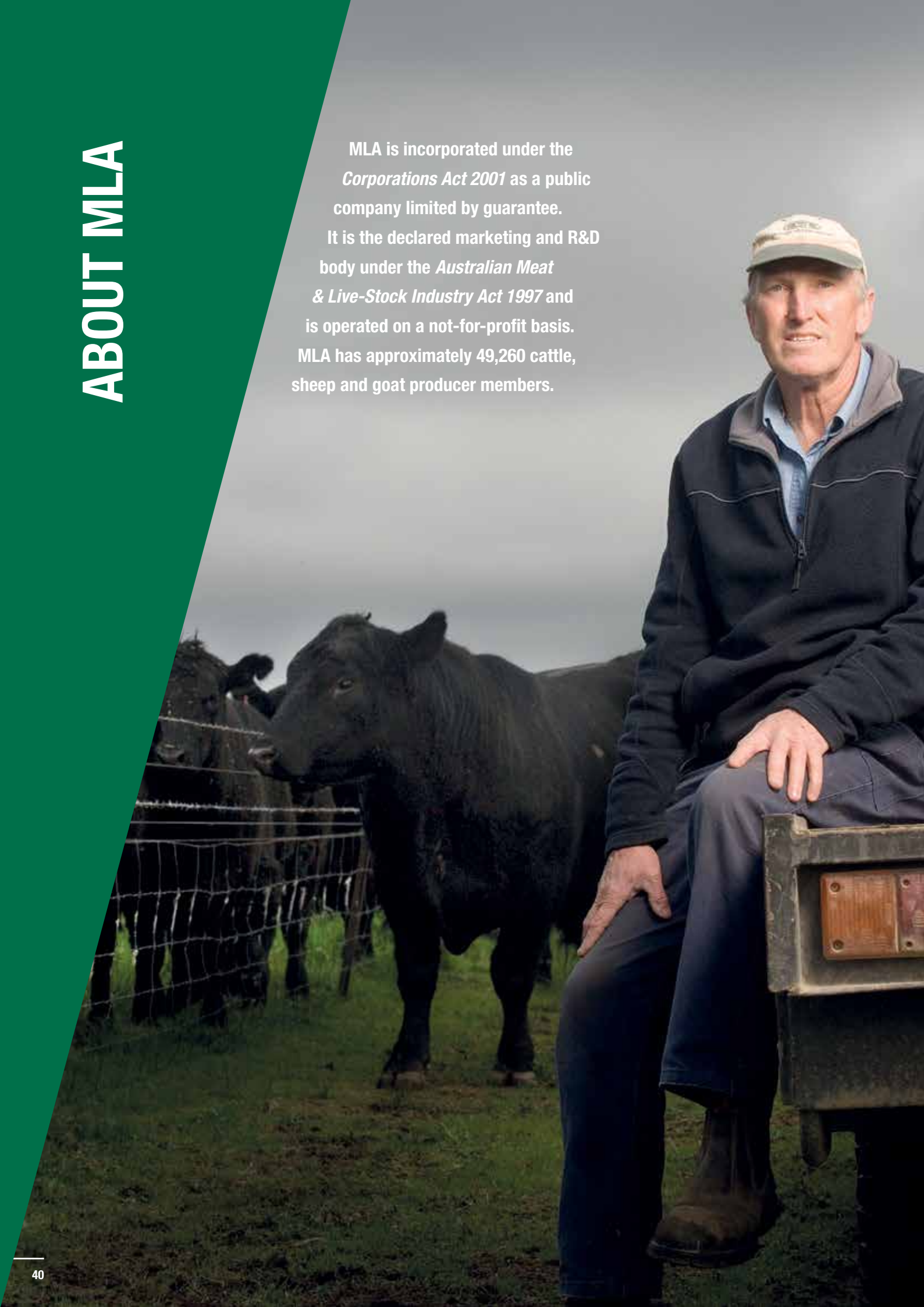
MLA works with enterprises through the Collaborative Innovation Strategies Program (CISP) to build the capability of the supply chain. This program involves the development of an innovation strategy which defines the key focus areas and priorities for innovation for the company and its supply chain partners to continue to build achieve sustainable growth. Seven companies were involved in the program in 2013-14. These CISP partners have a portfolio of innovation projects that are either focused on increasing the productivity of the supply chain or creating more demand for red meat products.

An initiative is also underway involving all aspects of the Western Australian beef supply chain to evaluate new market segment opportunities and in doing so develop their capability, capacity and confidence. Called the Beef Industry Change Program, it is a collaborative partnership between the WA Beef Council, MLA and the Department of Agriculture and Food aiming to facilitate business model change that supports robust sustainable value chains focussed on export growth. A customised package of tools and services has been developed including capacity and production mapping across the state's beef growing regions to facilitate building of new export markets.

# ABOUT MLA

MLA is incorporated under the *Corporations Act 2001* as a public company limited by guarantee.

It is the declared marketing and R&D body under the *Australian Meat & Live-Stock Industry Act 1997* and is operated on a not-for-profit basis. MLA has approximately 49,260 cattle, sheep and goat producer members.

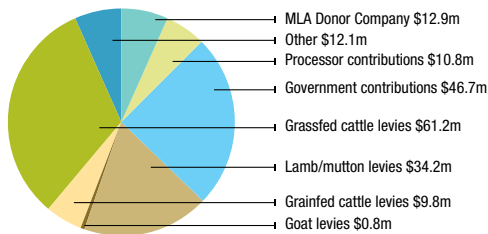


## FINANCIAL SUMMARY

### Revenue

MLA's total income was \$188.5 million during 2013-14, an increase of 16.2 per cent from 2012-13. Income from producer levies increased by 13 per cent to \$106.0 million, government contributions increased 19.1 per cent to \$46.7 million, and processor contributions increased by 12.1 per cent to reach \$10.8 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 2013-14. The higher slaughter and production was driven by increased turn-off due to the continuing dry conditions across many parts of eastern Australia.

MLA revenue	2013-14	2012-13	2011-12
<b>Total revenue</b>	<b>\$188.5m</b>	<b>\$162.2m</b>	<b>\$159.9m</b>
Grassfed cattle levies	\$61.2m	\$54.2m	\$52.5m
Grainfed cattle levies	\$9.8m	\$7.8m	\$8.1m
Lamb/mutton levies	\$34.2m	\$31.0m	\$30.6m
Goat levies	\$0.8m	\$0.8m	\$0.6m
Processor contributions	\$10.8m	\$9.4m	\$9.3m
Government contributions	\$46.7m	\$39.2m	\$40.3m
MLA Donor Company	\$12.9m	\$9.1m	\$8.7m
Other	\$12.1m	\$10.7m	\$9.8m



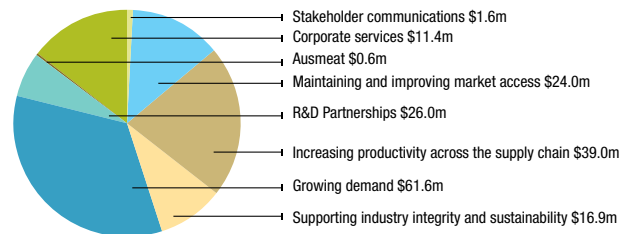
### Revenue/expenditure summary

	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Total revenue</b>	<b>\$188.5m</b>	<b>\$162.2m</b>	<b>\$159.9m</b>	<b>\$167.4m</b>	<b>\$171.8m</b>
Producer levies	\$106.0m	\$93.8m	\$91.8m	\$96.1m	\$96.4m
Government contributions	\$46.7m	\$39.2m	\$40.3m	\$40.3m	\$42.7m
Other	\$35.8m	\$29.2m	\$27.8m	\$31.0m	\$32.7m
<b>Total expenditure</b>	<b>\$181.0m</b>	<b>\$165.8m</b>	<b>\$171.0m</b>	<b>\$166.5m</b>	<b>\$170.7m</b>
Marketing	\$85.2m	\$86.2m	\$92.4m	\$90.4m	\$88.4m
R&D	\$95.8m	\$79.6m	\$78.6m	\$76.1m	\$82.3m

### Expenditure

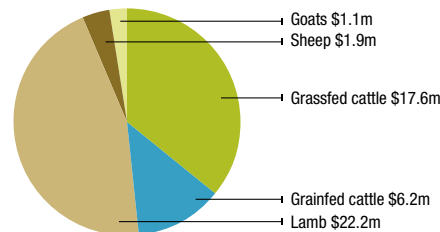
MLA's expenditure reached \$181.1 million during 2013-14, an increase of 9.2 per cent on 2012-13. This included expenditure of \$85.2 million on marketing, a decrease of 1.2 per cent from the previous year, and of \$95.8 million on R&D, an increase of 20.4 per cent. This increase reflected MLA's increased income during the year from heightened levy receipts and significantly increased funding to industry R&D through the MLA Donor Company.

MLA expenditure 2013-14	2013-14	2012-13	2011-12
<b>Total expenditure</b>	<b>\$181.0m</b>	<b>\$165.8m</b>	<b>\$171.0m</b>
Maintaining and improving market access	\$24.0m	\$23.2m	\$23.1m
Growing demand	\$61.5m	\$61.1m	\$65.9m
Increasing productivity across the supply chain	\$39.0m	\$36.5m	\$34.6m
Supporting industry integrity and sustainability	\$16.9m	\$14.2m	\$17.1m
Stakeholder communications	\$1.6m	\$1.2m	\$0.9m
Ausmeat	\$0.6m	\$0.5m	\$0.5m
Corporate costs	\$11.4m	\$11.0m	\$11.4m
R&D partnerships	\$26.0m	\$18.2m	\$17.5m

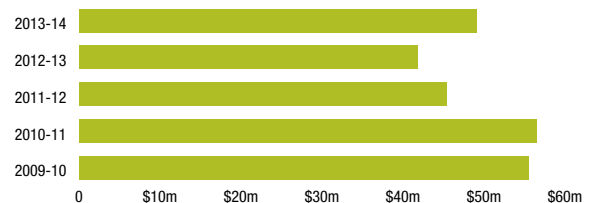


### Retained earnings

MLA's surplus for the year was \$7.4 million taking the retained surplus as at 30 June 2014 to \$49.1 million. This retained surplus is broken down as follows:



### MLA had a retained surplus of \$49.1 million at 30 June 2014



## Income and expenditure by funding source 2013-14

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	
<b>1. Maintaining and improving market access</b>											
1.1 Develop and deliver industry systems	10	89	51	81	403	744	455	825	511	1,321	
1.2 Support to maintain and liberalise world meat markets		2	3	206	28	1,040	32	1,246	61	1,768	
1.3 Maximise market options in the livestock export market	19	35	111	340	115	520	225	860	321	2,894	
<b>2. Growing demand</b>											
2.1 Help industry deliver optimal eating quality			65	79	409	539	474	618	887	2,245	
2.2 Enhance the nutritional reputation of red meat				4	190	948	190	952	190	2,183	
2.3 Develop new products	8		28		159	187	187	187	282	407	
2.4/2.5 Aggressive promotion in the domestic market		74		10		7,718		7,728		7,969	
2.6/2.7 Aggressive promotion in export markets		146				6,671		6,671		17,852	
<b>3. Increasing productivity across the supply chain</b>											
3.1 Create opportunities to increase on-farm productivity	179		246	(26)	3,352	(194)	3,598	(220)	3,175	(381)	
3.2 Deliver opportunities to increase off-farm productivity						(7)		(7)		(17)	
3.3 Deliver valued supply chain and market information	7	0	83	20	724	78	806	98	1,809	186	
3.4 Improve animal health and biosecurity	31		205		1,308		1,512		629		
3.5 Increase producer engagement	4	4	190	35	1,413	353	1,604	387	1,858	670	
<b>4. Supporting industry integrity and sustainability</b>											
4.1 Support on-farm environmental sustainability			120	-2	1,019	-20	1,139	-23	1,473	-7	
4.2 Support off-farm environmental sustainability											
4.3 Support improvement in animal welfare standards	7		28		530		558		310		
4.4 Support industry engagement with the community			5	38	19	535	23	573	98	1,014	
4.5 Develop sustainable innovation capability	4		23		171		193		241		
Stakeholder communication and reporting	1	6	11	31	79	338	90	369	167	681	
AUS-MEAT				44		66		110		384	
R&D Partnerships											
<b>Total expenditure before corporate services</b>	<b>272</b>	<b>357</b>	<b>1,168</b>	<b>861</b>	<b>9,918</b>	<b>19,514</b>	<b>11,086</b>	<b>20,375</b>	<b>12,012</b>	<b>39,169</b>	
Corporate services	32	20	88	99	576	1,409	663	1,509	782	3,108	
Levy collection costs		2		13		218		231		471	
<b>Total actual expenditure 2013-14</b>	<b>304</b>	<b>379</b>	<b>1,256</b>	<b>973</b>	<b>10,494</b>	<b>21,141</b>	<b>11,749</b>	<b>22,115</b>	<b>12,794</b>	<b>42,748</b>	
Income available:											
– Levies	510	321	1,382	1,562	9,054	22,169	10,436	23,731	12,306	48,879	
– Government											
– Processors											
– Live export											
– R&D partnerships											
– External											
<b>Total actual income 2013-14</b>	<b>510</b>	<b>321</b>	<b>1,382</b>	<b>1,562</b>	<b>9,054</b>	<b>22,169</b>	<b>10,436</b>	<b>23,731</b>	<b>12,306</b>	<b>48,879</b>	
<b>Surplus/(deficit)</b>	<b>206</b>	<b>(58)</b>	<b>126</b>	<b>588</b>	<b>(1,439)</b>	<b>1,028</b>	<b>(1,313)</b>	<b>1,616</b>	<b>(488)</b>	<b>6,131</b>	

	Cattle grained		Total cattle		Total levy funds		Processor		LiveCorp		External	MLA total	MLA Donor Co.	Govt	MLA AOP
	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000	R&D \$000	M \$000	M \$000	\$000	R&D \$000	R&D \$000	2013 \$000
	9	280	70	2,048	102	3,296	102	3,417			233	7,151		204	7,355
			321	2,894	565	3,789			600	550	1,096	6,600		1,165	7,766
	237	491	1,124	2,736	1,598	3,354	640				376	5,967		2,238	<b>8,205</b>
	33	454	223	2,637	413	3,589	191	441				4,634		604	<b>5,238</b>
	47	21	328	428	524	615	379	48				1,566		903	<b>2,469</b>
		487		8,456		16,258		1,205			183	17,646			<b>17,646</b>
		2,224		20,076		26,893					1,099	27,992			<b>27,992</b>
	710	(18)	3,885	(399)	7,662	(619)					1,994	9,037		7,662	<b>16,699</b>
				(17)		(24)	882				24	882		882	<b>1,764</b>
	141	38	1,950	224	2,763	322					446	3,531		2,763	<b>6,294</b>
	537		1,166		2,710						12	2,722		2,710	<b>5,431</b>
	83	28	1,941	698	3,549	1,089					694	5,332		3,549	<b>8,881</b>
	695	(4)	2,168	(10)	3,307	-33					894	4,169		3,307	<b>7,476</b>
							695					695		695	<b>1,391</b>
	332		642		1,207						55	1,262		1,207	<b>2,469</b>
	8	237	106	1,252	130	1,825	20	91				2,065		149	<b>2,214</b>
	106		347		544		1,145					1,689		1,689	<b>3,378</b>
	3	22	170	704	262	1,078						1,340		262	<b>1,602</b>
		56		440		550						550			<b>550</b>
													12,983	12,983	<b>25,966</b>
	<b>3,015</b>	<b>4,787</b>	<b>15,027</b>	<b>43,956</b>	<b>26,385</b>	<b>64,688</b>	<b>5,038</b>	<b>5,721</b>	<b>616</b>	<b>568</b>	<b>8,636</b>	<b>111,651</b>	<b>12,983</b>	<b>45,022</b>	<b>169,656</b>
	205	419	987	3,527	1,682	5,056					2,275	9,013		1,682	10,694
		58		529		763						763			763
	<b>3,220</b>	<b>5,265</b>	<b>16,014</b>	<b>48,012</b>	<b>28,067</b>	<b>70,506</b>	<b>5,038</b>	<b>5,721</b>	<b>616</b>	<b>568</b>	<b>10,911</b>	<b>121,427</b>	<b>12,983</b>	<b>46,704</b>	<b>181,113</b>
	3,215	6,602	15,521	55,481	26,467	79,533						106,000			<b>106,000</b>
														46,704	<b>46,704</b>
							5,038	5,721				10,759			<b>10,759</b>
									616	568		1,184			<b>1,184</b>
													12,983		<b>12,983</b>
											10,911	10,911			<b>10,911</b>
	<b>3,215</b>	<b>6,602</b>	<b>15,521</b>	<b>55,481</b>	<b>26,467</b>	<b>79,533</b>	<b>5,038</b>	<b>5,721</b>	<b>616</b>	<b>568</b>	<b>10,911</b>	<b>128,854</b>	<b>12,983</b>	<b>46,704</b>	<b>188,541</b>
	<b>(4)</b>	<b>1,338</b>	<b>(492)</b>	<b>7,469</b>	<b>(1,599)</b>	<b>9,027</b>	<b>(0)</b>					<b>7,428</b>	<b>0</b>		<b>7,428</b>

## FUNDING ARRANGEMENTS

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

### Producer transaction levies

Transaction levies are charged by the Australian Government on the sale of each head of cattle, sheep and 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 2012-13 were \$5 per head of grassfed and grainfed cattle transacted, two per cent of the sale price on each head of sheep transacted and \$0.37 per head of goats transacted.

Of this, the Department of Agriculture distributed the following to MLA:

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

### MLA membership

Membership of MLA is open to all levy-paying grassfed cattle, grainfed cattle, sheep, lamb and goat producers and is free of charge. Benefits associated with membership include a range of free information and tools on MLA's market information, R&D and marketing programs. MLA had 49,260 members at 30 June 2014, an increase of 1.3 per cent on the previous year.

MLA membership	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Total members</b>	<b>49,260</b>	<b>48,608</b>	<b>48,173</b>	<b>47,556</b>	<b>47,342</b>
Grassfed cattle	41,828	41,33	41,005	40,450	40,224
Grainfed cattle	5,391	5,308	5,301	5,201	5,140
Sheep/prime lambs	19,262	17,862	17,611	17,410	17,375
Sheep only	9,625	9,713	9,872	9,875	9,980
Goats	2,386	2,360	2,344	2,302	2,287

## STRATEGIC FRAMEWORK

### MLA stakeholders

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

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

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

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

### Strategic alignment

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

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

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

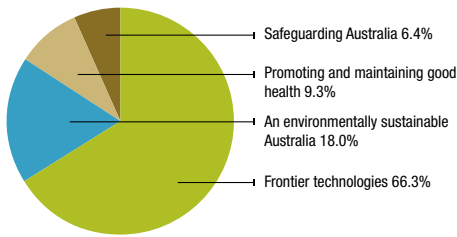
The *MLA Corporate plan 2010–2015* and *MISP* align with the Australian Government's national and rural R&D priorities.

**R&D investments**

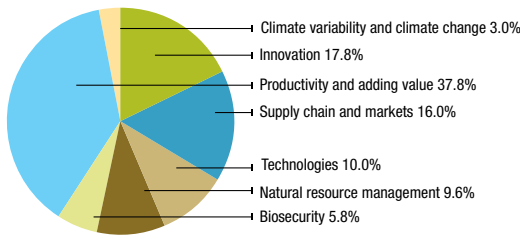
The competitiveness of Australia’s red meat and livestock industry is driven by our long history of innovation. Working smarter by applying R&D throughout the supply chain has been the backbone of productivity growth across the industry.

MLA invested \$93.4 million in a range of R&D programs during 2013-14. This investment includes matching funds from the Australian Government and aligns with National and Rural R&D Priorities.

**National R&D priorities**



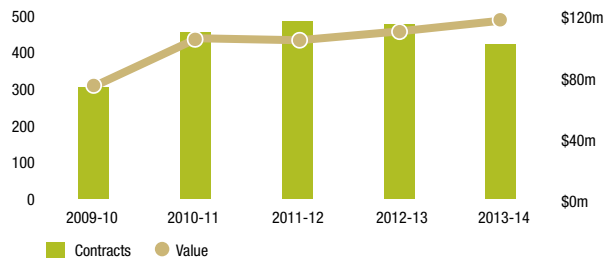
**Rural R&D priorities**



Throughout the year, MLA completed or terminated 582 research contracts worth \$60.8 million and commenced 528 new contracts during the year worth \$67.74 million.

This resulted in a total portfolio of 421 current research contracts at 30 June 2014 valued at \$117.6 million. It must be noted that each R&D project can include multiple contracts. These reported contracts for 2013-14 include livestock production innovation, client innovation services, nutrition, industry systems, industry communications and engagement, food safety and livestock export R&D programs.

**MLA had 421 current research contracts worth \$117.6 million at 30 June 2014**



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 2013-14 has been published online at [www.mla.com.au/annualreport](http://www.mla.com.au/annualreport).

**MLA Donor Company**

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

No producer levies are invested in MDC-funded projects.

During 2013-14, the MDC attracted a total investment of \$25.9 million in private and public funds in industry R&D. A total of 82 new project contracts were approved last year totalling \$28.1 million. Since its inception in 1999, the MDC has approved 649 contracts worth \$227.8 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:

- New pulled meat process for beef brisket and lab shoulder (see page 18)
- Pasture Trials Network (see page 27)
- Brahman Information Nucleus project (see page 28)
- Bladestop technology (see page 29)
- LEAP technologies (see page 29)
- Johnes disease diagnostic test (see page 31)
- Covered anaerobic lagoons (see page 36-37)
- Pain relief Meloxicam research (see page 37-38)
- Collaborative Innovation Strategies program (see page 39)

## Industry collaborative agreements

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

The ICA program aims to:

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

For beef, MLA worked with 64 Australian companies during the year to deliver ICA activities across key markets including Australia, Japan, South East Asia, Greater China, Europe, the Middle East and North Africa, North America, Korea and emerging markets. MLA contributed a total of approximately \$2.7 million, and participants contributed the same amount. These activities strengthened brands and built awareness for product across both new and existing accounts.

For lamb, MLA managed ICAs with 23 Australian companies across Australia, Japan, South East Asia and Greater China, Europe, the Middle East and North Africa, North America, Korea and emerging markets. MLA contributed a total of approximately \$350,000 and exporters contributed the same amount. These activities focussed on retaining key accounts and maintaining volumes, given strong lamb prices and the exchange rate.

Region	MLA ICA contribution (A\$)	
	Beef	Lamb
Australia	687,980	71,158
Europe	89,422	29,024
Japan	338,225	10,589
Korea	281,748	11,710
Middle East/North Africa	81,131	31,494
North America	386,489	59,435
South East Asia/Greater China	527,736	60,811
Cross regional	306,370	76,119
<b>Total MLA contribution</b>	<b>2,699,101</b>	<b>350,340</b>
<b>Total participant contribution</b>	<b>2,699,101</b>	<b>350,340</b>

Activities conducted under ICAs during 2013-14 included trade missions, sampling, demonstrations, brand development, point of sale design and printing, advertising, website development, trade shows, training seminars, product development and market research. Details of each ICA participant and the specific funding amounts invested are published at [www.mla.com.au/annualreport](http://www.mla.com.au/annualreport) and in an appendix to this *Annual report*.

## Evaluating our performance

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

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

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

Independent evaluation of programs across our portfolio of work began in 2006-07 and this year an evaluation was published updating an earlier evaluation of eating quality programs. The evaluation found that the total industry investment in these programs – in particular Meat Standards Australia – has returned a total industry benefit of \$1.45 billion in present value terms over the 20 years to 2019-20 off an investment of between \$319 and \$396 million. This represents a benefit:cost ratio of between 3.7 and 4.5 to 1.

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 regularly published on the MLA website.

## Corporate reporting

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

MLA's *Annual report 2011-12* was made available through our corporate website as well as in hard copy for members who requested it. It received a silver award in the 2014 Australasian Reporting Awards.



## CORPORATE GOVERNANCE

MLA's corporate governance framework is set by the Board having regard to the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, our values and the best interests of our members. This framework has been established to ensure that we remain accountable to our stakeholders and that stakeholder interests are protected. We regularly review our governance arrangements as well as industry developments, stakeholder expectations and regulation. This statement and documents and policies relevant to our corporate governance framework are available on our website at [www.mla.com.au/corporategovernance](http://www.mla.com.au/corporategovernance)

### The Board

#### Composition

The Board comprises 10 directors with a broad range of skills, experience and expertise necessary to guide the company. The Managing Director is the only executive director. Directors are nominated through the Selection Committee and appointed at MLA AGMs for a maximum three year term under MLA's constitution, after which time a director may reapply for a position on the Board in the same way as other candidates. Further information about the Selection Committee is on page 52. 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 listed on pages 48-50. All directors were in office for the entire year unless otherwise stated.

#### Board roles and responsibilities

The roles and responsibilities of the Board are formalised in the Board charter which 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 to create opportunities across the cattle, sheep and goat supply chains by optimising the return on collective investment in marketing and R&D.

The Board's responsibilities include:

- Oversight of management, including the appointment of the Managing Director and the assessment of the Managing Director's performance against the KPIs and objectives set by the Board
- Monitoring the performance of the Executive Team against agreed criteria
- Providing input into and approving management strategies, budgets, programs and policies
- Monitoring implementation of the strategies to determine the continuing suitability and resourcing of strategies.
- Oversight of financial, operational and capital management, including approving and monitoring significant capital expenditure and significant commitments under agreed programs
- Overseeing MLA's accounting and financial management systems establishing a culture of good governance, supported by a clear set of governance roles and responsibilities
- Compliance and risk management
- Overseeing the effectiveness of communication with stakeholders.

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

#### Board meetings

The Board had 10 scheduled meetings during 2013-14, 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 provides input into issues arising in Board meetings relevant to their portfolios. Directors regularly meet with management and have regular exposure to other employees through presentations given at Board and committee meetings and attendance by directors at industry meetings, forums and workshops.

The Board has continued this year to undertake its activities with reference to the MLA Board Operating Principles, which set out a series of guidelines for Board behaviour, measurement of Board performance and Board meeting guidelines. With the release of the 3rd edition of the ASX *Corporate Governance Principles and Recommendations* the Board Operating Principles will be reviewed and amended in the coming year.

## Board members



**Michele Allan**  
BAppSc MMgtTec  
MCommLaw DBA FAICD

Director since 2011

Dr Allan has a broad background in executive and board positions within the pharmaceutical, chemical, biotechnology, packaging, food, agri-business, education and government sectors and brings strong expertise in corporate governance, strategic planning and leadership and commercialisation of intellectual property. Dr Allan is a past executive director and non-executive director of Patties Foods Limited and was previously a non-executive director of the Dairy Research & Development Corporation, Forest and Wood Products Australia and RuralCo Holdings Limited. Current board positions include Grape and Wine Research Development Corporation, Grain Technology Australia Limited and Innovation Australia. She is Chair of the William Angliss Institute and Grains and Legumes Nutritional Council and a Fellow of the Australian Institute of Company Directors. Dr Allan was appointed Chair of the MLA Board in September 2013 and is also Chair of the Selection Committee and a member of the Remuneration Committee.



**Richard Norton**  
DipBA MBA MAICD

Managing Director  
(appointed 02 June 2014)

Richard Norton joined MLA as Managing Director in June 2014. The fifth generation of a beef and sheep farming family from Monaro NSW, Richard 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 Livestock and International Trade and then Managing Director of Landmark. He led Landmark's partnership with the Future Farmers Network, assisting it to become the preeminent young farmer network. In addition to roles in agribusiness, Richard has applied his focus on developing people, company culture and innovation, while managing financial results through strategy execution to executive positions in retail, manufacturing, logistics and warehousing with Wesfarmers Dalgety, Toll Holdings, Woolworths and Coca Cola. Richard 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 a director of MLA Donor Company Limited.



**Lucinda Corrigan**  
BScAgr (Hons 1) FAICD

Director since 2007

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



**Christine Gilbertson**  
BCom (Hons 1) MAppFin CA  
GAICD FRM

Director since 2012  
Interim Managing Director  
March to June 2014  
Resigned July 2014

Ms Gilbertson's family has a long history in the meat industry, commencing in the wholesale meat trade in 1901 to become one of Australia's largest processing businesses. She was a member of the management team of the business from 1989 to its eventual sale in 1997, and performed the roles of Chief Financial Officer and Company Secretary. Ms Gilbertson has held a number of directorships in community services, financial investment and management, and property development. Ms Gilbertson is currently the principal of a private consulting practice, a member of NAB's Private Wealth Advisory Council, and a director of a residential property joint venture between her family group of companies and Lend Lease. Ms Gilbertson has a strong accounting, finance, audit and risk management background, having worked as an auditor and management consultant for Ernst & Young. Ms Gilbertson was Chair of the Audit & Risk Committee until her appointment as Interim Managing Director, a role which she undertook for the period 3 March to 30 May 2014.



**Dr Gregory Harper**  
BSc PhD GradDipMgmt GAICD  
Director since 2009

Dr Harper is a career scientist with extensive research experience within universities, CSIRO and cooperative research centres. Dr Harper's research has been into aspects of genetics, biochemistry, and human nutrition and development. He has worked in laboratories in Australia, the USA and Sweden. More recently he has turned his attention to the translation and commercialisation of science for the benefit of the community. Until June 2014, 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 is a member of the Selection Committee and the Audit & Risk Committee.



**Geoffrey Maynard**

BBus  
 Director since 2011  
 Mr Maynard runs a 10,000-hectare cattle stud seedstock operation near Jambin in central Queensland. He has 35 years' experience in northern production systems, and has had significant involvement in collaborative research and genetics programs. Maynard Cattle Company is one of the largest users of embryo technology in northern Australia. He was 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 a director of MLA Donor Company Limited.



**John McKillop**

DipFarmMgt 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, the cotton and grains industries. 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 currently a non-executive director of Dairy Australia and the Primary Industries Education Foundation. He is a member of the Audit & Risk Committee.



**George Scott**

Director since 2013  
 Mr George Scott has a lifelong involvement with the north Australian cattle industry beginning with his early experience with Stanbroke Pastoral Company, and his most recent corporate role as Operations Manager of Georgina Pastoral Company based at Lake Nash Station in the Northern Territory. 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. Now residing at Thylungra Station in southwest Queensland he is currently Managing Partner of Scott Cattle Company producing commercial cattle in Queensland and SA, and a Director of Thylungra Cattle Co Pty Ltd and Kyabra Creek Pty Ltd. Mr Scott became a director of AUS-MEAT Ltd in February 2014.



**Peter Trefort**

Director since 2003  
 Mr Trefort manages his family's property at Narrogin in WA. He has more than 40 years' experience in sheep and cattle production as well as management across the supply chain. Mr Trefort has worked extensively developing on-farm and processing R&D strategy with the Department of Agriculture (WA), University of WA and Murdoch (WA). In 2007, he received an Honorary Doctorate in Science from Murdoch University. He remains actively involved in the processing sector and has been successful in developing and commercialising innovative ranges of meat cuts for both domestic and international markets. He is a current member of the WA Beef Council and director of the Sheep CRC. In 2010, Mr Trefort was recognised as the Rural Achiever of the Year by the Royal Agricultural Society of WA. He was Chair of the Selection Committee during 2013. He is currently a member of the Selection and Remuneration Committees.



**Rodney Watt**

Director since 2011  
 Mr Watt is the manager of a family farming partnership based near Cowra NSW, producing Poll Dorset and White Suffolk rams, prime lambs and crops. Mr Watt is past Vice President and Treasurer of Sheepmeat Council of Australia. He is also a past member of the Sheep Genetics Australia Advisory Committee which oversaw the establishment of Sheep Genetics and the development of MerinoSelect. In 2013, Mr Watt was a member of the Selection Committee. Mr Watt is currently Chair of the Remuneration Committee.

## Directors who retired or resigned during the year



**Robert Anderson**

FAICD

Retired November 2013

Mr Anderson operates a beef cattle operation near Mullaley, in north west NSW. Mr Anderson is actively involved in his local community and has had extensive involvement in industry related boards and committees. Mr Anderson is a past councillor of Cattle Council of Australia and National Farmers' Federation and was a director and senior vice president of NSW Farmers' Association. He is a graduate of the Australian Rural Leadership Program and is a Fellow of the Australian Institute of Company Directors. Since 2003 he has been Chair of the AUS-QUAL Advisory Committee that advises the board of AUS-QUAL Pty Limited on industry matters concerning quality assurance accreditation across Australian and international producer and processor industries. Mr Anderson was a director of AUS-MEAT Limited.



**Scott Hansen**

BRurSc GradCertComms GAICD

Resigned March 2014

Mr Hansen served as MLA's Regional Manager in North America for two years prior to his appointment as Managing Director in July 2011. Since joining MLA in 2004, Mr Hansen has been General Manager for Corporate Communications and from 2006 also had responsibility for MLA's livestock export program. Prior roles as Executive Director of the Victorian Farmers' Federation Pastoral Group and the Sheepmeat Council of Australia have given him an ideal perspective on both producer and industry interests. He also worked with the Victorian Department of Primary Industries. After graduating with a rural science degree from the University of New England, Mr Hansen spent time working in agricultural industries in Europe and the Middle East. Mr Hansen resigned as his positions as Managing Director of MLA and as director of MLA Donor Company Limited on 1 March 2014. He had earlier resigned as a director of AUS-MEAT Limited on 31 December 2013.

## Company secretaries

**Clare Stanwix**

BA (Hons) LLB LLM

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 has been awarded a company director's diploma from the Australian Institute of Company Directors and is currently completing a graduate diploma in Applied Corporate Governance with the Governance Institute of Australia.

**Rachel Debeck**

BA LLB (Hons) GAICD

Appointed July 2006 to June 2014

Ms Debeck joined MLA in September 2005. Prior to joining MLA, she was a legal secondee to MLA from Banki Haddock Fiora Lawyers. Ms Debeck has experience in banking and finance, corporate and commercial law and has worked in law firms in Australia and overseas, as well as in-house for a financial institution. She holds a company director's diploma from the Australian Institute of Company Directors.

## Board evaluation

In addition to a review of its own performance at the conclusion of each Board meeting the Board also evaluates its performance through a formal annual performance review, which is periodically facilitated by an external specialist.

As part of the Board's review process it held a workshop to discuss and progress the key recommendations from the Board report which came out of surveys and interviews with each director, and members of the Executive Team. In the coming year the Board performance evaluation process and policies will be reviewed.

## Board training

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

## Board committees

There were two Board committees that met during the year:

- Audit and Risk Committee
- Remuneration Committee

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

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

## Audit and Risk Committee

The Audit and Risk Committee 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 Chairman 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 John McKillop (Chair), Lucinda Corrigan and Greg Harper at 30 June 2014. Details of each members' attendance at meetings is set out in the *Director's report* on page 58.

MLA's external auditor is Ernst & Young (EY), and the Audit and Risk 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 the 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
- reviewing EY's proposed annual audit scope and audit approach, including materiality levels

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 2013-14 has been to conduct a review of MLA's risk and compliance framework and to provide the Board and 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 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.

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

The responsibilities of the Remuneration Committee include the review of:

- Remuneration matters, including establishing and monitoring KPIs, a remuneration framework for, and the performance of, the Managing Director; remuneration and incentive framework for senior executives and all staff; and recruitment, remuneration and retention strategies
- 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 and ensuring that there is an appropriate induction program in place for new directors and reviewing its effectiveness.

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

The Remuneration Committee consisted of Rodney Watt (Chair), Michele Allan, Christine Gilbertson, Peter Trefort as at 30 June 2014. Details of each members' attendance at meetings is set out in the *Director's report* on page 58.

### Selection Committee

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

The Selection Committee consists of:

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

At this year's AGM MLA will recommend a change to the composition of the Selection Committee for consideration by MLA's members.

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 58.

### 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 (the deed). The deed sets out the requirements for the company's expenditure of levy funds and matching funds and provides a framework under which the company must report to the Department.

Key reporting obligations include:

- *Corporate plan* (known as the Strategic plan) – a strategic plan which sets out the company's objectives, performance indicators and resource allocations
- *Annual operating plan* – linked to the Corporate plan, the Annual operating plan covers intended operations of the company for the current year and R&D and marketing programs and activities to be undertaken
- *Risk management plan* – specifies measures to manage risk
- *Fraud control plan* – sets out measures to minimise the risk of fraud within the company
- *Intellectual property plan* – specifies procedures for the management, adoption and commercialisation of intellectual property.

## Financial and risk management

MLA's risk management policies and assessments are documented in the *Risk management plan* (the plan). With the appointment of Deloitte as MLA's internal auditors, an internal audit program has been developed, with a focus on reviewing the plan. The current plan outlines the process followed to identify risks and categorises risks as 'strategic risks' or 'operational risks'. Individual risks have been identified, assessed, categorised and entered into a risk register, which forms part of the plan. The Board has delegated to the Audit and Risk Committee the responsibility to monitor and review risks 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 Financial Officer that the financial reports represent a true and fair view, in all material respects, of the company's financial condition and operating results and are in accordance with relevant accounting standards.

## Code of business conduct and ethics

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

Key principles outlined in the code are:

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

The code also establishes a reporting framework to enable employees to report any breach of the code. All employees are required to confirm that they have read and understood the code each year. A copy of the code is provided to all new employees on commencement and is a feature of the formal induction training which is provided. The code was updated during the year to further focus on the company's commitment to protect personal information and 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* requirement as well as anti-bribery and corruption training will be 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 focussed measurable objectives, including that: at least one suitable female candidate should be included on a Selection Committee interview shortlist; at least one female should sit on the Selection Committee and Board Remuneration Committees; and an objective of 30 per cent female MLA board directors by December 2014.

Strategies will be developed for 2014-15 to achieve MLA's objectives in senior leadership and leadership roles as well as 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 2013, 51 per cent of MLA's staff were women. On the senior executive team, four of the nine (44.4 per cent) executives are female and on the MLA Board of nine, three directors were female.

## 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 2013 that an increase of 2.4 per cent for directors' fees would take effect from 1 January 2014, taking the total per annum costs to \$469,635. No further increases have been implemented since this time.

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

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

## ORGANISATION STRUCTURE

At 30 June 2014, MLA had eight business units, each led by a General Manager. Each General Manager reports to the Managing Director. MLA's business units are as follows:

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

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

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

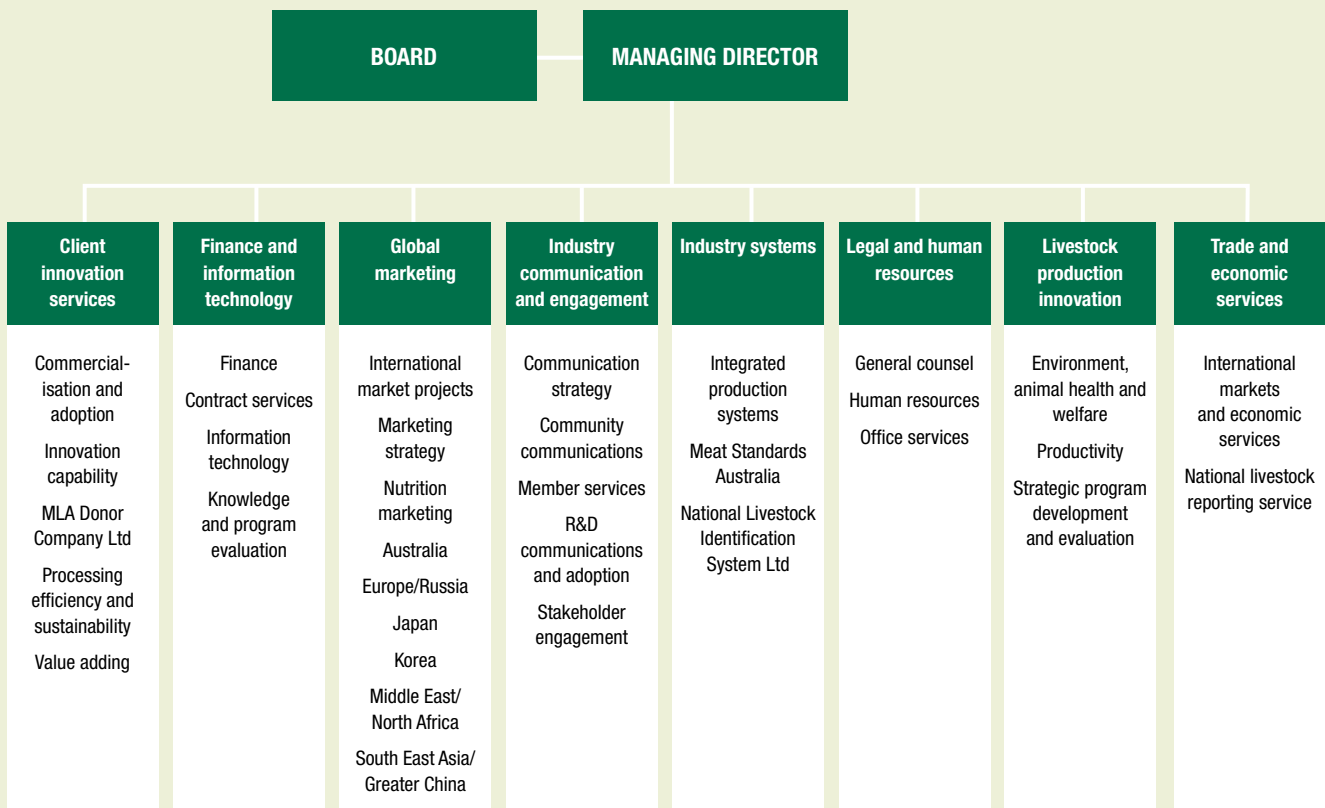
**Industry communication and engagement**  
aims to ensure producers and industry stakeholders are aware of the opportunities created by MLA's information and tools, as well as their potential benefits to their enterprises and the wider industry. Community communications assists producers to promote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

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

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

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

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



In August 2014, MLA announced a restructure of its operations to address issues raised in the Senate inquiry into the grassfed cattle levy and recommendations of a review of MLA's on-farm R&D. The restructure is scheduled to take effect from early October 2014 and includes eight new business units – central marketing and industry insights; communication and stakeholder engagement; corporate services; international offices; livestock productivity; on-farm innovation and adoption; trade, market access and industry strategy; and value chain innovation.



## Executive Committee

The Managing Director and eight general managers make up MLA's Executive Committee. It is responsible for guiding MLA's performance through the development of key strategies, business plans and policies, and ensuring the company's corporate objectives are met. The Executive Committee members at 30 June 2014 were:



**Richard Norton**  
Managing Director  
See page 48 for Mr Norton's profile.



**Peter Barnard**  
PhD Econ  
General Manager Trade and Economic Services

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



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

See page 50 for Ms Debeck's profile.  
Ms Debeck resigned from her position with MLA in June 2014.



**Michael Edmonds**  
BEC MMktg  
General Manager Global Marketing

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



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

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

Ms Gorman resigned from her position with MLA in September 2014.



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

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



**Christine Pitt**  
DBA MHA BSc MAICD  
General Manager Client Innovation Services

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



**Greg Taylor**  
BComm CA  
General Manager Finance and Information Technology

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

Mr Taylor resigned from his position with MLA in August 2014.



**Peter Vaughan**  
BAGriSc MBA  
General Manager Livestock Production Innovation

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

Mr Vaughan resigned from his position with MLA in August 2014.

### Office locations

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

### Staff profile

At 30 June 2014, MLA employed approximately 250 full-time staff equivalents – an increase of 2.9 per cent from the previous year. This growth in staff numbers reflected an increase in resourcing required in the industry systems team to facilitate the introduction of several projects, and in the creation of the finance and information technology and legal and people and values teams. There was a slight decrease in budgeted staff numbers of 0.1 per cent from 2013 to 2014.

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
<b>Total staff</b>	<b>269</b>	<b>248</b>	<b>233</b>	<b>243</b>	<b>247</b>
Male	127	118	126	127	123
Female	142	130	107	116	124
Full-time	235	233	219	229	227
Part-time	34	15	14	14	20
Australia based	231	210	202	204	213
Overseas based	38	38	31	39	34

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

Voluntary employee turnover was 10.2 per cent – or 18 employees during the year – a decrease of 0.1 per cent on the previous year. This rate was below the voluntary staff turnover rate across the wider economy.

### Skills development

MLA's leadership development program continued during 2013-14. MLA general managers participated in a development program that used 360-degree feedback to further develop leadership skills through coaching and mentoring. People managers across the company completed skills based workshops throughout the year focussing on high performance culture, reviewing performance, giving and receiving feedback, conducting one on one discussions and development planning.

MLA implemented a best practice performance management framework during 2013-14 that cascades objectives from MLA's strategic imperatives, leadership framework and company values through to MLA leaders and people. Comprehensive development plans were developed for employees that focus on embedding MLA's values, and continuously improving skills and performance across the company.

Workshops were held for employees during the year including development planning, performance and salary review information sessions, team building exercises, negotiation skills, bullying, harassment and discrimination, work health and safety.

MLA also encourages staff to undertake external education to enhance their skills, with 14 staff members receiving external education assistance during the year – most of these undertaking postgraduate qualifications.

### Workplace health and safety

MLA is committed to the health and wellbeing of its people. A comprehensive work health and safety (WHS) management system has been developed to support MLA programs and all existing WHS policies, procedures and processes were under review at the end of financial year. The WHS system and review will respond to the 'high risk' areas identified and assessed by senior managers across MLA. 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.

Company-wide WHS training was completed during 2013-14 with a focus on high risk activities, and the roles and responsibilities of leaders, employees and other workers (including contractors, consultants and labour hire) to ensure a safe work environment for all. This training included incident and near miss reporting, and bullying, harassment and discrimination.

There were five workers compensation claims which resulted in total lost time of seven days. There were 19 incidents and four near misses reported with corrective action steps put in place to remove or reduce 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.

MLA's pay equity gap sits at 15.7 per cent which is below the maximum set by the Workplace Gender Equality Agency for our industry category.

Fifty-one per cent of all MLA employees were women at 30 June 2014. Women made up 38 per cent of employees at management level and 66 per cent of non-management employees at that date. Four of the nine executive team members are women and three of 10 MLA Board directors are women.

MLA offers 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/carers leave provisions. MLA also offers access to an employee assistance program, training and formal policies to protect employees against discrimination, harassment and bullying.

All MLA and NLIS employees are consulted on issues concerning gender equity in our workplace. This is conducted through employee opinion surveys, exit interviews and our consultative committee. Forty-five per cent of our consultative committee are women.



# FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

# 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 2014.

## 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 (Managing Director from 2 June 2014), Ms Lucinda Corrigan, Ms Christine Gilbertson, Dr Gregory Harper, Mr Geoffrey Maynard, Mr John McKillop, Mr George Scott, Mr Peter Trefort and Mr Rodney Watt. All directors were in office for the entire year unless otherwise stated.

## DIRECTORS RETIRED OR RESIGNED DURING THE YEAR

Directors retiring or resigning during the year were Mr Robert Anderson and Mr Scott Hansen.

## COMPANY SECRETARIES

The company secretaries during the year were Ms Rachel Debeck and Ms Clare Stanwix.

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

## SUBSIDIARIES

### MLA Donor Company Limited

The business activities of MLA Donor Company Limited are overseen by a separate board of directors. At 30 June 2014 the members of the board were Mr Richard Norton, Ms Christine Gilbertson, Mr Geoffrey Maynard and Ms Lucinda Corrigan. Mr Scott Hansen resigned as a director during the year, with effect from December 2013.

### 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 2014, the members of the board were Mr John Wyld, Mr Ian Feldtmann, Mr Peter Milne and Mr Stephen Kelly. Mr Geoffrey Maynard retired as a director during the year, with effect from December 2013.

## DIRECTORS' MEETINGS

During the period 1 July 2013 to 30 June 2014 the MLA Board held 10 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
R Anderson	5 [5]	5 [5]		
S Hansen	7 [8]	7 [8]		
G Harper	9 [10]	9 [10]	2 [2]	
M Allan	9 [10]	9 [10]	0 [1]	4 [4]
G Maynard	8 [10]	8 [10]		
L Corrigan	10 [10]	10 [10]	4 [4]	
P Trefort	10 [10]	10 [10]		2 [3]
R Watt	10 [10]	10 [10]		4 [4]
J McKillop	9 [10]	9 [10]	4 [4]	1 [1]
C Gilbertson	10 [10]	10 [10]	2 [3]	4 [4]
G Scott	5 [5]	5 [5]		
R Norton	1 [1]	1 [1]		

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

## 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)	2 [2]
Peter Trefort	4 [4]
Rodney Watt	2 [2]
Greg Harper	4 [4]
Peak Council representatives	
Andrew Ogilvie	4 [4]
Ian McColl	3 [4]
Don Mackay	4 [4]
MLA Member elected representatives	
Warren Barnett	3 [4]
Ben Hooper	4 [4]
Ian McCamley	4 [4]

## PRINCIPAL ACTIVITIES

The major activities of MLA, MDC and NLIS (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 \$7,428,000 (2013: net deficit of \$3,584,000). This compared to a budgeted deficit of \$4,453,000 and was primarily attributed to larger than expected transaction levy income which was as a result of the onset of drought conditions in the latter half of the year.

### Group overview

The Group earned total revenue of \$188,541,000 (2013: \$162,243,000) which is comprised of the following:

- Transaction levies \$106,000,000 (2013: \$93,789,000)
- Research and development matching grants \$46,704,000 (2013: \$38,279,000)
- Research and development contributions (unmatched) \$2,374,000 (2013: \$3,042,000)
- Other income and revenues \$33,463,000 (2013: \$27,133,000)

Total income received/receivable was more than total expenditure, which resulted in a net surplus from continuing operations of \$7,428,000 for the year.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group. This may change depending on the response from the Minister for Agriculture to the Senate Committee for Rural and Regional Affairs and Transport Reference report noted under significant events post balance date below.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

In June 2014 the company announced it would initiate a whole of organisation efficiency and effectiveness review. This review is expected to be complete by the end of September 2014 with a revised organisation structure in operation by October 2014. As part of the review, the company is targeting a 10 per cent (\$6m) reduction in fixed costs over the next 12 months, which incorporates a staff redundancy component. An amount for this redundancy has not been provided in the accounts as there was no formal plan as at year end.

On 9 September 2014, the Senate Committee for Rural and Regional Affairs and Transport Reference handed down the report from its inquiry into industry structures and systems governing levies on grassfed cattle. The report included seven recommendations that, if adopted by the Minister for Agriculture, could have significant impact on MLA's operations. The Minister had not published a response to the inquiry report as at the date of this report.

### 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 2014 has been received and can be found following this report.

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



Michele Allan  
Director



Richard Norton  
Director

Sydney  
26 September 2014

# AUDITOR'S INDEPENDENCE DECLARATION



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

In relation to our audit of the financial report of Meat & Livestock Australia Limited for the financial year ended 30 June 2014, 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.

A handwritten signature in blue ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Rob Lewis'.

Rob Lewis  
Partner  
Sydney  
26 September 2014

# INCOME STATEMENT

Year ended 30 June 2014	Note	Consolidated	
		2014 \$000	2013 \$000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES FROM CONTINUING OPERATIONS</b>	3	<b>188,541</b>	162,243
<b>EXPENDITURE FROM CONTINUING OPERATIONS</b>			
Improving market access		<b>23,990</b>	23,183
Growing demand		<b>61,551</b>	61,070
Increasing productivity		<b>39,068</b>	36,451
Promoting integrity and sustainability		<b>16,928</b>	14,181
Communicating with stakeholders		<b>1,602</b>	1,202
Other		<b>550</b>	550
R&D partnerships		<b>25,966</b>	18,201
Corporate costs		<b>11,458</b>	10,989
Total expenditure		<b>181,113</b>	165,827
<b>NET SURPLUS/(DEFICIT) FROM CONTINUING OPERATIONS</b>		<b>7,428</b>	(3,584)
<b>TOTAL CHANGE IN MEMBERS' FUNDS</b>		<b>7,428</b>	(3,584)

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

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2014	Consolidated	
	2014 \$000	2013 \$000
<b>NET SURPLUS/(DEFICIT) FROM CONTINUING OPERATIONS</b>	<b>7,428</b>	<b>(3,584)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may be subsequently reclassified to the <i>Income Statement</i>		
Cash flow hedges:		
(Loss)/gain taken to equity	<b>(216)</b>	278
Transferred to <i>Statement of financial position</i>	<b>(278)</b>	3
Other comprehensive (income)/expense for the year	<b>(494)</b>	281
<b>TOTAL COMPREHENSIVE INCOME /(EXPENSE) FOR THE YEAR</b>	<b>6,934</b>	<b>(3,303)</b>

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



# STATEMENT OF FINANCIAL POSITION

As at 30 June 2014		Consolidated	
	Note	2014 \$000	2013 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	25	62,585	60,543
Trade and other receivables	7	28,706	23,751
Prepayments and deposits	8	1,070	1,054
<b>TOTAL CURRENT ASSETS</b>		<b>92,361</b>	85,348
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	6,678	2,022
Intangible assets	13	1,656	1,756
Other financial assets	14	5,274	5,224
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,608</b>	9,002
<b>TOTAL ASSETS</b>		<b>105,969</b>	94,350
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	34,100	31,667
Provisions	16	2,235	3,033
Other liabilities	17	6,328	6,952
<b>TOTAL CURRENT LIABILITIES</b>		<b>42,663</b>	41,652
<b>NON-CURRENT LIABILITIES</b>			
Other payables	18	3,535	289
Provisions	19	1,778	1,350
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,313</b>	1,639
<b>TOTAL LIABILITIES</b>		<b>47,976</b>	43,291
<b>NET ASSETS</b>		<b>57,993</b>	51,059
<b>EQUITY – MEMBERS’ FUNDS</b>			
Contributed equity	28	9,031	9,031
Retained surplus		49,178	41,750
Cash flow hedge reserve	20	(216)	278
<b>TOTAL EQUITY – MEMBERS’ FUNDS</b>		<b>57,993</b>	51,059

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

## STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014	Consolidated			
	Contributed equity \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
At 1 July 2012	9,031	45,334	(3)	54,362
Deficit for the year	–	(3,584)	–	(3,584)
Other comprehensive income	–	–	281	281
Total comprehensive (expense)/income	–	(3,584)	281	(3,303)
At 30 June 2013	<b>9,031</b>	<b>41,750</b>	<b>278</b>	<b>51,059</b>
Surplus for the year	–	7,428	–	7,428
Other comprehensive (expense)	–	–	(494)	(494)
Total comprehensive (expense)/income	–	7,428	(494)	6,934
At 30 June 2014	<b>9,031</b>	<b>49,178</b>	<b>(216)</b>	<b>57,993</b>

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

# STATEMENT OF CASH FLOWS

Year ended 30 June 2014		Consolidated	
	Note	2014 \$000	2013 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Levies collected		115,630	102,137
Research and development matching grants		48,291	41,115
Receipts from processors and live exporters		12,957	9,944
Other receipts		23,753	18,231
Payments to suppliers and employees		(193,395)	(182,849)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25(b)	<b>7,236</b>	<b>(11,422)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		53	31
Purchase of property, plant and equipment		(6,451)	(1,570)
Purchase of software		(352)	(1,281)
Interest received		1,556	3,257
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(5,194)</b>	<b>437</b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>2,042</b>	<b>(10,985)</b>
<b>Add opening cash brought forward</b>		<b>60,543</b>	<b>71,528</b>
<b>CLOSING CASH CARRIED FORWARD</b>	25(a)	<b>62,585</b>	<b>60,543</b>

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 2014 was authorised for issue in accordance with a resolution of the directors on 26 September 2014.

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

MLA is a company limited by guarantee incorporated in Australia.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

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

The financial report is presented in Australian dollars.

### (b) Statement of compliance

The accounting policies adopted are consistent with those of the previous financial year other than the following standards that have been adopted from 1 July 2013:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AAS 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Entitlements*
- AASB 1053 *Application of Tiers of Australian Accounting Standards*
- AASB 2012-2 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

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 2014 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 Statement of profit and loss* and *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.

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

### (e) Trade and other receivables

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

### (f) Taxes

#### *Income tax*

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

#### *Goods and Services Tax (GST)*

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

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

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

Cash flows are included in the *Statement of cash flows* on a

gross basis and the GST component of cash flows arising from investing activities, which is recoverable from or payable to the taxation authority are classified as operating cash flows.

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

### (g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue, trade debtors and accrued 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, Fisheries & Forestry 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 Commonwealth Government 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 sixty 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 agreement 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**

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Transaction levies	4	106,000	93,789
R&D Commonwealth matching payments		46,704	38,279
R&D contributions (unmatched)		2,374	3,042
Other income	5	31,349	24,271
<b>Total revenues from operating activities</b>		<b>186,427</b>	159,381
<b>Revenues from non-operating activities</b>			
Bank interest		2,072	2,842
Net gain on disposal of property, plant and equipment		42	20
<b>Total revenues from non-operating activities</b>		<b>2,114</b>	2,862
<b>Total revenues from continuing operations</b>		<b>188,541</b>	162,243

	Consolidated	
	2014 \$000	2013 \$000
<b>4. TRANSACTION LEVIES</b>		
Transaction levies:		
– Grainfed cattle	9,818	7,808
– Grassfed cattle	61,185	54,219
– Lambs	31,223	28,596
– Sheep	2,944	2,379
– Goats	830	787
Total transaction levies	<b>106,000</b>	93,789
<b>5. OTHER INCOME</b>		
Processor contributions	10,759	9,433
Live exporter contributions	1,184	1,203
Co-operative funding	2,885	2,008
R&D partnership income	12,983	9,100
Sale of products or services	1,911	1,563
Other	1,627	964
Total other income	<b>31,349</b>	24,271
<b>6. EXPENSES AND LOSSES</b>		
Depreciation and amortisation of non-current assets included in the <i>Income statement</i> :		
Leasehold improvements	786	211
Plant and equipment	959	826
Furniture and fittings	38	53
Amortisation of intangible assets	452	328
Total depreciation and amortisation of non-current assets	<b>2,235</b>	1,418
(Gain)/loss on sale of assets	<b>(42)</b>	(20)
Operating lease rentals included in the <i>Income statement</i>	<b>3,808</b>	3,834
Employee benefit expense:		
Wages and salaries	25,363	24,369
Workers compensation costs	123	40
Annual leave provision	1,768	1,876
Long service leave provision	347	459
Superannuation expense	2,112	2,002
Other post employment benefits	56	68
Termination expenses	554	642
Total employee benefit expense	<b>30,323</b>	29,456



	Consolidated	
	2014 \$000	2013 \$000
<b>7. TRADE AND OTHER RECEIVABLES (CURRENT)</b>		
Trade receivables	4,045	5,125
Allowance for impairment of receivables (a)	–	–
Trade receivables, net	4,045	5,125
Accrued revenue		
– Levies	7,638	6,668
– R&D Commonwealth matching payments	14,679	10,379
– Other	2,198	1,541
Total accrued revenue	24,515	18,588
Other receivables	146	38
Total current receivables, net	28,706	23,751
Movements in the provision for impairment loss were as follows:		
At the beginning of the financial year	–	64
Charge for the year	–	–
Amounts written off	–	(64)
At 30 June	–	–

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)							
<b>30 June 2014</b>	<b>4,045</b>	<b>2,060</b>	<b>1,662</b>	<b>186</b>	<b>43</b>	<b>44</b>	<b>50</b>
30 June 2013	5,125	3,228	1,135	740	18	–	4

(a) Allowance for impairment of receivables

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

Receivables past due but not impaired are: \$1,985,000 (2013: \$1,897,000). 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	
	2014 \$000	2013 \$000
<b>8. PREPAYMENTS AND DEPOSITS</b>		
Prepayments	730	738
Deposits	340	316
Total prepayments and deposits	1,070	1,054
<b>9. INVESTMENT IN ASSOCIATE</b>		
Unlisted:		
AUS-MEAT Limited	-	-

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

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

MLA has a continuing commitment to support AUS-MEAT Limited. The contribution for the financial year ended 30 June 2014 was \$550,000 (2013: \$550,000).

#### Summary results of the associate entity

	AUS-MEAT Limited	
	2014 \$000	2013 \$000
Revenue	14,412	13,397
Accumulated surplus at beginning of the year	2,916	1,997
Net surplus for the year	333	919
Accumulated surplus at end of the year	3,249	2,916

#### Financial summary of associated entity

Total current assets	8,842	7,567
Total non-current assets	3,320	4,197
Total current liabilities	3,609	3,342
Total non-current liabilities	187	219
Net assets	8,366	8,203

The investment in AUS-MEAT Limited has been taken up at nil value (2013:\$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	
	2014	2013	2014	2013
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

	2014 \$000	2013 \$000
<b>Information relating to Meat &amp; Livestock Australia Limited</b>		
Current assets	88,159	90,548
Total assets	101,555	94,259
Current liabilities	38,046	41,668
Total liabilities	43,240	43,200
Contributed equity	9,031	9,031
Reserves	(216)	278
Total equity – Members' funds	58,315	51,059
Surplus/(deficit) for the year	7,428	(3,584)
Other comprehensive (expense)/income for the year	(494)	281

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	
	2014 \$000	2013 \$000
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and equipment</b>		
<i>At cost</i>	5,539	4,494
<i>Accumulated depreciation</i>	(3,466)	(3,370)
Total plant and equipment	2,073	1,124
<b>Furniture and fittings</b>		
<i>At cost</i>	364	342
<i>Accumulated depreciation</i>	(292)	(278)
Total furniture and fittings	72	64
<b>Leasehold improvements</b>		
<i>At cost</i>	5,765	5,716
<i>Accumulated depreciation</i>	(1,232)	(4,882)
Total leasehold improvements	4,533	834
<b>Total property, plant and equipment</b>		
Cost	11,668	10,552
<i>Accumulated depreciation</i>	(4,990)	(8,530)
Total written down value	6,678	2,022

	Consolidated	
	2014 \$000	2013 \$000
<b>12. PROPERTY, PLANT AND EQUIPMENT</b> <i>continued</i>		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
<b>Plant and equipment</b>		
Carrying amount at beginning	1,124	1,122
Additions	1,911	840
Disposals	(3)	(12)
Depreciation expense	(959)	(826)
	<b>2,073</b>	<b>1,124</b>
<b>Furniture and fittings</b>		
Carrying amount at beginning	64	97
Additions	46	20
Disposals	–	–
Depreciation expense	(38)	(53)
	<b>72</b>	<b>64</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	834	335
Additions	4,494	710
Disposals	(9)	–
Depreciation expense	(786)	(211)
	<b>4,533</b>	<b>834</b>
<b>13. INTANGIBLE ASSETS</b>		
<b>Software</b>		
<i>At cost</i>	6,076	5,724
<i>Accumulated amortisation</i>	(4,420)	(3,968)
Total software	<b>1,656</b>	<b>1,756</b>
Reconciliation		
Carrying amount at beginning	1,756	803
Additions	352	1,281
Amortisation expense	(452)	(328)
	<b>1,656</b>	<b>1,756</b>
<b>14. OTHER FINANCIAL ASSETS</b>		
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	<b>5,274</b>	<b>5,224</b>
	<b>5,274</b>	<b>5,224</b>

	Consolidated	
	2014 \$000	2013 \$000
<b>15. TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade payables (a)	11,917	14,064
Accrued R&D and other creditors (a)	18,991	15,027
Funds held on behalf of the Commonwealth (b)	6	95
Rent-free period (Refer note 2q)	476	80
Derivative financial instruments (c)	216	(278)
Employee entitlements		
– Annual leave	2,275	2,446
– Other	219	233
<b>Total current trade and other payables</b>	<b>34,100</b>	<b>31,667</b>

- (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, Forestry and Fisheries 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.

## 16. PROVISIONS (CURRENT)

	Consolidated	
	2014 \$000	2013 \$000
Employee entitlements		
– Long service leave	2,213	2,087
Leasehold make good	22	746
Legal	0	200
<b>Total current provisions</b>	<b>2,235</b>	<b>3,033</b>

### Movements in provisions:

	Consolidated			
	Long service leave \$000	Leasehold make good \$000	Legal \$000	Total \$000
Carrying amount at the beginning of the financial year	2,087	746	200	3,033
Additional provisions/(provision written back)	354	(8)	(200)	146
Utilised	(388)	(634)	–	(1,022)
Amounts transferred from/(to) non-current during the year	160	(82)	–	78
<b>Carrying amount at the end of the financial year</b>	<b>2,213</b>	<b>22</b>	<b>–</b>	<b>2,235</b>

	Consolidated	
	2014 \$000	2013 \$000
<b>17. OTHER LIABILITIES (CURRENT)</b>		
Unearned income	5,960	6,304
Other	368	648
Total current other liabilities	6,328	6,952

**18. OTHER PAYABLES (NON-CURRENT)**

Fit-out contribution and Rent-free period (Refer note 2q)	3,535	289
Total non-current other payables	3,535	289

**19. PROVISIONS (NON-CURRENT)**

Employee entitlements		
– Long service leave	1,127	1,244
Leasehold make good	651	106
Total non-current provisions	1,778	1,350

**Movements in provisions:**

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	1,244	106	1,350
Additional provisions	43	463	506
Amounts transferred (from)/to current during the year	(160)	82	(78)
Carrying amount at the end of the financial year	1,127	651	1,778

	Consolidated	
	2014 \$000	2013 \$000
<b>20. CASH FLOW HEDGE RESERVE</b>		
At the beginning of the financial year	<b>278</b>	(3)
Net surplus/(loss) on cash flow hedges	<b>(216)</b>	278
Transfer of cash flow hedge reserve to <i>Statement of comprehensive income</i>	<b>(278)</b>	3
Total cash flow hedge reserve (a)	<b>(216)</b>	278

(a) The full amount of hedged cash flows as at 30 June 2014 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 2014, a loss of \$216,352 (2013: \$278,101 gain) was recognised in the cash flow hedge reserve. As at 30 June 2014, 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 equivalent of other foreign currency monetary items included in the Statement of financial position that are not hedged are set out below.

	Consolidated	
	2014 \$000	2013 \$000
Current assets:		
– Bahrain dinars	–	14
– UAE Dirham	<b>182</b>	211
– Euro	<b>21</b>	56
– Chinese renminbi	<b>10</b>	33
– Indonesian rupiah	<b>26</b>	20
	<b>239</b>	334
Current liabilities:		
– UAE Dirham	<b>31</b>	28
– Euro	–	1
– Chinese renminbi	<b>10</b>	5
– Indonesian rupiah	<b>26</b>	133
	<b>67</b>	167



	Consolidated	
	2014 \$000	2013 \$000
<b>22. EMPLOYEE ENTITLEMENTS</b>		
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer note 16)	<b>2,213</b>	2,087
Provisions – non-current (refer note 19)	<b>1,127</b>	1,244
Payables – current (refer note 15)	<b>2,494</b>	2,679
	<b>5,834</b>	6,010
The number of full-time equivalent employees as at 30 June	<b>249.9</b>	247.9

### 23. REMUNERATION OF AUDITORS

	Consolidated	
	2014 \$	2013 \$
Amounts received or due and receivable by Ernst & Young for:		
– auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	<b>156,300</b>	156,560
– other services in relation to the entity and any other entity in the consolidated entity:		
• tax compliance	<b>8,000</b>	18,284
• other non-statutory audit services (a)	<b>2,230</b>	58,070
	<b>166,530</b>	232,914
(a) Summary of the other non-statutory audit fees incurred are:		
Levies and grant audits	–	46,420
Internal control and governance review of regional offices	–	11,650
Tax advice and attendance at board vote	<b>2,230</b>	–
	<b>2,230</b>	58,070

## 24. DIRECTOR AND EXECUTIVE DISCLOSURES

### (a) Details of key management personnel

#### (i) Directors

Michele Allan	Appointed Chair 26 September 2013
Richard Norton	Managing Director (appointed 02 June 2014)
Scott Hansen	Managing Director (resigned 01 March 2014)
Robert Anderson	(retired 14 November 2013)
George Scott	(appointed 14 November 2013)
Lucinda Corrigan	
Christine Gilbertson	(resigned 18 July 2014)
Gregory Harper	
Geoffrey Maynard	
John McKillop	
Peter Trefort	
Rodney Watt	

#### (ii) Executives

Peter Barnard	General Manager – Trade and Economic Services
Rachel Debeck	General Manager – Legal and Human Resources (resigned 22 Aug 2014)
Michael Edmonds	General Manager – Global Marketing
Michelle Gorman	General Manager – Industry Systems (resigned 12 Sep 2014)
Karen Hellwig	General Manager – Industry Communication & Engagement
Christine Pitt	General Manager – Client and Innovation Services
Greg Taylor	General Manager – Finance & IT (resigned 22 August 2014)
Peter Vaughan	General Manager – Livestock Production Innovation (resigned 22 August 2014)

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

		Consolidated	
		2014	2013
		\$	\$
<i>Directors</i>			
Short-term benefits		939,765	942,786
Post employment benefits		62,915	54,490
Other long-term benefits		7,834	15,054
	(a)	<b>1,010,514</b>	1,012,330
<i>Executives (b)</i>			
Short-term benefits		2,335,122	2,231,066
Post employment benefits		142,198	144,014
Other long-term benefits		70,616	81,918
	(a)	<b>2,547,936</b>	2,456,998

(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:

- Mr Scott is the managing partner of Scott Cattle Company and a director of Thylungra Cattle Co Pty Ltd and Kyabra Creek Pty Ltd. These three entities, together with other producers are participating in a programme run by Australian Organic Meats (AOM) to document the benefits and costs of converting to organic beef production. AOM has engaged with MLA Donor Company (MDC) to carry out the R&D on this project. AOM has invoiced MDC \$86,356 (2013: \$nil) of which half is funded by AOM and the other half by government matching funds. Mr Scott received director's fees including superannuation totalling \$6,667 (2013: \$nil) from Aus-Meat Limited.
- Mr Anderson received director's fees including superannuation totalling \$9,333 (2013: \$17,440) from Aus-Meat Limited.
- Ms Corrigan is the chair and committee member of the Graham centre for Agricultural Innovations at Charles Sturt University which has invoiced the company for \$5,100 (2013:\$nil) relating to ICMJ sponsorships Indonesia.
- Dr Harper is the director of external engagement for the Division of Animal, Food and Health Sciences (CAFHS) at the CSIRO and the Business Development Leader for the CSIRO Food, Health and Life Science Industries Group. CSIRO has invoiced the Company \$6,674,796 (2013: \$5,829,964). The balance outstanding as at 30 June was \$106,206 (2013: \$623,283). The Company has invoiced CSIRO \$24,308 (2013: \$15,245). The outstanding balance as at 30 June was \$1,313 (2013: \$4,981). Dr Harper is an Adjunct Association Professor at the University of Melbourne. The University of Melbourne has invoiced the Company \$1,678,103 (2013: \$1,128,818) with the outstanding balance as at 30 June \$86,025 (2013: \$13,172).
- Mr McKillop is a director of Dairy Australia Limited which has invoiced the Company \$126,500 (2013:\$103,446). This is primarily for the Company's contribution to a whole farms analysis of greenhouse abatement options in Southern Australia. The outstanding balance at 30 June was \$nil (2013: \$nil). The Company has invoiced Dairy Australia Limited \$194,747 (2013: \$126,471) for their contribution to the National Livestock methane program. The outstanding balance at 30 June was \$14,652 (2013: \$126,066). Mr McKillop is also a Non-executive director of Primary Industries Education Foundation which invoiced the company \$84,700 (2013: \$nil) for the PIEF member initiative.
- Mr Trefort is a director of Sheep Co-operative Research Centre Limited (Sheep CRC), joining the Board in June 2009. The Sheep CRC is supported by major providers, managers and users of research in the Australian sheep industry and is supported under the Australian Government's Cooperative Research Centres (CRC) Program. The role of the CRC is to facilitate transformation of the sheep industry. The Sheep CRC is a Company Limited by guarantee which MLA is a participant and member of. It was established in July 2007 for a term of 7 years. The MLA Board approved its participation and contribution in February 2006. The Sheep CRC invoiced the Company \$613,401 (2013: \$2,770,035) to carry out R&D projects. The outstanding balance at 30 June was nil (2013: \$713,982). The company invoiced Sheep CRC \$23,574 for return of unspent funds on a project relating to professional development to the build capacity of agricultural consultants for the livestock sector.

	Consolidated	
	2014 \$000	2013 \$000
<b>25. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of cash</b>		
Cash on hand	16,987	10,448
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	98	95
Short term money market deposits	45,500	50,000
Closing cash balance	62,585	60,543
<b>(b) Reconciliation of net cash from operating activities to net surplus</b>		
Net surplus/(deficit)	7,428	(3,584)
Adjustments for:		
Net (gain)/loss on disposal of property, plant and equipment	(42)	(20)
Depreciation expense	1,783	1,090
Amortisation expense	452	328
Interest received	(1,556)	(3,257)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
– (Increase)/decrease in trade and other receivables	(4,955)	(3,185)
– (Increase)/decrease in prepayments and deposits	(16)	(35)
– (Increase)/decrease in other financial assets	(50)	(5,224)
Increase/(decrease) in liabilities:		
– Increase/(decrease) in trade and other payables	5,679	4,190
– (Decrease)/increase in other liabilities	(624)	(2,083)
– Increase in provisions	(863)	358
Net cash from operating activities	7,236	(11,422)
<b>26. EXPENDITURE COMMITMENTS</b>		
<b>Expenditure (primarily research and development) contracted for is payable as follows:</b>		
– Not later than one year	48,166	51,617
– Later than one year but not later than five years	43,022	35,232
– Later than five years	–	–
Aggregate R&D expenditure contracted for at balance date	91,188	86,849
<b>Operating lease expenditure contracted for is payable as follows:</b>		
– Not later than one year	3,567	3,650
– Later than one year but not later than five years	7,672	9,024
– Later than five years	7,213	12,225
Aggregate lease expenditure contracted for at balance date (a)	18,452	24,899

(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 2014, the number of members was 49,260 (2013: 48,608).

## 28. CONTRIBUTED EQUITY

	Consolidated	
	2014 \$000	2013 \$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 4.00% at 30 June 2014. Some of these assets are held in foreign currency accounts.

#### Sensitivity analysis:

At 30 June 2014, 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	
	2014 \$000	2013 \$000
+1.00% (2013: +1.00%)	672	640
-1.00% (2013: -1.00%)	(672)	(640)

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 2014, 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 2014. 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	
	2014	2013	2014 \$000	2013 \$000
<b>United States dollars</b>				
Maturing in:				
Three months or less	<b>0.9041</b>	1.0091	<b>1,991</b>	1,139
More than three to 12 months	<b>0.9106</b>	0.9870	<b>3,789</b>	1,317
			<b>5,780</b>	2,456
<b>Japanese yen</b>				
Maturing in:				
Three months or less	<b>91.76</b>	87.42	<b>1,253</b>	915
More than three to 12 months	<b>92.60</b>	94.19	<b>2,970</b>	1,486
			<b>4,223</b>	2,401
<b>Korean won</b>				
Maturing in:				
Three months or less	<b>959.56</b>	1101.13	<b>886</b>	908
More than three to 12 months	<b>944.16</b>	1100.31	<b>1,536</b>	772
			<b>2,422</b>	1,680

**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.

#### A. Non derivative financial liabilities

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

	Consolidated	
	Less than 6 months \$000	6 to 12 months \$000
<b>Financial liabilities</b>		
Trade and other payables	29,675	–
Funds held on behalf of the Commonwealth	6	–

## 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.

	Consolidated	
	Year ended 30 June 2014	
	Market observable inputs (level 2) \$000	Total \$000
<b>Financial assets</b>		
Derivative instruments		
Forward currency contracts	(216)	(216)
	(216)	(216)

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 2014, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by \$16,561 (30 June 2013: \$43,605) and derivative liabilities are reduced by \$16,561 (30 June 2013: \$43,605)

## 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 (2013: \$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 (2013: \$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 2014 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Michele Allan  
Director



Richard Norton  
Director

Sydney  
26 September 2014

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
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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 2014, 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:

1. the financial report of Meat & Livestock Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

  
Ernst & Young



Rob Lewis  
Partner  
Sydney  
26 September 2014

## APPENDIX: INDUSTRY COLLABORATIVE AGREEMENT (ICA) PARTICIPANTS 2013-14

The following list is of all ICAs undertaken in 2013-14 for marketing activities conducted across all markets, with MLA's contribution to each participant listed. MLA provides funding to match that of the participants. The amounts listed are for payments made during the financial year to 30 June 2014.

Global beef ICA participants 2013-14	
AACO	\$131,474
Andrews Meats	\$20,000
Arcadian Organic	\$128,473
Atron Enterprises	\$41,677
Australian Country Choice	\$65,283
Australian Organic Meats	\$ -
Australian Grassfed Meats	\$2,850
Beak & Johnston	\$3,735
Bidvest	\$69,795
Bindaree Beef	\$15,000
Bingil Bay	\$3,329
Black Point Beef	\$3,000
CAAB	\$36,627
Carpenter Beef	\$44,499
Comgroup Supplies	\$3,750
Dardanup	\$67,525
Dunnett & Johnston	\$4,102
Elders	\$47,501
Floreat	\$13,519
Foodworks	\$ -
Foodcomm	\$189,256
Gippsland	\$1,913
Glenrange Global	\$3,385
Grange Foods	\$8,401
Greenhams	\$153,765
HK Pty Ltd	\$ -
Haywill Holdings	\$1,914
Homebush Export Meat Co	\$114,000
Hudson Holdings	\$ -
IMTP	\$ -
Intec Pty Ltd	\$18,013
J&A Lewis Pty Ltd	\$10,423
JBS Australia	\$325,908
John Dee Exports	\$42,955
Johnson Meats	\$2,375
Margaret River Premium Meats	\$2,622
Mariani Foods	\$47,075
Matrad Pty Ltd	\$ -
Meat Tender	\$6,220
Mulwarra Export	\$35,307
Nippon Meats	\$94,540
Nolan Meats International	\$29,776
Northern Co-Operative Meat	\$10,506
OBE Beef Pty Ltd	\$47,392
Oz Nature Pty Ltd	\$13,080
Prestige Foods International	\$ -

Rangers Valley Cattle Station	\$41,893
Richard Gunner Fine Meats	\$8,960
Sams Paddock	\$2,313
Sanger Australia	\$17,822
Signature Beef	\$7,764
Smithfield Feedlot	\$7,918
Stanbroke Beef	\$117,477
Stockyard Pty Ltd	\$60,019
Tabuan	\$8,980
Tasmania Feedlot Pty Ltd	\$140,710
Teys Australia	\$167,136
Thomas Foods International	\$114,358
Top Cut Foods	\$7,119
V&V Walsh	\$8,900
Western Meat Packers	\$20,000
Westwell	\$20,571
White Stripe Foods	\$71,108
Wilmot Natural Beef	\$ -
Warmoll Foods	\$20,000
<b>TOTAL</b>	<b>\$2,704,011</b>

Global lamb ICA participants 2013-14	
Arcadian Organic Meats	\$15,651
Bidvest	\$27,809
Choice Meats	\$ -
Country Fresh Nationwide	\$18,125
Dardanup Butchery Co.	\$25,000
Elders International	\$ -
Fletcher International	\$26,869
Haywill Holdings	\$2,844
Homebush Exports Meat Co	\$31,257
Hudson Holdings	\$225
Intec Pty Ltd	\$18,013
JBS	\$64,225
Meat Tender Pty Ltd	\$12,015
Midfield Meat International	\$10,690
Mulwarra Exports	\$17,308
Ramsden Agriculture	\$1,738
Sanger Australia	\$ -
Thomas Foods International	\$25,000
Top Cut Foods	\$5,507
Western Meat Packers	\$10,000
Westwell	\$6,114
White Stripe Foods	\$31,956
<b>TOTAL</b>	<b>\$350,343</b>

# USEFUL INFORMATION

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

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

*MLA Corporate plan 2010–2015*

*MLA Annual operating plan 2012-13*

*MLA evaluation series*

## Acronyms

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

## Tables, illustrations and charts

Australian dollar vs US dollar and Japanese yen	15
Beef and veal production	25
Beef top 10 exporter nations	9
Cash costs broadacre farms	27
Eastern States Trade Lamb Indicator	3
Eastern Young Cattle indicator	3
Farm business profit	27
Industry collaborative agreements (table)	46
Input cost index	25
Lamb production and sheep flock	25
MLA Board and Committee meetings (table)	58
MLA expenditure total	5, 41
MLA expenditure composition	8
MLA expenditure (table)	41
MLA income and expenditure	42-43
MLA key milestone achievement	5
MLA key milestone achievement marketing	8
MLA key milestone achievement R&D	8
MLA membership	5, 44
MLA membership (table)	44
MLA R&D investments	45
MLA retained surplus	5, 41
MLA retained surplus composition	41
MLA revenue composition	8, 41
MLA revenue total	5, 41
MLA revenue (table)	41
MLA staff profile (table)	56
Organisation structure	54
Sheepmeat top 10 exporter nations	9
Value of beef and lamb consumption	15
Value of beef and sheepmeat exports	15
Value of industry	3
Value of live cattle and sheep exports	9
Volume of beef and lamb consumption	4
Volume of beef and sheepmeat exports	4

# INDEX

BC Back cover  
FC Front cover  
IFC Inside front cover  
IBC Inside back cover

## A

About MLA 1, 40–56  
Animal health 31  
Annual operating plan 7, 44  
Assets 63, 75  
Australian Government IFC, 1, 7, 8, 11–13, 14, 24, 34, 41, 45  
Australian Livestock Exporters' Council 7, 44  
Australian Lot Feeders' Association 7, 44  
Australian Meat Processor Corporation 29, 36, 44  
Australian Wool Innovation 32  
Audit 51  
Audit and risk committee 51, 58  
Auditors IFC, 79  
Australian dollar 4, 15

## B

Biosecurity 31  
Board 47–51, 58–60, 81–82  
Board committees 51–52, 58–59  
Board meetings 47, 58

## C

Cash flow 65  
Cattle Council of Australia 7, 44  
Chair 2–3, 48  
China 4, 15, 22  
Client innovation services 8, 14, 24, 34, 54  
Collaboration 45–46  
Collaborative innovation strategies 45–46  
Community 38–39  
Conflicts of interest 51  
Company secretary 50  
Contracts 45–46  
Corporate governance 47–53  
Corporate plan 7, 44  
CSIRO 13, 18, 48, 81

## D

Deficit, financial 41, 59  
Dietitians Association of Australia 17  
Diversity 53, 56

## E

Eating quality 16–17  
Employee entitlements 76  
Environmental sustainability 34–39  
Equity 63  
Ernst & Young IFC, 79  
Evaluation 46, 51  
Events 33, 39  
EverGraze 33  
Executive committee 55  
Expenditure 5, 41  
Exporter Supply Chain Assurance System 12–13  
Exports 4, 9, 15

## F

Financial position 5, 41–43  
Financial report 57–89  
Financial summary 5, 41–43  
Food safety 9–10  
Free trade agreements 9, 11–12  
Future Farm Industries CRC 26, 27, 33

## G

Gender equity 53, 56  
Global marketing 8, 14, 24, 34, 54

## H

Hedging 67  
History 1

## I

Income 5, 41–43, 59, 61–62  
Indemnification and insurance 59  
Industry communication and engagement 8, 14, 24, 34, 54  
Industry systems 8, 14, 24, 34, 54  
Industry collaborative agreements 46, 90  
Invasive Animals CRC 36

## J

Japan 15, 21–22

## K

Korea 15, 22–23

## L

Leases 68  
Levies 1, 4, 41–43, 69–70  
Liabilities 63  
LiveCorp 12–13, 44  
Livestock exports 12–13  
Livestock Data Link 29–30  
Livestock Production Assurance 10  
Livestock production innovation 8, 14, 24, 34, 54

## M

Managing Director 5–6, 48  
Market access 8–13  
Marketing 14–23  
Meat Industry Strategic Plan 44  
Market information 29–30  
Meat Standards Australia 16–17  
Membership 44  
MLA Donor Company 45  
Middle East 15, 23  
Mission 1

## N

National Livestock Identification System 10  
National Livestock Reporting Service 30  
New products 18  
Nutrition 17–18

## O

Organisation structure 54  
Operating environment 3–4, 9, 14, 24, 34

## P

Pastures 26–27, 36  
Peak industry councils 7, 44  
Processors 29, 36  
Producer levies 1, 4, 41–43, 69–70  
Production 4, 25  
Profitability farm 25  
Profile 1  
Property, plant and equipment 68

## R

Related party transactions 81  
Remuneration Committee 52, 53  
Research contracts 45  
Retained surplus 5, 41  
Revenue 5, 41–43, 59, 61–62  
Risk management 51–53

## S

Selection committee 52  
Sheep CRC 28  
Sheepmeat Council of Australia 7, 44  
Staff 56  
Strategic plan 7, 44  
Strategies 7  
Street address 59, BC  
Surplus financial 5, 41  
Sustainability 34–39

## T

Target 100 38–39  
Trade and economic services 8, 14, 24, 34, 54  
Transaction levies 1, 4, 41–43, 69–70

## U

United States 15, 21–22

## V

Values 1  
Vision 1

## W

Websites 30, 33, 39  
Workplace health and safety 56  
World Trade Organisation 10



MLA's *Annual report 2013-14* is available online at  
[www.mla.com.au/annualreport](http://www.mla.com.au/annualreport)



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