

ANNUAL REPORT 2017–18

Fostering prosperity



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Numbers may not add in tables and graphs throughout this report due to rounding.

MLA's purpose is to foster the long-term prosperity of the Australian red meat and livestock industry.



MLA AT A GLANCE

Our purpose

To foster the long-term prosperity of the Australian red meat and livestock industry.

Our vision

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

Our mission

To collaborate with stakeholders to invest in research, development and marketing initiatives that contribute to producer profitability, sustainability and global competitiveness.

OUR FOUNDATIONS

Established
1998



Our history: MLA was established in 1998 as a public company limited by guarantee, following the merging of two industry statutory organisations – the Australian Meat & Livestock Corporation and the Meat Research Corporation. MLA is the declared industry marketing body and the industry research body under sections 60(1) and 60(2) of the *Australian Meat and Live-stock Industry Act 1997*.

Our funding: MLA is primarily funded by transaction levies paid on livestock sales by producers. The Australian Government also contributes a dollar for each levy dollar MLA invests in research and development. Other funding streams come from specific unmatched grants from the Australian Government and cooperative funding contributions from other Research and Development Corporations, individual processors, wholesalers, foodservice operators and retailers.

Processors and livestock exporters also co-invest levies into MLA programs through their service companies: Australian Meat Processor Corporation and Australian Livestock Export Corporation (LiveCorp).

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

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

Our members: Membership of MLA is voluntary and free to all levy-paying grassfed cattle, grainfed cattle, sheep, lamb and goat producers. MLA had 50,128 members at 30 June 2018 (see page 55).


50,128
members

Our stakeholders: MLA works in partnership with industry and government to deliver products and services to the cattle, sheep and goat industries.

Through the Science and Research Priorities and the Rural Research, Development and Extension Priorities, the Australian Government sets high-level priority research and development objectives covering community, industry and environmental concerns.

Peak industry councils are bodies prescribed by the Australian Government and provide policy direction, scrutinise budgets and monitor MLA's performance on behalf of the red meat and livestock industry. These are the Australian Lot Feeders' Association, Cattle Council of Australia, Goat Industry Council of Australia and Sheep Producers Australia.



MLA also works closely with the Australian Meat Processor Corporation, Australian Meat Industry Council, LiveCorp and Australian Livestock Exporters' Council to develop programs that address key industry issues and opportunities through the supply chain, manage projects and communicate outcomes. See pages 54–55 for more on how MLA engages with its stakeholders and collaborators.

Our values

- customer centricity
- accountability through transparency
- outcomes that make a difference.

Our strategic pillars

1. Consumer and community support
2. Market growth and diversification
3. Supply chain efficiency and integrity
4. Productivity and profitability
5. Leadership and collaborative culture
6. Stakeholder engagement.

Additional investment areas, while not considered strategic pillars, are: corporate services, levy management and AUS-MEAT.

OUR BUSINESS MODEL

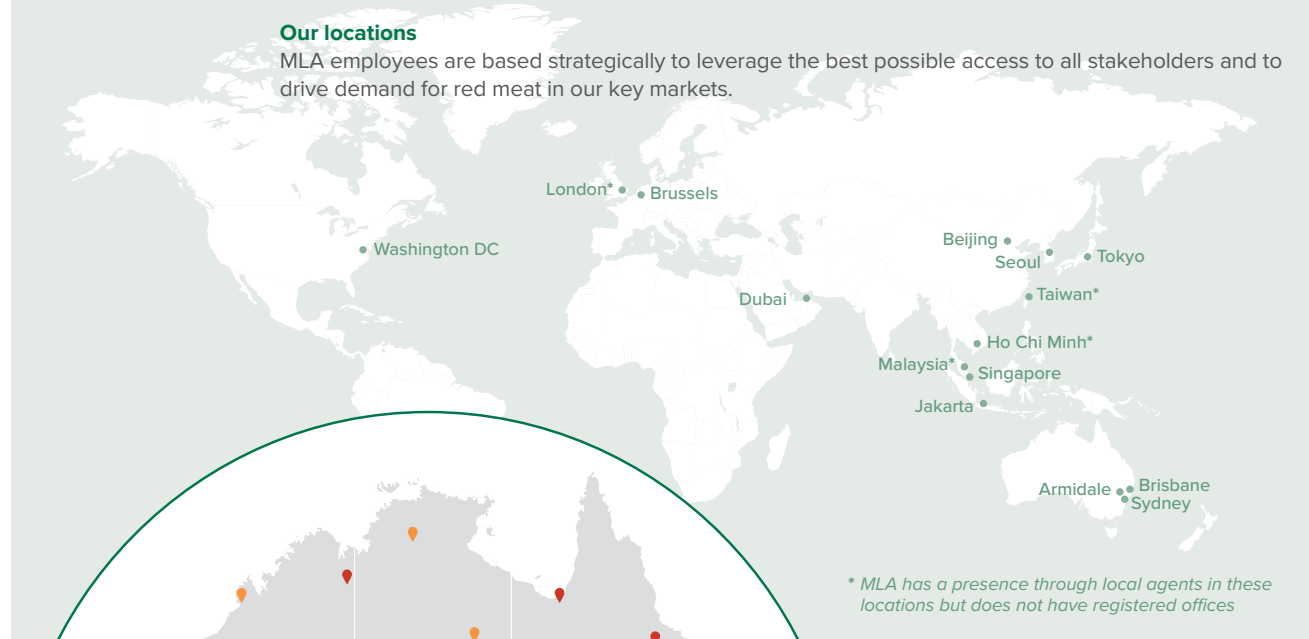
Our subsidiary companies: MLA owns two operating subsidiary companies. MLA Donor Company partners with investors in areas that bring value to the red meat supply chain through innovation and new technologies (see page 68). Integrity Systems Company administers the National Livestock Identification System database which records livestock movements. It is also responsible for the Livestock Production Assurance program and National Vendor Declarations (see page 68).

Our decision making processes: MLA doesn't make investment decisions in isolation. This is done in collaboration with producers, the government, peak industry councils and other industry organisations (see 'Our stakeholders' and pages 54–55 for other consultation mechanisms). The regional consultation framework (see page 36), which commenced in the second half of 2015, enables producers to have direct input into MLA's research and development priorities.

Our employees: At 30 June 2018 MLA had 265 employees across eight countries. MLA's workforce profile reflects a balanced gender profile and age distribution across the organisation (see page 69). More than 52% of employees were from a rural background.

Our locations

MLA employees are based strategically to leverage the best possible access to all stakeholders and to drive demand for red meat in our key markets.



Our engagement in 2017–18

- Events attended by Richard Norton
- Adoption events and workshops
- Community engagement events
- Regional consultation
- Producer Demonstration Sites

These locations are in addition to 82 events sponsored by MLA

CHAIR'S REPORT

Board business, industry trends and outlook



Dr Michele Allan, Chair

I'm pleased to present MLA's *Annual Report 2017–18*.

With many of the Australian red meat and livestock industry's key supply regions in the grip of drought, 2017–18 has been a challenging year for many of MLA's stakeholders.

Seasonal conditions will always have implications for national herd size, slaughter numbers, supply chain profitability, export volumes, domestic pricing and consumption – but it's a continuing testament to our industry's resilience that these impacts do not alter its overall progress.

MLA has worked hard to keep Australian beef, sheepmeat and goatmeat at the forefront of consumers' minds in an increasingly competitive global market. Through investment in both domestic and international marketing, red meat has firmly held its place at dinner tables and on menus this year. Despite intense

competition from lower-cost alternatives such as chicken and pork, our products still account for around 50% of Australian fresh meat retail sales in value.

In research and development, MLA has continued to build strategic partnerships and invest in initiatives that deliver practical outcomes to our levy payers. 2017–18 presented more innovation opportunities than ever before, highlighting the demand for collaboration across the value chain.

Cattle and beef market

KEY TRENDS

- herd rebuild on hold
- prices under pressure
- intense export competition from US and Brazil

The severe drought conditions experienced across most of eastern Australia in 2018 have put a hold on many producers' intentions to expand their herds. It's projected that the national herd will contract going into 2018–19, with some good rainfall and a return to average seasonal conditions needed for the rebuild to start up again.

Young cattle prices have been under pressure as the poor conditions worsened throughout the year and restocker activity has stagnated. The finished market, however, has performed reasonably well, with strong international demand and favourable exchange rate movements holding up prices.

Australian beef exports continue to experience intense competition in

many international markets, particularly from key global suppliers in the US and Brazil. The US has just come out of a herd rebuilding phase and production is expected to reach record levels in 2018. While US domestic consumption is soaking up some of this supply, their exports into Australia's key markets, such as Asia, have continued to grow.

Sheepmeat market

KEY TRENDS

- lamb and mutton production on the rise
- robust global sheepmeat demand supporting Australian exports
- lamb prices remain strong

Sheepmeat production is picking up despite the drought continuing to have a significant impact on the flock across Australia. Lamb production has been increasing gradually along with carcase weights in recent years. Increasing slaughter will see this accelerate even further in 2018. Historically, mutton production has been volatile and this has continued this year with a large spike in slaughter due to the seasonal conditions. The increase in sheep turn-off is likely to have a negative impact on the supply and production of sheepmeat next year.

This growth in production is translating into increased exports, with lamb exports expected to surpass last year's record numbers. The global demand for Australian lamb remains strong, helping to drive up prices despite the increases in supply. This demand from international markets will be crucial in supporting sheepmeat prices over the next year.

Figure 1. Beef and veal production

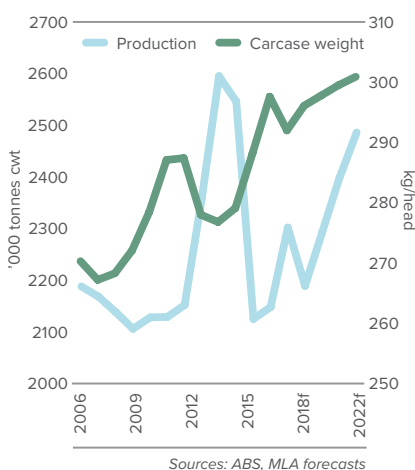


Figure 2. Eastern Young Cattle Indicator

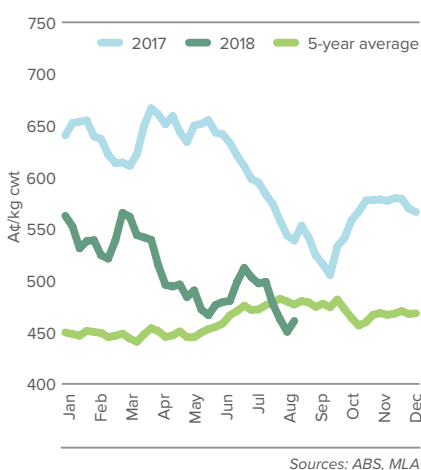


Figure 3. Australian beef exports

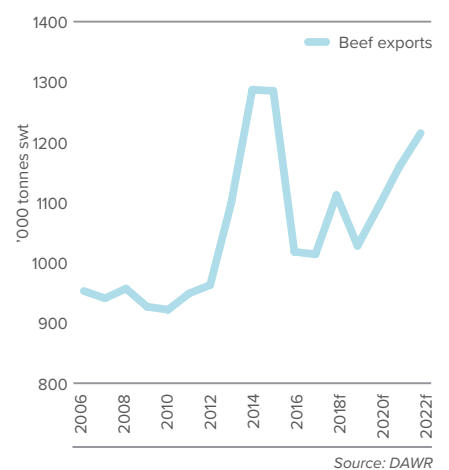


Figure 4. National Trade Lamb Indicator

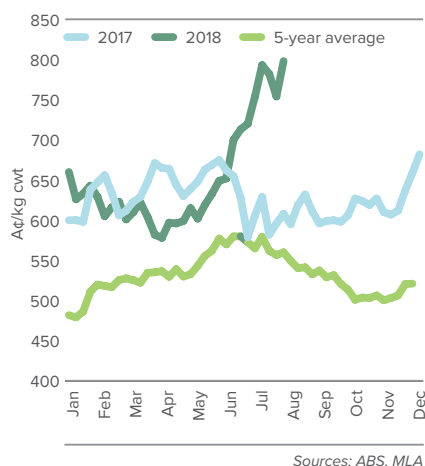


Figure 5. Australian lamb production

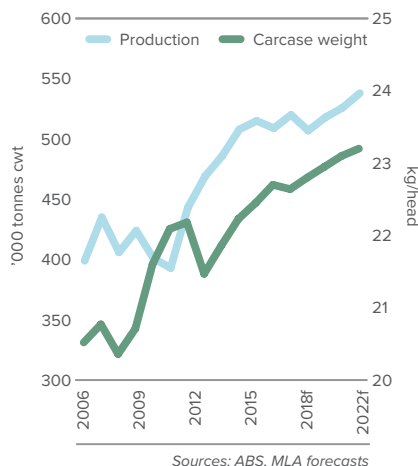
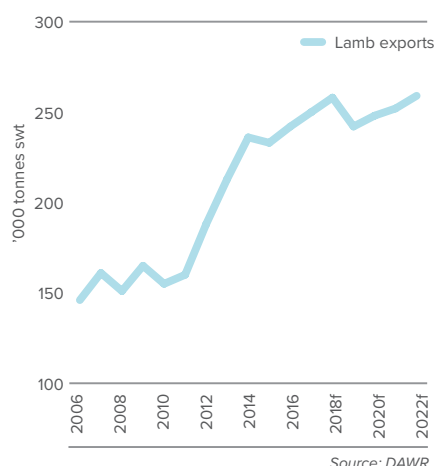


Figure 6. Australian lamb exports



Goat market

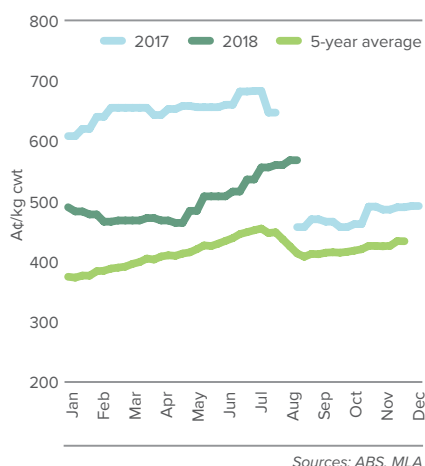
KEY TRENDS

- goat supply down on last year
- US remains Australian goatmeat's largest market despite declines
- goat prices building back up

Goat supply is expected to come down from last year's levels, with Victoria and SA (Australia's major goat processing states) experiencing the largest declines year-on-year.

Exports have tended to follow the seasonal trend in 2018 with a decline in winter, although volumes are slightly lower than the five-year average. Australian goatmeat's largest export market, the US, has seen the biggest declines.

Figure 7. Goat over-the-hooks indicator



The over-the-hooks goat price indicators have continued on an upwards trajectory throughout the winter months of 2018, with prices increasing to levels seen in mid-2016.

Board business

The main priority of the Board is to ensure MLA is driving industry profitability, global competitiveness and sustainability in accordance with our *Strategic Plan 2016–2020*. This also applies to MLA's two subsidiaries – Integrity Systems Company (ISC) and MLA Donor Company (MDC).

ISC continues to assist the Australian red meat and livestock industry's commitment to uphold our product's superior reputation on the global stage. Our industry's integrity systems, including Livestock Production Assurance, National Vendor Declarations and the National Livestock Identification System, all play an important role in assuring MLA levy payers can stand by what they sell (page 68).

MDC has also been instrumental in positioning Australian red meat as a world leader, particularly in regard to ag-tech and food-tech innovations. In 2017–18, MDC's investment portfolio surpassed the \$100 million target set by the Board just 12 months ago. The increasing number of initiatives funded by MDC are crucial in building the innovation capability of Australian red meat enterprises (page 68).

At MLA's 2017 Annual General Meeting, members voted on the election of two first-time Board Directors – Queensland beef producer Russell Lethbridge and South Australian sheepmeat and wool

producer Andrew Michael. Both Directors have been a welcome addition to MLA's skills-based Board and are a credit to the Board Selection Committee process.

Looking ahead to 2018–19, one of the challenges our sector faces is an unpredictable global trade environment. The Australian red meat and livestock industry serves more than 100 international markets, but new barriers are impacting some trade flows and there's a constantly changing geo-political landscape. In response, MLA's focus will be on existing markets as well as helping to secure new trade opportunities.

The Board will continue to invest in research, development and marketing initiatives that grow demand for red meat both at home and overseas. Enhancing beef, sheepmeat and goatmeat's position in the global marketplace is vital in fostering the prosperity of our industry. You can have every confidence the MLA Board and employees have the skills, knowledge and dedication needed to maintain our product's outstanding reputation.

M. Allan

Dr Michele Allan
Chair

MANAGING DIRECTOR'S REPORT

MLA's focus and outlook



Richard Norton,
Managing Director

MLA's purpose is to foster prosperity in the Australian red meat and livestock industry and in 2017–18 the company's core values have again been intrinsic in every investment we have made on behalf of our stakeholders. This annual report records these, but I want to highlight some of the most timely demonstrations in my report to you.

Customer centricity

The customer is king and must come first in all that we do.

Today, increasing numbers of consumers in our domestic and high-value markets expect that the beef they buy is produced in a way that aligns with their values. They want to feel good about eating Australian red meat.

Our major customers are responding to these consumer drivers and increasingly requesting evidence from our industry on its environmental, animal welfare and social performance. Likewise, banks and the investment community are beginning to consider sustainability in their assessments of agricultural businesses.

The fact is, the Australian red meat and livestock industry has a good story and, in the past year, MLA has invested in a range of initiatives to share it.

Beef Industry Sustainability Framework

MLA has continued to provide professional and technical support for this critical industry initiative to improve transparency, align our practices with community expectations and build community trust in the red meat industry. The Framework's inaugural report was launched at Beef Australia in May and is real proof that our industry can meet our customers' needs in a responsible and

ethical way – and without the heavy hand of more regulation.

Consumer and customer engagement

In August at Queensland's famous EKKA, MLA launched the Australian Beef Paddock to Plate Story – a virtual reality tour of the supply chain (page 17) which we've been taking to communities all over Australia ever since. Complementing that initiative, MLA launched a new suite of primary school education teaching resources which we're now taking to more classrooms than ever before (page 18).

MLA has worked hard with Australia's \$45 billion foodservice sector to put more red meat on more menus. This includes a new partnership with The Coffee Club café chain and the launch of new resources within our dedicated foodservice program Rare Medium (page 27) which is engaging more chefs and foodservice professionals as advocates for our product in the kitchen, where it counts.

In the latter part of 2017–18 we finalised the development of Good Meat, a new website targeted at the 'curious consumer' who wants to know more about the production of Australian red meat. Good Meat provides authentic information on topics such as animal health and welfare, environmental sustainability and nutrition, assuring consumers and countering the misinformation and claims of our industry's opponents.

Stakeholder events

2017–18 was a year of events for the industry. In November, MLA hosted the inaugural Red Meat 2017 event in Alice Springs, bringing an engaging two-day format to the Annual General Meeting. The expanded program was extremely well-received by industry stakeholders, with attendance double previous years and national media coverage.

MLA also delivered a jam-packed program at Beef Australia 2018 in May, where we focused on the theme of 'fostering beef's prosperity'. MLA provided critical support to the event and leveraged our investment nationally, bringing internationally renowned chef Curtis Stone back to Australia and introducing National Steak Sandwich Day, both of which helped drive wide media coverage, industry promotion and product sales.

It was not just about the big events. MLA staff met with producers at literally

hundreds of events and I personally engaged with thousands of producers at events in every state and territory. Events big and small are intrinsic to engaging with our stakeholders and ensuring we remain in touch with stakeholder needs.

Accountability through transparency

MLA is committed to being open and honest with our stakeholders. Below is a summary of pillar and priority performance against our *Strategic Plan 2016–2020* and *Annual Investment Plan 2017–18*, as well as our financial performance.

Pillar and priority performance

Across MLA's six pillars in 2017–18 were 211 key performance indicators, 187 from MLA's *Annual Investment Plan 2017–18* and 24 from MLA's *Strategic Plan 2016–2020*. Of these, 64% were achieved, 10.4% were partially achieved, 16.1% were not achieved, 1% were not available and 9.5% were on track to be achieved by 2020 (see pages 101–114). Compared to 2016–17, the rate of achieving KPIs fell (from 68.3% to 63%), coinciding with MLA's increased scope of work (number of research contracts increased from 458 in 2016–17 to 604 in 2017–18). MLA will continue to enhance the way KPIs are defined and measured.

Financial performance

In 2017–18, MLA's revenue was \$272.5 million, 35.9% higher year-on-year. The increase was primarily due to partner contributions and Government matching funding for investments made via MLA Donor Company.

Levy income increased \$5.2 million (5.1%) to \$106.4 million in 2017–18, with sheepmeat and cattle levies both higher than 2016–17. Poor weather conditions in key production regions resulted in increased slaughter rates and forced record numbers of cattle into feedlots, resulting in an uplift in levy income.

MLA's total investment increased 35.8% in 2017–18 to \$262.2 million. This included \$171.8 million in research and development and \$90.4 million in marketing, market access and insights activities. The uplift in investment is primarily attributable to MLA Donor Company, which increased investment by \$59.3 million (158.1%) to \$96.8 million and resulted in the MLA Group using almost 99% of the Government matching funds available in 2017–18.

MLA's surplus for the year was \$10.3 million, taking the retained surplus at 30 June 2018 to \$118.5 million. Retained earnings increased primarily because of lower than planned levy investment, with the increased levy income also contributing to this result.

Outcomes that make a difference

MLA is dedicated to delivering value to our levy payers. In 2017–18, we've continued to invest in initiatives that make a difference to our industry.

Domestic and international competitiveness

Our producers are some of the most efficient in the world, but our processing sector operates in one of the highest-cost manufacturing environments. New technology and the ability to share real-time, objective information across the supply chain is as critical to our future competitiveness as the quality and integrity of our product. Most of Australia's processing capacity has now been costed for the new DEXA objective carcase measurement tool, already in use in three of the biggest plants and enabling big productivity gains from processing automation and real transparency in sharing carcase yield information with producers.

In the markets, MLA has provided expert advice and support to industry and Federal Government trade negotiators via a number of free trade

agreements (FTAs) – the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP), the Peru–Australia FTA, the Indonesia–Australia Comprehensive Economic Partnership and the Australia–European Union FTA. Each trade agreement (pending implementation/successful conclusion) is expected to provide substantial benefit to the Australian red meat and livestock industry.

At home, MLA's new 'Australian Beef: the Greatest' campaign has continued to reinforce beef's versatility and place as an everyday meal, while MLA's summer lamb campaign drove a 9.59% increase in domestic lamb sales.

Carbon neutrality

At Red Meat 2017, I reported MLA's view that the Australian red meat and livestock industry could become carbon neutral by 2030. Managing climate change risk is one of the six priority areas identified in the Australian Beef Sustainability Framework and we've learned from speaking with key export customers and through our global consumer research that they are concerned by red meat's greenhouse gas emissions. Addressing this priority is a must.

Again, our industry has a good story to tell, having already reduced its share from 20% of Australia's 600 million tonnes total emissions in 2005 to just 13% in 2015. More innovations in this area are happening right now and, since my report

last year, MLA has been developing an implementation plan that will assist our industry in not only reducing emissions, but also lifting productivity and boosting farm profits. In doing so, we're supporting the peak councils' efforts to secure the policy settings from government that are needed to facilitate the industry's continued growth and development.

Research collaboration

In 2017–18, MLA Donor Company (MDC) collaborated with industry to implement two major research partnerships – the Strategic Partnership for Animal Welfare Research, Development and Adoption (RD&A), and the Livestock Productivity Partnership.

There are currently five projects underway through the Strategic Partnership for Animal Welfare RD&A. The partnership is built on a 50:50 funding agreement between MDC and collaborating research bodies, and will see up to \$35 million invested in animal welfare over five years.

The Livestock Productivity Partnership is another collaborative research and development partnership which uses a 50:50 MDC co-investment model. There are now 11 projects underway as part of the partnership, valued at \$35 million over five years.

Looking ahead

Every day, MLA is investing levy, tax payer and partner dollars to improve productivity, profitability and sustainability in our sector, and to lay down the foundations for red meat's continued success. In 2018–19, MLA will continue to invest in activities and research that grow demand for red meat and enhance the reputation of our superior beef, sheepmeat and goatmeat.



Richard Norton
Managing Director



2017–18 HIGHLIGHTS

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

13 new on-farm RD&A projects

worth \$9.7 million endorsed by industry through MLA's regional consultation framework (page 36)



\$152 million in additional farm gate returns

delivered by Meat Standards Australia (page 30)

5 of 12 projects underway

through the Strategic Partnership for Animal Welfare RD&A (page 16)



MLA commences 'carbon neutral by 2030' project

(page 19)



Pasture Trial Network website launched

(page 37)

Timeline of achievements



July 2017

MLA's 'Australian Beef: the Greatest.' campaign was launched, inspiring consumers to reconnect with beef – the greatest meat on earth (page 26).



August 2017

MLA's Paddock to Plate Story, which uses 360° immersive video technology to tell Australian beef's story, was launched at the EKKA in Brisbane, Queensland (page 17).



September 2017

The Pasture Trial Network website, which gives producers unrivalled access to detailed pasture information, was launched at the Grassland Society of Southern Australia's annual conference (page 37).



October 2017

Australia's top beef producers were recognised for their consistent delivery of superior produce through the 2017 MSA Excellence in Eating Quality Awards (page 31).



November 2017

MLA held its first-ever Red Meat event in Alice Springs (page 51), where Managing Director Richard Norton announced the industry's goal to become carbon neutral by 2030 (page 19).



December 2017

The National Livestock Genetics Consortium Taskforce endorsed 19 projects that aim to improve the industry's genetic value by 2022 (page 36).

MLA's inaugural
Red Meat event

ranked 8.6/10 for overall satisfaction

by attendees (page 51)

Australia's first commercial beef DEXA machine installed

(page 39)



More than 470 producers

engaged in MLA Donor
Company's Producer
Innovation Fast-Track
program

(page 44)



9.59% increase in domestic lamb sales

during summer lamb
campaign

(page 26)



Animal welfare and biosecurity

added to LPA program to
enhance integrity systems

(page 32)



January 2018

MLA relaunched its dedicated foodservice program, Rare Medium, through a new website and a seasonal e-magazine, each providing informative and engaging red meat content (page 27).



February 2018

Producers gained access to in-depth insights into what's driving demand for Australian product in global and domestic markets with the release of MLA's latest online market snapshots (page 26).



March 2018

The first edition of MLA's special feature, *Feedback Extra*, was published in each of the six Fairfax rural mastheads, showcasing regionally relevant stories on how MLA is investing in research and marketing (page 51).



April 2018

'Australian Beef: the Greatest.' took centre stage when MLA collaborated with national café chain, The Coffee Club, to launch three new steak sandwich options on their menu (page 27).



May 2018

MLA was proud to be a principal partner at Beef Australia 2018 where producers engaged with 'Fork to Farm' trade site, Paddock to Plate bus, seminars, cooking demonstrations and much more (page 50).



June 2018

myMLA, an online dashboard which delivers personalised content direct to producers, reached 30,000 users (page 50).

2017–18 SUMMARY STATISTICS

at 30 June 2018

Revenue

↑ **35.9% to**
\$272.5 million



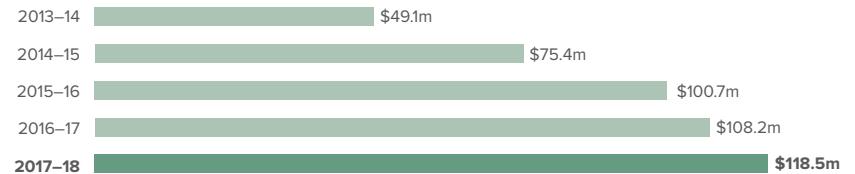
Expenditure

↑ **35.8% to**
\$262.2 million



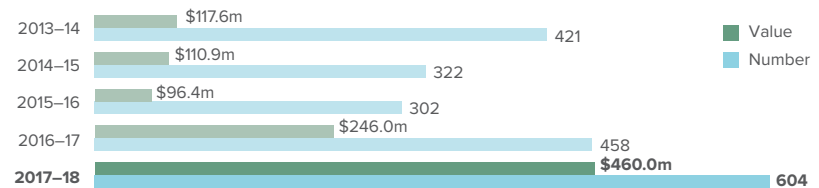
Retained earnings

↑ **9.5% to**
\$118.5 million



Number of current research contracts

604 worth
\$460.0 million



Number of MLA employees

↑ **9.0% to**
265 employees



Number of MLA members

↑ **0.8% to**
50,128 members



Key performance indicators

↓ **4 percentage points to**
64% achieved



REPORT TO STAKEHOLDERS





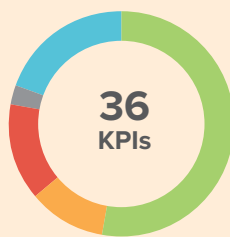
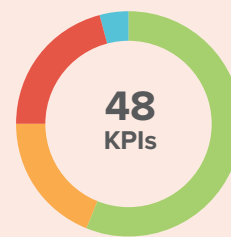
This 'Report to stakeholders' reports against the pillars and priorities outlined in MLA's *Strategic Plan 2016–2020* and provides transparency around the organisation's actual activities and outcomes.

MLA objectives and planned activities in 2017–18 were directed by its *Annual Investment Plan 2017–18*. All these activities enable MLA to deliver on its Strategic Plan. MLA regards the *Annual Investment Plan 2017–18* as the second year of the *MLA Strategic Plan 2016–2020*.

The *MLA Strategic Plan 2016–2020* is aligned to the *Meat Industry Strategic Plan 2020* and the Australian Government's Science and Research Priorities and its Rural Research, Development and Extension Priorities. The *MLA Strategic Plan* was released in April 2016, following the publication of the *Meat Industry Strategic Plan 2020* in September 2015.




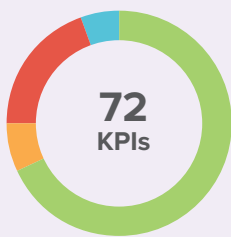
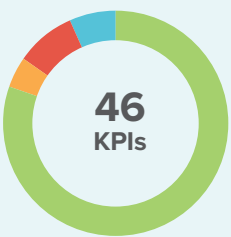
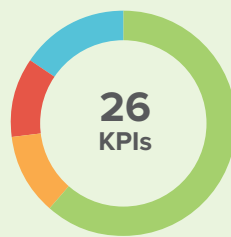


STRATEGIC PLAN 2016–2020: PILLAR OVERVIEW

Strategic Plan 2016–2020	Pillars	 1. Consumer and community support	 2. Market growth and diversification	 3. Supply chain efficiency and integrity
	Outcomes by 2020	The community continues to support and trust the Australian red meat and livestock industry, with industry practices in step with community expectations.	Improved access to markets, with marketing programs and value creating innovation driving increased consumer and customer preference and premiums for Australian red meat.	Increased returns through the value chain, with participants and customers confident in product quality, pricing and integrity systems.
	Priorities	<ul style="list-style-type: none"> • Continuous improvement of the welfare of animals in our care • Stewardship of environmental resources • Role of red meat in a healthy diet 	<ul style="list-style-type: none"> • Efficiency and value in trade and market access • Marketing and promoting Australian red meat and livestock 	<ul style="list-style-type: none"> • Optimising product quality and cost efficiency • Guaranteeing product quality and systems integrity
Annual Investment Plan 2017–18	Programs	<ul style="list-style-type: none"> • Animal health and welfare • Domestic market • International markets • Environmental sustainability • Productivity (on-farm) • Capability building • Communication 	<ul style="list-style-type: none"> • Domestic market • International markets • Integrity systems • Product and packaging innovation 	<ul style="list-style-type: none"> • Eating quality • Integrity systems • Objective measurement • Product and packaging innovation • Value chain information and efficiency
	Milestone scoreboard	 <p>81 KPIs</p> <ul style="list-style-type: none"> ● Achieved... 53 ● Partly achieved... 10 ● Not achieved... 12 ● On track to be achieved by 2020... 6 	 <p>36 KPIs</p> <ul style="list-style-type: none"> ● Achieved... 19 ● Partly achieved... 4 ● Not achieved... 5 ● Not available... 1 ● On track to be achieved by 2020... 7 	 <p>48 KPIs</p> <ul style="list-style-type: none"> ● Achieved... 27 ● Partly achieved... 9 ● Not achieved... 10 ● On track to be achieved by 2020... 2

MLA is an outcomes-based company and is committed to providing transparency to our stakeholders. For a full report on our key performance indicators, see Appendix A on page 101.

Please note some KPIs from MLA's *Annual Investment Plan 2017–18* could apply across several strategic plan pillars. In these cases, KPIs have been counted more than once.

Strategic Plan 2016–2020			Annual Investment Plan 2017–18	
Pillars	Outcome by 2020	Priorities	Programs	Milestone scorecard
 <h4>4. Productivity and profitability</h4> <p>Productivity gains through the value chain from the adoption of tools and technologies.</p> <ul style="list-style-type: none"> • Production efficiencies in farms and feedlots • Processing productivity • Live export productivity <ul style="list-style-type: none"> • International markets • Producer adoption • Productivity (off-farm) • Productivity (on-farm) • Capability building 	 <h4>5. Leadership and collaborative culture</h4> <p>Industry participants are confident in industry leadership capability.</p> <ul style="list-style-type: none"> • Building leadership capability • Protecting and promoting our industry <ul style="list-style-type: none"> • Capability building • Communication • Corporate services 	 <h4>6. Stakeholder engagement</h4> <p>Industry participants are confident that the levy investment is delivering value.</p> <ul style="list-style-type: none"> • Engagement with producers and stakeholders <ul style="list-style-type: none"> • Market knowledge (domestic) • Capability building • Communication 		
 <p>72 KPIs</p> <ul style="list-style-type: none"> ● Achieved... 49 ● Partly achieved... 5 ● Not achieved... 14 ● On track to be achieved by 2020... 4 	 <p>46 KPIs</p> <ul style="list-style-type: none"> ● Achieved... 37 ● Partly achieved... 2 ● Not achieved... 4 ● On track to be achieved by 2020... 3 	 <p>26 KPIs</p> <ul style="list-style-type: none"> ● Achieved... 16 ● Partly achieved... 3 ● Not achieved... 3 ● On track to be achieved by 2020... 4 		

Overall summary of MLA's 2017–18 key performance indicators*

Status	Symbol	2017–18 KPIs in MLA's Strategic Plan 2016–2020	KPIs from MLA's Annual Investment Plan 2017–18	Total result	Percentage
Achieved	●		134	134	63.5
Partly achieved	●		22	22	10.4
Not achieved or not on track	●	4	30	34	16.1
Not available	●		1	1	0.5
On track to being achieved by 2020	●	20		20	9.5
Total		24	187	211	100.0

* For a detailed overview of MLA's KPIs for 2017–18, see page 101.



PILLAR 1

Consumer and community support

This pillar invests in research into the superior nutritional properties of red meat. It also invests in research and development to enhance the industry's animal welfare, disease control and environmental practices. This includes the communication of these actions and commitments by the industry to the community.



HIGHLIGHTS



**\$35 million
over five
years**

to be invested in
animal welfare
research

CSIRO report finds
Australian red meat
industry can be
**carbon
neutral
by 2030**



New research in northern Australia

reveals naturally
occurring rumen
bacteria able to
detoxify or neutralise
fluoroacetate

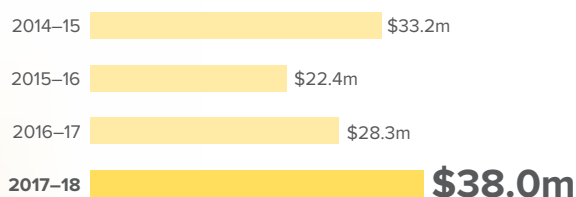
New nutrition education program

launched to target
health professionals



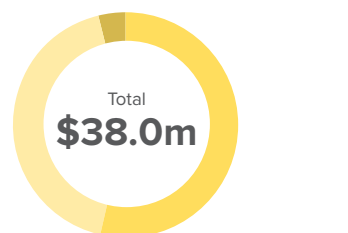


Investment over time



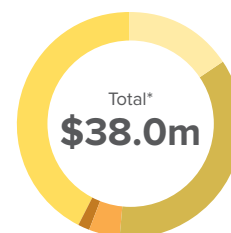
Totals may not add up due to rounding.

2017–18 investment by priority



- Continuous improvement of the welfare of animals in our care **\$20.4m**
- Stewardship of environmental resources **\$16.2m**
- Role of red meat in a healthy diet **\$1.4m**

2017–18 investment by funding source



- Producer levies **\$6.0m**
- Government funding **\$13.6m**
- Processor contributions **\$1.7m**
- LiveCorp contributions **\$0.6m**
- Other sources **\$16.1m**

* Total includes \$22.6 million invested via MLA Donor Company

81 Key Performance Indicators

- 53 achieved
- 10 partly achieved
- 12 not achieved
- 6 on track to be achieved by 2020

See Appendix A for a full list of KPIs. Please note some KPIs may be relevant across several pillars.

Alignment to industry and government priorities

Meat Industry Strategic Plan (MISP) 2020 priorities	Australian Government priorities	
	Science and Research	Rural Research, Development and Extension
<ul style="list-style-type: none"> Continuous improvement of the welfare of animals in our care Stewardship of environmental resources Role of red meat in a healthy diet 	<ul style="list-style-type: none"> Food Soil and water Environmental change Transport Resources Health 	<ul style="list-style-type: none"> Adoption of research and development Soil, water and managing natural resources Advanced technology Biosecurity



Innovative diagnostic tests developed for footrot

More than 10,000 people viewed

MLA's Australian Beef Paddock to Plate Story via VR goggles



'Cattle and sheep farming today' teaching resources downloaded more than 2,500 times

2,700 students at 92 primary schools participated in MLA's virtual classrooms





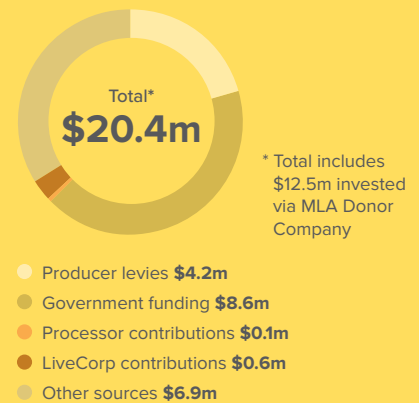
Continuous improvement of the welfare of animals in our care

The community has high expectations about the way livestock are treated and how animal welfare standards are applied. It is important the red meat industry continues to improve the welfare of livestock by **enhancing husbandry practices** through adoption of new research.

This priority also seeks to improve welfare by **ensuring the continued freedom of herds and flocks from exotic diseases** and **minimising the impact of endemic diseases**.

Equally, it's important to **clearly communicate these improvements** to the Australian and global community to earn their trust and maintain their support for the industry.

2017–18 investment by funding source



OVERVIEW

Improving animal welfare

MLA is collaborating with a number of leading research organisations to implement one of the largest investments in livestock welfare research to date.

The Strategic Partnership for Animal Welfare Research, Development and Adoption is funded through MLA Donor Company (MDC), universities and state agricultural departments. The 50:50 partnership between MDC and collaborating research bodies will see up to \$35 million invested over five years.

Five out of 12 projects have already commenced through the Partnership, with a focus on improving or replacing adverse husbandry practices and reducing livestock mortality rates.

The projects will:

- benchmark animal welfare parameters
- assess public attitudes towards animal welfare
- develop new approaches to reducing lamb mortality
- assess how automated tools such as walk-over-weighing and auto-drafting systems could be used to manage animal welfare.

Safeguarding northern cattle from poisoning

In 2015, an MLA-funded project examining the impact of fluoroacetate toxicity in grazing cattle estimated this poison costs the northern Australian beef industry \$45 million/year. Fluoroacetate was found to be caused by two different plants across Queensland and the Northern Territory – Georgina Gidgee and Heartleaf Poison Bush. When ingested by grazing cattle, these plants can cause heart failure and death.

To address this costly problem, MLA funded further research in 2017–18, which revealed there are naturally occurring rumen bacteria able to detoxify or neutralise fluoroacetate. These bacteria can be stimulated by a range of nutritional supplements to multiply and improve their ability to metabolise the toxin.

Future research will be undertaken to demonstrate the practical feasibility of nutritional supplements to prevent fluoroacetate poisoning in cattle.

Fast-tracking footrot diagnosis

Virulent footrot costs the sheep industry \$32 million/year through lost production and compromises animal welfare.

MLA funded a University of Sydney project to address concerns about expensive, delayed and inconsistent laboratory diagnosis of footrot, as researchers found none of the current diagnostic tests are completely accurate.

To address this issue, researchers developed new diagnostic approaches that are fully validated and will reduce test times and costs, and set new recommendations for sampling footrot lesions for diagnosis.

The project, which included a national workshop with 70 participants, also produced resources which are now being used by veterinarians and animal health officers.

One PhD scholar and five honours students received specialist training in footrot diagnosis and research during this project.



The Australian Beef Paddock to Plate Story

MLA launched a new innovative consumer engagement platform that uses 360° immersive video technology to demonstrate the best practice systems that ensure Australia produces high quality beef.

The Australian Beef Paddock to Plate Story is a virtual tour of the Australian beef supply chain, designed to improve knowledge and understanding of production processes among consumers.

Since launching at the EKKA, Brisbane in August 2017, the Paddock to Plate Story has been shown at several community events:

- The Sydney Royal Easter Show: 6,000 showgoers (including school groups, industry stakeholders and members of the community) participated over 13 days.
- The Road to Rockhampton tour: MLA took the Paddock to Plate experience on a bus and engaged with communities and schools in Queensland (Gold Coast, Brisbane, Sunshine Coast and Bundaberg) and NSW (Wingham, Gosford and Richmond), where it was viewed by more than 1,600 people on the way to and from Beef Australia.
- Beef Australia 2018: The Paddock to Plate Story was viewed by around 2,400 people and received positive media coverage. It achieved 55 stories in local and national media and coverage across 106 media platforms plus multiple shares and views on MLA social platforms.
- Industry and education events, including Primex Field Days in Casino, NSW and the Primary Industries Education Foundation Australia Annual Conference.

MLA is developing a strategy to visit more events with the Paddock to Plate Story, including capital city royal shows in 2018–19. The content will also be publicly available on YouTube 360 and other social platforms promoting 360° videos.



**6,000
viewers**

at Sydney Royal
Easter Show



**1,600
viewers**

on Road to
Rockhampton tour



**2,400
viewers**

at Beef Australia



**55
stories**

in local and
national media



Stewardship of environmental resources

Livestock production relies on natural resources. Future increases in production will depend on efficiently and effectively **managing soil health, weeds, invasive animals, water, methane emissions, biodiversity and climate variability**. These themes provide the focus for MLA's research and development to assist the industry in improving productivity and sustainability.

Maintaining the industry's environmental impact in line with community expectations is also a primary goal. This is achieved by the industry **engaging with consumers** to demonstrate it is an ethical and responsible custodian of livestock, land and natural resources.

2017–18 investment by funding source



* Total includes \$10.1m invested via MLA Donor Company

- Producer levies **\$1.5m**
- Government funding **\$4.4m**
- Processor contributions **\$1.1m**
- Other sources **\$9.2m**

OVERVIEW

Equipping teachers

MLA engaged with thousands of teachers and students in 2017–18 to ensure the process for producing red meat in Australia is accurately represented in classrooms around the country.

This included showcasing teaching resources to around 150 primary school teachers at the Sydney Royal Easter Show Teacher Development Day.

MLA also displayed new primary and middle school teaching resources and the Australian Beef Paddock to Plate story (see page 17) to 300 teachers and industry professionals at the Primary Industries Education Foundation Australia 2018 Conference.

Inspiring students

MLA continues to give students an exciting opportunity to interact with cattle and sheep producers through virtual classrooms. New and improved video streaming technology was introduced in 2017, which opened up virtual classrooms to all Australian schools.

During the year, 16 producer advocates delivered 27 lessons to 92 primary schools, engaging 2,700 students.

All states and territories participated in MLA's virtual classroom for the first time in term one 2018. There was a 36% increase in attendance in term one 2018 compared with the same period in 2017 and 72% of schools were from metro areas.

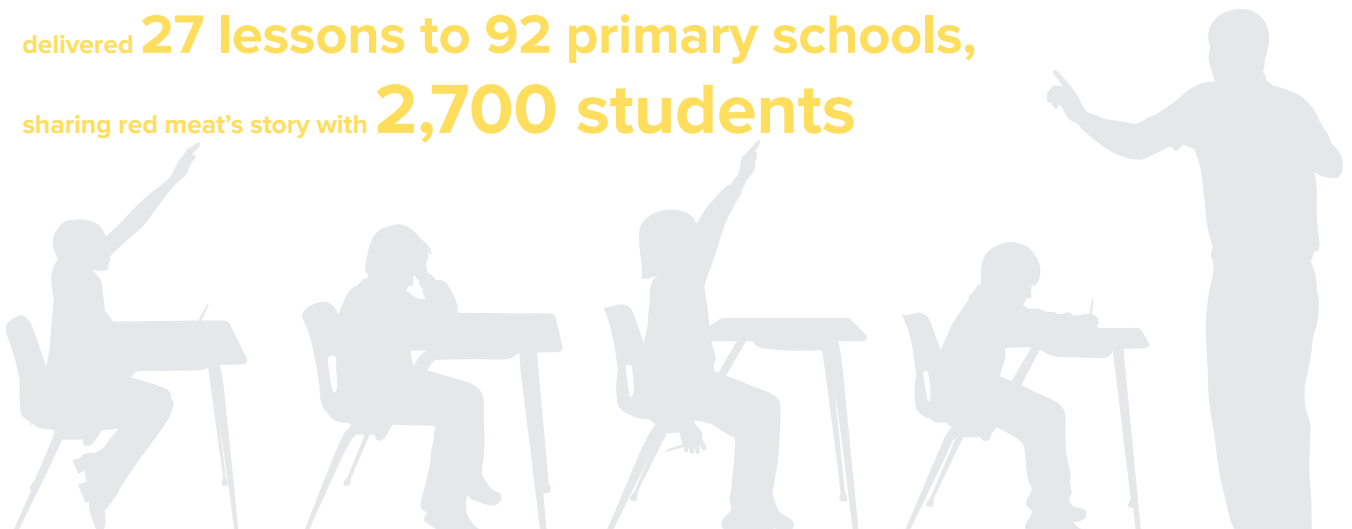
MLA engaged with 'Get Kids Cooking' as part of EKKA's Rural Discovery Day in May 2018, which was attended by 250 year three and four students from 10 schools. The event educates students on where their food and fibre comes from and aims to address the 'disconnect' between urban students and the origin of their food and fibre.

Through the interactive 'Get Kids Cooking' classes, children learnt:

- how to cook and appreciate nutritious food
- where beef and lamb comes from
- nutritional benefits of including red meat as part of a healthy, balanced diet.

16 producer advocates

delivered **27 lessons to 92 primary schools,**
sharing red meat's story with **2,700 students**





MLA Managing Director Richard Norton, Red Meat 2017

The hands-on cooking classes took students through the steps of cooking Australian lamb meatballs, which they were able to enjoy at the end of the class. They were also given a recipe brochure so they could cook healthy beef and lamb recipes at home.

New education resources

In 2017, MLA developed a new suite of curriculum-linked resources for the community education program. The 'Cattle and sheep farming today' teaching resources, launched in January 2018, explore farming and food production within the red meat industry. Students can learn about sustainable farming practices, red meat nutrition, food production and the use of science and technology in agriculture.

The suite includes several interactive resources:

- a digital board game
- facts for students
- a six-topic unit of work
- extra cross-curricular lesson ideas
- activity sheets
- curriculum tables (for years 4–8) and extra resources including videos and websites.

All resources are linked to the Australian curriculum to support the teaching of science, humanities and social sciences, technologies and design with links to

literacy, history and sustainability for primary and middle years.

The 'Cattle and sheep farming today' resources were distributed to more than 700 primary school students and teachers from 80 schools at the 2018 EKKA Rural Discovery Day.

They were downloaded more than 2,500 times from forteachersforstudents.com.au and primezone.com.au from January–June 2018.

Improving knowledge of beef and lamb

Now more than ever, consumers are wanting to know where their food comes from. More than 4,000 foodies and everyday cooks came away with a greater appreciation and understanding of Australian red meat after attending three major food festivals

in 2017–18: Margaret River Gourmet Escape (November 2017), Taste of Melbourne (November 2017) and Brisbane Regional Flavours (July 2017), all sponsored by MLA.

MLA's Corporate Chef Sam Burke and Corporate Butcher Doug Piper collaborated with other culinary experts, as well as beef and lamb producers, to provide the full paddock-to-plate experience and showcase the versatility of beef and lamb with butchery and cooking masterclasses.

'Carbon neutral by 2030' plan underway

MLA continues to support the environmental sustainability of the red meat industry to give consumers even more confidence in the integrity of Australian red meat.

Australia's red meat industry can be carbon neutral by 2030, Managing Director Richard Norton told the company's annual general meeting in Alice Springs.

Mr Norton reported that MLA had initiated a project with CSIRO that identified ways the industry could become carbon neutral. The paper, released in May 2018, outlined innovations and farm management options including:

- genetic selection
- the expanded use of legumes and dung beetles in pastures
- savannah fire management in northern Australia
- feed supplements
- lot feeding
- vegetation management
- a potential vaccine to reduce methane production in the rumen.

The red meat industry has already reduced its share of Australia's total emissions from 20% in 2005 to 13% in 2015. If Australia achieves carbon neutrality by 2030, it would be the first beef-producing nation to do so.

All reductions in emissions so far have been due to improved productivity – a win-win for industry and environment.

Following the CSIRO report, MLA has been developing an implementation plan for industry consideration that will ensure improved productivity as well as a reduction in the industry's emissions.

Development of a series of case studies demonstrating how the red meat industry is implementing change on-farm is now underway.

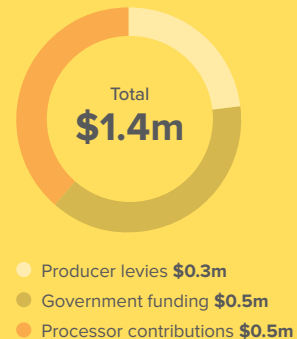


Role of red meat in a healthy diet

Red meat faces strong price competition from protein sources like pork and chicken. **Securing red meat's place in a healthy diet** and **giving consumers a compelling reason to purchase** requires consistent messages to be delivered in the marketplace about the nutritional benefits of red meat.

Defending the role of red meat in a healthy diet also requires **informing domestic and global nutrition policy** and **key opinion leaders** with evidence on the amount and frequency of red meat consumption to achieve healthy living.

2017–18 investment by funding source



OVERVIEW

Women's Rugby 7s partnership

To reinforce beef's role in a healthy diet, as outlined in the Australian Dietary Guidelines, MLA partnered with healthcare professionals and key influencers to promote the benefits of eating beef.

In February 2018, MLA partnered with Australia's Olympic gold-medal winning Women's Rugby 7s team to create and share key messages about beef to target potential new consumers, particularly younger women who may have been limiting their red meat consumption.

As part of the initiative, several players hosted a morning session to highlight just how nutritious and versatile Australian beef is, and why it's an important part of the team's diet.

Targeted consumer media were invited to join players Charlotte Caslick, Demi

Hayes, Shannon Parry and Emilee Cherry for a training session, followed by a cooking demonstration with the team's dietitian, Peta Carige, to explain why beef is the best fuel for sportspeople and everyday Australians alike.

Peta shared four beef recipes that she recommends and prepares for the players as part of their nutritious weekly meal plans and are ideal for trying at home.

Media coverage and social media posts featuring the Women's Rugby 7s and Australian beef partnership were viewed



Women's Rugby 7s



Healthy Cuisines

more than three million times following the campaign.

Using social media, influencers and health/nutrition media helped to target the key audience of women aged 16–30 years who are considering limiting red meat for health reasons.

The players themselves used social media to promote the partnership with Australian beef, including Charlotte Caslick, who shared an image from the promotional day with her 100,000 Instagram followers.



Healthy Cuisines launched

MLA launched Healthy Cuisines, a new nutrition education program targeting health professionals, at the Dietitians Association of Australia National Conference in May 2018.

Healthy Cuisines provides a bridge between the dietary guidelines and the dinner plate.

The program addresses three key nutrition communication challenges identified following extensive consultation with nutrition experts and practitioners, and gained through consumer insights. These include:

- the popularity of the internet for nutrition information
- consumers who want to eat healthily but need it to be 'doable' and enjoyable
- lack of 'one size fits all' solutions where foods such as red meat and vegetables are typically consumed in a variety of meals.

A Healthy Cuisines 'hub' (mlahealthymeals.com.au) provides health professionals with easily accessible information about engaging and enabling consumers to eat healthily, including relevant behavioural insights, consumption habits, product information, meal ideas and practical tips.

The program builds on MLA's reputation for high quality nutrition education. It emphasises the role of red meat in a healthy diet, particularly in relation to meal choices and habits.

Importantly, the program leverages consumers' appreciation for Australian red meat's attributes, including its 'natural' nutrition credentials: versatility, quality, high food safety standards and great taste.



PILLAR 2

Market growth and diversification

Improving market access is the primary way for the Australian red meat industry to grow demand and diversify markets.

This pillar strives to reduce economic and technical barriers to trade, defend existing gains in trade and proactively identify and develop new business opportunities. It also recognises the integrity systems that underpin marketing efforts to differentiate Australian red meat from other red meat competitors and proteins.



HIGHLIGHTS



Two free trade agreements signed in 2018

Industry on the cusp of accessing the Peru market for the first time



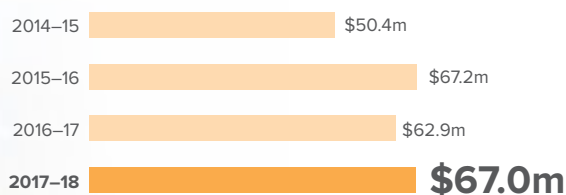
UAE government extended accepted shelf life limits for Australian vacuum-packed meat

7 percentage point increase in consumers who believe beef is suitable for everyday meals



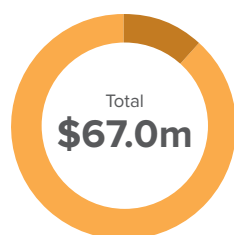


Investment over time



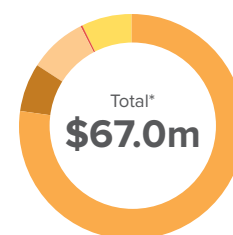
Totals may not add up due to rounding.

2017-18 investment by priority



- Efficiency and value in trade and market access **\$8.0m**
- Marketing and promoting Australian red meat and livestock **\$59.0m**

2017-18 investment by funding source



- Producer levies **\$51.9m**
- Government funding **\$4.5m**
- Processor contributions **\$5.6m**
- LiveCorp contributions **\$0.2m**
- Other sources **\$4.8m**

* Total includes \$5.3 million invested via MLA Donor Company

36 Key Performance Indicators

- 19 achieved
- 4 partly achieved
- 5 not achieved
- 1 not available
- 7 on track to be achieved by 2020

See Appendix A for a full list of KPIs. Please note some KPIs may be relevant across several pillars.

Alignment to industry and government priorities

Meat Industry Strategic Plan (MISP) 2020 priorities	Australian Government priorities	
	Science and Research	Rural Research, Development and Extension
<ul style="list-style-type: none"> Efficiency and value in trade and market access Marketing and promoting Australian red meat and livestock 	<ul style="list-style-type: none"> Food 	<ul style="list-style-type: none"> Advanced technology Adoption of research and development



More than
50 million
Japanese
consumers
reached during 'Are
you Genki?' campaign

110,000
steak
sandwiches
consumed
during The Coffee
Club campaign



125,000 visits
from **25,000**
users
to Rare Medium
e-magazine

9.59%
increase in
domestic
lamb sales
during summer lamb
campaign



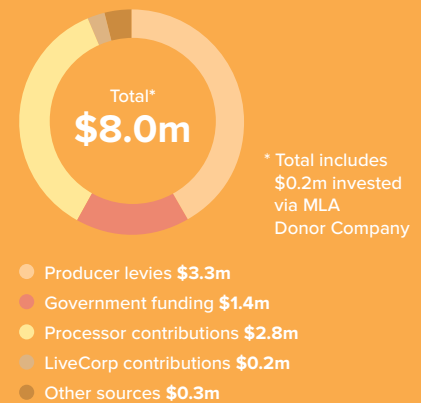


Efficiency and value in trade and market access

Australian red meat faces tariffs, quotas and technical barriers to trade across the globe, imposing billions of dollars in additional costs across the value chain. These barriers also prevent or restrict trade which limits the diversity of markets and, consequently, reduces the number of potential customers for Australian red meat.

In response, MLA **collaborates with industry stakeholders** including the Australian Government, Australian Meat Processor Corporation (AMPC) and Australian Livestock Export Corporation (LiveCorp) to drive growth in exports. MLA does this by **prioritising and taking action to reduce economic and technical barriers to trade** in global markets.

2017–18 investment by funding source



OVERVIEW

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

The long-awaited Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed in Santiago, Chile on 8 March 2018.

The CPTPP comprises 11 member countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam.

On behalf of the Australian red meat and

livestock industry, MLA provided support to the Australian Government from the outset of the Trans-Pacific Partnership process (superseded by CPTPP), which began more than eight years ago.

The CPTPP will create new export opportunities and complement the gains derived from other free trade agreements Australia has concluded to date.

CPTPP members account for about 27% of Australia's combined total beef, sheepmeat and offal trade. The existing import tariffs applicable to Australia's exports destined for CPTPP markets represent an annual tax on the Australian supply chain of around A\$1 billion.

The gradual removal of this cost burden will positively impact the profitability of Australian cattle, sheep and goat producers, processors and exporters,

as well as alleviate the inflated, tariff-affected prices paid for Australian red meat, livestock and associated products by CPTPP member country businesses and consumers.

Below is an outline of the varying impacts the CPTPP will have on Australian trade.

Existing bilateral and/or regional agreements are already delivering market access improvements for Australia with the remaining CPTPP members.

For the CPTPP agreement to enter into force, six members must complete their respective domestic legal and approval processes and subsequently notify other members. As such, the Australian red meat and livestock industry is working closely with the Australian Government to continue advocating that all members expedite these procedures.

The CPTPP's impact on trade

Japan

- Tariffs levied on Australian beef entering Japan will be further reduced from those negotiated under the Japan–Australia Economic Partnership Agreement (JAEPA).
- The tariff on both frozen and chilled beef will fall to 9% within 15 years – as opposed to the end point of 19.5% for frozen beef and 23.5% for chilled beef secured under the JAEPA.
- In addition, processed red meat import tariffs applied by Japan, which currently range from 6% to 50%, will be eliminated within 15 years; the majority of offal tariffs

eliminated within 10 to 15 years; and the tariffs applied to live cattle imports will also be eliminated.

Canada

- The current 35,000 tonne beef quota (0% in-quota tariff) will remain; however, the above quota tariff of 26.5% will be phased out over five years.
- The 2.5% tariff on Australian sheepmeat will be eliminated on entry into force.

Mexico

- The current 20–25% beef tariff will be eliminated within 10 years; the

10% sheepmeat and goatmeat tariffs will be eliminated within eight years.

- The majority of offal tariffs will be eliminated on entry into force.
- The 10–15% tariffs on live animals will also be eliminated on entry into force.

Peru

- The CPTPP will complement the recently concluded Peru–Australia Free Trade Agreement (PAFTA), which will see the 11–17% tariffs on beef phased out and the 9% sheepmeat and goatmeat tariffs eliminated on entry into force under both agreements.



Australian Minister for Trade, Hon Steven Ciobo MP and the European Commissioner for Trade, Cecilia Malmström

EU trade negotiations underway

The Australian Minister for Trade, Hon Steven Ciobo MP, and the European Commissioner for Trade, Cecilia Malmström, launched Australia–European Union Free Trade Agreement (A–EU FTA) negotiations in Canberra on 18 June 2018.

The announcement was welcomed by the Australian red meat industry as a positive first step in improving market access arrangements with the European Union.

MLA is working with industry to advance EU market access in a number of ways, including as secretariat of the Australia–EU Red Meat Market Access Taskforce.

The Taskforce is the Australian red meat industry's steering committee responsible for guiding and driving improvements in beef, sheepmeat and goatmeat market access into both the EU and UK. It's made up of producers, processors, exporters and the industry service providers, and draws heavily on this collective commercial expertise.

Trials conducted in a domestic supply chain have suggested an 8% reduction in wastage is possible as a result of accuracy of shelf life prediction.

An MLA Donor Company-funded trial involving three products was completed in 2018, while international trials of the shelf life prediction tool have been conducted with more to follow.

The model can also be used to build confidence in product shelf life, simplify the supply chain and improve control over product, leading to less markdowns and waste in stores.

Internationally, the shelf life tool will be used to further address technical trade barriers. The new model has already given importing countries confidence in the shelf life of Australian red meat without having to conduct extensive studies.

For example, in May 2017, the United Arab Emirates government extended accepted shelf life limits for Australian vacuum-packed meat. Chilled beef standards increased from 90 days to 120 days and sheepmeat from 70 days to 90 days.

Industry is hopeful other countries will also increase acceptable shelf life for Australian product to allow access to premium markets.

Additional beef access to Mexico

While the CPTPP will be the most significant way to reap long-term benefits for Australian red meat exports to Mexico, the Mexican Government has temporarily reduced tariffs on key imports, including beef, by establishing a tariff rate quota, in response to inadequate domestic beef supplies and corresponding price rises.

In February 2017, Mexico introduced a 200,000 tonne/year import quota which will facilitate access through to 31 December 2019.

The zero in-quota tariff is a significant advantage over the previous 20–25% import tariff regime. The temporary tariff rate quota applies to fresh, chilled or frozen beef, including bone-in and boneless cuts.

The quota puts Australia on a level playing field with the US and Canada, who have enjoyed a tariff advantage into Mexico since 1994, when the North American Free Trade Agreement entered into force.

Peru–Australia Free Trade Agreement (PAFTA)

Australia and Peru signed the Peru–Australia Free Trade Agreement (PAFTA) on 12 February 2018, enabling the Australian red meat and livestock industry to access opportunities in a new and growing market.

Historically, there has been no red meat trade between Australia and Peru due to a lack of import protocols. However,

with dialogue already underway between Australian and Peruvian government authorities to establish these protocols, coupled with the removal of tariffs as part of PAFTA, the Australian red meat industry will soon be in a position to respond to potential inquiries from the expanding Peruvian retail and foodservice sectors.

PAFTA will see the current tariffs of 11–17% on beef (dependent on tariff line) being eliminated, either on entry into force of the agreement or within five years; elimination of the 9% tariff on sheepmeat and goatmeat on entry into force; the tariffs applicable to live animal exports and edible offals bound at 0%; and the elimination of tariffs for further processed meat products either on entry into force or within five years.

PAFTA also represents a useful step in securing closer economic relations with the Pacific Alliance group of countries that also includes Chile, Colombia and Mexico. Australia began FTA negotiations with the Alliance in June 2017.

Australia and Peru are now following their respective domestic treaty making processes so PAFTA can enter into force.

New shelf life management tool

MLA and the Tasmanian Institute of Agriculture have developed a new shelf life management tool for beef and lamb.

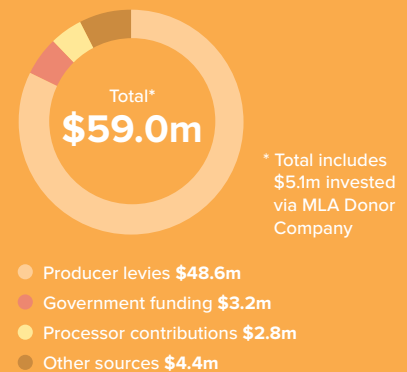
The computer model predicts the shelf life of vacuum-packed product and has been validated in domestic and international supply chains.



Marketing and promoting Australian red meat and livestock

With Australian red meat facing increasing competition from other red meat suppliers and protein products in global markets, the industry must **aggressively promote its superior points of difference** to global customers and consumers – safety, quality and traceability. MLA also **segments markets** based on the size of the opportunity and the risks. MLA's focus in the domestic market is to **ensure beef and lamb remain popular meal choices** by focusing on Australian red meat's value proposition and business development.

2017–18 investment by funding source



OVERVIEW

Launch of 'Australian Beef: the Greatest'

MLA launched its new domestic beef marketing platform in 2017–18 – 'Australian Beef: the Greatest' which positions beef as the humble leader of all proteins.

It evolves from the previous 'You're Better on Beef' campaign and inspires consumers to reconnect with beef by incorporating messages spanning versatility, nutrition, provenance, sustainability and eating quality.

The strategy

Underpinning the new strategy is the need for the beef industry to find ways to continue generating value for consumers in the face of four key challenges:

- consumer willingness to pay a premium for beef
- changing population mix
- changing lifestyles
- multiple sources of information.

Market conditions continue to present a range of challenges for beef, particularly in maintaining volume with retail prices having increased a further 3% year-on-year.

Content under the new 'Australian Beef: the Greatest' platform is focused on delivering easy, quick and delicious meals with an emphasis on, but not limited to, preparing dinner within 30 minutes.

The first integrated campaign under the platform featured online content and TV commercials that used an original song to remind Australians of beef's greatness.

The results

The campaign contributed to the mean number of serves of beef per week increasing from 1.81 to 1.86 in 2017–18.

There has also been a year-on-year increase in main grocery buyers (the key decision-maker regarding shopping choices) endorsing the statement 'Willing to pay more for beef' from 22% pre-campaign to 25% post-campaign.

Consumer endorsement of the statement 'Beef makes healthy meals' also increased from 51% pre-campaign to 53% post-campaign.

The campaign also resulted in endorsement of the statement 'Beef is suitable for everyday meals' lifting from 56% pre-campaign to 63% post-campaign.

Summer lamb's musical makeover

MLA's annual summer lamb campaign launched in January 2018 with a long-form advertisement, which saw a modern-day barbecue get a Broadway musical makeover and resulted in 2.1 million unique views online.

Building on the long-established 'We Love Our Lamb' brand position of unity and inclusivity, the integrated campaign was designed to inspire people to put aside their differences, big and small, and come together over lamb.

It featured in-store, product-focused point-of-sale lamb barbecue inspiration, focusing on the variety of different cuts

and cuisines, while recipes developed by celebrity chef Darren Robertson underpinned the campaign by inspiring young Australians to get cooking with lamb.

The campaign resulted in lamb sales for the period increasing by 9.59% and achieving most long-term brand KPIs.

This included 'maintaining the mean number of serves of lamb per week between 0.7 and 0.9', with the campaign resulting in mean serves reaching 0.78.

There was also an increase in main grocery buyers (the key decision-makers regarding shopping choices) endorsing the statement 'Willing to pay more for lamb' from 21% pre-campaign to 24% post-campaign.

The KPI of 'restricting the percentage of main grocery buyers limiting consumption of lamb for health reasons to below 19%' was also achieved, with the result of 16% limiting consumption for health reasons.

Improving lamb's performance around consumer perception that 'Lamb is good for sharing' was also achieved, with 49.7% of consumers agreeing with the statement.

Despite these positive figures, there is still some hesitation from consumers regarding lamb as a 'healthy, everyday meal'. Promoting lamb's health benefits, as well as its versatility, will be a key element of future campaigns.

Release of market snapshots

MLA expanded its range of market snapshots in February 2018 to provide producers and industry stakeholders with detailed insights into what is driving



True Aussie 'Are you Genki?' campaign

The health benefits of eating iron-rich True Aussie beef during Japan's notoriously cold winter months was the focus of an MLA campaign that resulted in a total audience reach of more than 50 million people.

The 'Are you *Genki*?' campaign focused on female consumers in Australia's largest beef export market and highlighted the importance of women having enough iron in their diet.

The campaign ran throughout December 2017 and January 2018 and included the opening of a pop-up store – the Iron Breakfast Bar – in Osaka. The campaign assisted in boosting roast beef sales at Japanese supermarkets by 35–40% over winter and attracted widespread media coverage on television, in newspapers and online.

The Japanese term '*genki*' means something close to 'healthy' or 'energetic' in English, and implies vitality. For a number of years, MLA has focused on ensuring True Aussie beef is seen as helping Japanese families feel '*genki*'.



A cooking demonstration using True Aussie beef in Japan

domestic marketing branding 'Australian Beef: the Greatest'.

The promotion ran until June and resulted in just over 110,000 steak sandwiches being consumed – a 50% increase in sales of the steak sandwich range.

MLA worked with The Coffee Club's parent company, Minor International (which operates casual dining brands globally) to hero Australian red meat on the menu.

MLA's Corporate Chef Sam Burke, together with MSA Retail Training Facilitator Kelly Payne, worked with Minor Group chefs as part of a red meat immersion and butchery course – and then with Global Head of Culinary, James Bradbury, and Culinary Manager, Kenneth Bryce, to create new recipes.

MLA also worked with The Coffee Club on revamping its existing steak sandwich, featuring a 100-day grainfed steak. It's now a permanent addition on The Coffee Club menu.

Rare Medium platform launched

The Australian foodservice sector generated \$45 billion in 2016, accounting for 50 million meals/week, making it a crucial channel to the ongoing success of the red meat and livestock industry.

MLA's dedicated foodservice program, Rare Medium, seeks to ensure Australian red meat remains relevant and retains its place on domestic foodservice menus while also increasing understanding and use of lesser-known cuts.

In early 2018, MLA launched two new digital resources for foodservice professionals, offering access to red meat knowledge from paddock-to-plate – the new Rare Medium website and e-magazine.

In the first six months since the e-magazine was launched, it received 125,000 visits from 25,000 users, while social media activity for the first two e-magazine issues generated over 700,000 video views.

The new Rare Medium website provides chefs with access to whole-carcase education for beef, lamb, goatmeat and veal and includes complete beef and lamb carcase breakdown videos. It also provides clear and concise supply chain information, insights into production systems, dish inspirations from leading chefs and more.

While the website functions as a hub for red meat education, the new seasonal Rare Medium e-magazine draws on industry innovation and culinary creativity to inspire chefs through timely, engaging and informative red meat content.

Each issue of the e-magazine focuses on a specific protein and is co-edited with a different chef influencer to explore seasonality from paddock-to-plate.

demand for Australian product in global and domestic markets.

The snapshots cover 11 key markets for beef and eight for sheepmeat, while the goatmeat industry is covered by a global snapshot.

They provide a forward-looking analysis of the consumer and industry trends that will influence Australia's future red meat exports into each market.

The market snapshots, including competing supplier snapshots, have attracted more than 12,000 views.

Coffee Club collaboration

A partnership between MLA and national café chain, The Coffee Club, saw Australian beef take centre stage in a reinvention of the Australian classic: the steak sandwich.

The Coffee Club launched three new steak sandwiches in nearly 300 restaurants across the country in April 2018, with promotions including MLA's



PILLAR 3

Supply chain efficiency and integrity

Satisfied customers and industry partners working in collaboration are signs of a well-functioning value chain. The red meat and livestock industry strives to achieve this through Meat Standards Australia, which guarantees consumers a minimum eating quality in their red meat purchases, and also through integrity systems that underpin clean, safe, natural and traceability claims.

The red meat and livestock industry has an opportunity to enhance this win-win for customers and value chain partners through objective measurement technologies, information exchange and value-based pricing, where consumers pay the true value of the products they purchase and industry is able to increase the value of each carcass.



HIGHLIGHTS



MSA beef compliance rates rose to 94.3%

\$152 million in additional farm gate returns

from MSA beef program



95% of lambs following MSA pathways

met MSA requirements

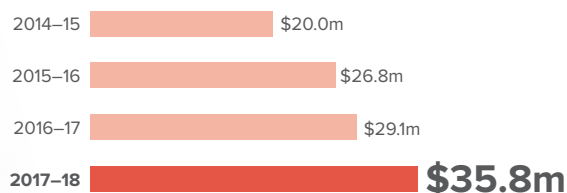
Animal welfare and biosecurity added

to LPA program to enhance integrity systems



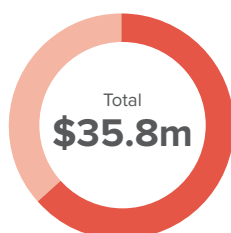


Investment over time



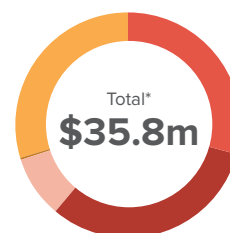
Totals may not add up due to rounding.

2017-18 investment by priority



- Optimising product quality and cost efficiency **\$22.7m**
- Guaranteeing product quality and systems integrity **\$13.1m**

2017-18 investment by funding source



- Producer levies **\$10.5m**
- Government funding **\$11.4m**
- Processor contributions **\$3.2m**
- LiveCorp contributions **\$0.1m**
- Other sources **\$10.6m**

* Total includes \$10.7 million invested via MLA Donor Company

48 Key Performance Indicators



See Appendix A for a full list of KPIs. Please note some KPIs may be relevant across several pillars.

Alignment to industry and government priorities

Meat Industry Strategic Plan (MISP) 2020 priorities	Australian Government priorities	
	Science and Research	Rural Research, Development and Extension
<ul style="list-style-type: none">Optimising product quality and cost efficiencyGuaranteeing product quality and systems integrity	<ul style="list-style-type: none">FoodTransport	<ul style="list-style-type: none">Advanced technologyAdoption of research and developmentBiosecurity

MSA celebrates 20 year anniversary

Eating Quality Graded cipher

introduced as part of Australian Beef Language Review recommendations



25.4 million NLIS cattle movements
recorded by the NLIS database

1,257 producers now have Livestock Data Link accounts





Optimising product quality and cost efficiency

Since its inception in 1998, the industry's uptake of Meat Standards Australia (MSA) has helped lift the eating quality of red meat in the domestic market. The opportunity now exists to **broaden the reach of MSA** to export markets by providing marketers with a tool to sell Australian beef and lamb with eating quality claims.

This priority also works with individual supply chains to **reduce the eating quality variation** within a production run and segregate and extract higher premiums for product with higher eating quality. There is also opportunity to **improve the value of the carcass** through value-based pricing, underpinned by **accurate and transparent objective measurements**.

2017–18 investment by funding source



* Total includes \$9.5m invested via MLA Donor Company

- Producer levies \$6.9m
- Government funding \$9.4m
- Processor contributions \$1.0m
- Other sources \$5.4m

OVERVIEW

20 years of eating quality

MLA's independent eating quality grading program, Meat Standards Australia (MSA), celebrates its 20th anniversary in 2018.

Over the past two decades:

- MSA conducted consumer sensory testing with more than 114,000 consumers on 800,000 meat samples in 11 countries – research that determines what attributes have an impact on eating quality
- 549 people have been trained as MSA graders

- 38,000 consumers in eight countries have indicated they are willing to pay different amounts for different levels of eating quality
- 27,000 sheep producers have become registered to supply 37.2 million sheep processed following the MSA pathways
- 26.5 million cattle have been MSA graded, supplied by more than 43,000 MSA-registered beef producers
- 18,995 producers have engaged in MSA beef and sheep information sessions or eating quality workshops
- more than 15,000 retail, foodservice and wholesale businesses have been trained in MSA programs
- \$167.5 million has been invested by MLA into the MSA beef and sheepmeat program (including Government contribution) since 1998

- an MSA evaluation conducted between 2010 and 2015 revealed an industry return on investment of 12.5:1.

The program continues to enjoy strong uptake throughout the supply chain with more than 53,000 Australian beef, sheep and mixed livestock producers now registered for MSA.

MSA metrics

MSA beef

During 2017–18, the MSA beef program returned an additional \$152 million in farm gate returns. Nationally, 43% of adult cattle slaughtered were graded for MSA, a rise of 3% on the year before. MSA compliance rates also continued their upward trend, increasing incrementally to 94.3%, up from 93.5% the previous year.

The MSA Index, a score assigned to beef carcasses on a scale from

94.3% of MSA cattle and 95% of MSA lambs met program requirements

\$152 million in additional farm gate returns

16 additional MSA-licensed brands

32% increase in producers using myMSA platform





30 to 80, underpins the beef industry's goal to provide meaningful feedback to producers on the eating quality performance of their cattle. In 2017–18 the national average MSA Index increased slightly to 57.78 (from 57.62 in 2016–17).

MSA sheepmeat

A quarter of the national lamb slaughter followed the MSA pathway – although this is on par with the year before, the proportion of those lambs that were then trade marked as MSA rose significantly, from 71% during 2016–17 to 74% during 2017–18. MSA sheepmeat compliance improved, with 95% of all lambs graded meeting MSA requirements.

MSA brands

The growth in MSA beef and sheep brands continues, with an additional

16 brands licensed in 2017–18, bringing the total to 172. The number of MSA-licensed brands actively communicating MSA in export markets continues to rise, now at 12. There are now 3,681 MSA-licensed end-user outlets that use the trade mark.

myMSA

Producer engagement with myMSA continues to improve, with 17,163 log-ins to the platform by 4,573 beef producers in 2017–18 – an increase of 32%. MSA continued to create value for producers by adding benchmarking capabilities to myMSA. This function allows producers to measure their MSA compliance on a state and regional basis, as a tool to identify opportunities to improve their performance.

Beef language enhanced

The red meat and livestock industry is moving forward with the adoption of an enhanced Australian beef language.

Twelve of the 46 recommendations handed down by the Australian Beef Language Review in June 2016 have now been implemented and are delivering outcomes along the value chain. Another 27 recommendations are in progress.

The implementation of the Eating Quality Graded (EQG) cipher was among the first recommendations to be realised. The EQG cipher could potentially add an additional \$46 million to the supply chain each year, by offering an alternative to dentition-based ciphers. It gives MSA brand owners the option to pack and label beef according to consumer eating quality outcomes.

Supporting the national onsite-correlation and practice system, MSA continues to ensure grader integrity and consistency by conducting face-to-face checks with 250 MSA graders each year.

Another recommendation, the Animal Raising Claim Systems Framework for Beef Production in Australia, was released in October 2017, to address the need for clear definitions underpinning brand claims such as 'grassfed' or 'antibiotic free'.

MSA Excellence in Eating Quality Awards

MLA hosted the second MSA Excellence in Eating Quality Awards to raise awareness of MSA best management practice. Six state events were attended by 514 producers and the 51 finalists represented 202,680 MSA-graded cattle.

For the first time, the most outstanding beef producer award was divided into categories: 'Most outstanding MSA beef producer' and 'Most outstanding MSA beef producer – grainfed'. A new category, 'Excellence in eating quality progress award', was added to recognise the producer in each state who had the most improvement to their compliance and the MSA Index.

Pictured is Tristram Hertslet, General Manager of Reardon Operations Feedlot. The feedlot won 'Most outstanding beef producer – grainfed' in the Queensland and NT category, while KJ Wonka took out the award for 'Most outstanding beef producer'.



Tristram Hertslet, General Manager of Reardon Operations Feedlot



Guaranteeing product quality and systems integrity

Australian red meat is marketed as clean, safe and natural, underpinned by its disease-free status and advanced food safety and integrity systems. As our competitors build their own capabilities to deliver a similar product claim, it is essential for Australia to **enhance our systems and technologies** to keep ahead of our competitors and maintain our point of difference.

Raising the bar of our integrity systems also helps Australia capture price premiums from discerning consumers and customers who are willing to pay more for higher levels of product assurance.

2017–18 investment by funding source



OVERVIEW

LPA update

The Livestock Production Assurance (LPA) program is the Australian livestock industry's on-farm assurance program covering food safety, animal welfare and biosecurity.

Upgrades to the LPA program were rolled out from 1 October 2017, including the introduction of two new LPA elements, animal welfare and biosecurity, and a new LPA reaccreditation process.

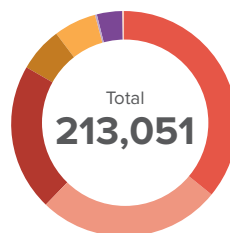
The inclusion of animal welfare and biosecurity means every LPA-accredited producer can demonstrate they are fulfilling animal welfare requirements by following the Australian Animal Welfare Standards and Guidelines for cattle, sheep and/or goats (as applicable). They must also ensure effective biosecurity practices are implemented on-farm and that a documented Farm Biosecurity Plan is in place.

The reaccreditation process requires all 213,051 LPA-accredited producers to complete LPA Learning and an assessment to maintain their accreditation.

By June 2018, 29,280 reaccreditations were completed, including 7,166 from new LPA members.

According to the Integrity Systems Company's annual integrity survey, LPA awareness levels increased by 19% over the year, lifting LPA awareness to 93%. This significant increase was a result of

LPA-accredited producers in 2017–18



- New South Wales
- Victoria
- Queensland
- South Australia
- Western Australia
- Northern Territory
- Tasmania
- ACT

the communication campaign supporting the LPA program upgrades.

eNVD update

The industry's new electronic National Vendor Declaration (eNVD) system launched in August 2017 and is aimed at streamlining data transfer, reducing costs and improving information accuracy.

The eNVD system offers producers the ability to create other declarations alongside the NVD, including for MSA and the National Feedlot Accreditation Scheme, as well as National Health Declarations.

While uptake of the eNVD has been slow, Integrity Systems Company continues to work closely with producers and industry partners on potential improvements to the eNVD to make the system more user friendly, accessible and adaptable to business needs.

Livestock Data Link

Two enhancements were made to MLA's online carcass feedback resource, Livestock Data Link (LDL), to enhance information sharing in the red meat supply chain.

LDL, which is currently used by 1,257 producers, now provides a predictive lean meat yield measure for beef producers and processors on carcasses that are MSA graded. Lean meat yield is the percentage of meat recovered from a carcass and is a key driver of profitability for beef producers, processors and retailers. It's calculated using hot standard carcass weight and MSA-graded rib fat depth.

The second new feature enables breeders to receive carcass information on animals they have bred but not directly consigned to the processor. This information includes average, minimum and maximum carcass weight, P8 fat and, if graded, lean meat yield and the MSA Index. The processor will not be identified – only the state in which the animals are processed.

Integrity Systems Company

Integrity Systems Company (ISC) is a fully-owned subsidiary of MLA and aims to grow red meat value chain opportunities through integrity and information systems innovation.

Since its launch in 2016–17, Integrity Systems Company has provided a streamlined, efficient management structure for the delivery of the Livestock Production Assurance (LPA) program, National Vendor Declarations (NVDs) and the National Livestock Identification System (NLIS).



Integrity Systems

red meat customer assurance

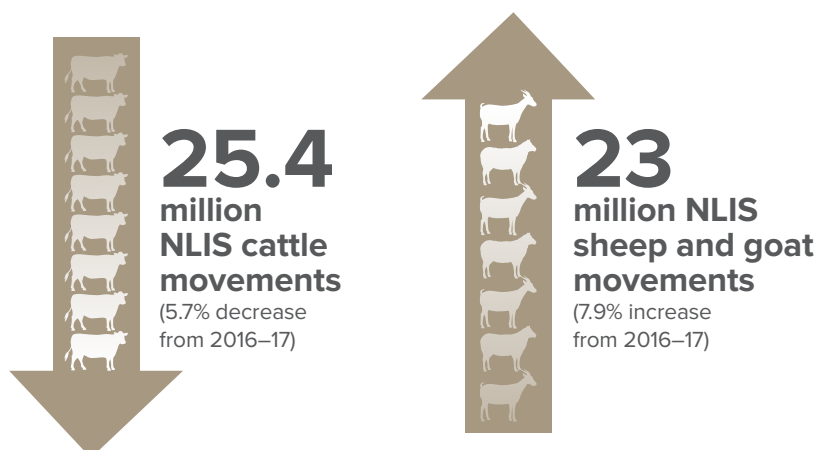


Making this information accessible through LDL helps producers meet market specifications and improve their bottom lines, while releasing feedback to the breeder will enable the rate of genetic gain in the industry to be increased as carcase performance and pedigree records can be linked.

Producers are now able to access varying levels of data including carcase compliance, animal health and/or breeder property identification code details from 17 processors across the country.

Through its link with LDL, the National Sheep Health Monitoring Project has been able to supply animal health feedback from 2017–18 on 4.7 million sheep. This data has been collected over 21,019 lots and 4,972 property identification codes.

National Livestock Identification System (NLIS)





PILLAR 4

Productivity and profitability

Increasing productivity and profitability across the industry will assist red meat and livestock participants to raise their competitiveness and long-term sustainability and help offset the long-running cost-price squeeze.

Encouraging the red meat supply chain to increase its productivity requires a new approach to research adoption. Providing producers, lot feeders, live exporters and processors with compelling commercial benefits to implement research and development is another priority. Also critical is the supply of timely, accurate and relevant tools, technologies and information.



HIGHLIGHTS



11 R&D projects worth \$35 million

funded under the Livestock Productivity Partnership

Pasture Trial Network website launched

to provide objective pasture variety data to producers



19 research proposals endorsed

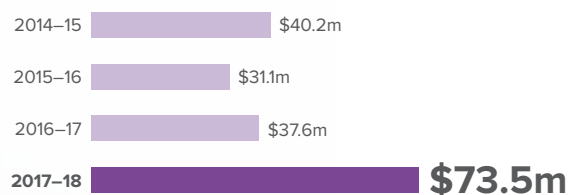
by National Livestock Genetics Consortium

MLA awarded the first annual Hitachi Transformation Award



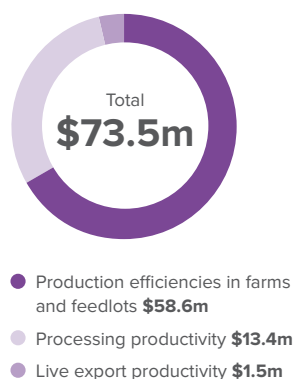


Investment over time

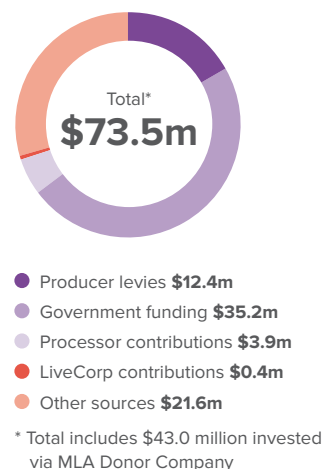


Totals may not add up due to rounding.

2017–18 investment by priority



2017–18 investment by funding source



72 Key Performance Indicators



See Appendix A for a full list of KPIs. Please note some KPIs may be relevant across several pillars.

Alignment to industry and government priorities

Meat Industry Strategic Plan (MISP) 2020 priorities	Australian Government priorities	
	Science and Research	Rural Research, Development and Extension
<ul style="list-style-type: none"> Production efficiencies in farms and feedlots Processing productivity Live export productivity 	<ul style="list-style-type: none"> Soil and water Food Transport Environmental change Advanced manufacturing Energy 	<ul style="list-style-type: none"> Advanced technology Adoption of research and development Soil, water and managing natural resources

Condition score targets identified

to boost non-Merino ewe productivity

Prototype feed bunk scanner

developed for feedlot industry

\$13 million opportunity identified for domestic goatmeat



First beef DEXA unit installed

to provide producer feedback on carcasses

Four LEAP V automated

lamb forequarter processing modules installed in processing plants

750 attendees

at the third Livestock Export Program Expo and Conference in Indonesia



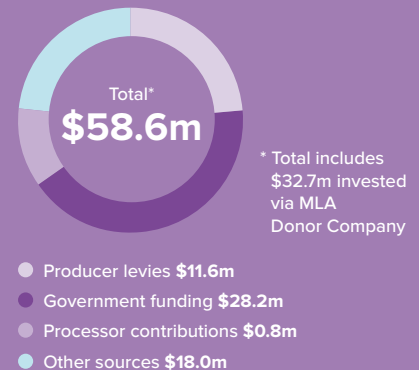


Production efficiencies in farms and feedlots

For producers and lot feeders to remain competitive and sustainable in the long-term, MLA's research, development and adoption programs need to deliver outcomes that improve their bottom line. This priority is focused on providing producers and lot feeders with options to improve the efficiency of their operations through programs including genetics and genomics, feedbase, reproduction, animal nutrition, compliance to market specifications and feed efficiency.

MLA will support the uptake of new practices through outcomes focused on producer education, training and coaching.

2017–18 investment by funding source



OVERVIEW

Livestock Productivity Partnership

Eleven research and development projects, valued at \$35 million over five years, are now underway as part of the Livestock Productivity Partnership (LPP).

Over the next five years, the LPP aims to increase productivity gains for livestock producers in northern NSW and southern Queensland. However, some of the intended findings and tools will have application in other regions and nationally.

Researchers will work to develop and commercially validate several management strategies, and will primarily focus on:

- meeting animal requirements through better management of feed supply
- enhancing ruminants' nutrient efficiency to improve growth
- improving maternal efficiency
- meeting market specifications to increase whole-farm profitability.

The LPP is a collaborative research and development funding partnership, currently involving MLA Donor Company (MDC), NSW Department of Primary Industries, University of New England and CSIRO.

The partnership is Board-approved up to a value of \$50 million, using a 50:50 co-investment model with MDC funds.

National Livestock Genetics Consortium

MLA established the National Livestock Genetics Consortium (NLGC) as a genetics and genomics collaboration model in 2016. The aim of the Consortium is to double the annual rate of improvement in the industry's genetic value by 2022 through investment in livestock genetics projects that deliver one or more of the following:

- world-leading research and development
- cultural change
- disruptive technologies
- accessible data platforms.

Previous project calls in 2016 and 2017 resulted in the NLGC Taskforce recommending 29 projects to receive \$35 million in funding. These projects have now been progressed through to contracting.

In December 2017, the Taskforce made a third call for projects that achieve outcomes in line with the Consortium's priorities. Proposals contributing to the goals of the NLGC and *Meat Industry Strategic Plan 2020* through addressing culture change, linking genetics to consumer outcomes and new/novel genetics R&D were sought. Nineteen proposals were identified as progressing towards the Consortium's aim and were recommended for funding.

Regional consultation framework

Through MLA's regional consultation process, livestock producers directly influenced the investment of \$9.7 million of levy funds into 13 new research, development and adoption projects in 2017–18.

The projects address key priorities within six themes that were recommended by the Red Meat Panel*:

- breeder productivity for sheep and cattle
- nutrition
- evaluation of the costs and benefits of moving prime lamb systems into mulesing-free
- propose new lines of work into the control of sheep blowfly
- scope the potential for vaccines against the important gastrointestinal nematodes of sheep and goats
- bovine theileriosis in WA.

The priority areas were determined by producers through MLA's regional consultation process via Southern Australia Meat Research Council (SAMRC), North Australia Beef Research Council (NABRC), and Western Australian Livestock Research Council (WALRC).

The Red Meat Panel endorsed 15 full projects for MLA funding. Final projects were put to the MLA Board for approval in July 2018, marking the completion of the third annual call process.

In 2017–18, an internal review of MLA's regional consultation framework and annual call processes and structure was conducted.

Feedback received was generally supportive of the framework. While no significant changes were identified as part of the review, several refinements were identified to improve operational efficiencies and stakeholder satisfaction.

* The Red Meat Panel consists of the chair and a producer member from NABRC and SAMRC, two producer members of WALRC, a representative from Cattle Council of Australia and Sheep Producers Australia and two MLA General Managers.



Pasture Trial Network launched

Southern livestock producers now have access to data about the performance of more than 100 pasture varieties with the launch of the Pasture Trial Network (PTN) website in September 2017.

The website – tools.mla.com.au/ptn – gives producers unrivalled access to independent pasture information.

Since 2014, PTN has established 84 trials over 28 sites encompassing 12 species.

Goatmeat value-adding opportunities

A feasibility study into opportunities to encourage domestic goatmeat consumption has identified that value-adding could create more demand and potentially generate \$13 million/year for the industry.

MLA commissioned the study, 'Value adding goatmeat for domestic consumers', and is now seeking co-funding partners within the industry to act on its findings.

Several value-adding opportunities are presented in the study's final report, with insights around defined consumer segments and special occasions when goatmeat may be purchased by these segments.

Award-winning technology for northern beef

MLA, in conjunction with vertically integrated beef supply chain business Australian Cattle and Beef Holdings (ACBH) and Australian Country Choice

(ACC), was awarded the first annual Hitachi Transformation Award for its work in using data to help drive innovation in the red meat industry.

Hitachi's sensor-driven data collection and analytics technology is being used in a research project underway in Queensland with ACBH and ACC. The project assists value chain partners to share and mine data to benefit their operations.

Data collection from individual paddocks will enable ACBH to identify and address supply chain inefficiencies. Together with individual animal data mapped across the whole value chain, process intelligence will allow producers to make more informed and timely management decisions.

BREEDPLAN changes

A new software license agreement for BREEDPLAN, the genetic evaluation system for beef cattle in Australia, has commenced to ensure greater accessibility for seedstock producers and improve transparency and accountability in the system.

BREEDPLAN analytical software is used to produce estimated breeding values of recorded cattle for a range of important production traits, and is owned by MLA, the University of New England and NSW Department of Primary Industries. The Agricultural Business Research Institute is the BREEDPLAN licensee.

As a result of a commercialisation review of BREEDPLAN in 2017–18, several significant changes have been made to the software license agreement as part of a reinvigoration strategy.

Management guidelines for non-Merino ewes

With non-Merino ewes producing about 45% of lamb supply in Australia, MLA-funded research has identified that condition score targets at lambing of 2.7 for singles and 3.3 for multiple-bearing non-Merino ewes are likely to achieve near-maximum lamb survival and weaning rates.

The findings are contained in the final report of the project, 'Lifetime Maternals – development of management guidelines for non-Merino ewes', published in September 2017.

The project involved eight large trials using a range of maternal ewe genotypes, including first-cross and composite breeds, and demonstrated the live weight and condition score profile of a flock can predict the productivity of ewes, and survival rates and growth of their progeny to weaning.

The new Lifetime Maternals tools are expected to be available to the sheep industry by the end of 2018. They will be incorporated into new sheep industry extension and adoption programs, as well as existing programs such as Bred Well Fed Well and Profitable Grazing Systems.

Feedlot bunk scanner automation a reality

In a major step towards automation of manual processes in the feedlot industry, a prototype feed bunk scanner has been developed to objectively determine the quantity of feed remaining in cattle feed bunks.

Assessing the quantity of feed remaining is critical to optimising carcass weights and preventing digestive disorders, while also managing the efficiency of a feedlot's feed consumption.

The grainfed levy-funded project saw Dr Stuart McCarthy and Daniel Mcleod from automation and robotics solutions company, Manobotix, design and validate the prototype bunk scanner at Mort & Co's Grassdale Feedlot, Queensland.

Project results confirmed the vehicle-mounted bunk scanner's performance was superior to human operators. Further in-field testing of the prototype is being undertaken with a view to releasing commercial technology for feedlot adoption by November 2018.



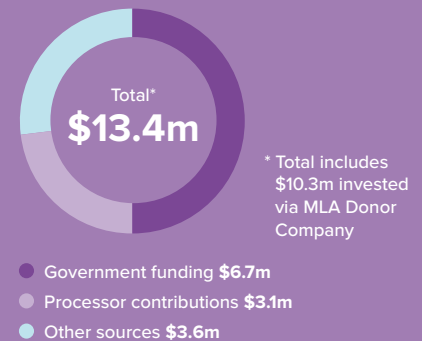
Dr Stuart McCarthy and Daniel Mcleod



Processing productivity

With Australian red meat facing intense price competition from other proteins and exporting nations, every cent counts during processing. To help processors increase their efficiency and minimise production costs, this priority is focused on **maximising value, addressing labour availability and workplace health and safety issues**. Automation technologies and objective measurement will be the primary avenues to achieve this.

2017–18 investment by funding source



OVERVIEW

Development of LEAP V

The development of the LEAP V automated lamb forequarter processing module was completed in 2017–18, with the technology now installed at two processing plants.

The lamb forequarter is an important component of the carcase requiring a series of bandsaw cuts to separate the neck and shanks to produce the square-cut shoulder portions. At processing line speed in the lamb boning room, this is a repetitive and physically demanding task.

MLA Donor Company partnered with global technology provider Scott Automation & Robotics to develop the LEAP V automated bone-in forequarter processing cell.

The fully automated cutting solution features the flexibility of a robot and motor-controlled bandsaw, capable of processing the main bone-in cuts of the carcase forequarter including knuckle tip removal, neck cuts, shank and brisket removal and vertebrae splitting.

Wagstaff Cranbourne Pty Ltd has installed one LEAP V machine to manage a cycle speed of around seven carcasses/minute, while three have been installed at JBS's Brooklyn plant to process 10 carcasses/minute.

The technology further adds to the LEAP series of modules, designed to deliver a more consistent product, increase workplace safety by separating the operator from the cutting blade and contribute to labour efficiencies.

Single tower lamb primal cutter

A single tower lamb primal cutting system for lower throughput plants has been successfully manufactured and the first commercial unit installed in June 2018 at a Wagstaff Cranbourne Pty Ltd plant.

This system has been designed to make it more cost-effective for smaller processing plants to take the first step into introducing automation technology to their site without investing in a full DEXA (dual energy X-ray absorptiometry) objective measurement system.

The system consists of a downsized LEAP III single tower (without an X-ray sensing system) and is easier to install.

While the DEXA system uses X-ray technology prior to cutting carcasses, the single tower system requires an operator to mark cutting lines with a laser level tool.

The development of the single tower enabled the LEAP III system to reduce from two stations to a single station with combined clamping to enable the forequarter and saddle cuts to be

performed within a cycle rate of five carcasses/minute.

Benefits include improvement of the cut accuracy and yield benefits from the current manual head saw cutting/pre-marking process, as well as the ability to add an additional tower and X-ray system in the future, equivalent to a LEAP III.

Automated beef boning room concepts

Australian beef processing is moving to the next stage of efficiency and global competitiveness using learnings from recent lamb automation projects.

The program builds on the successes of the lamb automation program developed in collaboration by MLA, Scott Automation & Robotics and processors. It includes a suite of automation modules suitable for small, medium and large-throughput processors. These modules are designed to perform operations including carcase breakdown, primal deboning, trim to specification, grading and primal traceability.

In April 2018, MLA presented automated beef boning room concepts to an industry working group including processors and researchers.

About 30 companies attended the industry day in Brisbane as well as peak industry body representatives.



The meeting resulted in a number of companies approaching MLA to progress the concept and establish beef boning automation development rooms.

MLA is convening a Beef Boning Automation Industry Advisory Group to direct the program and engage with numerous global technology providers.

The group currently includes about 40 processor representatives and seven global solution providers. Frontmatic, Mayekawa, Marel and Scott Automation & Robotics are the automation specialists, while Rapiscan, Nuctech and 4DDI will provide the advanced 2D, 3D and 4D subsurface sensing required for the automation vision to become a reality.

MLA's role will be to facilitate contact between the processors and technology providers, and then leverage MLA Donor Company investment to help fund projects.

MLA anticipates a \$60 million to \$70 million investment over 7–10 years.

DEXA for lamb progresses

Processor confidence in the accuracy of DEXA (dual energy X-ray absorptiometry) technology for lamb is increasing, with more research now underway to ensure the integrity of lean meat yield data from lamb carcasses processed through the DEXA system.

DEXA hardware was installed in a processing plant to scan more than 600 lambs and conduct CT scanning. Results from that work saw an algorithm developed for a highly accurate (more than 90%) lean meat yield analysis in lamb carcasses that can now be applied in a commercial system.

Further research has commenced that enables meat, fat and bone percentage data calculated using the DEXA algorithm to be integrated into the processing chain.

Baggage scanning to be adapted for red meat

MLA will invest nearly \$28 million into the objective measurement of eating quality – both on-farm and in processing plants – over the next five years.

The research is being co-funded through MLA Donor Company with matching contributions from commercial operators.

The new body of research, involving three key projects, builds on recent advances in objective measurement for lean meat yield through DEXA technology.

The three key research projects will focus on:

- using baggage CT scanning to generate an increased volume of objective measurement data (including animal health disease identification and eating quality) as well advancing boning automation
- using aviation CT scanning across the value chain, including in scanning live animals
- converting CT scanners currently used in the horse racing industry to help determine eating quality measurements of beef and lamb carcasses – as well on live animals on-farm.

Flicking the switch on beef DEXA

Objective carcass measurement for the beef industry took a step forward in May 2018 with the commissioning of beef DEXA (dual energy X-ray absorptiometry) technology at Teys Australia's Rockhampton processing plant.

Tey's Australia has installed the first beef DEXA unit to specifically provide producer feedback on carcasses.

Federal Minister for Agriculture and Water Resources, David Littleproud (pictured with MLA Managing Director Richard Norton), switched on the machine for the first time during Beef Australia 2018, effectively starting the commissioning phase of the technology.

DEXA technology provides a scientific measurement of carcass lean meat yield, bone and fat. The technology installed by Teys will have the capacity to measure up to 500 sides/hour.

Tey's invested \$2 million in beef DEXA at the Lakes Creek facility, while the Federal Government invested \$10 million with MLA to help roll out the technology.



MLA Managing Director Richard Norton and Minister David Littleproud

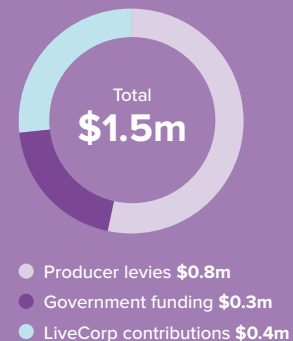


Live export productivity

One of the significant challenges for the Australian livestock export industry is to remain internationally competitive while working within existing regulatory frameworks.

This priority addresses this by **identifying cost savings**, particularly in regulatory compliance and transport. This area also aims to **improve animal health and welfare and productivity** through the supply chain.

2017–18 investment by funding source



OVERVIEW

Managing Abattoirs, Training and Exchange of Skills program

The Managing Abattoirs, Training and Exchange of Skills (MATES) in-country training program was officially launched in April 2018, aimed at improving the skills of local Vietnamese workers who handle imported Australian cattle.

Although the program is predominantly focused on upskilling the workers to ensure international animal welfare and food safety standards are met, it's also a way to assure Australian beef producers their cattle are being treated humanely once they're exported.

An initiative of the Australian Department of Foreign Affairs and Trade, MATES is run under the Aus4Skills program and is supported by MLA and LiveCorp's joint Livestock Export Program (LEP).

MATES will receive total funding of approximately \$950,000 over two years from 2018–19. It comprises two elements – a delegation tour to Australia and Indonesia and in-market training.

The delegation tour was run by TAFE Queensland and attended by 17 key commercial industry leaders in Vietnam representing the feedlots, abattoirs, meat traders and retailers.

The delegation tour was highly successful, with four of the supply chains now heavily involved in producing higher value beef using Australian product.

The in-market training is run by Food Safety Organisation Queensland and comprises a three-month hands-on and theory course in practical abattoir knowledge and skills, similar to training undertaken in Australian abattoirs.

The LEP is conducting an independent review of the program to ensure it can continue to build capability in Vietnamese abattoir employees and create further export opportunities for Australian beef.

Young Applied Ruminant Nutrition Network

The Young Applied Ruminant Nutrition Network program, designed to provide participants with applied feedlot nutrition skills, was conducted in Vietnam in April 2018. The MLA-led program comprised an intensive three-week practical and theoretical training course, focused heavily on building the capability of Vietnamese feedlot employees to ensure the sustainability of the trade within Australia's second largest live export market.

The initial course was followed by a three-month period where participants applied their knowledge through running feeding trials in a real-life setting to show both themselves and their managers the advantages of constant improvements in feeding practices. One of the feedlots involved in the course has already improved productivity following course

completion, with their average live weight gain per day increasing from 1kg to 1.3kg.

The course was attended by 20 feedlot managers and staff from Australia, Vietnam and Indonesia and presented excellent networking and knowledge-sharing opportunities for attendees. The materials delivered during the course are now being adapted for use in a new extension platform, which will be tested by the Young Applied Ruminant Nutrition Network participants and then be distributed to a wider audience of feedlot employees.

LEP Indonesian Feeder Steer Competition

Five feedlots participated in the second annual Livestock Export Program (LEP) Indonesian Feeder Steer Competition 2017, with Consolidated Pastoral Company's PT Juang Jaya Abdi Alam winning the competition with a score 88.89 out of 100.

The competition winner, feedlot participants and staff received a 10-day tour to Australia for their efforts. The trip showcased Australia's livestock industry and the relevancy of the feedlot participants' work in Indonesia in properly managing Australian feeder cattle. The competition started in September 2017, with teams of 50–100 steers monitored for 90 days on feed with a ration meeting Indonesian feed requirements, and judged on their overall performance.

LEP Expo and Conference 2018

More than 750 people attended the third Livestock Export Program (LEP) Expo and Conference on 10–11 April 2018 at the Indonesia Convention Exhibition – more than double the attendance at the 2016 event.

The biennial event attracted more than 20 companies and 25 international and local speakers, with this year's theme being 'Staying competitive in a challenging market with innovation, excellent market strategy and implementation'.

Day one focused on cattle breeding and several related projects, while day two addressed the threat of foot and mouth disease and the potential impact of an outbreak on the Indonesian cattle industry.

International speakers included Dr Ronello Abila from the World Organisation for Animal Health, Ben Santoso from Rabobank Singapore and Tim Ryan from MLA.



The 2017 competition saw average daily gains reach 2kg/day – up from the average daily gain of 1.4kg/day recorded in the previous competition in 2016. The increase reflects the work feedlots are undertaking to not only address weight gains, but also efficiency in cost and feeding programs.

The cost of gain captured during the competition also showed Indonesian feedlots are very efficient in utilising feed for cattle growth, with cost of gain below Indonesian rupiah 25,000/kg or A\$2.37/kg.



The 2017 LEP Indonesian Feeder Steer Competition included a 10-day tour to Australian feedlots



PILLAR 5

Leadership and collaborative culture

Securing the potential of the Australian red meat and livestock industry and delivering on the ambitions of the *Meat Industry Strategic Plan 2020* requires strong industry leadership, a capable workforce and the ability to attract the best and brightest minds to the industry.

For MLA, the delivery of its own Strategic Plan will rely on the strength of our team and the expertise of our people. Our progress will be continually monitored, objectively measured, and transparently communicated to all stakeholders.



HIGHLIGHTS

**More than
470 producers
engaged in
Producer
Innovation
Fast-Track**

**29 red meat
applicants
for
Nuffield
Scholarships**



**MLA supports
six people
across
three
scholarship
programs**

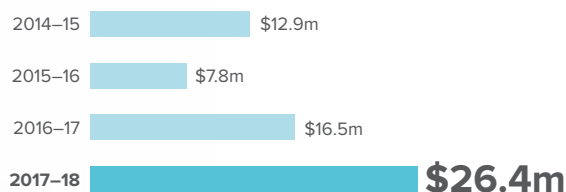
**I+E Connect
start-up
Smart
Shepherd**

received the 2018
global AgFunder
Innovation Award





Investment over time

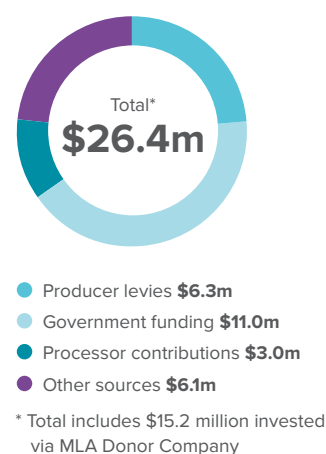


Totals may not add up due to rounding.

2017–18 investment by priority



2017–18 investment by funding source



46 Key Performance Indicators



See Appendix A for a full list of KPIs. Please note some KPIs may be relevant across several pillars.

Alignment to industry and government priorities

Meat Industry Strategic Plan (MISP) 2020 priorities	Australian Government priorities	
	Science and Research	Rural Research, Development and Extension
<ul style="list-style-type: none">• Building leadership capability• Protecting and promoting our industry	<ul style="list-style-type: none">• Food• Environmental change	<ul style="list-style-type: none">• Adoption of research and development• Biosecurity



Australian Intercollegiate Meat Judging team
won US meat judging competition
for the first time in 17 years

15 participants graduated

from the Sheep Industry Leadership Program



25 producers registered

for communication and advocacy training workshop at Beef Australia

Australian Beef Sustainability Framework's *Annual Update* contains data for **60% of 47 indicators of industry progress**



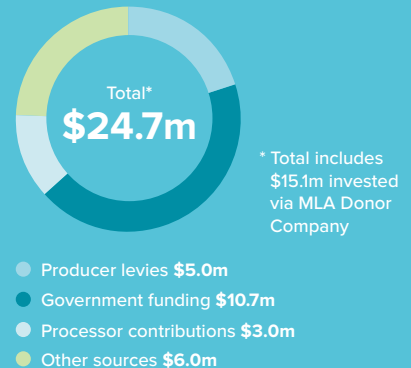


Building leadership capability

The red meat and livestock industry depends on leaders who are capable, skilled and experienced to deliver on its strategic plans. In this priority, MLA works with the peak industry councils and other value chain participants to **build the industry's capability and invest in current and emerging industry leaders** through a range of professional development, graduate training, mentoring and scholarship opportunities.

Building capability extends to **communicating with all industry stakeholders** about the value of collaborative investment in marketing, research and development and ways for producers and other value chain participants to develop more productive and profitable businesses.

2017–18 investment by funding source



OVERVIEW

Producer Innovation Fast-Track

Producer Innovation Fast-Track is an initiative developed by MLA Donor Company (MDC) to actively involve producers in driving innovation.

This program identifies industry trailblazers – whether they are early adopters, ag-tech entrepreneurs or future value chain leaders – and provides the support and expertise required to build their capabilities.

More than 470 producers are now engaged in the program through projects such as value-adding Brahman humps, researching what customers want in ethically produced meat and improving the rate of genetic gain in hard-to-measure traits like eating quality and lean meat yield.

Participants have access to a customised capability building program, including technical and business expertise and resources; networks of like-minded, innovative producers; co-investment funding (25% of their own matched with 75% funding from MDC) and mentoring.

The program is also helping MLA identify producers' pain points, needs and priorities. It's also allowing MLA to develop and trial new approaches to accelerate adoption, stimulate increased innovation investment by producers and facilitate greater collaboration.

Investing in rural leaders

MLA continued to invest in developing future rural leaders and improving skills across the industry through three scholarship programs.

Nuffield Australia Farming Scholarships support participants to study farming practices around the world, to develop their practical knowledge and management skills. Scholars study a topic of interest and share learnings with peers to build industry capability.

Of the 85 applications for Nuffield Scholarships in 2018, 29 were from the red meat industry.

MLA's scholar in 2018 is beef producer Stewart Borg from Sarina, Queensland. He's researching strategies used overseas that may be adapted to establish the first feedlot in Queensland's tropics.

The Australian Rural Leadership Program is a 15-month program offering experiences across Australia and Indonesia to develop capabilities of rural, regional and remote leaders. MLA's current scholars are Queensland beef producer Lynda O'Brian and Consolidated Pastoral Company's general manager of the Kimberley region, Jock Warriner.

The Horizon Scholarship, an initiative of the Rural Industries Research and Development Corporation, supports undergraduate students studying agricultural courses at university and provides access to professional development, mentoring and work placements. MLA currently funds three Horizon scholars who are at different stages of their degrees: Jonathan Reid, Wave Camp and Caitlyn Daffey.

These programs build capability of emerging leaders, for example MLA-supported Australian Rural Leadership Program graduate Will Wilson is currently sitting on the AgForce cattle board and MLA Nuffield scholar Michael Craig is a director of Sheep Producers Australia.

Capacity building agreements with peak industry councils

To ensure the long-term profitability of the Australian red meat industry, MLA invests in building the skills and leadership capacity within peak industry councils.

MLA worked with Cattle Council of Australia (CCA) on the 'Building capacity in the grassfed beef industry project', which involved:

- four CCA board members and six beef producers attending professional development training through the Australian Institute of Company Directors to ensure the beef industry has strong leaders for the future
- 25 committee and board members participating in a one-day governance course to ensure the industry's policy decision making process is based on a platform of strong governance
- 25 producers registering for a half-day communication and advocacy training workshop at Beef Australia, to gain skills to tell their story and present a positive image of the industry.

CCA is now working with Beef Central to develop a series of webinars to deliver more communication and advocacy training.



MLA also has a capacity building agreement with Sheep Producers Australia (SPA), and through the 'Building leadership capability for the sheep industry project':

- 15 participants graduated from the Sheep Industry Leadership Program, which delivers enhanced leadership capacity
- a coaching program was established for the Program's graduates to support transition into industry leadership positions
- 15 people (SPA committee members, producers and people working off-farm in the industry) participated in a two-day Governance in Action Workshop
- 55 MLA and SPA board members, SPA staff and emerging leaders participated in a two-day Strategic Planning and Design Led Thinking Workshop
- the Sheep Industry Ambassador Program was launched in June and seven high quality candidates applied
- 22 delegates from Australia, the US and New Zealand registered for a MLA/SPA International Study Tour, which was held prior to LambEx 2018.

Intercollegiate Meat Judging Competition

The 2018 Australian Intercollegiate Meat Judging (ICMJ) team won a United States meat judging competition for the first time in 17 years, taking out two competitions in the A-division – the Southwest Invitational and the National Western.

Australia's team of five students participated in the competition as part of a month-long annual tour of the US meat industry sponsored by MLA and the Australian Meat Processor Corporation. The program builds industry leadership capacity by exposing students to US production systems and supply chains.

The 2018 Australian ICMJ workshop and contest was held at Charles Sturt University, Wagga Wagga, NSW, in July. It was attended by 170 students and coaches from 11 universities in five countries.

I+E Connect

Since launching in 2016–17, MLA Donor Company's innovation and entrepreneurship platform, I+E Connect, has attracted several innovative start-ups and disruptive ideas to the Australian red meat industry.

I+E Connect has also formed collaborations with accelerators, incubators and new investment groups, including strategic partnerships with four

different accelerator programs: SproutX, GrowLab (through Cicada Innovations), SparkLabs Cultiv8 and AgriStart.

A NSW-based start-up which developed an electronic ID (eID) system for livestock with support from I+E Connect triumphed at the 2018 global AgFunder Innovation Awards.

The awards, announced in March in San Francisco, recognise the use of cutting-edge technologies to solve real business problems. SmartShepherd was named the 'Most Innovative International Startup Pre-Series A' in the Farm Tech category, against entries from around the world.

The I+E connect partnership allowed SmartShepherd to run large-scale paddock trials on sheep to identify challenges with the practical application of the eID system.

In 2017, strategic partnerships with accelerator programs SproutX and GrowLab supported 10 new ventures focused on developing and commercialising innovations in areas such as robotics, animal health, remote sensing, food technologies and decision support tools.

Two additional partnerships were formed in 2018 with SparkLabs Cultiv8 and AgriStart. Taking into account new intakes for the existing programs with SproutX and GrowLab, there are now 16 new ventures being supported via accelerators.

Smokin' Yak on the Fast-Track

A beef business is serving up slow-cooked, smoked Brahman hump in a delicious and innovative way to value-add this under-utilised cut. The Smokin' Yak, pictured at Beef Australia 2018, is the brainchild of two Brahman beef breeding families — Matthew and Fiona Noakes of Solo Brahman and Gary, Sharon and Alison Polkinghorne of Copperville Brahman.

They're participating in the MDC Producer Innovation Fast-Track program, and used the co-investment model to access advice and support as they navigated their way through business growth and branching out into value-added products.



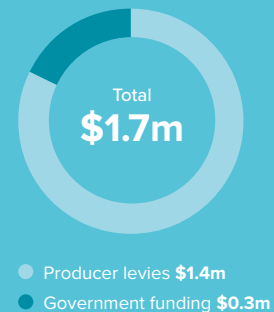


Protecting and promoting our industry

Within this priority MLA is supporting the creation of frameworks and collecting evidence to **measure the progress of the industry's development**. MLA is also supporting the industry's development and implementation of a **framework for efficiently reporting on its sustainability credentials**.

Responding quickly to a sudden or unexpected threat or risk can minimise the impact of a crisis on the industry. This priority addresses this need by reviewing and updating the industry's detailed **Crisis Response Plan** to prepare industry and individual sectors to avoid or mitigate the impact of any crisis.

2017–18 investment by funding source



OVERVIEW

Crisis management report

As a service provider to the Australian red meat industry, MLA assists the industry to mitigate risk and potential reputational or economic damage by rapidly responding to issues and unexpected events.

MLA maintains a *Crisis Response Plan*, which is coordinated through the Red

Meat Advisory Council, and regularly conducts simulation activities to ensure the organisation is prepared to support the industry's crisis management (see figure below).

Activities in 2017–18 to enhance the *Crisis Response Plan* included:

- refining the crisis response portal, which provides key talking points, MLA action and background

information to provide a concise overview of MLA activities

- developing more information resources to be used for briefing senior staff, peak industry councils and other agencies and developing MLA responses to media and other external information requests
- adopting the 'key issues brief' system across all MLA business units, to ensure wider access to information on significant and topical MLA programs and current issues.



Risk management

MLA's *Risk Management Plan* outlines the process of identifying, assessing and managing risks, which is in line with AS/NZS ISO 31000:2009 Risk Management Standard. MLA reviews its *Risk Management Plan* and updates its risk profile annually.

The Plan is reviewed by the MLA Board's Audit and Risk Committee (see page 57) and is then considered and endorsed by the Board. Mitigation strategies are also monitored regularly by both the Audit and Risk Committee and the Board.

A full summary of the drivers affecting MLA's operating environment can be found in MLA's *Annual Investment Plan 2018–19* which outlines the risk outlook for the year ahead: mla.com.au/aip.

Australian Beef Industry Sustainability Framework update

Progress continues with the Australian Beef Sustainability Framework, which launched in 2017.

The Framework was developed by the Red Meat Advisory Council through extensive stakeholder consultation to define sustainable beef production and provide transparent measures and information on areas of stakeholder interest. There are 47 measures of sustainability in total.

As well as providing relevant information to customers, consumers, banks, government and investors in the industry, the Framework also assists in directing industry investment in research and adoption.

The Framework held its first consultative committee meeting in August 2017 to continue the goodwill gained through the Framework's development with key stakeholders.

At the first workshop, this group of around 40 customers, banks, special interest groups, academics, government and industry representatives collectively identified five high priority areas (out of the 23 in the Framework) the industry should focus on:

1. Animal husbandry techniques
2. Profitability across the value chain
3. Balance of tree and grass cover
4. Antimicrobial stewardship
5. Manage climate change risk

A sixth key priority area, 'Health and safety of people in the industry', was added by the grassroots industry Sustainability Steering Group, who are responsible for directing the Framework.

At Beef Australia 2018 in May, the Framework's first *Annual Update* report was released to a large audience. It reports on how the beef industry is progressing across the key themes of economic resilience, people and the community, environmental resilience and animal welfare. The *Annual Update* contains data for 60% of the 47 indicators.

The report highlights the industry's commitment to key priority areas such as establishing a \$35 million research partnership in animal welfare, launching a proactive antibiotic monitoring program in Australian feedlots, establishing research pathways to move Australia towards a carbon neutral beef industry by 2030, and initiating an action plan for environmental stewardship.



Speakers at the Framework's launch: Bryce Camm, Lachlan Monsborough, Susan McDonald, Andrew Brazier and Don Mackay

Highlights from the *Annual Update* report for beef industry sustainability

58% of consumers

in Australia consider beef part of a healthy balanced diet

96% compliance

with accredited animal welfare requirements under the National Feedlot Accreditation Scheme

65% reduction

in the amount of water used to raise cattle over the last 30 years

57% reduction

in waste solids sent to landfill when producing beef since 2003

The total percentage of shipboard mortality incidents in 2017 for journeys of live cattle over 10 days was 0.1%

Australia continues to be declared **100% free** from exotic diseases by the World Organisation for Animal Health



PILLAR 6

Stakeholder engagement

The successful delivery of MLA's *Strategic Plan 2016–2020* will require an enhanced level of collaboration between MLA and its many stakeholders. This pillar focuses on extending the breadth and depth of stakeholder engagement across MLA.

Genuine two-way consultation and collaboration will provide mutual benefit in the delivery of MLA's marketing, research and development services to industry. This pillar also includes the delivery of MLA's corporate reporting responsibilities within a culture of continuous improvement.



HIGHLIGHTS



92% of attendees
at MLA's Global Markets
Forum at Beef Australia
rated the quality of
presentations as
'very good/
excellent'

MLA's new
**Prices &
Markets
e-newsletter**

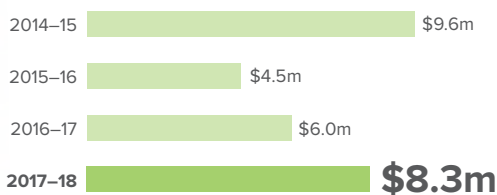
launched, with
25,421 subscribers
at 30 June



myMLA,
a personalised
online dashboard,
**reached
30,000 users**



Investment over time



Totals may not add up due to rounding.

2017-18 investment by funding source



- Producer levies **\$5.4m**
- Government funding **\$2.4m**
- Other sources **\$0.5m**

* Total includes \$0.1 million invested via MLA Donor Company

26 Key Performance Indicators

- 16 achieved
- 3 partly achieved
- 3 not achieved
- 4 on track to be achieved by 2020

See Appendix A for a full list of KPIs.
Please note some KPIs may be relevant across several pillars.

Alignment to industry and government priorities

Australian Government priorities	
Science and Research	Rural Research, Development and Extension
• Food	• Adoption of research and development

95%
increase in
attendance
from MLA's AGM in
2016 to the Red Meat
event in 2017



MLA teamed up
with Fairfax Media
to produce *Feedback Extra*,
a special feature appearing
across six rural newspapers
four times a year

Attendees at Red
Meat 2017 rated their
overall
satisfaction
with the
event at
8.6/10

redmeat
2017
producer tour • forums • tradeshow • mla agm



Engagement with producers and stakeholders

OVERVIEW

Beef Australia 2018

MLA was a principal partner of Beef Australia 2018 from 6–12 May at Rockhampton, Queensland, delivering a program of events and experiences focused on the theme of ‘fostering beef’s prosperity’.

MLA showcased Australian beef and its work domestically and internationally in marketing and product development, as well as research, development and adoption investments.

MLA’s program

- The prominent MLA trade site provided a one-stop shop for visitors to talk directly with MLA’s team of experts, while also exhibiting the latest innovation, marketing insights and practical tools for producers and supply chain stakeholders.
- The ‘Fostering beef’s prosperity: fork to farm’ seminar demonstrated how the entire supply chain can meet changing consumer demands and how the Australian beef industry can remain globally competitive into the future.

- For the first time, MLA hosted its Global Markets Forum at Beef Australia, bringing its International Business Managers and in-market experts to Rockhampton.
- MLA brought internationally-renowned Australian chef Curtis Stone to Rockhampton, as well as MLA’s own Aussie beef advocates, Sam Burke, Kelly Payne and Tarek Ibrahim. Throughout The Butcher’s Kitchen and Celebrity Chef program, chefs only used secondary cuts on menus and in cooking demonstrations to showcase how the industry can fully utilise the carcass.

MLA leveraged the timing of the event as an opportunity to showcase beef to consumers nationally and undertook an adjacent consumer campaign. The Australian beef campaign culminated in National Steak Sandwich Day on 12 May. A Facebook event was created specifically for the day and encouraged Australians to design and devour their own steak sandwich creations. It generated 105 items of media coverage nationally, 30 of which included Australian beef recipes.

New Prices & Markets e-newsletter

MLA added to its suite of publications in October 2017 with the launch of the weekly e-newsletter, *Prices & Markets*,

designed to further enhance the delivery of information to MLA members and the red meat and livestock industry.

Delivered every Wednesday, the e-newsletter provides the latest red meat market news and analysis direct to the inbox of MLA members and subscribers.

Prices & Markets replaced the *Meat & Livestock Weekly* e-newsletter, providing an improved and expanded mix of news and information.

It offers its 25,421 subscribers insights into key market activity from the previous seven days with a focus on prices, yardings, exports and in-market analysis.

myMLA platform adoption

Red meat producers have embraced the convenience of MLA’s personalised online dashboard, myMLA, with just over 30,000 users registering for the service since it was launched in 2017.

myMLA is a component of the MLA website offering personalised, relevant content delivered straight to an online dashboard unique to each user, based on pre-determined preferences.

It provides a single sign-on portal using one username and password for key red meat industry systems:

- National Livestock Identification System (NLIS)
- Livestock Production Assurance (LPA)
- National Vendor Declarations (NVDs)
- Meat Standards Australia (MSA)
- Livestock Data Link (LDL).

Beef Australia metrics

Global Markets Forum – beef

Attendees: 240

92% of attendees rated the quality of presentations at the Forum as ‘very good/excellent’.

Paddock to Plate Story

Viewers: 4,150

See page 17 in Pillar 1.

MLA trade site

Attendees: 1,200

Understanding of MLA’s activities lifted by almost 20% after they visited the trade site.

‘Fostering beef’s prosperity: fork to farm’ seminar

Attendees: 210

87% of attendees said the seminar was relevant to their own business.





Once a user enters their postcode and selects their enterprise type (choosing from grassfed or grainfed cattle, sheep and goats), myMLA gives access to a range of indicators based on location and production type; a personalised seven-day weather forecast based on location; and customised information from MLA's market insights team based on the species produced and business location.

It also provides information on events happening nearby; a flow of relevant industry news, market news, advice and information from MLA and other sources; and suggested links to relevant research resources and tools on the MLA website.

The *Prices and Markets* section of MLA's website has been upgraded to help users analyse the enormous volume of market data and information being generated and deliver it through a single integrated online platform. Producers can also listen to individual saleyard reports, recorded on location by MLA's Livestock Market Officers.

Through this platform, which was developed by MLA following extensive feedback from red meat producers, users can choose the information they want and how it's displayed.

Feedback Extra series in Fairfax rural and regional publications

To further improve the way MLA reports back to levy payers, MLA has entered into a commercial content partnership with Fairfax Media.

Appearing four times a year, MLA has five pages of targeted content running across six leading rural weekly Fairfax mastheads – *The Land*, *Queensland Country Life*, *North Queensland Register*, *Stock & Land*, *Stock Journal* and *Farm Weekly*.

The content is regionalised and focuses on how MLA is fostering the prosperity

of the red meat and livestock industry through its investment in research and marketing.

The partnership also comprises a number of additional editorial opportunities including a monthly 'in market' article covering domestic and international markets and a monthly 'research round-up' article.

The initiative is targeted at levy payers who particularly value rural print media as a key source of information.

Red Meat 2017

The Red Meat event concept was launched in 2017 to bring a new, engaging format to MLA's Annual General Meeting (AGM), with the first event being held in Alice Springs, NT in November.

The expanded program included a producer tour (hosted by the Hayes family pictured below), trade show, demonstrations, business breakfast, a producer forum with RMAC and MLA's General Managers, an MLA advocacy workshop and multiple networking opportunities.

The extended conference-style layout was endorsed by stakeholders and participants with total attendance at Red Meat 2017 reaching 418, nearly double the 214 attendees at MLA's 2016 AGM. A post-event survey saw respondents rate their satisfaction with the way MLA presented Red Meat 2017 at 8.6/10.



ABOUT MLA



WHAT WE DO

MLA invests in research and marketing activities for the benefit of the Australian red meat and livestock industry.

Research, development and adoption

MLA invested \$171.8 million in a range of research, development and adoption programs during 2017–18. This included \$96.8 million invested through MLA Donor Company. This investment includes matching funds from the Australian Government and grants.

These programs are linked to the Australian Government's Science and Research Priorities and Rural Research, Development and Extension Priorities. This alignment is shown in the graphs at right.

In 2017–18, MLA completed or terminated 464 research contracts, worth \$131.1 million. These include 115 MDC contracts, contributing a total value of \$40.4 million. MLA commenced 401 new research and development contracts totalling \$244.0 million in 2017–18. This included 155 contracts through the MDC that were worth \$136.3 million, with milestones across multiple years. This has resulted in 604 current contracts as at 30 June 2018, worth \$460.0 million.

Marketing, market access and insights

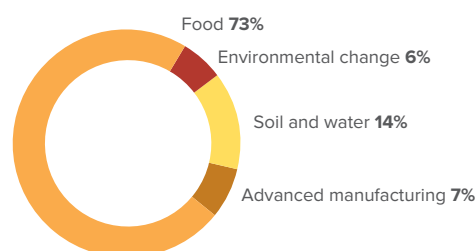
During 2017–18 MLA invested \$90.4 million in marketing, market access and insights to grow demand for Australian red meat and livestock, domestically and abroad. The majority of this investment was ineligible to be matched with funds from the Australian Government.

CoMarketing Program

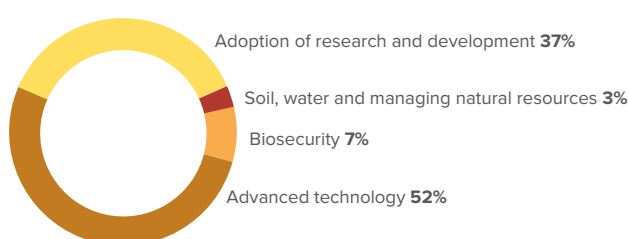
MLA's CoMarketing Program aims to assist brand owners create customer loyalty and sustainable brand growth that delivers ongoing added value along the supply chain to producers. By leveraging brand owners' marketing funds with producer levies, both industry and brand owners are able to effectively double marketing efforts. The CoMarketing Program is open to companies (with an ABN) who are MLA members, processors or licensed meat exporters.

Key activities supported by the Program in 2017–18 included social media campaigns to raise awareness of brands; using marketing consultants and agencies to develop effective brand marketing plans; PR and media activities; advertising in magazines and on

Alignment with Government's Science and Research Priorities



Alignment with Government's Rural Research, Development and Extension Priorities



Percentages may not add up due to rounding.

billboards; sponsoring trade delegations to inspect paddock-to-plate supply chains; in-store sampling to raise awareness and sales of branded Australian beef, lamb and goat; and educating chefs to improve their understanding of branded products, specifications and applications of a range of cuts in different cuisine styles.

In 2017–18 the Program covered:

- **Beef:** MLA worked with 54 beef brand owners promoting 290 beef brands, covering 530 activities across 29 regions and countries. 76% of beef CoMarketing participants rated their overall satisfaction with the outcomes as 7/10 or higher. MLA's total contribution for the beef program increased to \$2.46 million (from \$2.08 million in 2016–17), and participants contributed the same amount or more.
- **Sheepmeat:** MLA collaborated with 22 lamb brand owners promoting 50 brands, covering 123 individual activities across 22 regions and countries. The number of participants continued to increase, along with the number of brands, MSA brands and activities. 83% of lamb CoMarketing participants rated their overall satisfaction with their outcomes as 7/10 or higher. MLA's total contribution for the lamb program increased to \$482,000 (from \$262,000 in 2016–17), and participants contributed the same amount or more.

- **Goatmeat:** MLA contributed \$27,600 to five goatmeat brand owners through nine activities in three countries. Participants contributed the same amount or more.

Details of each participant and specific funding amounts invested are published in Appendix B of this *Annual Report*.

HOW WE WORK

Strategic alignment

MLA's *Annual Investment Plan 2017–18* has guided the company's investment over the past year, outlining the company's programs, budgets and key performance measures.

The strategic direction of this Plan was informed by the Australian Government's Science and Research Priorities and Rural Research, Development and Extension Priorities, the *Meat Industry Strategic Plan 2020* and the *MLA Strategic Plan 2016–2020*.

MLA's *Strategic Plan 2016–2020* is aligned closely with the *Meat Industry Strategic Plan 2020*, giving focus and direction to MLA's work to build demand,

productivity and trust for the Australian red meat and livestock industry.

The figure below provides an overview of MLA's strategic and operational planning process.

Stakeholders

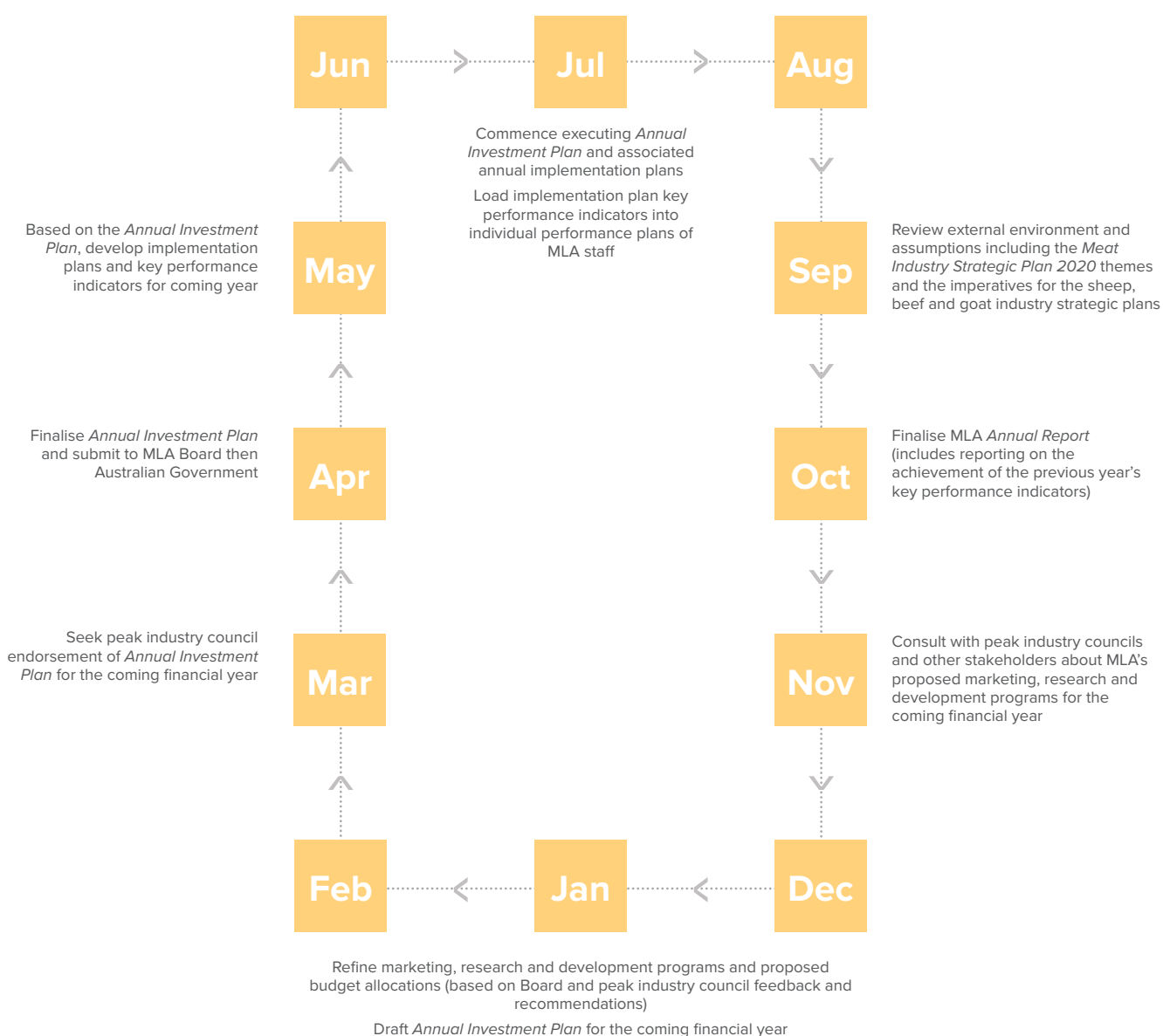
MLA operates in partnership with the Australian Government and value chain partners to deliver research, development and marketing to benefit red meat and livestock producers, value chain partners and the Australian community.

The Australian Government sets high priority research and development objectives covering community, industry and environmental concerns.

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

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

MLA's strategic and operational planning process



Industry consultation arrangements

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

The Red Meat Advisory Council (RMAC) is the peak body that represents the collective interests of the Australian red meat industry. RMAC is responsible for the development of the Meat Industry Strategic Plan which provides the overarching strategic framework that enables the direction, measurement and reporting of overall industry progress to government and industry stakeholders. Levy payers are consulted by RMAC during the development of the five-year Meat Industry Strategic Plan.

Examples of areas where consultation occurs include:

On planning and whole of red meat industry priority areas:

- Meat Industry Strategic Plan
- Beef Industry Strategic Plan
- Sheepmeat Industry Strategic Plan
- Goat Industry Strategic Plan
- MLA Strategic Plan
- MLA Annual Investment Plan
- Beef Industry Sustainability Framework.

Each year, MLA also consults with the peak industry councils regarding research, development and marketing investments.

Examples of where consultation occurs include:

On research and development:

- Research, development and adoption investment priorities
- Red Meat Co-investment Committee
- Regional consultation model (see page 36) and the Southern Australia Meat Research Council, the Western Australian Livestock Research Council and the North Australia Beef Research Council
- Sheep and beef forecasting committees
- Sheep Genetics Advisory Committee
- MSA Taskforce and R&D Pathways Committee
- Resource Flock Steering Committee
- Genetics Steering Committee
- Integrity Systems Taskforce

On marketing:

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

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

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

MLA strives to ensure all members have the opportunity to participate in the Annual General Meeting (AGM) by rotating its location around the nation. The 2017 AGM was held in Alice Springs, NT and was preceded by Hahndorf, SA (2016), Brisbane, Queensland (2015), Sydney, NSW (2014), Wodonga, Victoria (2013), Fremantle, WA (2012), Longreach, Queensland (2011), Launceston, Tasmania (2010), Darwin, NT (2009) and Orange, NSW (2008).

Collaboration

MLA has a long history of collaborating with the Australian Government, research organisations, value chain partners, Cooperative Research Centres and other Research and Development Corporations by co-investing in projects and consortiums with mutual benefits.

Composition of MLA's members

Members	2013–14	2014–15	2015–16	2016–17	2017–18
Grassfed cattle	41,828	42,295	42,275	42,087	42,266
Grainfed cattle	5,391	5,430	5,430	5,453	5,478
Sheep/prime lambs	19,262	18,523	18,583	18,634	18,963
Sheep only	9,625	9,568	9,483	9,415	9,363
Goats	2,386	2,414	2,415	2,403	2,426
Total members*	49,260	49,845	49,892	49,726	50,128

* Includes members of mixed enterprises.

In 2017–18, MLA was successful in having three projects approved in the third round of the Department of Agriculture and Water Resources Rural R&D for Profit program. MLA is the lead for eight projects and is a partner organisation in a further six projects. Refer to Appendix C for an overview of all Rural R&D for Profit projects involving MLA.

During 2017–18 MLA also partnered with seven consortiums:

- National Livestock Genetics Consortium
- Managing Climate Variability Program – phase V
- Reef Alliance
- National Sheep Health Monitoring project
- Australian Livestock Spatial Innovation Program
- Animal Welfare Strategic Partnership
- Livestock Productivity Partnership.

MLA continued its collaboration with the Sheep CRC and the Centre for Invasive Species Solutions in 2017–18. Co-investment in projects through MLA Donor Company also accelerated in 2017–18. Collaborators included both local and global research organisations, value chain partners and commercial participants.

Membership

Membership of MLA is voluntary and free to all levy-paying grassfed cattle, grainfed cattle, sheep, lamb and goat producers. MLA had 50,128 members at 30 June 2018, an increase of 402 members on the previous year.

The table below shows the composition of MLA's members.

HOW WE'RE FUNDED

Transaction levies

MLA is primarily funded by transaction levies paid on livestock sales by producers. Levies received by MLA are accounted for in two streams – one to support marketing activities and the other to support research and development.

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 and Water Resources on a cost-recovery basis and invested back into the industry to assist in research and development, marketing and market access services.

Total levies charged in 2017–18 were \$5/head of grassfed and grainfed cattle transacted, \$1.50/head for lambs*, 20¢/head for sheep+ and 37.7¢/head of goats transacted (see figures below).

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.

Government matched contributions

The Australian Government also contributes a dollar for each levy dollar MLA invests in eligible research and development.

Government-matched voluntary contributions

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

Unmatched grants

MLA also receives unmatched grants from the Australian Government and cooperative contributions from other Research and Development Corporations, individual processors, wholesalers, foodservice operators and retailers. This includes grants as part of the Rural R&D for Profit program (see Appendix C).

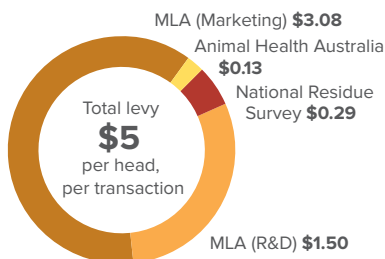
CoMarketing funding

Exporters and importers can also co-invest with MLA (via transaction levies) on marketing activities through the CoMarketing Program (see page 53).

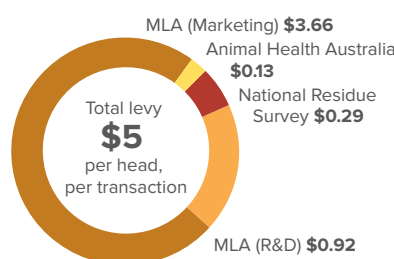
Other levies

Processors and livestock exporters also co-invest levies into MLA programs through their service companies: Australian Meat Processor Corporation and LiveCorp. See pages 72–73 for a summary of MLA's income and expenditure by funding source in 2017–18.

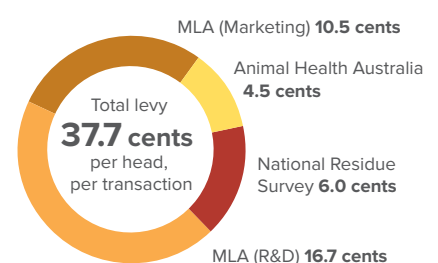
Grainfed cattle levy allocation



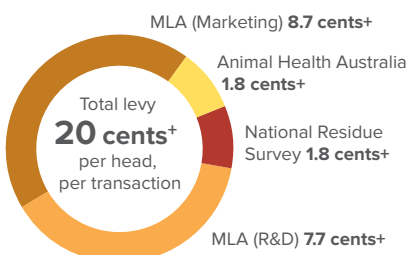
Grassfed cattle levy allocation



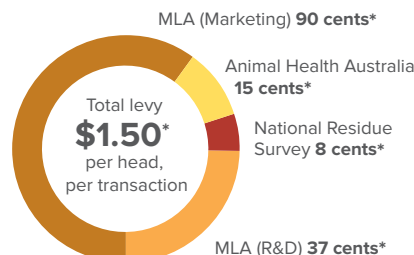
Goat levy allocation



Sheep levy allocation



Lamb levy allocation



+ Per head, where defined sale price is greater than or equal to \$10. Where defined sale price is less than or equal to \$10, levy is 2% of the sale price. Where there is no defined sale price, levy is set at 20 cents per head.

* Per head, where defined sale price is greater than \$75. Where defined sale price is less than or equal to \$75, levy is 2% of the sale price. Where there is no defined sale price, levy is set at 80 cents per head.

HOW WE'RE GOVERNED

Corporate governance

MLA's corporate governance framework is set by the Board having regard to the best interests of our members, the values of our organisation, MLA's obligations set out under our Funding Agreement with the Commonwealth of Australia dated 13 October 2016, and in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition).

This long-established framework operates to ensure we remain accountable to our stakeholders and that stakeholder interests are protected. MLA's governance arrangements are reviewed regularly to reflect industry developments, stakeholder expectations, and regulatory and legislative changes. This statement and documents and policies relevant to our corporate governance framework are also available on MLA's website.

The Board

The MLA Board's nine directors combine a broad range of skills, experience and expertise to work with industry to set strategic priorities for the company and to approve and monitor progress against MLA's *Strategic Plan 2016–2020*. It evaluates performance and budgets, oversees risk management and compliance and ensures the company abides by its obligations under the Red Meat Industry Memorandum of Understanding, the Funding Agreement, and under corporations law. Many Directors are also producers and members of the company.

Please see pages 63–65 for the Board member biographies.

Board selection

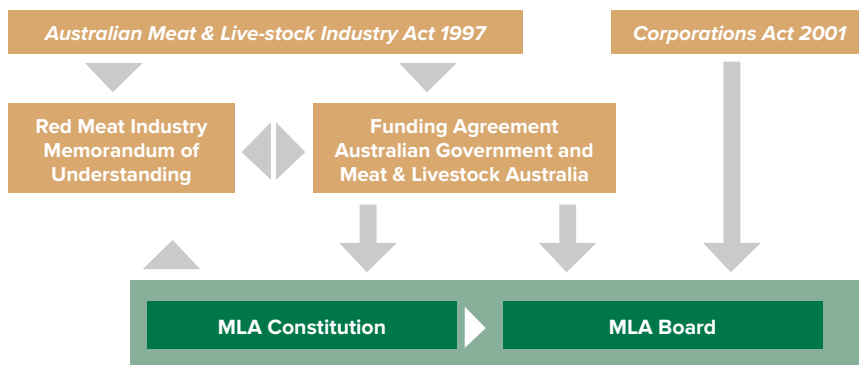
The Managing Director is the only executive director and appointed by the Board. Otherwise, Directors are nominated through the Selection Committee and appointed by members at MLA AGMs for a three-year term. After such term a director may reapply for a position on the Board in the same way as other candidates. Further information about the Selection Committee is on page 58. The Chair of the Board was elected in 2011 and is an independent director.

Board committees

Two Board committees met during the year:

- Audit and Risk Committee
- Remuneration Committee.

MLA's governance framework



These Committees are comprised solely of non-executive directors, with management attending committee meetings by invitation only. The Chair of each Committee provides a verbal update of each committee meeting to the Board and minutes of Committee meetings are provided in the Board papers.

The role of each Committee is set out in the Committee charters, which are regularly reviewed. The members of each Committee, together with each member's attendance at meetings, are set out in the *Directors' report* on page 74.

Audit and Risk Committee

The Audit and Risk Committee assists the Board to fulfil its oversight responsibilities relating to MLA's risk management framework, the company's financial reporting, internal control structure and the internal and external audit functions. In keeping with community expectations, the Chair of the committee is not the Chair of the Board.

The Audit and Risk Committee is required to meet at least four times a year and holds closed sessions with the auditors 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.

As at 30 June 2018, the Audit and Risk Committee consisted of Alan Beckett (Chair), Steven Chaur and Erin Gorter. Details of each members' attendance at meetings is set out in the *Directors' report* on page 74.

External auditor

MLA's external auditor is Ernst & Young (EY). The Committee holds discussions with the external auditors and management before the annual financial statements are submitted to the Board.

The Committee oversees MLA's 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.

Internal auditor

The Audit and Risk Committee reviews the adequacy and effectiveness of internal controls, including the company's policies and procedures, to assess, monitor and manage business risk and legal and ethical compliance programs. This review includes monitoring the implementation of MLA's Risk Management Plan, Fraud Control Plan and Intellectual Property Management 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, with Management and a dedicated Risk and Assurance Manager, worked with internal auditor Deloitte Touche Tohmatsu (Deloitte). During 2017–18 Deloitte conducted reviews of Budgeting Planning and Process and Business Continuity (IT disaster recovery). Internal audit activities are designed to assist management with independent and objective assurance on the effectiveness of our governance, risk management and internal control processes. As part of its regular review cycle, in May 2018, MLA put the internal audit services out to tender and have appointed KPMG as MLA's internal auditors for the next three years.

Remuneration Committee

The Remuneration Committee consisted of Erin Gorter (Chair), Michele Allan and Steven Chaur at 30 June 2018.

The responsibilities of the Remuneration Committee include the review and oversight of:

- remuneration matters, including:
 - establishing and monitoring KPIs, a remuneration framework for, and the performance of, the Managing Director
 - remuneration and incentive framework for senior executives and all staff
 - recruitment, remuneration and retention strategies
- succession plans for senior executives and key staff
- strategic human resources policies and practices to ensure they are appropriate and consistent with MLA's objectives and values.

Details of each members' attendance at meetings is set out in the *Directors' report* on page 74.

Selection Committee

Each year the Selection Committee is tasked to assess Board candidates against a range of criteria, including experience and skills, personal qualities and their available time commitment and report to MLA members on the suitability of candidates for election.

Following a rigorous interview and selection process of candidates by the Selection Committee and 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 74.

Board meetings

The Board had seven scheduled meetings during 2017–18. The agendas for each of the MLA Group of companies are formulated in preparation for each meeting. They incorporate items from an annual work plan to ensure regular review of key aspects of the business of the MLA Group including performance, compliance and governance. Meeting agendas include regular reviews of MLA's financial position and management reports, detailed reviews of the company's strategic imperatives and marketing and R&D programs.

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 group company and industry level. Management attends and presents information relevant to their portfolios and to respond to information requested in Board meetings.

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 the non-executive directors are independent.

Conflicts of interest

In accordance with the requirements of the *Corporations Act*, the Funding Agreement and MLA's conflict of interest policy and procedures, Directors must declare any conflict of interest they may have, and must follow the procedures set out in MLA's policy.

In certain circumstances, Directors will abstain from participating in any discussion or voting on matters in which they have a material personal interest. At the time of their appointment and as notified from time to time, each director provides to the Board information about their business and other interests. The Board records such notifications in its minutes and maintains a register in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition) and in compliance with the requirements of MLA's Funding Agreement.

Reporting framework

On 13 October 2016, MLA and the Commonwealth of Australia (through its Department of Agriculture and Water Resources) agreed to a Funding Agreement for the period 2016–2020.

The Funding Agreement 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. On a six-monthly basis MLA's Chair, Managing Director and key management personnel meet with government representatives to discuss MLA's performance of its functions and compliance with the terms of the Funding Agreement.

Financial management

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 endorsed the Code of Business Conduct and Ethics (the code), which embodies the company's values of customer centricity, accountability through transparency and outcomes that make a difference. The Code otherwise sets out principles which must be met to ensure the company and its business associates meet its commitments to all stakeholders.

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 to new employees.

As part of an annual program of training and capability building within MLA, training was provided to all staff on Privacy and the Data Breach Notification Scheme, Competition and Consumer Act, Risk Management and Intellectual Property Management. Additionally an external training platform operates and is available to all staff on-demand for a wide range of courses.

Diversity

In March 2018, the Board revised its company-wide diversity policy to reflect the changing landscape in which MLA operates, including recent examples of poor treatment of females in the industry and the increased expectations of stakeholders with respect to diversity and gender equality.

MLA recognises the importance of a workforce that represents a range of experience and backgrounds as well as age, ethnicity, sexual orientation, religious beliefs and physical abilities. The diversity policy recognises that a diverse workforce enables MLA to provide a better service and improve long-term performance, as well as creating a source of competitive advantage and benefit to industry and its people.

As at 30 June 2018, 54% of MLA's staff were women. On the Leadership Team, three of the eight (38%) executives are female. On the MLA Board, two of the eight non-executive directors are female, with one being the Chair of the Board.

The composition of MLA Group's workforce has also been recognised by the Workplace Gender Equality Agency as being compliant with the *Workplace Gender Equality Act 2012*.

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. As part of the Remuneration Committee's oversight of MLA's remuneration and incentive framework, in 2016–17 the Committee commissioned a broad review of remuneration within MLA. This included director and employee remuneration being benchmarked by Aon Hewitt against similar organisations. Consultation with Aon Hewitt was undertaken in 2017–18 to confirm market movements and reliance on the benchmarking data.

In accordance with this, the Board determined in September 2017 that a 2.95% increase in directors' fees would take effect from 1 January 2018. The increase reflects the time and effort required of the non-executive

directors sitting across the MLA Group of companies and in recognition of the additional workload on the Committee Chairs. The total cost for non-executive Directors is \$631,302 for the year.

The remuneration arrangements for each member of the Leadership Team, including the Managing Director, comprise both fixed and performance-based remuneration. The remuneration packages for the MLA Leadership Team are reviewed each year and include several gateways before eligibility to the performance-based component. This ensures the remuneration structure aligns management effort with organisational objectives and attracts, retains and motivates quality management personnel.

Comparison of MLA's Corporate Governance Principles to ASX Corporate Governance Principles and Recommendations (3rd edition)

Principle/recommendation	Description/reference of disclosure/compliance
Principle 1. Lay solid foundations for management and oversight	
Recommendation 1.1	
A listed entity should disclose:	This is outlined in the Board Charter and a detailed Delegations of Authority policy.
(a) the respective roles and responsibilities of its board and management; and	
(b) those matters expressly reserved to the board and those delegated to management.	
Recommendation 1.2	
A listed entity should:	As part of the Selection Committee process in relation to annual Director selection, appropriate background checks are undertaken each year.
(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	Candidates are shortlisted by reference to the selection criteria that act as terms of reference for the committee to ensure there is an appropriate mix of skills in the candidates nominated for election.
(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Candidates' biographical details included, on the MLA Notice of Meeting, are prepared from the material submitted through the Selection Committee process.
Recommendation 1.3	
A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	MLA has written engagement letters for directors and executive employment contracts with all members of the Leadership Team.
Recommendation 1.4	
The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary is accountable to the Board through the chair on all matters related to the proper functioning of the MLA Board.
Recommendation 1.5	
A listed entity should:	The Diversity Policy is available on MLA's website mla.com.au .
(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	The Board recognises and fosters a culture that encourages divergent views and robust discussion. In assessing candidates, the Selection Committee considers diversity of education, the nature of the businesses and business functions in which candidates have gained experience and the roles held, as well as the more obvious aspects of diversity such as gender, age, ethnicity and cultural background. In 2018 the Board also set a target of 30% of females on the Board by 2019.
(b) disclose that policy or a summary of it; and	MLA also enunciates its commitment to diversity in other policies such as EEO and Anti-discrimination policy and Misconduct and Discipline policy which are regularly reported to, monitored by and adjusted with approval by the Board.
(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:	The proportion of women as at the date of this report:
(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or	<ul style="list-style-type: none"> Board members: 25% Leadership Team: 38% Whole organisation: 54%
(2) if the entity is a "relevant employer" under the <i>Workplace Gender Equality Act</i> , the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	

Principle/recommendation	Description/reference of disclosure/compliance
Recommendation 1.6	
<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board evaluates its performance through an annual performance review, which is facilitated by an external specialist.</p> <p>As part of the Board's review process in 2017–18 it completed the Australian Institute of Company Directors Governance Analysis Tool survey and reviewed this as part of the annual review.</p>
Recommendation 1.7	
<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Remuneration Committee and Board conduct an annual assessment of the performance of the Managing Director and the Leadership Team against agreed KPIs.</p> <p>In accordance with the annual work plan, the performance evaluation process for the Managing Director and the Leadership Team was completed.</p>
Principle 2. Structure the board to add value	
Recommendation 2.1	
<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>MLA's Constitution and operation of the Selection Committee reflects this requirement.</p> <p>Refer also to the section about Selection Committee in the <i>Corporate Governance Statement</i>.</p>
Recommendation 2.2	
<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Biographical details of directors are published on the MLA website mla.com.au/About-MLA/Who-we-are/Board-of-directors</p>
Recommendation 2.3	
<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>The MLA Board currently considers the independence of its directors on an annual basis.</p> <p>Refer also to the Director Independence section in the <i>Corporate Governance Statement</i>.</p> <p>Length of service of each director is included in the Director biographies.</p>
Recommendation 2.4	
<p>A majority of the board of a listed entity should be independent directors.</p>	<p>All of the directors are independent with the exception of the Managing Director.</p>
Recommendation 2.5	
<p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The role of the Chair and the Managing Director are not performed by the same person.</p>
Recommendation 2.6	
<p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>MLA has a program for inducting new directors and provides appropriate professional development.</p>
Principle 3. Act ethically and responsibly	
Recommendation 3.1	
<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>MLA has a Code of Conduct which covers the governance and sets the expectation for the Board and all MLA personnel. The Code of Conduct is on MLA's website.</p>

Principle/recommendation	Description/reference of disclosure/compliance
Principle 4. Safeguard integrity in corporate reporting	
Recommendation 4.1	
<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, <p>and disclose:</p> <ul style="list-style-type: none"> (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Board has established an Audit and Risk Committee which is structured so that it:</p> <ul style="list-style-type: none"> • consists of only non-executive, independent directors; • is chaired by an independent chair who is not chair of the board; and • consists of at least three members of the Board. <p>The charter of the committee is on MLA's website.</p> <p>Biographical details of directors are published to the MLA website mla.com.au/About-MLA/Who-we-are/Board-of-directors</p> <p>Refer also to the Audit and Risk Committee section in the <i>Corporate Governance Statement</i>.</p>
Recommendation 4.2	
<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The wording of the declaration reflects the wording in the recommendation.</p>
Recommendation 4.3	
<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>MLA's external auditor attends each AGM and is available to answer questions from members relevant to the audit.</p>
Principle 5. Make timely and balanced disclosure	
Recommendation 5.1	
<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>As MLA is an unlisted public company it is not an ASX disclosing entity but does report annually to members and to the Commonwealth Government on its operations and financial results.</p>
Principle 6. Respect the rights of security holders	
Recommendation 6.1	
<p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>MLA provides information about itself and its governance framework on its website.</p>
Recommendation 6.2	
<p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>MLA has a Communications, Promotions and Engagement team and program to promote effective two-way communication with members, levy payers, representative councils and the Commonwealth Government.</p>
Recommendation 6.3	
<p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>Information about how MLA facilitates and encourages participation by members at meetings is on MLA's website. It has also significantly expanded the program of events that occur in the week of the AGM and promotes this through: redmeat.mla.com.au.</p>
Recommendation 6.4	
<p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>In addition to amending its constitution in 2009 to ensure information can be provided electronically, in 2016 MLA ran an opt-in campaign for members to elect to receive electronic communications. This is a standing option for current and new members.</p>

Principle/recommendation	Description/reference of disclosure/compliance
Principle 7. Recognise and manage risk	
Recommendation 7.1	
<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Board has established an Audit and Risk Committee which is structured so that it:</p> <ul style="list-style-type: none"> • consists of only non-executive, independent directors; • is chaired by an independent chair who is not chair of the board; and • consists of at least three members of the Board. <p>The charter of the committee is on MLA's website.</p> <p>Refer also to the section about the Audit and Risk Committee in the <i>Corporate Governance Statement</i>.</p>
Recommendation 7.2	
<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Refer to the section about the Audit and Risk Committee section in the <i>Corporate Governance Statement</i></p>
Recommendation 7.3	
<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Refer to the section about the Internal Audit program in the <i>Corporate Governance Statement</i>.</p> <p>In addition to the internal audits undertaken by Deloitte, MLA's own Risk and Assurance Manager works in parallel with Deloitte and undertakes a number of reviews of overseas offices to ensure compliance with MLA policy and controls.</p>
Recommendation 7.4	
<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Refer to the section about MLA's Risk Management at page 46 of the <i>Annual Report</i>. The Risk register is a living document and is broadly engaged with across the business.</p>
Principle 8. Remunerate fairly and responsibly	
Recommendation 8.1	
<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board has established a Remuneration Committee which is structured so that it:</p> <ul style="list-style-type: none"> • consists of three non-executive, independent directors; and • is chaired by an independent chair. <p>The charter of the committee is on MLA's website.</p> <p>Refer also to the Remuneration Committee and Remuneration and performance arrangements sections in the <i>Corporate Governance Statement</i>.</p>
Recommendation 8.2	
<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Refer to the Remuneration and performance arrangements section in the <i>Corporate Governance Statement</i>.</p>
Recommendation 8.3	
<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Not applicable as MLA does not have an equity-based remuneration scheme.</p>

WHO WE ARE

MLA Board



Dr Michele Allan

Chair
BAppSc, MMgtTec,
MCommLaw, DBA, FAICD

Director since November 2011

Dr Allan has an academic background in biomedical science, management and law. Dr Allan currently holds board positions with Innovation and Science Australia, Food Innovation Australia Limited, Apple and Pear Australia, Grain Growers, Nuffield Australia and CSIRO. She is also Chancellor of Charles Sturt University.

Previous roles: Chair of the Grains and Legumes Nutrition Council; executive director of Patties Foods; non-executive director of Patties Foods, Dairy Research & Development Corporation, Forest and Wood Products Australia, Ruralco Holdings, Tasmania Fruit & Vegetable Taskforce, Tasmanian Irrigation, Callaghan Innovation, William Angliss Catering & Hospitality TAFE College, Cooperative Research Centre Hearing, Grape and Wine Research and Development Corporation and member of the CRC Advisory Committee.

MLA Chair
MDC ISC Director
R S Member



Richard Norton

Managing Director
MBA, GAICD (international)

Appointed 2 June 2014

Mr Norton is the fifth generation of a beef and sheep farming family from Monaro, NSW. He began his working life as a rouseabout and jackaroo then for more than 20 years served livestock producers as a stock agent and auctioneer across NSW. Mr Norton is also a non-executive director of Rifa Salutory and Rifa Investments.

Previous roles: Mr Norton has held executive positions in retail, manufacturing, logistics and warehousing with Woolworths, Coca-Cola, Wesfarmers and Toll Holdings and was a non-executive director of Agrium Asia Pacific, the Australian Wheat Board, RD1 New Zealand, Landmark Harcourts and Australian Wool Handlers. He was head of Live Export and International Trade and then Managing Director of Landmark Operations Australia. He was Chairman of Integrated Traceability Solutions (Global) and AuctionsPlus.

MLA Managing Director
MDC ISC RT AM Director
R A Member



Alan Beckett

Bec, FICA, GAICD

Director since November 2014

Mr Beckett runs an Angus breeding and backgrounding operation in Yea, Victoria. He brings 40 years' experience with a major professional services firm, practising in the area of audit and corporate services to large companies with an emphasis on listed public companies, along with practical experience in doing business in Oceania, South-East Asia, China, Japan and India.

Mr Beckett is a non-executive director of Defence Health Limited, Westbourne Capital Pty Ltd and Westbourne Credit Management Limited. He is Deputy Chairman of the Department of Defence Audit & Risk Committee and is an independent member of the Audit and Risk Committee of the Reserve Bank of Australia's wholly-owned subsidiary, Note Printing Australia Limited.

Previous roles: Chairman of ASX-listed Basper Limited (formally Berklee Ltd).

MLA MDC ISC Director
A Chair
S Member



Steven Chaur

GradDip Marketing, MBA,
GAICD, FIML

Director since November 2015

Mr Chaur is a highly experienced food industry leader, executive and consumer brand marketer, having managed some of Australia's favourite brands and has more than 25 years' experience in fast-moving consumer goods within the food industry across Asia, China, Middle East, NZ, US and Europe. Mr Chaur has gained strong experience in multi-sales channel customer relationship management, market access, consumer marketing and brand development strategy, corporate strategy and governance, crisis management/product recall, capital projects and company financial management. Mr Chaur has broad experience across primary industries where the farm-to-consumer value chain and innovation excellence is critical.

Previous roles: Managing Director roles with Nutrano Produce Group Ltd, ASX-listed Patties Foods Limited and Saint-Gobain SA, as well as senior executive roles with Pacific Brands Food Group, George Weston Foods and Findus SA. Mr Chaur was also a previous Marketing Director at National Foods Limited (dairy) and Simplot Australia.

MLA ISC Director
MDC Chair
R A Member



Robert Fitzpatrick

Bec, LLB, MBA, GAICD

Director since November 2015

Mr Fitzpatrick is an industry and technology expert with more than 30 years' experience in senior executive roles across the spectrum of large corporates, government agencies, and small and medium enterprises and start-ups. He has a detailed understanding of industry representative bodies, research and higher education, retail, fast-moving consumer goods, telecommunications, and information and communications technology sectors. Mr Fitzpatrick has a passion for improving the efficiency of Australia's agricultural sector, applying new analytics to improve on farm productivity, de-bottleneck supply chains and reduce the cost of moving product from farmgate to global markets. Mr Fitzpatrick is director of the Australian Academic and Research Network, and as at 30 June 2018 was CEO of Australian Information Industry Association.

Previous roles: Previous board and senior executive roles include Optus, ShopFast, Monitoring Division Inc and wishlist.com.au, councillor of Charles Sturt University and senior executive of Data61 (formerly NICTA).

ISC Chair
MLA MDC Director



Erin Gorter

BA (Education), GAICD

Director since November 2015

Ms Gorter is a rural industry consultant with many years of experience as a WA livestock producer. Ms Gorter comes from a farming background and is a landholder and has been involved in running a mixed farming operation in Kojonup, WA, producing prime lamb, wool and grains, conducting sheep trading and a small amount of agroforestry for nearly 30 years. Ms Gorter runs her own business in providing business and industry management advice and events planning in rural areas. She was awarded the WA RIRDC Rural Women's Award Runner Up in 2010 and is a director of AgVivo.

Previous roles: Producer representative on the Board of the WA Meat Industry Authority and managed all aspects of two WA-based grower production groups.

MLA MDC ISC Director

R Chair



Russell Lethbridge

Dip Rural BsMgt, Cert AH & FarmEng

Director since December 2017

Mr Lethbridge, with his family, runs Werrington Cattle Company, a commercial beef cattle breeding, growing and fattening enterprise. Mr Lethbridge has a deep understanding of cattle production systems, managing breeder and feeder cattle under extreme environmental conditions and pasture nutrition levels, utilising genetic selection and strategic herd management to achieve production and business success. Mr Lethbridge is Chair of the Hann Highway Action Group, a member of the Rural Fire Board and a member of the Oak Race Club Committee and has been so since 1988.

Previous roles: Mr Lethbridge was an elected representative of AgForce for seven years, beginning as Regional Vice President for the north region, then as Regional President and Board Member and member of AgForce Finance Audit and Risk and Agribusiness Finance Drought and Climate Policy Committees. He was a member of the steering committee for the Northern Gulf Resource Management Group to develop and promote a business improvement package for north Australian cattlemen.

MLA MDC ISC Director



Andrew Michael

Director since December 2017

Mr Michael is a fourth generation farmer, working his 1,500ha family farm at Snowtown, South Australia. He has extensive experience in the use of breeding technologies in both the sheep and cattle industries, and has, for over 35 years, incorporated all the latest leading edge animal breeding technologies available.

Mr Michael is a great supporter and user of all sheep industry groups, including Sheep CRC, Sheep Genetics, Information Nucleus Flock and many more. For many years he has had a close association with commercial producers all round Australia, New Zealand and South America, holding presentation and educational field days and helping their marketing and genetic selection programs. Mr Michael is enthusiastic, has a passion for progress and technology and has a positive vision for Australia's sheep flock.

Previous roles: President of the Royal Adelaide Show Pastoral Committee, Board member of the Lumeah Trust, member with SA Sheep Disease Management Committee focusing on OJD and Spider Syndrome, and an Australian White Suffolk Foundation Committee Member.

MLA MDC ISC Director



Clare Stanwix

BA (Hons) LLB, LLM, GAICD, FGIA, FCIS

Appointed June 2014

Ms Stanwix's role as Company Secretary is to convey the Board's role, priorities and needs to the business and facilitate good governance within MLA. She is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. In addition to holding the office of Company Secretary, Ms Stanwix is a member of MLA's Leadership Team and holds the position of General Counsel. She leads the legal, risk and governance team at MLA and over the past year has been responsible for the evolution of MLA's crisis management and risk frameworks. She has significant experience in intellectual property, technology, corporate and commercial law, advertising, workplace health and safety, and dispute resolution.

Previous roles: Prior to joining MLA in 2009 as General Counsel Ms Stanwix was a senior associate with DLA Piper and external legal counsel to MLA.

MLA MDC ISC Company Secretary

RT Director

Retiring Directors



Geoffrey Maynard
BBus

Director November 2011 – November 2017

Mr Maynard runs a 10,000ha cattle stud seedstock operation near Jambin in central Queensland. He has more than 35 years' experience in northern production systems, and has had significant involvement in collaborative research and genetics programs. Maynard Cattle Company has been one of the largest users of embryo transfer technology in northern Australia. The Maynard family was one of the largest suppliers of cattle to the Beef CRC I in the 1990s and participated in CRC II and CRC III. He is currently a collaborator with Central Queensland University's agriculture department and is involved in an education partnership with Rockhampton Grammar School.

MLA MDC ISC Director

Previous roles:

Mr Maynard was previously the Vice-Chair of the Beef Australia Board and is a past member of the industry advisory committee of the Beef CRC II.



Chris Mirams
GradDip Financial
Markets/Dip Farm
Management

Director November 2014 – November 2017

Mr Mirams is an agricultural consultant based in Albury, NSW. He has extensive commercial and practical experience in southern Australian sheepmeat production and managing sheep enterprises covering prime lamb, wool and meat with the latest technology and benchmarking. Mr Mirams has significant experience in strategic research and development, broad commercial experience in southern beef production, and specialist skills in business, finance, corporate governance, communication and leadership. Mr Mirams participated in the Australian Rural Leadership Program and is currently Chair of Sheep Producers Australia.

MLA MDC ISC Director

Previous roles:

Chair of Holbrook Landcare Network and EverGraze National Advisory Committee, served on the Alpine Valleys Community Leadership Program and Scots School Albury boards.



George Scott

Director November 2013 – March 2018

Mr Scott has had a lifelong involvement with the north Australian cattle industry, initially as an employee of both corporate and private operators in Queensland and NT, more recently as an owner-operator. Mr Scott has a broad knowledge of beef production systems, resource management, genetic development, breeding programs, land management and industry associations. He is currently General Manager of Hancock Agriculture, Managing Partner of Scott Cattle Company and is a director of Thylungra Cattle Co Pty Ltd and Kyabra Creek Pty Ltd.

MLA MDC ISC Director

S Member

Previous roles:

Senior executive and representative roles with the Northern Territory Cattlemen's Association, and a member of the Barkly Regional Advisory Committee to the North Australia Beef Research Council.



Allister Watson
BBus Studies, Dip Meat
Technology (Massey
University NZ)

Director November 2016 – March 2018

Mr Watson has extensive experience in primary and secondary processing and in meat retailing in Australia and New Zealand. With over 30 years' operational experience in the meat industry in Australia and New Zealand, Mr Watson has an excellent understanding of lot feeding and backgrounding, processing, combined with value adding, yields and retail-ready product offerings. He was integral in transforming the way Coles retailed meat, leading their fully integrated, whole of supply chain meat business including exporting. Mr Watson has a good understanding of how business works and runs, and understands the impact of markets, climate change and the environment on the meat industry in Australia.

MDC past Chair

MLA ISC Director

A Member

Previous roles: Senior positions in Woolworths NZ and Coles; a past executive of Coles Australia, board member of the Retail Meat Association (NZ) and the Training Organisation.

KEY: MLA SUBSIDIARY COMPANIES AND COMMITTEES

MLA Meat & Livestock Australia

MDC MLA Donor Company Limited

ISC Integrity Systems Company Limited

RT Red Meat Traceability Systems Pty Ltd

AM AUS-MEAT Limited

R Remuneration Committee

S Selection Committee

A Audit and Risk Committee

MLA Leadership Team



Richard Norton
MBA, GAICD
(international)

Managing Director

See page 63 for Mr Norton's profile.



Andrew Ferguson
BA, CA

Chief Financial Officer

Mr Ferguson joined MLA as Chief Financial Officer in December 2016. He is a Chartered Accountant with more than 20 years of commercial and financial experience in both the UK and Australia. His previous positions include senior finance roles with Ruralco Holdings, NRMA and Jetset Travelworld. Prior to this, Mr Ferguson worked as a senior manager with EY.

Number of employees: 41



Dr Jane Weatherley
PhD (Farming systems),
GAICD

Chief Executive Officer,
Integrity Systems Company

Dr Weatherley took on the role of Chief Executive Officer of Integrity Systems Company (ISC) in 2016. Before this role, she was General Manager – Livestock Productivity, managing Meat Standards Australia, livestock genetics and sheep productivity RD&E. Prior to MLA, Dr Weatherley held positions spanning red meat extension, farming systems research and development, and evaluation. She maintains an active role in her family beef operation on Bruny Island, Tasmania.

Number of employees: 35



Lisa Sharp
BEc

Chief Marketing and
Communications Officer

Ms Sharp joined MLA in April 2015 and leads MLA's Communications, Marketing and Industry Insights team. She has an extensive background in consumer insights and marketing, product innovation, global strategy development, change management and general management. Ms Sharp has held marketing leadership and executive team positions in a number of Australian and multinational organisations including SPC Ardmona, Coca-Cola Amatil, PZ Cussons and Novartis Consumer Health. She has also held finance, business analyst and brand management roles during her career.

Number of employees: 69



Michael Crowley
B.RurSc, Grad Cert Bus
Admin

General Manager, Producer
Consultation and Adoption

Mr Crowley joined MLA in 2009 as the manager of Meat Standards Australia (MSA). In 2012 he moved to Brussels as MLA's International Business Manager for EU and Russia. He returned in 2015 to manage MSA, then joined MLA's Leadership Team in 2016. He is responsible for MLA's investments in MSA, livestock genetics, beef and sheep R&D, Producer Innovation Fast-Track, adoption and the regional consultation framework. Prior to joining MLA, Mr Crowley held commercial positions within red meat processing, production, procurement, marketing and sales. His family operate a beef cattle property in northern NSW.

Number of employees: 43



Michael Finucan
BAgSc

General Manager,
International Markets

Mr Finucan has extensive experience working in international markets after being involved in the export of a range of agricultural commodities before joining MLA in 2007. He has held a number of roles at MLA, including Manager Livestock Exports and International Business Manager in Korea. He is responsible for the delivery of MLA's international market strategy and oversees MLA's international operations from Singapore.

Number of employees: 48



Sean Starling
LLB, B.Eng (Chem),
Vincent Fairfax Fellow

General Manager,
Research, Development
and Innovation

Mr Starling joined MLA in 2016 following his role as General Manager – Australia of Scott Automation & Robotics and was previously at MLA from 2002–2009 as Manager – Innovation and Capability Building. He has been engaged in food value chains for most of his career, having worked in positions from factory engineer to general manager in manufacturing, research and development, and engineering organisations.

Number of employees: 20



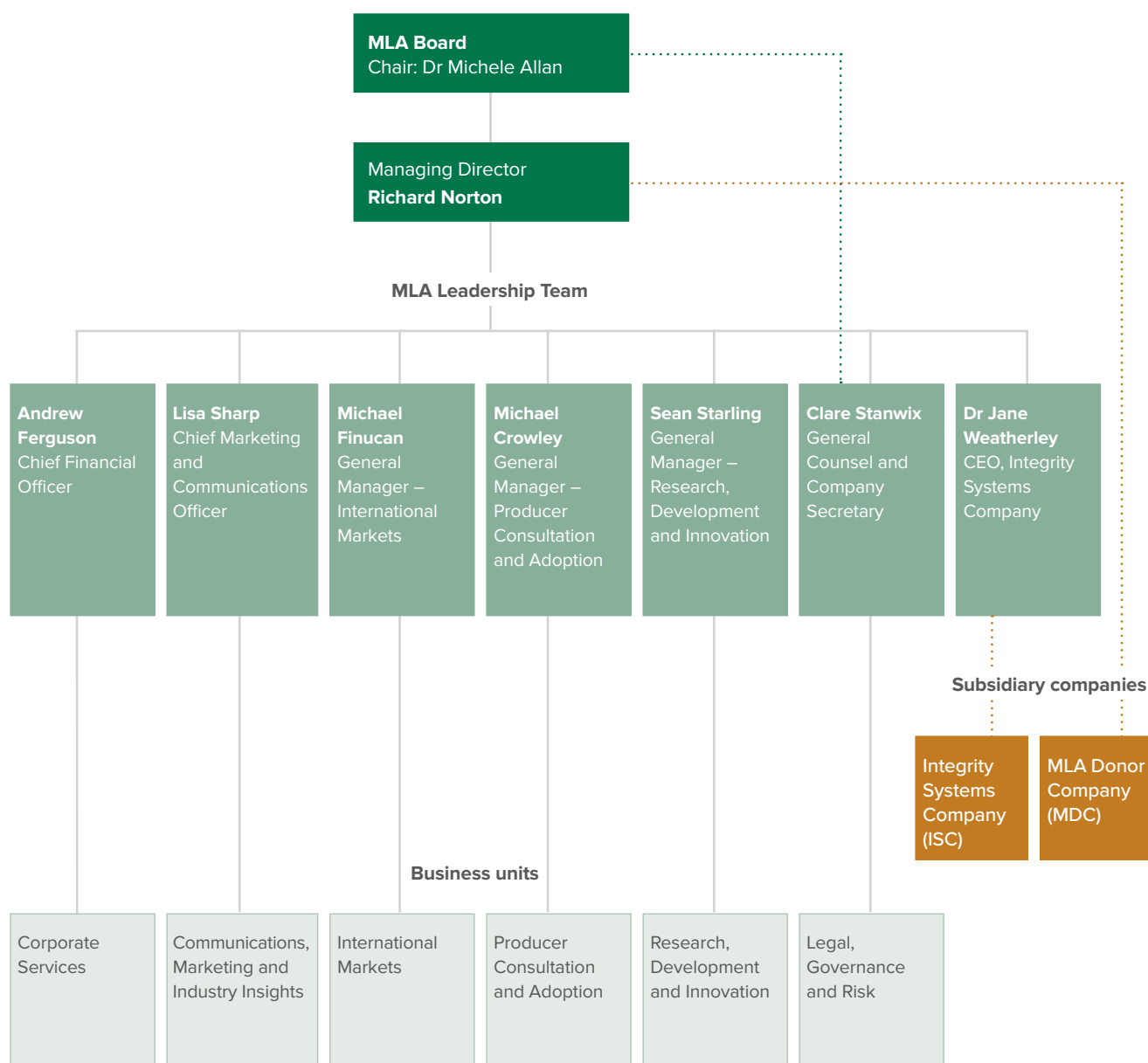
Clare Stanwix

General Counsel and
Company Secretary

See page 64 for Ms Stanwix's profile.

Number of employees: 4

MLA organisational chart at 30 June 2018



Our subsidiary companies

MLA Donor Company

MDC accelerates innovation across the value chain so the Australian red meat and livestock industry can remain competitive on the world stage. It does this by attracting commercial investment from individual enterprises and others that share a mutual interest to co-invest in innovation that will benefit the industry (see figure below).

MDC supports MLA's strategic purpose of fostering the long-term prosperity of the Australian red meat and livestock industry via:

- extending MLA's strategic priorities into future-focused, transformational impact areas
- facilitating capability and adoption of innovation by industry
- acting as a catalyst to accelerate the development of innovations with new types of provider partnerships
- partnerships that facilitate 'big picture' change in the industry
- engaging leading global providers and entrepreneurs that bring new ideas and new value to the industry
- attracting new investment partners to co-develop key priority areas.

MDC's strategic investment portfolio is directly aligned to extending the achievement of the *Meat Industry Strategic Plan 2020* and *MLA's Strategic Plan 2016–2020*.

Further detail about MDC is available at mla.com.au/mdc

Integrity Systems Company

Integrity Systems Company (formerly NLIS Ltd) is a wholly owned subsidiary of MLA. Its expanded remit began in September 2016, being responsible for delivering the red meat and livestock industry's traceability and quality assurance systems: the Livestock Production Assurance (LPA) program, National Vendor Declarations (NVDs) and the National Livestock Identification System (NLIS) (see figure below).

Integrity Systems Company (ISC) was launched following a recommendation by industry and government in 2015 –

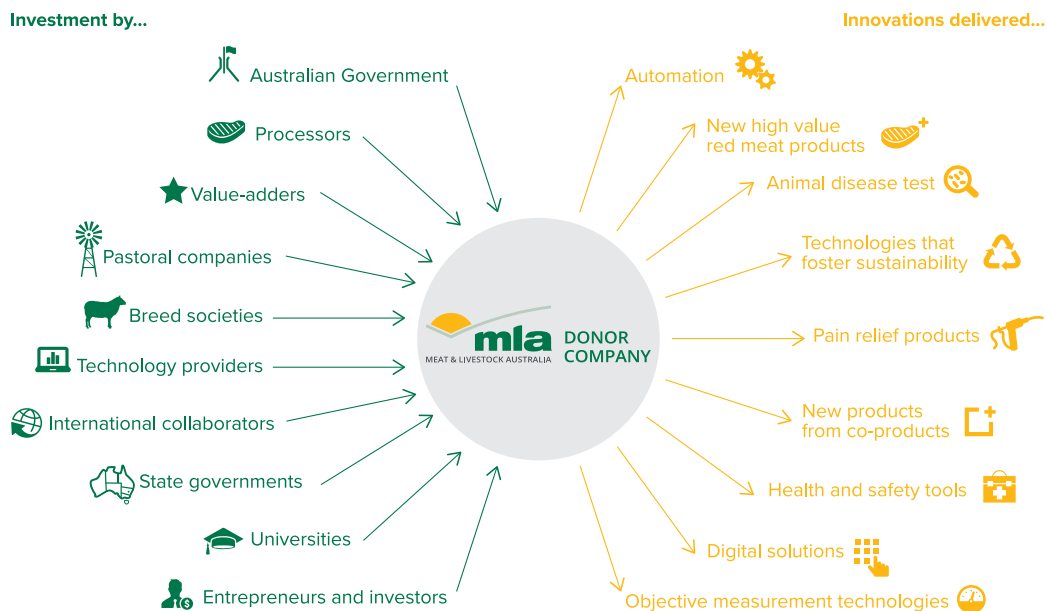
through their SAFEMEAT partnership – that one company be given responsibility for delivering a fully integrated integrity system. The streamlined structure helps to ensure resources are more effectively directed to further develop and improve these key systems which underpin market access, customer expectations and the safety of Australian red meat and livestock.

ICS's strategic investment portfolio is directly aligned to extending the achievement of the *Meat Industry Strategic Plan 2020* and *MLA's Strategic Plan 2016–2020*.

The role and scope of Integrity Systems Company



The role of MDC



Human resources

At 30 June 2018 MLA had 265 employees. This represents an increase in the workforce compared to the prior year in support of MLA's overall increase in project investment.

Voluntary turnover for the reporting year was 10.6% compared to 10.3% in 2016–17. Total turnover in 2017–18 was 16.8% which includes voluntary and involuntary turnover and end of fixed-term contracts.

Performance and remuneration process

MLA's performance management framework aligns MLA's strategic priorities and organisational values to individual performance and outcomes to encourage, recognise and reward employee performance.

Employee remuneration is reviewed on an annual basis, taking into consideration changes to the Consumer Price Index, external salary survey information and employee development and performance.

During 2017–18 MLA continued to have new roles benchmarked through global human resources consulting firm Aon Hewitt to ensure remuneration remains competitive to attract and retain talent.

The total employee benefit expense in 2017–18 was \$34,551,000 (see page 84).

Training and professional development

It is important that MLA employees have the necessary knowledge and skills to manage change and complexity to deliver MLA's *Strategic Plan 2016–2020* while enabling growth and innovation to build capability for the future.

In 2017–18 MLA continued to support employees through training and professional development through its 70/20/10 model approach to learning and development:

- 70% of learning and development is on the job (including workplace tasks and stretch assignments)
- 20% is through others (including managers, peers and coaching arrangements)
- 10% is through formal learning initiatives (such as risk management, performance management and anti-bullying and harassment training, and training courses identified between individual employees and their managers).

MLA employee profile at 30 June

	2014	2015	2016	2017	2018
Male	127	112	114	112	125
Female	142	125	120	131	140
Full-time	235	208	207	208	232
Part-time	34	29*	27*	35*	33*
Australian-based	231	197	196	205	222
Overseas-based	38	40	38	38	43
Total staff	269	237	234	243	265

* Excludes employees on parental leave.

* Part-time total includes five casual employees based in Australia.

MLA also provides financial and study assistance to employees undertaking a professionally recognised qualification related to their work such as an undergraduate or postgraduate course at university, TAFE or other recognised education institutions.

In 2017–18, assistance was provided to 12 employees studying undergraduate and postgraduate courses ranging from rural science to agriculture and communication to business management.

Employee engagement

As a service provider to industry, MLA's employees are vital to delivering outcomes that support MLA's strategic priorities for the red meat industry. MLA commissions an employee engagement survey, conducted by Aon Hewitt, measuring engagement across the company, both domestically and internationally. MLA's results from the latest survey in 2016–17 were above the Australia and New Zealand average and MLA continues to work towards being recognised among the 'best employers'.

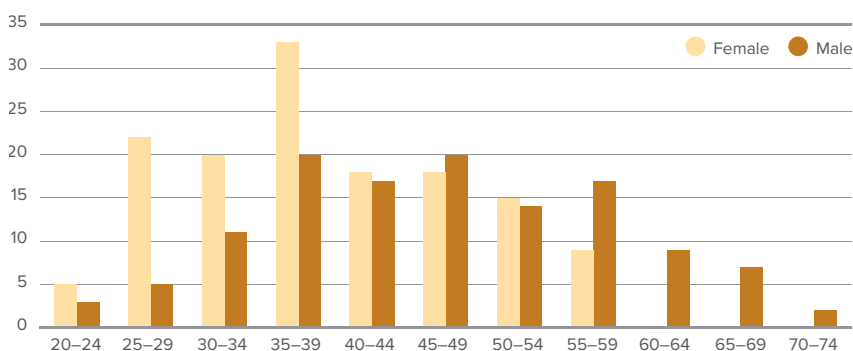
Diversity and gender equality

MLA is committed to diversity, equal employment opportunity and inclusive workplace practices. The diversity policy can be viewed at mla.com.au.

At 30 June 2018, MLA's employee profile reflects a balanced age distribution and gender profile (see figure). MLA continues to offer employees flexible work arrangements that support work/life balance, including family or caring responsibilities. Provisions include flexible hours of work, telecommuting, part-time work, paid parental leave and personal/carer's leave.

MLA also offers employees access to an employee assistance program, and has training and formal policies to educate and protect employees against discrimination, harassment and bullying.

MLA employees – age and gender composition





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FINANCIAL SUMMARY

MLA revenue and expenditure summary

	2013–14 \$m	2014–15 \$m	2015–16 \$m	2016–17 \$m	2017–18 \$m	% change 2017–18 compared with 2016–17
Grassfed cattle levies	61.2	66.9	61.4	53.8	55.3	2.8
Grainfed cattle levies	9.8	10.5	11.9	10.9	11.3	3.7
Lamb/mutton levies	34.2	36.4	37.2	35.8	39.1	9.2
Goat levies	0.8	0.9	0.8	0.7	0.7	–
Producer levies	106.0	114.7	111.4	101.2	106.4	5.1
Government contributions	46.7	46.5	44.0	52.1	80.4	54.3
Other	35.8	44.5	42.4	47.2	85.7	81.6
Total revenue	188.5	205.7	197.8	200.5	272.5	35.9
Marketing, market access and insights	85.2	86.6	84.4	88.9	90.4	1.7
Research and development	95.8	92.9	88.0	104.2	171.8	64.9
Total expenditure*	181.0	179.5	172.4	193.0	262.2	35.8

* Total includes \$96.8 million invested via MLA Donor Company

Revenue

MLA's total income for 2017–18 of \$272.5 million was 35.9% higher than the prior year. The increase was primarily due to partner contributions and Government matching funding for investments made via MLA Donor Company.

Levy income increased \$5.2 million (5.1%) to \$106.4 million in 2017–18, with sheepmeat and cattle levies both higher than the prior year. Unfavourable weather conditions in key production regions resulted in elevated slaughter rates and forced record numbers of cattle into feedlots, resulting in an uplift in levy income. Strong international demand also contributed to higher slaughter levels.

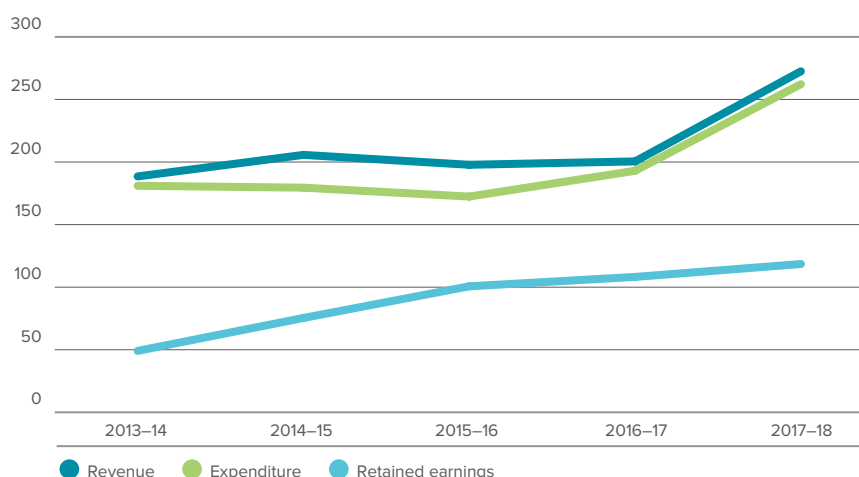
Expenditure

MLA's total investment increased 35.8% in 2017–18 to \$262.2 million. This included \$171.8 million in research and development and \$90.4 million in marketing, market access and insights activities. The uplift in investment is primarily attributable to MLA Donor Company, which increased by \$59.3 million (158.1%) to \$96.8 million and resulted in the MLA Group using almost 99% of the Government matching funds available in 2017–18.

Retained earnings

MLA's surplus for the year was \$10.3 million, taking the retained surplus at 30 June 2018 to \$118.5 million. Retained earnings increased primarily because of lower than planned levy investment. An unexpected uplift in levy income also contributed to the result, with unfavourable weather conditions in key production regions leading to increased slaughter rates.

Revenue, expenditure and retained earnings



Retained earnings by funding source



- Grassfed cattle levies \$50.2m
- Grainfed cattle levies \$16.0m
- Lamb levies \$43.7m
- Mutton levies \$2.2m
- Goat levies \$1.3m
- MLA Donor Company \$5.1m

Cash flow

MLA's cash balance increased primarily due to higher government matching funds resulting from increased spending on research and development for the year. There was also an increase in the levy income, upfront partner contributions and access fees received for MLA Donor Company programs. The debtors balance reduced significantly due to higher collections.

Income and expenditure by funding source 2017–18

Pillars and priorities	Goat		Mutton		Lamb		Total sheep		Grassfed cattle	
	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
Pillar 1: Consumer and community support										
Continuous improvement of the welfare of animals in our care	4	13	167	45	1,054	189	1,221	234	1,002	718
Stewardship of environmental resources	5		31		267		298		522	144
Role of red meat in a healthy diet					70	69	70	69	100	45
Pillar 2: Market growth and diversification										
Efficiency and value in trade and market access		13	11	144	176	861	187	1,005	267	1,572
Marketing and promoting Australian red meat and livestock	2	174	40	357	135	14,381	174	14,741	313	29,369
Pillar 3: Supply chain efficiency and integrity										
Optimising product quality and cost efficiency	13		103	251	1,180	811	1,283	1,062	1,904	1,612
Guaranteeing product quality and systems integrity	9	33	50	168	184	454	233	622	454	1,336
Pillar 4: Productivity and profitability										
Production efficiencies in farms and feedlots	316		458		4,192		4,650		5,328	
Processing productivity			2		6		8		32	
Live export productivity		4	15	49	61	96	76	145	77	538
Pillar 5: Leadership and collaborative culture										
Building leadership capability	2	65	48	37	867	1,173	915	1,210	866	1,595
Protecting and promoting our industry	5	2	6	22	144	356	150	378	126	574
Pillar 6: Stakeholder engagement										
Engagement with producers and stakeholders	14	4	28	58	861	869	889	927	1,330	1,832
AUS-MEAT		2		10		167		177		329
Total expenditure pre corporate services	368	310	955	1,141	9,196	19,426	10,151	20,570	12,318	39,664
Corporate services	32	19	60	53	672	846	731	899	1,025	1,550
Levy collection costs	2	2	4	7	41	103	44	110	62	187
Total expenditure	401	331	1,018	1,201	9,908	20,375	10,926	21,579	13,405	41,401
Income available:										
Levies	434	273	1,176	1,329	10,628	25,966	11,805	27,295	11,116	44,161
Government										
Processors										
Live export										
R&D partnerships										
External										
Total actual income 2017–18	434	273	1,176	1,329	10,628	25,966	11,805	27,295	11,116	44,161
Surplus/(deficit)	33	(58)	158	128	721	5,591	879	5,716	(2,289)	2,760

Grainfed cattle		Total cattle		Total levy funds		Processor		LiveCorp		External		Govt.	MLA*
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	R&D \$000	R&D \$000	Total \$000
1,009		2,011	718	3,235	965	52		310	323	1,903	5,021	8,618	20,426
369	120	891	264	1,193	264	984	120			6,964	2,236	4,413	16,173
	31	100	76	170	145	402	152					572	1,440
41	259	308	1,831	495	2,849	731	2,086	9	236	291	43	1,278	8,017
2	3,799	315	33,168	491	48,080	369	2,463			2,113	2,332	3,192	59,043
499	507	2,402	2,119	3,698	3,181	996				759	4,690	9,383	22,705
134	756	588	2,092	830	2,747	658	1,509	21	38	4,597	555	2,064	13,018
1,275		6,603		11,568		829				2,181	15,810	28,206	58,593
		32		40		3,068				14	3,626	6,733	13,479
		77	538	153	687			152	225			304	1,520
23	348	889	1,943	1,805	3,218	3,004				126	5,896	10,705	24,753
12	53	138	627	292	1,007	4				12	22	317	1,652
134	238	1,464	2,070	2,366	3,001	29				447	27	2,421	8,289
	42		371		550								550
3,497	6,153	15,815	45,817	26,333	66,694	11,122	6,330	492	822	19,407	40,255	78,201	249,658
326	193	1,351	1,743	2,113	2,661					5,047		2,113	11,934
20	23	82	210	128	322					9		128	587
3,843	6,369	17,248	47,770	28,574	69,677	11,122	6,330	492	822	24,463	40,255	80,442	262,179
3,710	7,618	14,826	51,779	27,065	79,347								106,412
												80,380	80,380
						11,122	6,330						17,452
								492	822				1,314
											42,970		42,970
										23,927			23,927
3,710	7,618	14,826	51,779	27,065	79,347	11,122	6,330	492	822	23,927	42,970	80,380	272,454
(133)	1,249	(2,422)	4,009	(1,509)	9,670					(536)	2,715	(62)	10,275

*MDC expenditure of \$96.8 million is included (\$51.8 million unmatched)

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 2018.

See pages 63–65 for names, qualifications and special responsibilities of the directors, directors retired during the year and the company secretary.

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, Mr Alan Beckett, Mr Steven Chaur, Mr Robert Fitzpatrick, Ms Erin Gorter, Mr Russell Lethbridge and Mr Andrew Michael. All directors were in office for the entire year unless otherwise stated.

Retiring directors

The following directors retired during 2017–18: Mr Geoffrey Maynard, Mr Chris Mirams, Mr George Scott and Mr Allister Watson.

Company secretary

The company secretary during the year was Ms Clare Stanwix.

Subsidiaries

MLA Donor Company Limited

At 30 June 2018, the members of the board were Mr Steven Chaur, Dr Michele Allan, Mr Richard Norton, Mr Alan Beckett, Ms Erin Gorter, Mr Robert Fitzpatrick, Mr Russell Lethbridge and Mr Andrew Michael.

Integrity Systems Company Limited

At 30 June 2018, the members of the board were Mr Robert Fitzpatrick, Dr Michele Allan, Mr Richard Norton, Mr Alan Beckett, Ms Erin Gorter, Mr Steven Chaur, Mr Russell Lethbridge and Mr Andrew Michael.

Directors' meetings

During the period 1 July 2017 to 30 June 2018 the MLA Board held seven 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
M Allan	7 [7]	7 [7]		4 [4]
G Maynard	3 [4]	3 [4]		
G Scott	1 [5]	1 [5]		
R Norton	7 [7]	7 [7]	2 [3]	4 [4]
A Beckett	7 [7]	7 [7]	3 [3]	
C Mirams	4 [4]	4 [4]		
E Gorter	7 [7]	7 [7]		3 [4]
R Fitzpatrick	7 [7]	7 [7]		
S Chaur	6 [7]	6 [7]	3 [3]	4 [4]
A Watson	4 [5]	4 [5]	3 [3]	
R Lethbridge	3 [3]	3 [3]		
A Michael	3 [3]	3 [3]		

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

Selection Committee

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

MLA Directors

Michele Allan (Chair)	4 [4]
Alan Beckett	1 [2]
George Scott	1 [2]

Peak council representatives

Therese Herbert	2 [2]
Allan Piggott	2 [2]
Jeffrey Murray	2 [2]
Howard Smith	3 [4]
Tony Fitzgerald	2 [2]

MLA member-elected representatives

Mick Hewitt	3 [4]
Ian McCamley	4 [4]
Jane Kellock	2 [2]
Peter Quinn	2 [2]
Tony Fitzgerald	2 [2]
Therese Herbert	2 [2]

Principal activities

The major activities of Meat & Livestock Australia Ltd and its subsidiaries (the Group) during the financial year comprised:

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

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

Review and results of operations

Operating result for the period

The result of the Group for the financial year was a net surplus from continuing operations of \$10,275,000 (2017: net surplus of \$7,505,000).

Group overview

The Group earned total revenue of \$272,454,000 (2017: \$200,521,000) which is comprised of the following:

- Transaction levies \$106,412,000 (2017: \$101,206,000)
- Research and development matching grants \$80,380,000 (2017: \$52,081,000)
- Research and development contributions (unmatched) \$11,876,000 (2017: \$5,535,000)
- Other income and revenues \$73,786,000 (2017: \$41,699,000).

MLA's surplus for the year was \$10.3 million. MLA's revenue was \$272.5 million, 35.9% higher year-on-year. Levy income increased \$5.2 million (5.1%) to \$106.4 million, with sheepmeat and cattle levies both higher than the previous year. MLA's total investment increased 35.8% to \$262.2 million.

Significant changes in the state of affairs

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

Significant events after the balance date

No significant events after balance date.

Environmental regulation and performance

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

Indemnification and insurance of directors and officers

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

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

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Rounding of accounts

The amounts contained in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applied.

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 2018 has been received and can be found following this report.

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



Alan Beckett
Director



Richard Norton
Managing Director

Brisbane
18 September 2018

AUDITOR'S INDEPENDENCE DECLARATION

to the Directors of Meat & Livestock Australia Limited



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of Meat & Livestock Australia Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Meat & Livestock Australia Limited and the entities it controlled during the financial year.

Ernst & Young

Rob Lewis
Partner
Sydney
18 September 2018

INCOME STATEMENT

Year ended 30 June 2018	Note	Consolidated	
		2018 \$000	2017 \$000
CONTINUING OPERATIONS			
REVENUES FROM CONTINUING OPERATIONS	3	272,454	200,521
EXPENDITURE FROM CONTINUING OPERATIONS			
Consumer and community support		38,104	28,253
Market growth and diversification		67,054	62,862
Supply chain efficiency and integrity		35,723	29,095
Productivity and profitability		73,614	37,581
Leadership and collaborative culture		26,323	16,452
Stakeholder engagement		8,290	5,972
AUS-MEAT		550	550
Corporate cost		12,521	12,251
Total expenditure		262,179	193,016
NET SURPLUS FROM CONTINUING OPERATIONS		10,275	7,505
TOTAL CHANGE IN MEMBERS' FUNDS		10,275	7,505

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2018	Consolidated	
	2018 \$000	2017 \$000
NET SURPLUS FROM CONTINUING OPERATIONS	10,275	7,505
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the 'Income statement'		
Cash flow hedges:		
Gain/(loss) taken to equity	408	(420)
Transferred to 'Statement of comprehensive income'	420	210
Other comprehensive income/(expense) for the year	828	(210)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11,103	7,295

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018	Note	Consolidated	
		2018 \$000	2017 \$000
CURRENT ASSETS			
Cash and cash equivalents	24	161,714	149,839
Trade and other receivables	7	41,943	34,849
Prepayments and deposits	8	1,884	1,788
TOTAL CURRENT ASSETS		205,541	186,476
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,194	3,573
Intangible assets	13	2,224	2,294
Other financial assets	14	1,640	2,405
TOTAL NON-CURRENT ASSETS		7,058	8,272
TOTAL ASSETS		212,599	194,748
CURRENT LIABILITIES			
Trade and other payables	15	53,679	35,976
Provisions	16	2,054	1,823
Other liabilities	17	24,791	35,770
TOTAL CURRENT LIABILITIES		80,524	73,569
NON-CURRENT LIABILITIES			
Other payables	18	2,320	2,702
Provisions	19	1,809	1,634
TOTAL NON-CURRENT LIABILITIES		4,129	4,336
TOTAL LIABILITIES		84,653	77,905
NET ASSETS		127,946	116,843
EQUITY – MEMBERS’ FUNDS			
Contributed equity	27	9,031	9,031
Retained surplus		118,507	108,232
Cash flow hedge reserve	20	408	(420)
TOTAL EQUITY – MEMBERS’ FUNDS		127,946	116,843

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

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2018	Consolidated			Total \$000
	Contributed equity \$000	Retained earnings \$000	Cash flow hedge reserve \$000	
At 1 July 2016	9,031	100,727	(210)	109,548
Surplus for the year	–	7,505		7,505
Other comprehensive loss	–	–	(210)	(210)
Total comprehensive (loss)/income	–	7,505	(210)	7,295
At 30 June 2017	9,031	108,232	(420)	116,843
Surplus for the year	–	10,275		10,275
Other comprehensive loss	–	–	828	828
Total comprehensive (loss)/income	–	10,275	828	11,103
At 30 June 2018	9,031	118,507	408	127,946

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

STATEMENT OF CASH FLOWS

Year ended 30 June 2018	Note	Consolidated	
		2018 \$000	2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies collected		115,607	113,112
Research and development matching grants		78,070	54,510
Receipts from processors and live exporters		16,010	19,791
Other receipts		73,865	33,644
Payments to suppliers and employees		(273,920)	(195,329)
NET CASH FLOWS FROM OPERATING ACTIVITIES	24(b)	9,632	25,728
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		77	312
Purchase of property, plant and equipment		(652)	(632)
Purchase of software	13	(831)	(1,399)
Interest received		3,649	2,565
NET CASH FLOWS FROM INVESTING ACTIVITIES		2,243	846
NET INCREASE IN CASH HELD		11,875	26,574
Add opening cash brought forward		149,839	123,265
CLOSING CASH CARRIED FORWARD	24(a)	161,714	149,839

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 2018 was authorised for issue in accordance with a resolution of the directors on 17 September 2018.

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

MLA is a company limited by guarantee incorporated in Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report is presented in Australian dollars.

(b) Statement of compliance

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

• AASB 9 Financial Instruments

This standard is applicable to MLA from the year ending 30 June 2019 and replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its

fair value plus, in the case of a financial asset not at fair value through profit or loss. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as fair value through profit and loss if that eliminates or significantly reduces an accounting mismatch. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

The impact of this standard is expected to not materially impact the Group.

• AASB Interpretation 22

The Interpretation is applicable to MLA from the year ending 30 June 2019 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The impact of this standard is expected to not materially impact the Group.

• AASB 16 Leases

This standard is applicable to MLA from the year ending 30 June 2020 and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The impact of this standard is yet to be assessed by the Group.

• AASB 1058 and AASB 2016-8 Income of Not-for-Profit Entities

This standard will apply to MLA from the year ending 30 June 2020 and will defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability. In addition,

certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which not-for-profit entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases.

The impact of this standard is yet to be assessed by the Group.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of MLA and its subsidiaries (as outlined in Note 10) as at 30 June each year (the Group). Controls are achieved where the Company has power over the investee, exposure, or rights to variable returns from its involvement with the investee and the ability to use its power to affect its returns. The results of subsidiaries acquired or disposed during the year are included in the 'Consolidated income statement' and 'Statement of comprehensive income' from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

(d) Cash and cash equivalents

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

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

(e) Trade and other receivables

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

(f) Taxes

Income tax

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

Goods and Services Tax (GST)

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

- GST incurred on a purchase of goods

and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

- receivables and payables (except accrued income and expenditure) are stated with the amount of GST included.

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

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

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

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue, trade debtors and accrued revenue are recognised for the major business activities as follows:

- Transaction levies – revenue is recognised in the period to which it relates based on confirmations received from the Levies and Revenue Service who collect and distribute levies to the Company.
- Research and development Commonwealth matching payments – revenue is recognised for the matching funding from the Australian Government to the extent that the entity obtains control of the funding, it is probable that the economic benefits comprising the funding will flow to the entity and the funding can be measured reliably. These conditions are considered to be met when approved eligible research and development expenditure has been incurred. Accrued matching payments represent unclaimed funding for the amount incurred on research and development.
- Research and development contributions (unmatched) – the Company receives funding from various external parties (including the Department of Agriculture and Water Resources 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.
- Research and development, 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	1–5 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.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the

reporting date are measured at the amounts expected to be paid when the liabilities are settled

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated 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 10 years and five months 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 is neither subsidiary nor joint venture.

Under the equity method, investments in the associate 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 associate. 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 the associate.

Pursuant to the constitution of the associate (AUS-MEAT), the Group has no entitlement to a share of the associate's net results. The Group is also not entitled to the net assets of the associate except in the event of a winding up of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interests in associated entities are included in non-current assets at the recoverable amount. Detailed equity accounting information concerning the Group's material interests in its associate is provided in Note 9.

(s) Leasehold make good provision

The Company has entered into a number of office premises lease agreements which include make good clauses. A make good clause requires the Company to restore the premises to its original condition at the conclusion of the lease. The provision has been calculated as the present value of the expected cost, which has been based on management's best estimate.

(t) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within 12 months after the reporting period.

3. REVENUE FROM CONTINUING OPERATIONS**Revenues from operating activities**

Transaction levies	4	106,412	101,206
R&D Commonwealth matching payments		80,380	52,081
R&D contributions (unmatched)		11,876	5,535
Other income	5	69,634	38,633
Total revenues from operating activities		268,302	197,455

Revenues from non-operating activities

Bank interest		4,152	3,066
Total revenues from non-operating activities		4,152	3,066
Total revenues from continuing operations		272,454	200,521

4. TRANSACTION LEVIES**Transaction levies:**

– grainfed cattle	11,328	10,878
– grassfed cattle	55,277	53,847
– lambs	36,594	33,580
– sheep	2,505	2,176
– goats	708	725
Total transaction levies	106,412	101,206

5. OTHER INCOME

Processor contributions	13,761	13,056
Live exporter contributions	1,314	1,609
Co-operative funding	734	1,096
R&D partnership income	41,179	18,247
Sale of products or services	5,421	3,241
Other	7,225	1,384
Total other income	69,634	38,633

	Consolidated	
	2018 \$000	2017 \$000
6. EXPENSES AND LOSSES		
Depreciation and amortisation of non-current assets included in the 'Income statement':		
Leasehold improvements	488	554
Plant and equipment	472	527
Furniture and fittings	27	28
Amortisation of intangible assets	857	728
Total depreciation and amortisation of non-current assets	1,844	1,837
Gain on sale of assets	(39)	(30)
Operating lease rentals included in the 'Income statement'	3,869	3,709
Employee benefit expense:		
Wages and salaries	28,987	27,067
Workers compensation costs	99	128
Annual leave provision	2,239	1,776
Long service leave provision	782	597
Superannuation expense	2,428	2,233
Other post-employment benefits	16	63
Total employee benefit expense	34,551	31,864
7. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	574	6,379
Allowance for impairment of receivables (a)	–	–
Trade receivables, net	574	6,379
Accrued revenue:		
– levies	7,878	6,563
– R&D Commonwealth matching payments	29,357	19,050
– other	2,789	2,694
Total accrued revenue	40,024	28,307
Other receivables	1,345	163
Total current receivables, net	41,943	34,849

There have been no movements in the provision for impairment loss.

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

Consolidated

	Total \$000	Current \$000	Past due but not impaired				
			1–30 days	31–60 days	61–90 days	91–120 days	>120 days
Trade receivables (net of impairment)							
30 June 2018	574	508	13	1	1	51	–
30 June 2017	6,379	6,119	256	4	–	–	–

7. TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

(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: \$66,000 (2017: \$260,000). Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these balances will be received when due.

(b) Interest rate risk

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

(c) Security

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

(d) Credit risk

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

Consolidated	
2018 \$000	2017 \$000
1,298	1,283
586	505
1,884	1,788
—	—

8. PREPAYMENTS AND DEPOSITS

Prepayments

Deposits

Total prepayments and deposits

9. INVESTMENT IN ASSOCIATE

Unlisted:

AUS-MEAT Limited

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

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

MLA has a continuing commitment to support AUS-MEAT Limited. The contribution for the financial year ended 30 June 2018 was \$550,000 (2017: \$550,000).

Summary results of the associate entity

Revenue

Accumulated surplus at beginning of the year

Net surplus for the year

Accumulated surplus at end of the year

Financial summary of associated entity

Total current assets

Total non-current assets

Total current liabilities

Total non-current liabilities

Net assets

AUS-MEAT Limited	
2018 \$000	2017 \$000
16,861	15,983
4,632	4,338
699	294
5,331	4,632
10,746	9,850
3,361	3,302
3,734	3,466
192	204
10,181	9,482

The investment in AUS-MEAT Limited has been taken up at nil value (2017: \$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 MLA and the subsidiaries listed in the following table.

Name	Equity interest %		Investment \$000	
	2018	2017	2018	2017
a) MLA Donor Company Limited	100	100	–	–
b) Integrity Systems Company 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) Integrity Systems Company Limited (formerly known as National Livestock Identification System) 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

Information relating to Meat & Livestock Australia Ltd	2018 \$000	2017 \$000
Current assets	195,108	173,464
Total assets	202,100	181,700
Current liabilities	74,207	62,256
Total liabilities	78,094	66,454
Contributed equity	9,031	9,031
Reserves	408	(420)
Total equity – Members' funds	114,567	106,635
Surplus for the year	8,098	7,505
Other comprehensive gain/(loss) for the year	408	(210)

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	
	2018 \$000	2017 \$000
12. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
At cost	6,285	6,195
Accumulated depreciation	(5,570)	(5,369)
Total plant and equipment	715	826
Furniture and fittings		
At cost	323	361
Accumulated depreciation	(233)	(287)
Total furniture and fittings	90	74
Leasehold improvements		
At cost	5,716	5,761
Accumulated depreciation	(3,327)	(3,088)
Total leasehold improvements	2,389	2,673
Total property, plant and equipment		
Cost	12,324	12,317
Accumulated depreciation	(9,130)	(8,744)
Total written down value	3,194	3,573
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:		
Plant and equipment		
Carrying amount at beginning	826	893
Additions	405	499
Disposals	(26)	(39)
Depreciation expense	(490)	(527)
	715	826
Furniture and fittings		
Carrying amount at beginning	74	91
Additions	46	11
Disposals	(3)	–
Depreciation expense	(27)	(28)
	90	74
Leasehold improvements		
Carrying amount at beginning	2,673	3,313
Additions	201	123
Disposals	(9)	(209)
Depreciation expense	(476)	(554)
	2,389	2,673

	Consolidated	
	2018 \$'000	2017 \$'000
13. INTANGIBLE ASSETS		
Software		
At cost	9,547	8,717
Accumulated amortisation	(7,323)	(6,423)
Total software	2,224	2,294
Reconciliation		
Carrying amount at beginning	2,294	1,623
Additions	831	1,399
Amortisation expense	(901)	(728)
	2,224	2,294
14. OTHER FINANCIAL ASSETS		
Other financial assets consist of restricted cash which relates to cash held as rental bonds in bank account which is pledged as collateral to landlords for risks retained by the group.		
Total other financial assets	1,640	2,405
	1,640	2,405
15. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables (a)	28,135	14,167
Accrued R&D and other creditors (a)	22,802	18,479
Rent-free period (refer note 2q)	535	507
Derivative financial instruments (b)	(408)	420
Employee entitlements:		
– annual leave	2,215	2,075
– other	400	328
Total current trade and other payables	53,679	35,976
(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.		
(b) 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)		
Long service leave	1,948	1,808
Leasehold make good	106	15
Total current other liabilities	2,054	1,823

	Long service leave \$'000	Leasehold make good \$'000	Total \$'000
Carrying amount at the beginning of the financial year	1,808	15	1,823
Additional provisions	232	–	232
Utilised	(318)	–	(318)
Amounts transferred from/(to) non-current during the year	226	91	317
Carrying amount at the end of the financial year	1,948	106	2,054

	Consolidated	
	2018 \$000	2017 \$000
17. OTHER LIABILITIES (CURRENT)		
Unearned income	24,168	34,437
Other	623	1,333
Total current other liabilities	24,791	35,770
18. OTHER PAYABLES (NON-CURRENT)		
Fit-out contribution and Rent-free period (refer note 2q)	2,320	2,702
Total non-current other payables	2,320	2,702
19. PROVISIONS (NON-CURRENT)		
Long service leave	1,289	1,013
Leasehold make good	520	621
Total non-current provisions	1,809	1,634

Movements in provisions:

Carrying amount at the beginning of the financial year	1,013	621	1,634
Additional provisions	502		502
Utilised	–	(10)	(10)
Amounts transferred (from)/to current during the year	(226)	(91)	(317)
Carrying amount at the end of the financial year	1,289	520	1,809

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	1,013	621	1,634
Additional provisions	502		502
Utilised	–	(10)	(10)
Amounts transferred (from)/to current during the year	(226)	(91)	(317)
Carrying amount at the end of the financial year	1,289	520	1,809

20. CASH FLOW HEDGE RESERVE

At the beginning of the financial year	(420)	(210)
Net surplus/(loss) on cash flow hedges	408	(420)
Transfer of cash flow hedge reserve to 'Statement of comprehensive income'	420	210
Total cash flow hedge reserve (a)	408	(420)

	Consolidated	
	2018 \$000	2017 \$000
At the beginning of the financial year	(420)	(210)
Net surplus/(loss) on cash flow hedges	408	(420)
Transfer of cash flow hedge reserve to 'Statement of comprehensive income'	420	210
Total cash flow hedge reserve (a)	408	(420)

- (a) The full amount of hedged cash flows as at 30 June 2018 are expected to affect the 'Statement of comprehensive income' within one year.

As at 30 June 2018, the Company did not have any portion of cash flow hedges deemed ineffective.

21. EMPLOYEE ENTITLEMENTS

The aggregate employee benefit liability is comprised of:

Provisions – current (refer note 16)	1,948	1,808
Provisions – non-current (refer note 19)	1,289	1,013
Payables – current (refer note 15)	2,615	2,403
	5,852	5,224

	Consolidated	
	2018 \$000	2017 \$000
Provisions – current (refer note 16)	1,948	1,808
Provisions – non-current (refer note 19)	1,289	1,013
Payables – current (refer note 15)	2,615	2,403
	5,852	5,224

	Consolidated	
	2018 \$	2017 \$
22. REMUNERATION OF AUDITORS		
Amounts received or due and receivable by Ernst & Young for:		
• auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	189,520	178,396
• other services in relation to the entity and any other entity in the consolidated entity:		
– tax compliance	9,900	9,375
– other non-audit services	53,859	84,500
	253,279	272,271

23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

Michele Allan	Chair
Richard Norton	Managing Director
Alan Beckett	
Steven Chaur	
Robert Fitzpatrick	
Erin Gorter	
Andrew Michael	(appointed 22 Nov 2017)
Russell Lethbridge	(appointed 22 Nov 2017)
Geoffrey Maynard	(resigned 22 Nov 2017)
Chris Mirams	(resigned 22 Nov 2017)
George Scott	(resigned 13 Mar 2018)
Allister Watson	(resigned 5 Mar 2018)

(ii) Executives

Christine Pitt	Chief Executive Officer – MDC (resigned 16 Feb 2018)
Michael Finucan	General Manager – International Markets
Michael Crowley	General Manager – Producer Consultation and Adoption
Clare Stanwix	General Counsel and Company Secretary
Jane Weatherley	Chief Executive Officer – ISC
Lisa Sharp	Chief Marketing and Communications Officer
Andrew Ferguson	Chief Financial Officer
Sean Starling	General Manager – MDC, Research, Development and Innovation

	Notes	Consolidated	
		2018 \$	2017 \$
23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)			
(iii) Compensation of key management personnel by categories			
Directors (a)			
Short-term benefits		1,466,252	1,275,001
Post-employment benefits		81,084	72,392
Other long-term benefits		24,466	14,813
	(a)	1,571,802	1,362,206
Executives (b)			
Short-term benefits		3,010,078	3,274,830
Post-employment benefits		153,671	184,886
Other long-term benefits		95,873	74,526
	(b)	3,259,622	3,534,242

- (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.

(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:

- During his time on the Board, Mr Geoffrey Maynard was a member of Agforce Queensland which invoiced the Company \$220,365 (2017: \$27,497) for Pimelea toxicity – managing cattle poisoning and Adoption of best practice vertebrate pest control in Northern Queensland. The Company has invoiced AgForce Queensland \$262,680 (2017: \$nil) for the same projects.
- Ms Erin Gorter is a partner of the Gorter Family Trust trading as Erin Gorter Enterprises which invoiced the Company \$21,522 (2017: \$124,484) for professional fees and reimbursement of associated expenses as WA Livestock Research Council (WALRC) Coordinator. Ms Gorter is a member of Evergreen Farming which invoiced the Company \$27,500 (2017: \$49,500) for Pasture Updates Western Australia 2016–2018 and for Red Leaf Clover Syndrome Project Coordinator. Ms Gorter is a director of AgVivo Pty Ltd which invoiced the Company \$59,773 (2017: \$nil) for WA Producer & Research Thought Leadership NZ Tour on behalf of the attendees to meet all outgoings associated with the tour. The Company invoiced AgVivo \$34,985 (2017: \$nil) for the contribution towards the tour. Ms Gorter is a member of Southern DIRT producer group which invoiced the Company \$109,819 (2017: \$35,580) and the Company invoiced Southern DIRT \$20,989 (2017: \$nil) for R&D projects including Synergy and profit using farm by-products and Real time Biomass Imaging for Improved feed budgeting.
- Dr Michele Allan is Chancellor of Charles Sturt University which invoiced the Company \$6,296,393 (2017: \$644,169) for various R&D projects including Herbicide Resistance program, Review of food safety and market access risks in red meat supply chains, Development of mixed farming systems RD&A program and RnD4profit Dung beetle ecosystem engineers. The Company has invoiced Charles Sturt University \$777,841 (2017: \$103,044) for RnD4profit Dung beetle ecosystem engineers, Monitoring health and welfare using emerging diagnostic technologies in the beef feedlot and Reducing induction stress in the Australian feedlot system project. Dr Allan is Director of CSIRO which invoiced the Company \$8,315,468 (2017: \$4,975,463) for various R&D projects including RnD4profit program relating to Improved surveillance, preparedness and return to trade for emergency animal disease incursions, Heat load nutrition program, RnD4profit Efficient Pastures and LPP Improving profit from pasture through increased feed efficiency. The Company invoiced CSIRO \$842,053 (2017: \$nil) mainly for LPP Improving profit from pasture through increased feed efficiency project. Dr Allan is director of Food Innovation Australia which invoiced the Company \$44,000 (2017: \$227,979) for Review of meat bone by-product processing platform and high value opportunities and trends. The Company has invoiced Food Innovation Australia \$nil (2017: \$102,729). Dr Allan is director of Nuffield Australia which invoiced the Company \$57,200 (2017: \$57,200) for Nuffield Scholarships. Dr Allan is Chair of Grains and Legumes Nutrition Council (GLNC). The Company invoiced GLNC \$14,441 (2017: \$nil) for lease of North Sydney office.
- During his time on the Board, Mr Allister Watson was a consultant of Harvey Beef which invoiced the Company \$623,659 (2017: \$266,195) for various R&D projects including Retail ready export market development capability building activity, Young Food Innovator program, HarveyBbeef boning automation, Investigation into resource recovery approach, including biogas production at Harvey Beef abattoir as well as Impact of handling conditions and new environments on the stress of cattle. The Company invoiced Harvey Beef \$157,675 (2017: \$67,763) for the same projects.

23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

- During his time on the Board, Mr George Scott was a member of Northern Territory Cattlemen's Association which invoiced the Company \$80,314 (2017: \$18,527) for 2018 NTCA Industry conference and funding an Innovation Officer to support capacity building in northern cattle producers. The company invoiced Northern Territory Cattlemen's Association \$48,495 (2017: \$nil). Mr Scott is a member of Agforce QLD which invoiced the Company \$220,365 (2017: \$27,497) and the Company invoiced AgForce Queensland \$262,680 (2017: \$nil) for R&D projects including Adoption of best practice vertebrate pest control in Northern Queensland and Pimelea toxicity – managing cattle poisoning. Mr Scott received director's fees including superannuation totalling \$17,600 (2017: \$17,520) from Aus-Meat Limited.
- During his time on the Board, Mr Chris Mirams was a director of Holbrook Landcare Network which invoiced the Company \$41,250 (2017: \$nil) for program dealing with demonstration of diet to influence lamb sex-ratio. CJ & JE Mirams managed a MDC project which invoiced the Company \$42,328 (2017: \$nil) for Beef Systems Innovation Tour to Tasmania. The Company invoiced CJ & JE Mirams \$24,045 (2017: \$nil) for the same project.
- Mr Russell Lethbridge is a member of Agforce QLD which invoiced the Company \$220,365 (2017: \$27,497) and the Company invoiced AgForce Queensland \$262,680 (2017: \$nil) for various projects including Adoption of best practice vertebrate pest control in Northern Queensland and Pimelea toxicity – managing cattle poisoning.

24. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

Cash on hand

54,714 58,839

Short-term money market deposits

107,000 91,000

Closing cash balance

161,714 149,839

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

Net surplus

10,275 7,505

Adjustments for:

Net gain on disposal of property, plant and equipment

(39) (30)

Depreciation expense

993 1,110

Amortisation expense

901 693

Interest received

(3,649) (2,565)

Change in assets and liabilities:

(Increase)/decrease in assets:

(Increase)/decrease in trade and other receivables

(7,094) 5,388

(Increase) in prepayments and deposits

(96) (104)

Decrease in other financial assets

765 707

Increase/(decrease) in liabilities:

Increase/(decrease) in trade and other payables

17,321 (162)

(Decrease)/increase in other liabilities

(10,979) 13,049

Increase in provisions

1,234 137

Net cash from operating activities

9,632 25,728

	Consolidated	
	2018 \$000	2017 \$000
25. EXPENDITURE COMMITMENTS		
Expenditure (primarily research and development) contracted for is payable as follows:		
– Not later than one year	172,292	80,214
– Later than one year but not later than five years	151,589	66,212
– Later than five years	–	–
Aggregate R&D expenditure contracted for at balance date	323,881	146,426
Operating lease expenditure contracted for is payable as follows:		
– Not later than one year	4,669	4,440
– Later than one year but not later than five years	9,347	8,862
– Later than five years	863	2,734
Aggregate lease expenditure contracted for at balance date (a)	14,879	16,036

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

26. MEMBERS' FUNDS

The Company is incorporated in Australia and is a company limited by guarantee. If the Company is wound up, its Constitution states that each member is required to contribute a maximum of \$5 each towards meeting any outstanding obligations of the Company. At 30 June 2018, the number of members was 50,128 (2017: 49,726).

27. CONTRIBUTED EQUITY

Capital contribution

Consolidated	
2018 \$000	2017 \$000
9,031	9,031

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Oversight responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board.

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

Risk exposures and responses

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposit holding with a floating interest rate. Cash at bank earns interest at floating rates based on daily bank deposit rates. On-call deposits are made for varying periods of between one day and 12 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 2.91% at 30 June 2018. Some of these assets are held in foreign currency accounts.

Sensitivity analysis:

At 30 June 2018, if interest rates moved, as illustrated in the following table, with all other variables held constant, the effect on the Group's net surplus would have been as follows:

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Judgements of reasonable possible movements:

	Consolidated surplus	
	2018 \$000	2017 \$000
+ 1.00% (2017: +1.00%)	1,578	1,477
– 0.50% (2017: -0.50%)	(789)	(738)

There is no direct impact on other comprehensive income.

(ii) Foreign currency risk

The Group has a policy of hedging 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 12-month basis. The objective is to ensure that the annual budget allocation for offshore expenditure for the next financial year is fully hedged by 30 June.

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 United States dollar, Japanese yen, Chinese rmb 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 foreign currency 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 foreign currency at an agreed rate of exchange maturing at specific times up to 12 months from balance date.

At 30 June 2018, 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 2018.

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.

(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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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
50,937	—

Financial liabilities

Trade and other payables

(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 2018	
Market observable inputs (level 2) \$000	Total \$000
(124)	(124)
(124)	(124)

Financial assets

Derivative instruments

Forward currency contracts

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 2018, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by \$124,180 (30 June 2017: \$446,956) and derivative liabilities are reduced by \$124,180 (30 June 2017: \$446,956).

29. LEGAL CLAIM CONTINGENCY

On 27 June 2016, MLA lodged an appeal in the Federal Court of Australia against Cargill Inc. and Branhaven, LLC. in relation to the prior dismissal of MLA's opposition to the grant of Australian patent 2010102253 'Cattle Selection Methods Patent'. The initial hearing of the appeal concluded on 7 June 2017 and judgement was delivered on 9 February 2018. MLA was partly successful in relation to the appeal which gave rise to a further hearing for the parties to argue what amendments to the patent should be made. This hearing occurred 1–3 August 2018 and judgment in the matter has been reserved.

By affidavit dated 31 July 2018, MLA (and Dairy Australia) was advised that Cargill assigned its interest in the patent to a newly formed company called SelecTraits.

A final order as to costs has not been made in this matter. It is possible that MLA will be required, in accordance with the court's scale, to meet a portion of the legal costs of Branhaven and SelecTraits, but there is no decision as to what, if any, that portion might be. Accordingly, no provision for such a liability has been made in these financial statements.

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 (2017: \$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 (2017: \$5 million) contingency fund for the management of industry crisis 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 2018 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.



Alan Beckett
Director



Richard Norton
Managing Director

Brisbane
18 September 2018

INDEPENDENT AUDITOR'S REPORT

to the members of Meat & Livestock Australia Limited



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Independent Auditor's Report to the Members of Meat & Livestock Australia Limited

Opinion

We have audited the financial report of Meat & Livestock Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



Rob Lewis
Partner

Sydney
18 September 2018

SUPPORTING INFORMATION



STATUS OF MLA'S 2017–18 KEY PERFORMANCE INDICATORS

AS AT 30 JUNE 2018

Status	Symbol	2017–18 KPIs in MLA's Strategic Plan 2016–2020	KPIs from MLA's Annual Investment Plan 2017–18	Total result	Percentage
Achieved	●		134	134	63.5
Partly achieved	●		22	22	10.4
Not achieved or not on track	●	4	30	34	16.1
Not available	●		1	1	0.5
On track to being achieved by 2020	●	20		20	9.5
Total		24	187	211	100.0

2017–18 KPI	Status	Commentary
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PROGRAM: Animal health and welfare

SUB-PROGRAM: Animal health		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT		
Strategic plan KPI: Two new products including vaccines, diagnostic tests and tools to reduce the cost and welfare impact of endemic and emergency disease in Australia	●	Negotiations are underway for the commercialisation of a novel Johne's Disease and cattle tick vaccine. Producers will soon have a benefit-cost calculator for interventions against endemic disease diagnosed at slaughter.
Foot and mouth disease risk management program phase three underway through the Rural R&D for Profit program	●	Phase three underway and running to plan. It is due for completion in August 2020.
One project underway to include cattle in ParaBoss	●	One project underway and running to plan. It is due for completion in December 2018.
At least eight new levy-funded animal health projects emanating from the first two open calls contracted and underway	●	All eight projects running to plan. Five of these projects relate to parasites.
At least six new MDC-funded animal health projects contracted and underway	●	All six MDC-funded projects are underway and running to plan.
Improved diagnosis and prevention of sheep footrot, resulting in determination of serogroup and virulence from a swab by molecular means	●	The PCR method greatly reduced the time needed for a serotype diagnosis, but could not indicate virulence.
A suite of new tick vaccine research underway: protective effect of novel antigens (completed in 2017 – commercialisation potential to be evaluated) and innovative delivery methods for sustained release	●	There are two tick vaccine research projects underway. One is aimed at a slow release formulation of the Bm86, the other at developing a vaccine containing a variety of antigens from the Beef CRC.
Commercial evaluation of Remote Early Disease Identification technology completed and reported to industry	●	This project has been completed and results, which were equivocal, have been reported to industry. A small, subsequent project has been initiated to improve the system's ability to detect cattle that are suffering respiratory disease.
Commercial evaluation of Bovine Respiratory Disease vaccination practices for the backgrounding supply chain completed and reported to industry	●	This large-scale study, involving 7,302 cattle across six sites in Australia, measured the effects of seven respiratory vaccines, administered to cattle in local backgrounding facilities and at entry to the feedlot, on feedlot health and growth rate. The results have been reported to industry.
Commercial evaluation of feedlot acclimation processes completed and reported to industry	●	This large-scale trial, involving 9,533 conventional control cattle and 9,518 acclimation treatment cattle, across 50 pen replicates and five feedlot sites, found no significant effects of acclimation on health or on-feedlot production metrics, carcass attributes or faecal cortisol variables. The results have been reported to industry.
Baseline assessment of the economic impact of clinical and subclinical Bovine Respiratory Disease established for the Australian feedlot industry	●	Project work was delayed, due to lack of cattle availability, but has now been completed and data is being analysed. Results will be available in 2018–19 and will be reported to industry.
Animal Health Management Plan and training materials developed and made available to industry	●	Antimicrobial Stewardship Guidelines have been completed and made available to all accredited feedlots and service providers in the feedlot sector. Industry training will be rolled out when the training materials are finalised in late 2018.

2017–18 KPI	Status	Commentary
SUB-PROGRAM: Animal welfare		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT		
Strategic plan KPI: Restrict % consumers limiting red meat consumption due to animal welfare concerns to 7%	●	June 2018 consumer survey results found that only 2.7% of consumers eat less red meat due to animal welfare concerns.
Less than 7% of the community limiting red meat consumption due to animal welfare concerns	●	June 2018 consumer survey results found that only 2.7% of consumers eat less red meat due to animal welfare concerns.
Welfare strategic partnership launched and at least 10 risky blue sky programs of work soundly established	●	The Strategic Partnership for Animal Welfare RD&A was launched in 2017. Two welfare benchmarking projects for cattle and sheep have been established.
Practical welfare assurance schemes for red meat scoped	●	A review of existing on-farm systems has been undertaken and a preliminary investigation of a voluntary on-farm animal welfare system has commenced.
Commercial track for NumNuts identified	●	A commercial path has been identified, although the instrument is still undergoing fine-tuning in field testing. A pack of lignocaine specific for NumNuts still needs to be registered.
Heat load forecast service updated and transitioned to commercial funding model	●	The feedlot industry heat load forecast service was updated prior to, and operated successfully for the 2017–18 summer period. ALFA will fund the operation of the service from the grainfed marketing levy stream for 2018–19 to ensure access fees are not a barrier to feedlot usage of the service.

PROGRAM: Domestic market

SUB-PROGRAM: Market knowledge (domestic)		
PILLAR 2: MARKET GROWTH AND DIVERSIFICATION		
PILLAR 6: STAKEHOLDER ENGAGEMENT		
Strategic Plan KPI: Improve proportion of users who find MLA Market Information 'extremely or highly valuable' to 60%	●	The proportion of users rating market information highly/extremely valuable was 65%.
High levels of satisfaction (above 85%) by industry stakeholders with MLA's market information services	●	The National Livestock Reporting Service subscriber survey found that 80% of stakeholders were satisfied with MLA's market information services.
Move to ISO 9001:2015	●	The move to ISO 9001:2015 was completed in May 2018 with accreditation being successful.
Deliver Data Capture and Reporting Service upgrade by 30 June 2018	●	Step 1 of the upgrade – the development of the replacement program – is complete. Step 2, which is to roll out the program to the market reporting team, will be completed after 30 June 2018.
High levels of satisfaction (above 85%) by industry stakeholders with MLA's market insights services	●	According to survey results following the publication of Consultation 1 and Consultation 2 documents, more than 90% of stakeholders are extremely/very satisfied with MLA's market insights services.
SUB-PROGRAM: Nutrition		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT		
Strategic Plan KPI: Restrict % of main grocery buyers limiting beef consumption for health reasons to 16%	●	Despite heightened media coverage, main grocery buyers limiting beef consumption has remained steady at 16%.
Strategic Plan KPI: Restrict % of main grocery buyers limiting lamb consumption for health reasons to 20%	●	The number of main grocery buyers limiting lamb consumption for health reasons has decreased to 10%.
Eight peer reviewed papers published	●	Eight peer reviewed papers have been published and posted on MLAhealthymeals.com.au , along with two videos summarising three nutrition research projects.
Eating red meat three or more times a week is recommended by 75–80% of general practitioners and dietitians	●	Two separate surveys revealed 68% of general practitioners and dietitians recommend 130g red meat three to four times/week.
Balanced media coverage of red meat and health issues (>75% positive and neutral coverage)	●	73% of media coverage on red meat and health issues was positive and/or neutral.
Consumers limit red meat consumption for health reasons (16% beef; 19% lamb)	●	16% of consumers are limiting beef and 10% of consumers are limiting lamb due to health reasons.

2017–18 KPI	Status	Commentary
SUB-PROGRAM: Marketing and promotion (domestic)		
PILLAR 2: MARKET GROWTH AND DIVERSIFICATION		
Strategic Plan KPI: Increase % of domestic main grocery buyers willing to pay a premium for Australian beef to 22.2%	●	23% of domestic main grocery buyers are willing to pay a premium for Australian beef.
Strategic Plan KPI: Increase % of domestic main grocery buyers willing to pay a premium for Australian lamb to 20.8%	●	23% of domestic main grocery buyers are willing to pay a premium for Australian lamb.
Year-on-year increase in main grocery buyer endorsement of the statement “Willing to pay more for beef/lamb” to 20% (beef) and 22.5% (lamb) from 19% in 2015–16 (beef) and 21% in 2015–16 (lamb)	●	Main grocery buyers willing to pay more for beef/lamb: • Beef – 23% • Lamb – 23%
Maintain mean number of serves per week: 1.5–1.7 for beef and 0.7–0.9 for lamb	●	Mean number of serves per week: • Beef – 1.71 • Lamb – 0.79
Restrict the percentage of main grocery buyers limiting red meat for health reasons to 15% (beef) and 19% (lamb)	●	16% of main grocery buyers are limiting beef and 10% of consumers are limiting lamb due to health reasons. The KPI for beef (16%) was incorrectly stated in MLA's <i>Annual Investment Plan</i> . The KPI was actually intended to align with the strategic plan KPI (15% limiting beef for health reasons).
70% of participants satisfied with CoMarketing Program	●	CoMarketing participants are satisfied that their program achieved objectives.

PROGRAM: International markets

SUB-PROGRAM: Market access		
PILLAR 2: MARKET GROWTH AND DIVERSIFICATION		
Strategic Plan KPI: Achieve \$15m in new market opportunities by 2019–20	●	Positioning underway for harvesting gains from the Trans-Pacific Partnership, Peru free trade agreement and Pacific Alliance free trade agreement.
Strategic Plan KPI: Deliver \$150m in new export market opportunities	●	Improved access to Indonesia (secondary cuts) and the United Arab Emirates (shelf life) secured. Alleviation plans developed for additional priority non-tariff barriers (establishment accreditation and chilled access to China; shelf life extension in the Gulf Cooperation Council; flat-stacking of sheepmeat carcasses to Mexico) and implementation in progress.
Persuasive and well researched submissions, correspondence and advocacy strategies prepared by MLA are endorsed by industry/peak industry councils; are acknowledged by Government; and support delivery of favourable trade reform outcomes (attribution to MLA)	●	Submissions endorsed: PAFTA; CPTPP; A–EUFTA; EU grainfed beef; UK–Brexit; A–HKFTA; AUSFTA Review; PACER Plus; Pacific Alliance; IA–CEPA – all acknowledged and acted on by Department of Foreign Affairs and Trade/Department of Agriculture and Water Resources.
High level of satisfaction (above 85%) by industry and government stakeholders with MLA's contribution to implementing agreed industry strategies aimed at reducing impact of non-tariff (technical) barriers	●	While MLA's contribution on non-tariff barriers is acknowledged by industry and government stakeholders (73% satisfaction), frustration continues to be expressed regarding the progress in securing traction/resolving certain issues – some of which have been stalled by external political disruption. MLA has developed alleviation plans for each priority barrier and will continue to work in conjunction with Australian Meat Industry Council (as the lead agency) to leverage improvement.
SUB-PROGRAM: Market knowledge (international)		
PILLAR 2: MARKET GROWTH AND DIVERSIFICATION		
High levels of satisfaction (above 85%) by industry stakeholders with MLA's international market information	●	According to survey results following the publication of Consultation 1 and Consultation 2 documents, more than 90% of stakeholders are extremely/very satisfied with MLA's international market information.

2017–18 KPI	Status	Commentary
SUB-PROGRAM: Marketing and promotion (international)		
PILLAR 2: MARKET GROWTH AND DIVERSIFICATION		
Strategic Plan KPI: Increase percentage of global consumers who prefer Australian beef to 22.2%	●	24.6% of global consumers prefer Australian beef, as measured by the annual global tracker.
Strategic Plan KPI: Increase percentage of global consumers who prefer Australian lamb to 20.8%	●	27.2% of global consumers prefer Australian lamb, as measured by the annual global tracker.
Build or maintain customer awareness and preference of Australia's positive attributes (safety, quality) within target range	●	MLA has participated in five major tradeshow, 10 trade seminars and engaged hundreds of end users (supermarket staff, foodservice operators and chefs) to drive increased customer awareness of Australia's positive attributes. This year a global trade survey has been designed to capture customer perceptions (final results were not available at the time of printing).
Build or maintain consumer preference for Australian red meat (relative to core competitive set) within target range	●	MLA conducts an annual global tracker to assess the percentage of global consumers who prefer Australian red meat. Beef scored 24.6% vs target of 22.2% and lamb scored 27.2% vs target of 20.8%.
SUB-PROGRAM: Livestock export market activities		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT PILLAR 2: MARKET GROWTH AND DIVERSIFICATION PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Strategic Plan KPI: Live Export Global Index complete and cost of delivery reduced by 1%	●	A Live Export Global Index was developed, but the 'cost of delivery' data was not sufficient to validate the Index, especially for overseas markets. MLA is currently working with live exporters to collect more reliable data for both domestic and export situations.
High levels of satisfaction (above 85%) by industry stakeholders with LEP's extension and adoption activities	●	Stakeholders have high levels of satisfaction (85%) with LEP activities.
SUB-PROGRAM: Livestock export research and development		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT PILLAR 2: MARKET GROWTH AND DIVERSIFICATION PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Support supplied to allow industry to implement Livestock Global Assurance Program or alternate livestock product assurance programs	●	In April 2018, the Australian Livestock Exporters' Council and its members unanimously supported the implementation of Livestock Global Assurance Program. The Program is in the process of being established.
Annual survey of industry and government stakeholders indicates a high level of satisfaction (above 85%) with the conduct of the Livestock Export Program (LEP)	●	According to survey results, the majority of export industry stakeholders rated LEP performance at 85% or above. Government stakeholders are yet to be surveyed, but similar results are expected.
Global index developed to monitor improvements in efficiency of livestock	●	Due to concerns regarding the quality and accuracy of data collected by Euromonitor, this project was terminated. The development of the global index will be revisited in 2018–19.
Export delivery to align with Meat Industry Strategic Plan reporting requirements	●	New markets are being explored where possible in the midst of managing other industry issues. Maintaining the Middle Eastern market was a priority in the last quarter of 2017–18.
Research project implemented to manage heat stress and mortality during summer in hot/dry Middle East environments	●	This research project is ongoing with further validation and scoping research underway and planned.
Reporting framework developed and trialled to support the animal welfare indicators pilot project and broader research data collection	●	This framework has been developed and is being piloted. It is to be rolled out for use by industry in 2018–19.
Research projects implemented to identify suitable environmental monitoring technologies for use on board ships	●	One research project has been approved and integrated into a broader 'project partnership' which will include stocking density research. A working group has been established for this project.

2017–18 KPI	Status	Commentary
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PROGRAM: Eating quality

SUB-PROGRAM: Eating quality		
PILLAR 3: SUPPLY CHAIN EFFICIENCY AND INTEGRITY		
Strategic Plan KPI: Improve the MSA beef eating quality index to 58.61	●	The MSA Index averaged 57.78 in 2017–18, an increase of 0.19 on 2016–17.
Increase MSA registered producers to 55,000	●	A total of 53,317 producers are now MSA registered with 5,070 new registrations in 2017–18.
Increase proportion of national lamb slaughter following MSA pathways to 39%	●	26% of lamb slaughter followed MSA pathways (increased from 23%).
Increase proportion of adult cattle slaughter being MSA graded to 45%	●	43% of adult cattle slaughter MSA graded (increased from 40%).
Improve national MSA Index to 58.81	●	The MSA Index averaged 57.78 in 2017–18, an increase of 0.19 on 2016–17.
Improve compliance to MSA beef requirements to 94.3%	●	Compliance to MSA beef requirements was 94.5% at June 2018.
Successfully achieve ISO 9001:2015 certification	●	ISO 9001:2015 certification was achieved in April 2018.
Successfully pass audit requirements to maintain USDA Process Verified approval	●	A successful USDA audit was completed in December 2018.
MSA Model V1.8 released by pathways committee and approved by MSA taskforce committee for implementation	●	The MSA Model has been approved by MSA Pathways and Taskforce committees for implementation.
Increase number of MSA brands promoted in export markets to 18	●	Twelve MSA brands are actively communicating MSA in export markets through sublicensed supply chains.
Increase the usage of myMSA feedback system to 10,000 visits	●	There were 16,004 visits to myMSA by 6,955 producers at May 2018.

PROGRAM: Environmental sustainability

SUB-PROGRAM: Sustainability (off-farm)		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT		
Form one global partnership to provide solutions to increasing environmental performance through supply chain optimisation enabled by enhanced information systems	●	Global partnership formed through two MLA projects. Investigation into concentrated solar thermal technology for Australian feedlots is underway.
Provide the tools and resources for industry to achieve a 10% reduction in waste or increase in efficiency relative to 2015 levels	●	Tools and resources have been made available to industry to achieve a 10% reduction in waste or increase in efficiency relative to 2015 levels through four MLA projects.
Provide the tools and resources for industry to achieve a 10% reduction in water and energy use intensity relative to 2015 levels	●	Tools and resources have been made available to industry to achieve a 10% reduction in energy use intensity relative to 2015 levels through eight MLA projects. Investment in water efficiency R&D has not occurred as planned due to market conditions.
Secure \$2.5 million in partner investment	●	In excess of \$2.5 million in partner investment was attracted into the program via MDC.
Engage one supply chain in a strategy towards a carbon neutral red meat supply	●	One supply chain partner has been engaged in a concept design of a strategy towards a carbon neutral red meat supply.
SUB-PROGRAM: Sustainability (on-farm)		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT		
Strategic Plan KPI: Restrict % consumers limiting red meat consumption due to environmental concerns to 7%	●	1.8% of main grocery buyers/meal preparers are eating less red meat primarily due to environmental concerns.
More than 60% of new contracts in the Emissions Reduction Fund (ERF) are awarded to red meat properties across Australia and deliver more than \$150 million gross benefit per year to the red meat industry	●	In 2017–18, 48 carbon abatement projects were awarded to the red meat sector (>60% of new projects), which are projected to have an annual income potential of approximately \$12 million/year (collectively).
Within the ERF, more than 300,000 head of cattle in projects are covered by the MLA-sponsored Beef Herd Management Method and earn producers in total \$600–\$900k per year	●	More than two million head are involved in the Beef Herd Management Method with contracts earning more than \$600,000/year.
Investigation commenced on sequestration of carbon under managed savanna burning in northern Australia, so as to assess a potential new ERF method	●	Investigation has commenced with a new project currently in the contracting phase.

2017–18 KPI	Status	Commentary
Deliver report on ways the red meat industry may be carbon neutral by 2030 for consideration by the Cattle Council of Australia	●	Final report for project published in 2017–18.
Complete a 35-year update to the 2012 30-year study on the impact of beef on the environment	●	Project is 75% complete; however, the final report will not be available until September 2018.
Deliver fortnightly seasonal outlooks for producers from the Bureau of Meteorology by June 2018, including forecasts at 60km scale compared with the current 250km	●	The Bureau of Meteorology seasonal outlook is now being delivered fortnightly on a 60km scale.
Initiate a University of Melbourne study with input from producer groups to evaluate profitable grazing systems for pastures in hotter and more variable climates	●	University of Melbourne project has now been contracted.

PROGRAM: Integrity systems

SUB-PROGRAM: Market access science		
PILLAR 2: MARKET GROWTH AND DIVERSIFICATION PILLAR 3: SUPPLY CHAIN EFFICIENCY AND INTEGRITY		
Maintaining a high level of satisfaction (above 85%) by industry and government stakeholders with MLA's contribution to reducing impact of non-tariff (technical) barriers	●	Survey results revealed 89% of government and industry stakeholders are satisfied with the progress of MLA's market access science program.
Food safety risks associated with Australian product usage in all markets are assessed so that risk management options can be considered	●	A food safety risk profile for the red meat industry did not identify high food safety risks with any Australian meat products. MLA will continue to monitor the situation.
Agree with industry on how to approach the use of new genetic technologies by public health authorities	●	A strategy for using new genetic technologies in food safety studies has been discussed with industry and government stakeholders. Proposals for utilising these approaches will be discussed with industry in 2018–19.
Respond to the new South Korean positive list for residues	●	24 chemicals have been identified that are of moderate to high risk. The Department of Agriculture and Water Resources will respond to South Korea.
Correlation of Cadmium levels between sheep liver and kidney is reported	●	The correlation of Cadmium residues in sheep liver and kidney was found to be poor. Therefore, both offals will need to be tested in future research.
Chilled vacuum-packed shelf life model is validated so as to assist with a more accurate prediction of shelf life	●	The model has been validated and is being used in cold chain and supply chain management investigations, as well as in decision making on the suitability of product for sale.
SUB-PROGRAM: Integrity systems		
PILLAR 3: SUPPLY CHAIN EFFICIENCY AND INTEGRITY		
Strategic Plan KPI: Increase producer awareness and compliance of integrity systems to 83%	●	ISC's annual integrity survey revealed integrity program awareness levels are 99% for NLIS and NVDs and 93% for LPA in 2017–18.
Integrity Systems Policy Group operational and effective	●	SAFEMEAT's Integrity Systems Policy Group was established in October 2017 and has been operating effectively under its new Terms of Reference.
Industry endorsement of 2025 Integrity System Strategy	●	Industry consultation was conducted with the peak industry councils on the IS2025 strategy in April. Outputs of this consultation phase fed into the development of the key principles for the IS2025 strategy, which were endorsed by the IS Taskforce in May 2018.
Scoping of integrated technical solution for NLIS, LPA and eNVD completed	●	Scoping of an integrated solution for NLIS, LPA and eNVD was completed, adopting core elements of the MLA/ISC design-led thinking approach and building on the myMLA platform.
Pilots commenced for new animal identification and traceability technologies	●	The direction of this project has been varied to reflect a design-led thinking approach to review both a short-term and long-term solution to tag retention issues.
Implementation of LPA animal welfare and biosecurity modules	●	The implementation of two new elements of the Livestock Production Assurance (LPA) program – animal welfare and biosecurity – was achieved as part of a range of upgrades to the LPA program that were rolled out in October 2017.
Implementation of strengthened LPA recommitment process	●	The strengthened LPA reaccreditation process was implemented in October 2017 among a suite of upgrades designed to strengthen the LPA program. As at June 2018 more than 26,000 producers were reaccredited with LPA.

2017–18 KPI	Status	Commentary
Integrity system communication, education and training strategy endorsed by industry to support compliance objectives: <ul style="list-style-type: none"> Livestock consignments accompanied by an eNVD to increase to 15% LPA awareness to increase to 83% 	●	The Integrity Systems Communications and Adoption strategy was endorsed by the ISC Board in May 2018. LPA awareness is at 93% (an increase of 19% on 2016–17 awareness levels). The eNVD adoption figure is slightly below the targeted KPI of 15%, with 11.8% of consignments during 2017–18 accompanied by an eNVD.
NLIS movement recording compliance increased to 95.5%	●	NLIS movement recording compliance was 96.77% for 2017–18.

PROGRAM: Objective measurement

SUB-PROGRAM: Objective measurement		
PILLAR 3: SUPPLY CHAIN EFFICIENCY AND INTEGRITY		
Strategic Plan KPI: Improve beef compliance through optimising efficiency across the value chain to 94.5%	●	In 2017–18, compliance to MSA requirements increased to 94.3%, an increase of 0.8 percentage points on 2016–17.
Rural research and development for profit objective measurement program successfully delivered and reporting accepted by the Australian Government	●	The Advanced Livestock Measurement Technologies (ALMTech) R&D program is on-track and delivering against its KPIs. All scheduled milestone and financial reports have been submitted and accepted by the Department of Agriculture and Water Resources.
DEXA output of carcase lean meat yield delivered in producer feedback from three lamb and three beef abattoirs	●	DEXA systems are installed in two lamb and one beef abattoir. The lamb plants are on-track to deliver lean meat yield data via Livestock Data Link.
Mobile CT system developed for DEXA calibration and research and development data collection	●	The development of a mobile medical CT has been tendered and a supplier selected. The build has not commenced due to co-funding not yet being secured.
Create tools to enable industry to implement value-based pricing models	●	The Lamb Carcase Value Calculator has been updated and industry utilisation supported. A beef version has commenced development through the Advanced Livestock Measurement Technologies program. A market optimisation model has been developed to direct cuts or carcasses to their most profitable market endpoint.
Updated Lamb Carcase Value Calculator utilised by four lamb supply chains to develop an improved understanding of variation in carcase value and providing opportunities to improve value chain profit	●	The Lamb Carcase Value Calculator has been updated and has been utilised by five lamb supply chains.
Funding model for DEXA installation in AUS-MEAT accredited plants finalised	●	An Objective Measurement Adoption Committee has been formed with representatives from peak industry councils and industry to progress industry debate on the most appropriate funding model. A final recommendation has not yet been reached.

PROGRAM: Producer adoption

SUB-PROGRAM: Producer adoption		
PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Strategic Plan KPI: Engage ≥ 2,000 producers in decision support programs who will improve business performance by ≥ 5% by 2020	●	More than 2,100 producers were engaged in programs to support decision making. The impact on business performance is to be assessed.
Strategic Plan KPI: By 2020, improvement in total factor productivity of: 1.75% (southern beef); 0.5% (northern beef); 0.5% (sheepmeat); 1.5% (feedlot); 0.5% (goat)	●	Projects are in place or being negotiated to build on historic benchmark data for northern and southern enterprises through to 2020 using consistent methodology.
At least 2,500 sheep and cattle producers engage in influence activities	●	1,669 producers have engaged in influence activities across Edge workshops, Bred Well Fed Well sheep and cattle (southern), profitable integration of cropping and livestock and participatory research sites.
At least 900 sheep and cattle producers engaged in involve and partner activities	●	522 producers are directly engaged in PDS and PGS, with 3,079 observers following PDS projects nationally.
At least 3,000 sheep and cattle producers engage in awareness activities	●	Awareness activities including Its Ewe Time Forums, Beef Ups, Pasture Updates, Red Meat Updates and Sheep Productivity and Profitability Webinars engaged 3,900 producers during 2017–18.
On average, participant satisfaction and value scores are greater than 7/10 for awareness and influence activities	●	On average, participant satisfaction and value scores for awareness and influence activities have exceeded 8.5/10.

2017–18 KPI	Status	Commentary
On average, producers participating in influence activities achieve a 75% knowledge and skills improvement score	●	On average producers participating in Edge workshops have achieved a knowledge and skills assessment score of 84.5%. Of those producers who have completed a Bred Well Fed Well workshop, on average 96% have indicated a better understanding of ASBVs, with 98% indicating an improved understanding of the importance of managing female nutrition.
On average, 75% of participating producers make at least one change practice	●	Two PDS projects completed in 2017–18 returned inconclusive results. Further projects are underway where better practice change data may be collected.
Commence at least 10 new Producer Demonstration Sites	●	Eight new PDS projects have commenced, with seven additional PDS projects in contracting phase.
At least 200 businesses involved in Profitable Grazing Systems groups	●	Five groups comprising 78 participants from 64 businesses have engaged in the Profitable Grazing Systems program during 2017–18. Fifteen groups are approaching contracting phase.
At least one new adoption delivery program based around disruptive technology/platforms	●	A joint project with Agriculture Victoria is underway, aiming to maximise the benefit of electronic identification for sheep across the value chain.
At least 30% of MLA sheepmeat and grassfed beef levies are invested in long-term strategic partnerships that address grassroots producers' and industry research, development and adoption (RD&A) priorities and maintain industry RD&A capacity	●	49.5% of MLA sheepmeat and grassfed beef levies were invested through the annual call in long-term strategic partnerships in 2017–18. Any project with at least three years' worth of investment is considered long-term and addresses industry RD&A priorities.
The Producer Innovation Fast-Track program is fully subscribed (value \$4 million) and 75% of participants express satisfaction with the program benefits	●	The pilot program was oversubscribed. 87% of respondents expressed satisfaction with the program benefits.
Feedlot productivity monitoring framework developed to align with <i>Meat Industry Strategic Plan</i> (MISP) reporting requirements	●	A framework for monitoring feedlot productivity measures was developed in 2017–18, with the first round of reporting to occur in 2018–19.
Animal health monitoring framework developed to align with MISP reporting requirements	●	A framework for monitoring animal health parameters was developed in 2017–18, with the first round of reporting to occur in 2018–19.
Feedlot Industry Training and Leadership Development Strategy and implementation plan approved by MLA and ALFA	●	A Feedlot Industry Training and Leadership Development Strategy has been developed and approved by MLA and ALFA. A detailed implementation plan for the strategy has also been developed and approved, with implementation to commence in 2018–19.

PROGRAM: Product and packaging innovation

SUB-PROGRAM: High Value Food Frontiers		
PILLAR 2: MARKET GROWTH AND DIVERSIFICATION PILLAR 3: SUPPLY CHAIN EFFICIENCY AND INTEGRITY		
Three new red meat value-adding technology or packaging solutions identified and undergoing research and development via MDC	●	Value-adding technology platforms and solutions under investigation include 3D printed food, freeze-drying and extrusion, as well as active and intelligent smart packaging.
Three new business models validated and ready to launch	●	MDC partnered with six companies in developing value-added export strategies and new business models. These included dry aged beef where ageing is undertaken in transit to Europe, Made in Australia ready meals for Asia markets, beef snacks for Japan, and dumplings containing Australian red meat for China market. These are all planned for launch in 2018–19.
Progress towards 2025 goal for the High Value Food Frontiers program of 50% red meat production converted to high-value product	●	MDC has identified six high value growth themes (snacking, ageing population, experience more, personalised nutrition, food without fear, sustainable food) and commenced engagement on these themes with industry to explore potential high value product and export opportunities.
Communicating the 2Morrow's Food Insights2Innovation market and consumer insights via at least 10 workshops or speaking engagements	●	2Morrow's Food market and consumer insights were communicated via five local and national conferences, 13 presentations to current and potential partners, hackathons, and communication materials and resources, including videos, brochures and media coverage, to create interest and engagement in drivers and opportunities for high value food frontiers innovation strategies.
Meet the agreed, cross-sectoral 2017–18 KPIs for the Rural Research and Development for Profit Insights2Innovation program	●	The Rural R&D for Profit Insights2Innovation project was completed in June 2018, with the final report submitted to the Department of Agriculture and Water Resources detailing the achievement of agreed cross-sectoral KPIs.

2017–18 KPI	Status	Commentary
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PROGRAM: Value chain information and efficiency

SUB-PROGRAM: Digital value chain information		
PILLAR 3: SUPPLY CHAIN EFFICIENCY AND INTEGRITY		
Red meat data system fully scoped and initiated	●	A system to store, link and analyse industry data is currently being scoped and the implementation plan executed.
Five projects initiated exploring application of digital technology with industry data	●	There are more than five projects underway which are exploring digital technologies and generating data.
Initiate an evaluation program to monitor the impact of digital technologies on compliance rates for industry	●	Projects have been scoped to look at the difference Livestock Data Link is making on compliance by comparing users with non-users. Findings are not yet available.
Phase II of myMLA/single sign-on scoped and initiated	●	Phase II of myMLA/single sign-on has been scoped and solution providers are being engaged.
Feedback on 10% of industry throughput is available through Livestock Data Link	●	This KPI was met for animal health and breeder data; however, it fell short for compliance data (8% of industry throughput available).
Industry endorsement of the red meat data system principles and rules	●	The data principles have been developed and endorsed by MLA, but stakeholder engagement and industry endorsement is currently being progressed.
Digital advocates program initiated	●	This program was replaced by the Supply Chain Adoption and Extension Officers and Digital Value Chain Officers, both of which are being successfully developed and deployed.
Solution provider network established	●	The solution provider network is currently being evaluated and a project has been developed to assess commercial opportunities.
myMLA registrations increase to 15,000	●	myMLA registrations exceeded 30,000 at June 2018.
Deliver at least one producer facing digital farm management tool	●	MaiaGrazing Lite, Livestock Labs animal health monitoring implant, SmartShepherd and electronic National Vendor Declarations were all delivered in 2017–18 via MDC.

PROGRAM: Productivity (off-farm)

SUB-PROGRAM: Productivity (off-farm)		
PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Strategic Plan KPI: Leverage co-investment through the MLA Donor Company (MDC) in the processing automation R&D portfolio by \$10m/year	●	\$12 million was contracted in 2017–18.
Productivity benefit of technologies adopted in 2017–18 and previous years deliver impact of \$30m/year	●	The productivity benefit of technologies adopted in 2017–18 exceeded \$30m/year. The automated lamb boning systems now operating in four production plants are the significant contributors to this impact. In the beef sector, automated rib cutting and load-out automation are the early advances, while BladeStop and spray chilling continue their adoption processes.
80% of the expected outcomes from productivity and logistics investments are achieved, including: <ul style="list-style-type: none"> contract first beef boning sensing and automation module development production demonstration of lamb LEAP V forequarter processing additional lamb middle processing modules trialled prototype demonstration of lamb LEAP II hindquarter processing first automated primal pick and pack plant demonstration first automated carton handling in-plant demonstration 	●	Two significant technology providers for beef boning automation have now engaged via MDC co-funding and are developing system concepts and the first automated module. LEAP V and II have been demonstrated in-plant. Lamb middle processing modules have not been trialled. Automated pack-out and load-out technologies are progressing.

2017–18 KPI	Status	Commentary
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PROGRAM: Productivity (on-farm)

SUB-PROGRAM: Beef productivity		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT		
PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Rumen manipulation practices that contribute to improved rangeland productivity of 0.5% by 2020	●	Projects to test practices commenced recently and practices will be adoption-ready in 2018–19.
Reductions in greenhouse gas emission intensities through new technologies	●	New projects which will provide laboratory evidence for greenhouse gas reductions have been implemented prior to field roll out.
Improved breeder herd fertility and reductions in calf loss resulting in 2% increase in weaning rates	●	Field work has commenced to link risk factors to causation and test the effect and cost–benefit of interventions. Adoption of these technologies remains a challenge.
Leverage of production systems such as use of Redlands leucaena for northern bioregions that increases turn-off by 1.5%/year	●	MLA is actively supporting the producer-driven Leucaena Network to provide extension and adoption services that increase uptake on farm. Trials to demonstrate increased turn-off are underway.
Development and demonstration of digital technologies that improve animal and enterprise management	●	Multiple projects based on Hitachi models have been developed and demonstrated. An autonomous drone project is on-track across two commercial properties.
Technologies and practices increase market compliance by 10%	●	Technology that delivers accuracy of P8 fat and body condition score prediction near 90% has been developed. Commercialisation discussions are underway which will achieve the practices when successful.
Feedlot induction automation feasibility study completed, reported to industry, and decision made on progression to commercial implementation	●	The feasibility study concluded automation of the feedlot induction process is feasible. However, further development research is required before it can be implemented commercially. Work is being commissioned to progress this.
Business model for feedlot research and development centre of excellence completed	●	Three potential business models for a feedlot research and development centre of excellence have been developed for industry consideration.
Asparagopsis feeding trial completed, reported to industry, and decision made on progression to commercial implementation	●	The Asparagopsis feeding trial demonstrated complete elimination of rumen methane production. Commercialisation arrangements are being negotiated with CSIRO.
SUB-PROGRAM: Feedbase production and utilisation		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT		
PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Strategic Plan KPI: Reduce cost of feral animals and weeds by \$15 million	●	Current estimates indicate the reduced cost of feral animals and weeds is approximately \$17 million, with progress made through the release of the rabbit calicivirus, reporting an estimated average of 36% reduction across the country.
New legume options identified that potentially increase dry matter production by 50% in northern and southern Australia production zones	●	Research reports highlight prospective plants and pasture combinations that can increase dry matter production and fill feed gaps.
Proof of concept of potential 30% reduction in phosphorus costs from more efficient practices and plants	●	Efficient use of phosphorus can be achieved, recognising phosphorus required between species and in the soil.
Genomic tools for annual legumes/phalaris developed to halve generation interval	●	Genomic markers have been published, paving the way to improve pasture breeding and potentially reducing the time required in breeding an improved sub-clover and medics.
Hand-held biomass sensor piloted and mobile device app ready to be commercialised	●	Commercial interest in developing the biomass sensor is being sought.
Seed company partnership in pasture variety testing with >30 trials in 15 locations covering 10 species	●	The Pasture Trial Network has expanded the locations and species being investigated, exceeding targets. Ten seed companies are providing entries.
Reduced rabbit populations from new K5 calicivirus reported from >500 sites nationally	●	The virus was released at >580 sites. Reduced populations have been reported at monitoring sites nationally.
New pig toxin (sodium-nitrate based) submitted for APVMA registration	●	The new pig toxin has been submitted for registration; however, APVMA approval is required before commercial release – duration of the APVMA review is uncertain.
Prospective biocontrol agents identified for blackberry and silverleaf nightshade	●	Agents failed host-specificity testing and will not be released. Non-target species were impacted by the agent.
Redistribution of biocontrol agents for parkinsonia, parthenium and gorse at >200 sites partnering with six local governments and five Landcare groups	●	Distribution of agents for the target weeds was successfully completed across northern and south-east Australia.

2017–18 KPI	Status	Commentary
SUB-PROGRAM: Goat productivity		
PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Supply estimates, scenario modelling and key messages generated for NSW, leading to informed advice back to industry regarding herd expansion needs providing increased security	●	Population modelling program is on-track with strong engagement from industry.
Benchmarks established for rangeland goat growth rates with and without supplementation, leading to informed and proven advice back to industry to assist with expansion	●	Benchmarks were established and reported back to industry in June 2018.
At least 400 goat producers engaged in awareness activities; at least 50 engaged in influence and motivate activities with on average a 75% knowledge and skills improvement score; at least 50 goat producers enrolled in Profitable Grazing Systems groups with on average 75% making at least one practice change	●	Approximately 220 goat producers engaged in awareness activities as at 30 May through webinars and field days. Four producers were involved in knowledge and skills improvement. No goat producers were involved in Profitable Grazing Systems.
SUB-PROGRAM: Livestock genetics		
PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Implement single-step genetic evaluation for Angus, Hereford and Brahman (incorporates genomics to estimated breeding values)	●	Single-step BREEDPLAN evaluation implemented for Brahman, Hereford, Angus and Wagyu.
Increase the rate of change in the aggregated beef \$ index values by 5% to \$2.64	●	The aggregated index value for performance-recorded beef breeds increased by 4.5%.
Increase the number of performance recorded beef animals with estimated breeding values from 119,583 to 125,562	●	More than 144,000 2016-born animals' performance recorded in BREEDPLAN.
Develop a nationally coordinated livestock extension and adoption service that increases the effectiveness of use and demand by the commercial producer (managed within MLA)	●	Genetics Adoption Strategy developed and supported by National Livestock Genetics Consortium Taskforce and industry. Genetics adoption steering committee established to oversee implementation of strategy.
Increase the number of animals in the Merino analysis by 5%	●	Animals included in the Merino analysis remained at 110,000.
Increase the numbers in the maternal analysis by 2%	●	Animals included in the maternal analysis increased by 9.8% to 32,500.
Maintain animal numbers in the terminal analysis	●	The number of 2016-born animals with performance submitted to the Terminal LAMBPLAN analysis increased by 2.3% to approximately 98,000.
SUB-PROGRAM: Sheep productivity		
PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
Develop new knowledge to enable producers to increase marking rates by 5% and reduce ewe mortality rates by 1% and deliver through: <ul style="list-style-type: none"> guidelines for management of ewe lambs for reproductive success guidelines for management of modern maternal ewes guidelines for managing ewes in late pregnancy and early lactation when grazing crops guidelines for strategic use of lucerne to improve conception rate 	●	R&D projects have been completed in the four key areas, delivering new management knowledge to enable sheep producers to increase marking rates and reduce ewe mortality. This is now being communicated through MLA and industry partner channels. The guidelines are included in MLA adoption programs such as Bred Well Fed Well and Profitable Grazing Systems.
Delivery of a research, development and adoption investment plan for the mixed farming zone	●	An RD&A investment plan has been developed and delivered to inform future investments in the mixed farming zone.

2017–18 KPI	Status	Commentary
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PROGRAM: Capability building

SUB-PROGRAM: Innovation capability building		
PILLAR 4: PRODUCTIVITY AND PROFITABILITY		
PILLAR 5: LEADERSHIP AND COLLABORATIVE CULTURE		
Retention of four to six red meat industry participants in the Young Food Innovators program	●	From the program's first cohort, five participants have been retained in the red meat sector. Seven participants from the program's second intake will be retained.
Recruitment of 8–12 young producers into the Young Food Innovators program	●	Fifteen producers took part in the second intake of the Young Food Innovators program.
Implement a program for a Digital Value Chain Officer with three partners	●	Four positions have been contracted with another five going through the approval process.
At least three case studies demonstrate innovation capability development through Insights2Innovation program	●	Five case studies were completed for the final Insights2Innovation report.
33% of current Collaborative Innovation Strategies Program partners successfully adopt the next generation Collaborative ColInnovation Program	●	At least 33% of current Collaborative Innovation Strategic Program partners have successfully adopted this program.
Delivery of the Intercollegiate Meat Judging (ICMJ) annual conference	●	The annual ICMJ conference was held in July 2017.
Delivery of an industry development education program for 20 ICMJ finalists	●	Industry education program held for 20 selected students.
Delivery of an industry insights tour of US and Japan markets for Australian ICMJ team and selected 'young guns'	●	The Australian team toured the US in January 2018 and won two US meat judging contests. Five young guns participated in the Japan tour.
Appoint at least five new PhD students	●	More than five PhD students have been appointed.
At least 10 early career scientists employed in MLA-funded research and development	●	More than 10 early career scientists have been employed by MLA-funded research and development.
At least 10 farm advisors mentored	●	Ten co-funded interns have been embedded in farm management consultancies and are actively participating in mentoring and a structured capability development program.
Delivery of ICMJ program involving a minimum of 120 students	●	The annual ICMJ conference and contest was held for 125 students and their 35 coaches, representing 14 different tertiary institutions including four international teams.
SUB-PROGRAM: Industry leadership and capacity building		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT		
PILLAR 5: LEADERSHIP AND COLLABORATIVE CULTURE		
PILLAR 6: STAKEHOLDER ENGAGEMENT		
Conduct a review of the industry leadership scholarships currently provided by MLA to ensure their alignment with achieving MLA's Strategic Plan objectives and maximum value to industry	●	Internal review complete and changes implemented.
At least 10 industry representatives complete media and/or presentation training	●	Forty-one producers participated in MLA workshops in Alice Springs and Albury.
40 industry people identified and trained as industry advocates	●	Thirty-eight advocates trained at an MLA advocates workshop held in Alice Springs as part of Red Meat 2017. MLA also conducted a workshop with its three sponsored Horizon scholars in Albury in August 2017.
Successful implementation of a new 'Building capacity in the grassfed beef industry' project, including a governance gap analysis, director training and skills development	●	This project is underway. Governance review, board and committee professional development is tracking to agreed milestones. The youth alumni strategy has been completed. The committee alumni strategy has commenced.
Eight established sheep industry leaders will have developed high-level governance skills through completion of the Australian Institute of Company Directors course as recipients of a Sheepmeat Industry Governance Scholarship	●	Nine people completed the course in October 2017 through the Sheepmeat Industry Governance Scholarship.
15 emerging sheep industry leaders will have well-developed leadership skills through completion of the second round of the Sheepmeat Industry Leadership Program	●	Sixteen emerging sheep industry leaders completed the second round of the Sheepmeat Industry Leadership Program.

2017–18 KPI	Status	Commentary
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PROGRAM: Communication

SUB-PROGRAM: Communication (community)		
PILLAR 1: CONSUMER AND COMMUNITY SUPPORT PILLAR 5: LEADERSHIP AND COLLABORATIVE CULTURE		
Implementation of a new online community engagement platform incorporated within MLA's Domestic Market Strategy	●	Development of the Australian Good Meat platform is ongoing and is now scheduled for launch in early 2018–19.
10% growth in subscribers to and user engagement with MLA's community Facebook page against the 2016–17 benchmark	●	MLA's community Facebook page Target 100 was not actively used in 2017–18 due to the development of the Australian Good Meat platform.
'Virtual reality' demonstration of the sustainability of the red meat industry trialed and introduced to the consumer engagement program	●	MLA's Paddock to Plate Story was launched at the Royal Queensland Show in August 2017 and has since been incorporated into the community engagement program.
At least two teacher-focused events feature MLA educational resources	●	MLA's education resources were featured at the Sydney Royal Easter Show Teacher Development Day and the Primary Industries Education Foundation Australia (PIEFA) Conference and were included in delegate satchels at 30 education conferences and seminars around the country via Kids Media and PIEFA.
A minimum of 70 schools engaging with MLA education materials	●	MLA used numerous education materials to engage with more than 100 schools in 2017–18.
A minimum 750 education resource downloads	●	MLA's new primary/middle school teaching resources 'Cattle and sheep farming today' have achieved more than 2,500 online downloads since launch in January 2018.
Development of an additional two primary school resources	●	MLA introduced a new suite of curriculum-linked resources ('Cattle and sheep farming today') to the education program in January 2018. The suite includes five interactive resources.
SUB-PROGRAM: Communication (stakeholder)		
PILLAR 5: LEADERSHIP AND COLLABORATIVE CULTURE PILLAR 6: STAKEHOLDER ENGAGEMENT		
Strategic Plan KPI: Improve stakeholder endorsement of MLA programs to 2.7/5	●	MLA's annual member survey completed in May 2018 revealed overall member satisfaction with MLA was 3.4.
Strategic Plan KPI: Improved industry crisis and issues management capability – one simulation with PICs	●	Internal systems review conducted by MLA. Simulation exercise offered to RMAC but not taken up. MLA support provided to PICs in response to an issue with live sheep exports to the Middle East.
Strategic Plan KPI: Increase member satisfaction with MLA to 3.7/5	●	MLA's annual member survey completed in May 2018 revealed overall member satisfaction with MLA increased from 3.35 in 2017 to 3.4 in 2018.
Strategic Plan KPI: Improve stakeholder endorsement of the value of MLA products and services – methodology, benchmarks and targets set	●	MLA's annual member survey revealed overall satisfaction with MLA communications was up from 6.6/10 in 2017 to 6.9 in 2018; importance of MLA membership up from 7.1 to 7.4; average satisfaction with marketing activities was 6.9; R&D was 6.7 and consumer and marketing insights was 6.6. Value of MLA beef programs ranged from 7 to 8.2, sheep programs from 7.4 to 8.2, and goat programs 6.3 to 8.8.
Development of an implementation plan for the Australian Beef Sustainability Framework	●	An implementation plan was established and the first Annual Update report was released at Beef Australia 2018.
High levels of producer satisfaction (above 70%) with MLA communications	●	Producer satisfaction with MLA print and digital communications rated 7.3/10 in MLA's 2018 member survey.
Increase in media volume and promotion of key messages against the 2016–17 benchmark	●	Overall media volume has increased by 106 clips (July 2017 to May 2018). Volume of coverage increased by 6.8% in targeted print media outlets.
All MLA members with recorded email accounts to be pre-registered for myMLA online services	●	Functionality set up although not instigated yet due to the success of MLA's campaign to drive voluntary adoption of myMLA and other online services.
Completed registrations to myMLA (MLA members and non-members) to exceed 15,000 – with 50% of users having linked an account through single sign-on	●	myMLA registrations now in excess of 30,000 and growing with more than 50% having linked an account through single sign-on.
mla.com.au content and navigation upgraded	●	This is an ongoing project, the first stage of which has been revision of the 'About MLA' website content and home page enhancement based on user feedback.

2017–18 KPI	Status	Commentary
10% growth in subscribers to and user engagement with MLA's Corporate Facebook Page against the 2016–17 benchmark	●	MLA achieved an increase of 26% in Facebook followers and 23% increase in engagement.
Annual Report and Annual Investment Plan supplied on time and endorsed by peak industry councils and the Australian Government	●	The Annual Report 2016–17 was supplied on time and received a Gold Award at the Australasian Reporting Awards. The Annual Investment Plan was also supplied on time and endorsed.
Stakeholder engagement strategy implemented in line with recommendations of the 2015 ACIL Allen Performance Review	●	This process is ongoing, with a stocktake of MLA's stakeholder engagement strategy conducted in April 2017 against the 2015 performance review to measure progress, identify gaps and vulnerabilities and recommend actions. The stocktake identified where MLA has addressed the review's recommendations and findings and areas requiring further work.
High levels of satisfaction (above 70%) recorded by attendees at MLA events	●	Attendee satisfaction with MLA's flagship industry event Red Meat 2017 averaged 8.6/10.

PROGRAM: Corporate services

SUB-PROGRAM: Corporate services		
PILLAR 5: LEADERSHIP AND COLLABORATIVE CULTURE CORPORATE SERVICES		
Successful roll-out of a program-based 'Path to Impact' organisational, reporting and evaluation structure that will maximise industry benefits from MLA's investments	●	Path to Impact structure for investment management established and in use.
Clean audit report received	●	Audit complete and report received.
Internal audit program delivered to the satisfaction of the MLA Audit and Risk Committee	●	Internal audits delivered in accordance with the MLA Audit and Risk Committee work program.
Operation within the framework of the Statutory Funding Agreement with the Commonwealth and statutory obligations	●	A compliance matrix is completed each year to capture MLA operations within the Funding Agreement with the Commonwealth.
Crisis Portal maintained and reflects the latest Risk Management Plan	●	The Crisis Portal is regularly maintained and the Risk Management Plan is updated to reflect learnings.
Risk Management Plan is maintained in accordance with the Board's risk appetite and reflects industry context	●	The Risk Management Plan is maintained and is regularly updated.

COMARKETING PROGRAM PARTICIPANTS 2017–18

Beef CoMarketing	\$
Adams Food Group	2,144
AACo	131,046
Andrews Meat Industries	32,357
Arcadian Organic Meat	65,031
Argyle Prestige Meats	55,000
Australian Beef Group	2,964
Australian Country Choice	29,988
Australian Organic Meats	7,238
Beefcorp	7,886
Biggenden Meatworks	3,960
Bindaree Beef Group	100,506*
Bingil Bay	3,521
China Marketing Solutions	15,000
Dardanup Butchering Co	48,590
Elders International	2,187
G & K O'Connor	3,282
Gippsland Natural Meats	15,900
Greenham Tasmania	173,440
Hardwick Meatworks	15,000
Harmony Fine Foods	3,000
Harvey Industries Group	147,434
JBS Australia	320,000
John Dee	7,165
KC Natural	5,717
Kilcoy Pastoral Company	46,563
Lotte International	35,000
Margaret River Premium Meats	11,135
Matrad	35,000
Meat Tender	7,000
Mort & Co.	28,094
Mulwarra	41,703
New World Foods	35,000
NH Foods	56,000
Nolan Meats	29,445
North Australian Pastoral Co	35,560
Northern Co-operative Meat Co	2,748
OBE Organic	21,453
Outback Beef	5,597
Rangers Valley	28,993
Richard Gunner Fine Meats	11,952
Sanger Australia	87,267*
Signature Beef	8,168
South Australian Cattle Co	9,993
Stanbroke Beef	99,838
Stockyard	51,259
Tabuan	4,633
Tasmania Feedlot	70,000

Beef CoMarketing (continued)	\$
Teys Australia	175,613
Thomas Foods International	181,112
Top Cut Foods	5,389
Warmoll Foods	65,269
Western Meat Packers	22,605
White Stripe Foods	44,750
Wyloo Pastoral	8,063
Total	2,463,553

Lamb CoMarketing	\$
Adams Food Group	2,144
Dardanup Butchering Co	34,054
Dorper Lamb	3,917
Fletcher International	16,407
Flinders Island Meat	10,000
Haywill Holdings	440
Hillside Meat Processors	8,492
JBS Australia	110,080
June Lamb	18,468
KC Natural	3,807
Meat Tender	5,142
Mikoni Park	5,178
Mulwarra	19,878
Outback Lamb	1,484
Richard Gunner Fine Meats	183
Sanger Australia	2,513*
Thomas Foods International	132,308
Top Cut Foods	8,923
V & V Walsh	4,354
WAMMCO	64,446
Western Meat Packers	6,799
White Stripe Foods	23,843
Total	482,830

Goat CoMarketing	\$
Darling River Goat Exports	5,000
GL & NJ Pratt (Diamond Grove)	80
Gourmet Goat Lady	1,000
JBS Australia	1,550
Thomas Foods International	20,000
Total	27,629

* Separate business arrangement for Sanger Australia and Bindaree Beef Group after April 2018.

RURAL R&D FOR PROFIT PROJECTS

The Australian Government's Rural R&D for Profit program boosts funding to the rural Research and Development Corporations (RDCs) – of which MLA is one – for nationally coordinated, strategic research that delivers outcomes for Australian producers. Three rounds of funding have been announced to date. Below are the projects which have been awarded funding where MLA is either the lead or a partner organisation. For more information go to agriculture.gov.au and search 'R&D for profit'.

Project	Start date	Expected finish date	Contributors	Total budget
Wastes to profits: Technologies and business models for the management of wastes in the animal industries	23/6/17	26/3/22	Australian Meat Processor Corporation; Dairy Australia Limited; Australian Pork Limited; Queensland University of Technology; University of Queensland; University of Southern Queensland; Murdoch University; Pacific Northwest National Laboratory; JBS Australia; Tays Australia; Australian Country Choice; Australian Lamb Company; Harvey Beef; Ridley Corporation Ltd; Aduro Biopolymers; Zeolite Australia Pty Ltd; Barwon Water; Queensland Urban Utilities	\$14,373,729
Forewarned is forearmed: equipping farmers and agricultural value chains to proactively manage the impacts of extreme climate events	26/6/17	30/5/22	Grains Research and Development Corporation; Rural Industries Research and Development Corporation (AgriFutures Australia); Cotton Research and Development Corporation; Sugar Research Australia Limited; Wine Australia; Dairy Australia Limited; Australian Pork Limited; Australian Bureau of Meteorology; University of Melbourne; University of Southern Queensland; QLD Department of Agriculture and Fisheries; Suncorp; Monash University; South Australian Research and Development Institute; VIC Department of Economic Development, Jobs, Transport and Resources	\$14,662,435
Boosting profit and reducing risk of mixed farms in low and medium rainfall areas with newly discovered legume pastures enabled by innovative management methods	RRnDfP start date 23/06/2017 MLA start date 30/05/2018	RRnDfP finish date 30/05/2022 MLA finish date 30/06/2022	Australian Wool Innovation Limited; Meat & Livestock Australia; Murdoch University; South Australian Research and Development Institute; WA Department Agriculture and Food; Charles Sturt University; Commonwealth Scientific and Industrial Research Organisation	\$16,558,866
Dung beetle ecosystem engineers – enduring benefits for livestock producers via science and a new community partnership model	23/6/17	23/5/22	Commonwealth Scientific and Industrial Research Organisation; Invetec Pty Ltd; University of Western Australia; Landcare Research New Zealand; Mingenew Irwin Group; University of New England; Charles Sturt University; WA Department of Agriculture and Food; Dung Beetles for Landcare Farming; Dung Beetle Solutions Australia; Warren Catchment Council; Leschenault Catchment Council	\$22,693,536

ACRONYMS, GLOSSARY AND INDEX

Acronyms

AGM	Annual General Meeting
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DEXA	dual-energy X-ray absorptiometry
EBV	estimated breeding value
EU	European Union
FTA	free trade agreement
KPI	key performance indicator
LDL	Livestock Data Link
LEP	Livestock Export Program
LPA	Livestock Production Assurance
MDC	MLA Donor Company
MLA	Meat & Livestock Australia
MSA	Meat Standards Australia
NLIS	National Livestock Identification System
NVD	National Vendor Declaration
OTH	Over-the-hooks
R&D	research and development
RMAC	Red Meat Advisory Council
TPP	Trans-Pacific Partnership
UAE	United Arab Emirates
US	United States

Glossary

Dual-energy X-ray absorptiometry (DEXA)

An objective measurement tool which measures meat, fat and bone in a carcase.

Livestock Data Link (LDL)

LDL is an online application that facilitates improved information sharing across the supply chain, enabling feedback to be received, analysed and compared in an efficient way.

Livestock Production Assurance (LPA)

The LPA program is the Australian livestock industry's on-farm assurance program covering food safety, animal welfare and biosecurity.

Meat Standards Australia (MSA)

MSA is Australia's eating quality grading system which predicts the eating quality of cuts within a carcase.

National Livestock Identification System (NLIS)

NLIS is Australia's system for the identification and traceability of cattle, sheep and goats. It ensures lifetime movements of these species can be identified and recorded within Australia.

National Vendor Declaration (NVD)

Producers use the NVD to declare information about the food safety status of their livestock being sold. It is a key tool underpinning Australia's food safety reputation for livestock.

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MLA's *Annual Report 2017–18* is available online at annualreport.mla.com.au



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