



**Meat & Livestock Australia  
Annual report 2010-11**

## Reading this Annual report

This *Annual report* presents Meat & Livestock Australia's programs, outcomes and financial performance during 2010-11. It is made up of four sections:

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

## Contents

Who we are	1	<b>Financial report for the year ended 30 June 2011</b>	
Chairman's report	2	Directors' report	44
Managing Director's report	4	Auditor's independence declaration	49
<b>Report to stakeholders</b>		Income statement	50
MLA 2010-11 at a glance	7	Statement of comprehensive income	51
Improving market access	8	Statement of financial position	52
Growing demand	12	Statement of changes in equity	53
Increasing productivity across the supply chain	18	Statement of cash flows	54
Promoting industry integrity and sustainability	22	Notes to the financial statements	55
Increasing industry and people capability	26	Directors' declaration	76
<b>About MLA</b>		Independent auditor's report	77
Financial summary	31	<b>Appendices</b>	
Strategic framework	32	Industry Collaborative Agreements 2010-11	79
MLA investments	32	Useful information	80
Organisation	35	Index	IBC
Corporate governance	38		

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*Cover: Producers Don and Jenn Capel from Bingara, NSW are members of the group that hosted a Meat Profit Day in March 2011.*

# Who we are

Meat & Livestock Australia (MLA) is a producer-owned company with more than 47,500 beef, sheepmeat and goatmeat producer members.

MLA builds demand, productivity and trust for Australia's red meat industry by delivering marketing and research services in partnership with industry and government. MLA does not regulate the industry, lobby the Australian Government, buy or sell cattle or meat, or control prices.

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

MLA is funded by:

- transaction levies on livestock sales
- Australian Government dollar-for-dollar funds for investment in research and development
- voluntary contributions from individual processors, wholesalers, foodservice operators and retailers
- contributions from processor and livestock export industry bodies

## Vision

A profitable and sustainable meat and livestock industry that meets consumer and community expectations

## Mission

Deliver world-class services and solutions in partnership with industry and government

## Values

- Collaborate with stakeholders
- Seek excellence
- Deliver value
- Work as a team
- Meet deadlines
- Act with integrity
- Never forget where the money comes from



**GROWING  
DEMAND**



**INCREASING  
PRODUCTIVITY**



**BUILDING  
TRUST**

# Chairman's report

A series of dramatic events during 2010-11 underlined just how volatile our trading environment can be.

Confidence began to seep back into our industry during the later part of 2010, following a run of very poor seasons and three years of economic instability on the back of the global financial crisis.

Over the first three months of 2011, producers had cause for optimism with higher beef and lamb prices due to the alignment of a break in the season and improved market prospects. This came despite the high Australian dollar continuing to place a significant drag on our export-dependent sector.

The drought-breaking rains that swept most of the country in late 2010 and early 2011, with the unfortunate exception of southern Western Australia, gave livestock producers the chance to rebuild their enterprises, restock and restore cash flows. Hopes of a rebound in our developed markets were further cause for optimism.

However, a series of natural and man-made disasters quickly took the wind from our sails.

While the livestock industry largely took flooding in its stride, the earthquake and tsunami in Japan had a devastating impact on people in a market that accounts for an estimated 23% of our total beef production. Economic uncertainty also weighed heavily on recovery in the United States and Europe. Signs of weakness in the non-mining sectors of the domestic economy also emerged as consumers took a more cautious approach to spending.

The financial year concluded with our industry confronting a crisis, as the airing of a television report on cruelty to Australian cattle in some

Indonesian abattoirs saw the trade suspended to our largest live cattle market. Industry worked hard to support commercial exporters and importers to deliver a controlled supply chain assurance solution that gave the Australian Government confidence to re-open the trade. The impact of this crisis continues to be felt, particularly amongst northern producers, with many facing financial difficulties as the trade remains restricted.

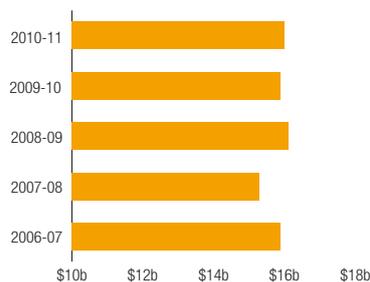
In the face of these tumultuous events, the Australian red meat and livestock industry performed solidly over the course of the financial year.

The favourable seasonal conditions contributed to an increase in red meat production in 2010-11 – with beef production reaching more than 2.13 million tonnes carcass weight (cwt), lamb approximately 391,340 tonnes cwt and goatmeat 27,690 tonnes cwt. The average profitability of both cattle and sheep enterprises improved over the year in line with the good season, despite increasing input costs.

Buoyed by the strong conditions in the third quarter, annual beef exports rose 4.1% to reach 937,300 tonnes shipped weight (swt) and sheepmeat exports declined 9% to 242,745 tonnes swt. Globally, Australia supplied monthly shipments worth around \$377.9 million for beef and \$126.5 million for sheepmeat. This international demand was underpinned by emerging markets across South-East Asia, Greater China, Russia and the Middle East, which between them accounted for a record of more than 30% of total beef shipments for the year.

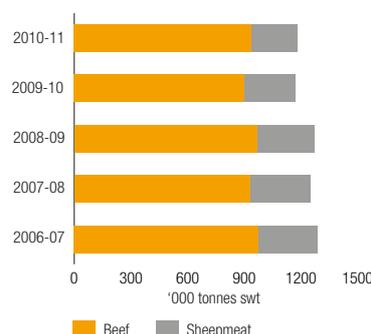
At home, more than 742,230 tonnes cwt of beef and 203,530 tonnes cwt of lamb were consumed during the financial year – a decrease of 3.4% and 8.3%

**The total value of the red meat and livestock industry increased to \$16 billion**



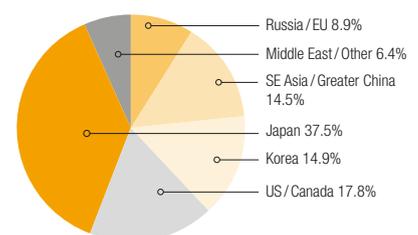
Source: MLA estimate

**The volume of beef exports increased to 937,300 tonnes swt and sheepmeat exports decreased to 242,745 tonnes swt**



Source: DAFF

**Beef shipments to non-traditional markets reached 30% of all exports by volume**



Source: DAFF

respectively. Domestic expenditure on beef and lamb topped \$8.9 billion, a decline of \$0.6 billion from the previous financial year. This reflected the dynamic balance of supply and demand, with export demand taking up a greater proportion of production, leaving less supply for domestic consumption.

The dramatic events of 2010-11 underline that while we face a volatile trading environment, producers have the power to effect changes in their businesses that can cushion these blows.

Global economic uncertainty has serious short-term effects on prices received at the farm gate. However, the Australian red meat industry is ideally placed to take advantage of rising demand for protein in the emerging economies throughout the Asian region.

Long-term changes to the Australian economy may exacerbate the cost-price squeeze faced by producers, as input costs increase and the high dollar dampens export demand. However, producers can improve their margins by using on-farm tools to increase productivity and boost the efficiency of their use of inputs such as fertiliser.

Similarly, when taken at face value, the crisis in Indonesia was difficult for our industry. However, it gives us all the impetus to further improve the welfare of Australian livestock – with industry supporting exporters and importers to provide the supply chain assurance that will ultimately increase community trust in our industry.

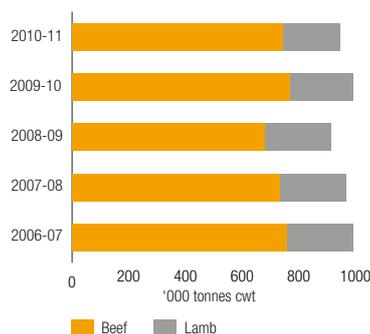


Don Heatley

Producers should look beyond short-term volatility towards the fundamental trends and opportunities underlying our industry. MLA's work in building demand, productivity and trust for the red meat and livestock industry can provide you with the tools to identify and take advantage of these opportunities into the future.

Don Heatley  
Chairman

**The volume of beef consumed domestically decreased to 742,230 tonnes cwt and lamb decreased to 203,530 tonnes cwt**



Source: MLA estimate

**The eastern young cattle indicator peaked at \$4.15/kg cwt in April 2011**



Source: NLRS

**The eastern states trade lamb indicator peaked at \$6.50/kg cwt in March 2011**



Source: NLRS

# Managing Director's report

As your producer-owned service company, MLA invests collective funds into marketing activities to build demand for red meat products, and into research to help lift your profitability and sustainability. In short, MLA works to build demand, productivity and trust for the red meat and livestock industry.

MLA's performance during 2010-11 was underpinned by prudent financial management. We recorded a surplus of \$0.9 million that took our total retained surplus to \$56.4 million.

Expenditure decreased by 2.5% to \$166.5 million, with more than \$76.1 million spent on research and development and \$90.4 million on marketing programs. Our investment into growing demand for red meat increased by \$0.8 million while investments in increasing productivity declined by \$3.8 million and in the MLA Donor Company declined by \$2.0 million. This reflected the extended timeframes in developing the feedbase investment plan and lower private investments by processors due to a difficult trading environment.

In line with this, our total revenue decreased by 2.6% to \$167.4 million with income from levies down marginally to \$96.1 million. The overall decrease in revenue reflected the fall of \$2.4 million in matching contributions from the Australian Government in line with the fall in MLA's research and development investment and a decline of \$1.7 million in private contributions through the MLA Donor Company.

## Growing demand for red meat

MLA programs help boost demand for red meat in Australia and overseas.

The Australian beef industry had a great result in increasing export value to Korea over the year to \$715 million in the face of an aggressive push by the United States into the market. MLA marketing initiatives supported this achievement, including a campaign that reached 20 million Koreans a month featuring our new Australian Beef ambassador Mr Keun Hyung. In our largest export destination of Japan, a new MLA

marketing campaign 'Iron Beauty' is garnering positive feedback from retailers by using a website, advertising and groups of 'iron beauties' to encourage women, the key household decision makers, to get more of their energy and nutrition from Australian beef.

At home, MLA's new 'Nothing beats Beef' marketing campaign was launched in October 2010, reaching more than 14.6 million Australians. This coincided with a 12% increase in sales of prime steak and 6% in all beef/veal meals served, at a time when supermarkets were aggressively promoting beef. Meanwhile, our innovative *Masterpieces* program educated approximately 400 chefs and foodservice representatives about creative ways to use non-traditional cuts of beef and lamb, and has already boosted sales of non-traditional cuts.

Industry's long-term push to improve the consistent eating quality of its product through Meat Standards Australia (MSA) reached critical mass, with 1.42 million cattle and 870,500 sheep graded during 2010-11. Alongside strong producer and processor support, these numbers provide a platform for future growth. This makes it even more critical that, in the coming year, we redouble our efforts in achieving more visibility of the MSA trademark in underpinning private brands at the retail point of sale.

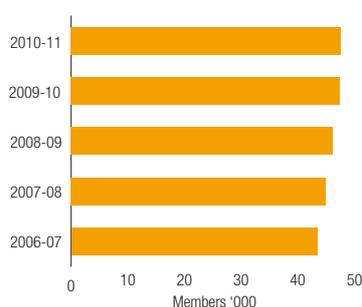
## Increasing efficiency of production

MLA's targeted investments in research and development strive to deliver scientific advances and tools that help producers increase their profitability.

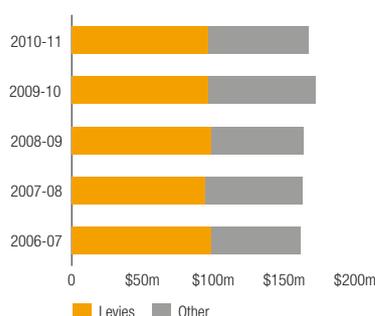
A groundbreaking 10-year feedbase investment plan was developed during the year that sets the agenda for the future of improving pasture productivity, fertiliser efficiency and enterprise integration across southern Australia. MLA also renewed support for the Invasive Animals Cooperative Research Centre, which during the year developed new controls for wild pigs and dogs.

Our investments to improve both cattle and sheep genetics yielded some significant results. The Sheep

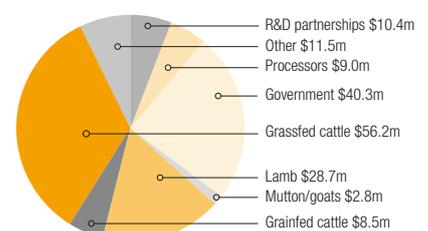
**MLA membership was steady at 47,556**



**MLA's revenue from producer levies declined marginally to \$96.1 million**



**Producer levies income made up 57% of MLA's total revenue**



Cooperative Research Centre released new research breeding values for intramuscular fat and shear force, the first to focus on sheepmeat eating quality traits. A new multi-partner collaboration also opened the doors to more accurate Angus cattle genomics with the commercial release of BREEDPLAN estimated breeding values that incorporate three sources of genetic information. Off-farm, several new technologies approached commercialisation, including the commencement of production trials for HookAssist, a new technology that enables easier handling of the beef carcase.

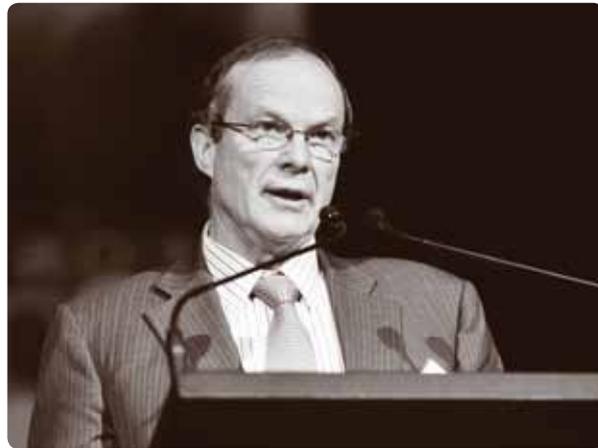
MLA's complex research portfolio includes investments across a wide range of government, universities, research bodies and private organisations. We are taking steps to increase the level of transparency and reporting around our investment in research and development, including the publication of a list of all completed projects during the financial year on our website and enhanced reporting in this *Annual report*.

### Building trust in our industry

MLA also works to deliver programs that build the trust of the community in our industry.

To help inform the environment debate, MLA funded research by the CSIRO that demonstrated that methane emissions from northern cattle are as much as 30% lower than had been previously estimated. Once it is peer reviewed and confirmed, this result could form the basis of more accurate calculations of our industry's carbon footprint. Our Virtual Farm Visit online application helped to show thousands of school children the realities of life on beef and sheep farms from their classroom.

MLA also joined industry in a charity initiative to support Japanese beef producers affected by the devastating earthquake and tsunami disaster in 2011. 'Together with Japan' raised more than \$250,000 and helped farming communities in the stricken regions through charity barbecues and food relief.



David Palmer

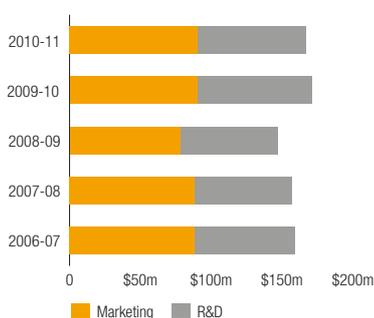
Public concern about the treatment of Australian cattle in Indonesia highlighted the importance that the Australian community places on safeguarding the welfare of our livestock. A key challenge for commercial operators in the livestock export industry in the coming months will be to provide greater assurance of the welfare of Australian livestock in export markets. As an industry, it is vital that we seize the opportunity that we have for change and implement lasting improvements across all our markets.

The 2010-11 financial year was the last of my five-and-a-half years as Managing Director of MLA, and of the more than 15 years I have spent with the company and its predecessor. I would like to thank everyone at MLA, and everyone who I have worked with over the entire 25-year span of my career in industry administration, for their dedication and commitment to this great industry of ours.

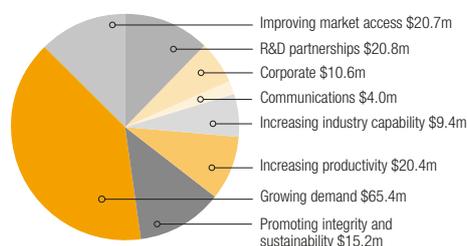
David Palmer  
Managing Director

*David Palmer resigned as Managing Director of MLA on 8 July 2011. Scott Hansen has taken up the position.*

### MLA expenditure on marketing increased to \$90.4 million and on research decreased to \$76.1 million



### 39% of MLA's expenditure was to grow demand for Australian red meat



# Report to stakeholders

*Growing demand for Australian red meat involves working with influencers such as 'Iron Chef' Hiroiyuki Sakai (centre)*



# MLA 2010-11 – at a glance

**\$167.4 million in total revenue**

**\$96.1 million in producer levies**

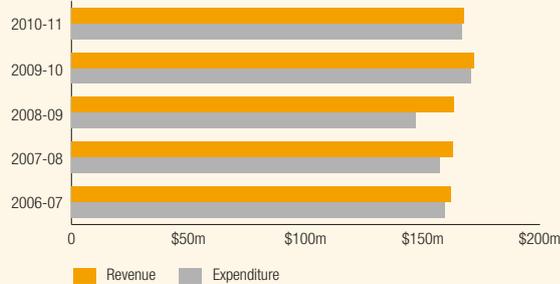
**\$90.4 million invested in marketing programs**

**\$76.1 million invested in research and development programs**

**\$0.9 million surplus**

**47,556 producer members**

**MLA continued its record of prudent financial management during 2010-11**



This *Report to stakeholders* focuses on MLA's activities and outcomes for the 2010-11 financial year, aligned with our five strategic imperatives and structured according to our five-year strategic plan.

MLA's five strategic imperatives are:

- Improving market access
- Growing demand
- Increasing productivity across the supply chain
- Promoting industry integrity and sustainability
- Increasing industry and people capability

Our *Annual operating plan 2010-11* outlines all MLA's strategic imperatives, strategies to achieve them, planned activities for the year and key performance indicators. It draws on our vision outlined in the *MLA Strategic plan 2010-2015*.

Changes to MLA's strategic imperatives in 2010-11 compared to previous years are in line with the *MLA Strategic plan 2010-2015*, which aligned the company's strategic direction with the new *Meat industry strategic plan 2010-2015*.

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

## Key achievements:

- Marketing campaigns supported industry to increase beef exports to Korea in the face of aggressive competition from the United States (see page 16)
- Meat Standards Australia (MSA) reached a critical mass of product with 1.42 million cattle and 870,500 sheep graded (page 13)
- *Masterpieces* program significantly increased sales of non-traditional beef cuts amongst participants (page 15)
- Commercial release of new BREEDPLAN estimated breeding values incorporating genomic measures (page 21)
- Invested in Invasive Animals Cooperative Research Centre that produced new pig and dog controls (page 23)
- 1,500 lamb producers attended *It's Ewe Time* forums with 72% intending to make changes in their businesses as a result (page 29)
- Successful trials of HookAssist, a new technology for easier handling of the beef carcass (page 20)

## Areas requiring further focus:

- Supporting livestock exporters and importers to provide supply chain assurance that animal welfare meets international standards (see page 11)
- Increasing transparency and reporting around research and development projects (see page 32)
- Greater visibility of the MSA trademark underpinning retail brands at the point of sale (page 13)

## Throughout this report:

**RESEARCH PRIORITIES** Indicates the relevant Australian Government research priority that guide the strategic imperative

**BUSINESS UNITS** Indicates the relevant MLA business units responsible for delivering the strategic imperative

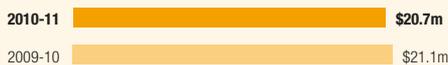
# Improving market access

**MLA improves market access for Australian red meat by enhancing product integrity, ensuring a whole-of-industry approach to maintaining and liberalising world meat markets, and maximising market options for the livestock export trade.**

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

- BUSINESS UNITS**
- International markets and economic services
  - Industry systems
  - Client innovation services
  - Livestock export program
  - Communications

## Investment



## Key achievements:

- Assisted industry to increase Australian beef exports to the European Union by 52% year-on-year, supplying additional tonnage under a new grainfed beef quota
- Delivered research enabling industry to demonstrate that Australian beef is free from certain strains of *E. coli* for the US market

## Areas requiring further focus:

- Supporting livestock exporters and importers to provide supply chain assurance that animal welfare meets international standards

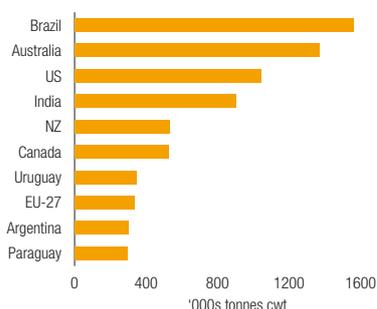
## OPPORTUNITIES AND CHALLENGES

With the export of 65% of our beef production, 45% of lamb, 80% of mutton and up to 95% of goatmeat, market access remains the lifeblood of our industry. The growing importance of non-traditional markets and increasing competition in red meat supply to our key north Asian trading partners present both challenges and opportunities to ensure we capitalise on a rapidly changing global trading environment.

Bi-lateral trade agreements are fast becoming the main avenue for improving market access, as progress has been slow in negotiations towards an outcome from the World Trade Organization Doha Round that commenced in 2001. Australia currently has six free trade agreements (FTAs) in place, with a further nine being negotiated. These FTAs are likely to have positive impacts on industry, where the market access arrangements to be secured are better than or at least equal to our competitors.

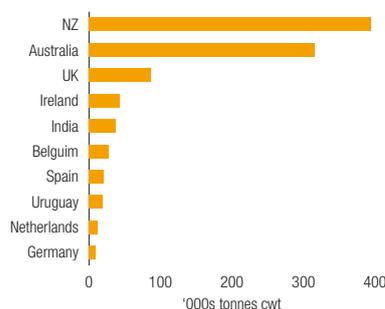
A critical international issue throughout 2010-11 was the increased scrutiny on animal welfare in our livestock export markets. Events surrounding cattle exports to Indonesia led to a suspension of the trade by the Australian Government and highlighted the importance of safeguarding animal welfare standards in all international markets that receive Australian livestock. This is an area where industry must proactively respond to changing community expectations in order to preserve existing global market access arrangements. Industry-commissioned Newspoll market research in June 2011 showed that 80% of Australians believe the live export trade should be allowed to continue to countries that adhere to international standards for animal welfare.

**Australia was the world's second largest exporter of beef during 2010**



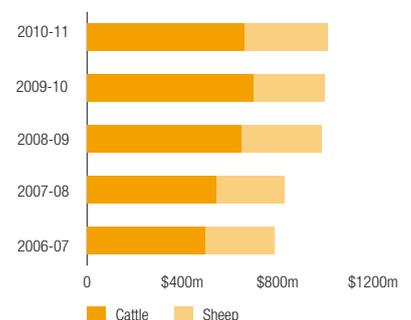
Source: USDA

**Australia was the world's second largest exporter of sheepmeat during 2008**



Source: FAO (includes intra-European trade)

**The value of live cattle exports decreased to \$660 million and live sheep exports increased to \$348 million**



Source: ABS

## PERFORMANCE

### Enhancing product integrity

Enhancing quality assurance throughout the red meat supply chain and ensuring Australia's food safety systems are world class are important to maintaining the confidence of domestic and overseas customers, and keeping global markets open. Throughout the year, MLA invested \$10.5 million to continue to develop scientifically-based integrity tools and systems.

Key performance indicators	
Maintain microbiological benchmarks within the <i>E. coli</i> and Salmonella Monitoring database	Not achieved: impacted by high rainfall
Major market closures avoided due to integrity of Australia's food safety systems	Achieved
Independent biennial audit to ensure NLIS database delivers against performance standards	Achieved

MLA's food safety research and development (R&D) investments have focussed on testing for *E. coli* O157 in manufacturing beef in international markets, particularly the United States (US). Our research enabled industry to compile data demonstrating that Australian beef is free from a number of additional *E. coli* strains that are of growing concern to the US Government.



MLA provided advice to the Australian Quarantine and Inspection Service on control and testing of *E. coli* O157

The National Livestock Identification System (NLIS) underpins the integrity and safety of Australian red meat by providing traceability from property of birth to slaughter. This is critical to achieving market access gains, such as into the European Union (EU). The NLIS database is administered by NLIS Ltd, a subsidiary of MLA. The total number of transactions recorded on the NLIS database continued to grow, with 248,000

transactions per month during the year, an increase of 7% on the previous year. NLIS user accounts have risen 13% to reach 50,000 users. An upgraded NLIS mirror database was developed and deployed to Western Australia, New South Wales, Queensland and Victoria during the year, allowing more frequent updates during an incident and providing additional data to enable improved compliance. It also put in place a platform for sharing traceability reports across states, representing 87% of the national cattle herd and 84% of the sheep flock.

#### The total number of NLIS transactions continued to grow steadily during 2010-11



### Maintaining and liberalising access

MLA works closely with government, peak councils and key industry stakeholders to defend existing access to international livestock and meat markets and, where possible, secure improvements to export conditions. We invested \$3.2 million in this area in 2010-11.

Key performance indicators	
Improvement in access to at least one market	Not achieved: however some technical issues were addressed
Satisfaction rating of MLA market access activities by government and industry maintained above 85%	Not applicable: next survey 2012

MLA and peak councils partnered with the Australian Government to ensure our trade priorities were incorporated in all active FTA negotiations. Negotiations progressed with Japan, Korea, China, Malaysia, within the Trans-Pacific Partnership and the Pacific Agreement on Closer Economic Relations during the year, and commenced with Indonesia and India. Negotiations are currently on hold with the Gulf Co-operation Council in the Middle East.

Expediting the Australia-Korea FTA negotiations is particularly critical as our main international competitors, the US and EU, have already secured preferential access arrangements. The Australian and Korean governments have expressed a joint goal to conclude negotiations in 2011. The Australian beef

## Improving market access

industry increased exports to Korea during 2010-11 in the face of the aggressive promotion of US product in the market, with export value reaching \$715 million in 2010-11 – an increase of 19% on the previous year.

Work was undertaken during the year to take advantage of new access to the EU market under a 20,000 tonne grainfed beef import quota negotiated by government and industry in January 2010. In 2010-11 exports to the EU increased 52% year-on-year, off a low base, with more than 4,000 tonnes of grainfed beef exported to the EU in addition to the regular 7,000 tonne quota. MLA worked with industry to increase participation in the EU Cattle Accreditation Scheme, a national animal production system that meets EU regulations and enables the traceability of all participating cattle through NLIS. In 2012-13 the 20,000 tonne quota will increase to 48,200 tonnes.

MLA worked with peak councils to enhance strategic partnerships with overseas customers to protect red meat industry interests and help resolve trade issues. Where required, this incorporated ongoing dialogue with international alliances including Tri-Lamb, the Five Nations Beef Alliance, Europe Market Access Committee and the Livestock Industries Corporation of Japan. MLA also partnered with the Australian Government to respond to country of origin labelling and *Farm Bill* issues in the US, Russia's accession to the WTO, Croatia's accession to the EU and global Halal development. Import regulations and technical access issues across South Asia and the Middle East were also addressed, and input made into the development of *E. coli* protocols in the US and the review of sheepmeat tariffs in South Africa.

## Developing the livestock export trade

MLA is committed to working with industry, governments and overseas partners to further develop a sustainable and resilient livestock export trade. MLA does not regulate livestock exports or animal welfare in overseas markets. Under the new regulatory framework, assuring acceptable animal welfare outcomes is the responsibility of individual supply chains. The Livestock Export Program (LEP) is operated by MLA in partnership with LiveCorp to provide R&D and market support activities to assist supply chains to meet their responsibilities. MLA invested \$7 million in this area in 2010-11. The Australian Government matches MLA's R&D investment through the Live Trade Animal Welfare Partnership.

### Key performance indicators

Indonesian Government and key importers value breeding training programs and 80% of farmers trained plan to adopt improved management practices	Achieved
Improvements to livestock handling and transport in at least 50% of facilities accessed in the Middle East	Achieved
Maintain community support for livestock exports through livestock management, animal welfare and communication	Not achieved: community support fell in June

The critical issue confronting the livestock export industry during 2010-11 was the suspension of cattle exports to Indonesia (see page 11). Prior to the



Queensland producer Donald Brown has had accredited access to premium European Union markets since 2000



*MLA livestock export staff Peter and Sharon Dundon are part of the MLA team in the Middle East*

suspension, the industry launched a strategic vision for improving animal welfare outcomes in livestock export markets, including the development of comprehensive action plans for each key export market. The activities outlined in the action plan for Indonesia have been accelerated following the issues in the market.

In the Middle East, MLA and the livestock export industry also worked in two key facilities in Kuwait to make infrastructure improvements to enable them to meet OIE (World Organisation for Animal Health) standards. With approximately 1.1 million sheep exported there in 2010, Kuwait is an important market for Australia.

MLA also undertook a range of communication activities, including representatives visiting the Middle East during November 2010 to record livestock management during Eid al Adha, images of local families, infrastructure and the closed system at Sokhna in Egypt. A new LEP scholarship worth \$10,000 was announced to support veterinary students to pursue a research project in the livestock export industry. MLA and LiveCorp also sponsored a session on the future of the live export industry at the ABARES Outlook 2011 conference in March 2011.

### 2011-12 activities

MLA will build on these activities from 2010-11 and plans to:

- maintain and develop food safety tools and systems
- progress industry issues in FTA negotiations with Korea and Japan, as well as the Trans-Pacific Partnership trade talks
- support industry to provide greater assurance around animal welfare in livestock export markets

## Livestock exports to Indonesia

The suspension of cattle exports to Indonesia in June 2011 accelerated the need to provide additional assurance for the welfare of Australian livestock in export markets.

Prior to the suspension, the industry launched a strategic vision for improving animal welfare in our livestock export markets. An action plan for Indonesia had been developed in response to the recommendations of an independent review of animal welfare conditions that was conducted in the market.

A \$9 million industry plan was then put forward with measures to facilitate the re-opening of the trade to Indonesia, with industry focused on meeting, or exceeding, OIE (World Organisation for Animal Health) animal welfare standards.

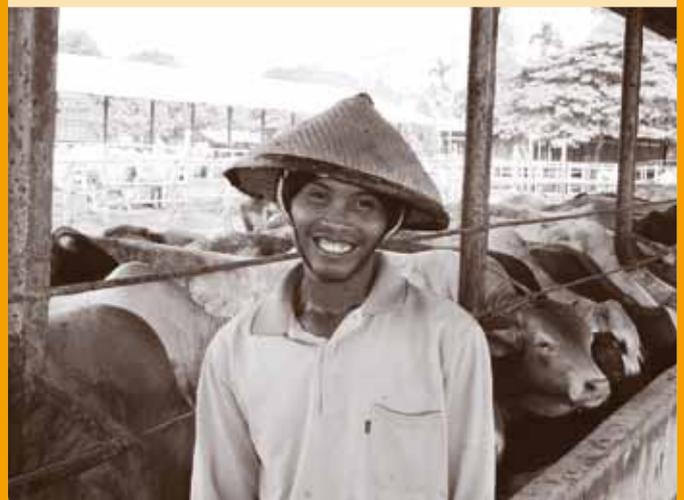
Many elements of this plan were ultimately adopted by the Australian Government, resulting in the suspension being lifted. In particular, the plan focused on accelerating infrastructure improvements that facilitate stunning.

Cattle Council of Australia Chief Executive Officer, David Inall, said that the crisis had given exporters and industry the mandate to accelerate change in the marketplace.

“Cattle producers consider the welfare of our animals of critical importance and we are committed to improving animal welfare in all the markets we operate in,” he said.

“It is clear that we must invest more to assure the welfare outcomes for our cattle in Indonesia. Industry has been working with government to develop and implement the type of supply chain assurance required to ensure the wellbeing of exported cattle.

“We are all committed to securing the long-term sustainability of live cattle exports to Indonesia, a trade that delivers significant benefits to both countries.”



# Growing demand

MLA works to grow demand for Australian red meat by stimulating consumer desire for beef, sheepmeat and goatmeat in domestic and international markets, providing systems to achieve consistent eating quality, enhancing the nutritional reputation of red meat, and developing new products for lower value meat cuts.

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

- BUSINESS UNITS**
- Domestic marketing
  - International markets and economic services
  - Industry systems
  - Client innovation services

## Investment



## Key achievements:

- The new 'Nothing beats Beef' marketing campaign reached 14.6 million Australians and contributed to increased demand during the campaign period
- Meat Standards Australia (MSA) reached a critical mass of product with 1.42 million cattle and 870,500 sheep graded
- *Masterpieces* program increased sales of non-traditional cuts amongst participants
- 'Together with Japan' charity campaign supported disaster-stricken Japanese farming communities in our important trading partner
- Marketing campaigns supported industry to increase beef exports to Korea in the face of aggressive competition from the United States

## Areas requiring further focus:

- Achieving greater visibility of the MSA trademark underpinning retail brands at the point-of-sale
- Continuing to combat aggressive US re-entry into the Japanese and Korean markets

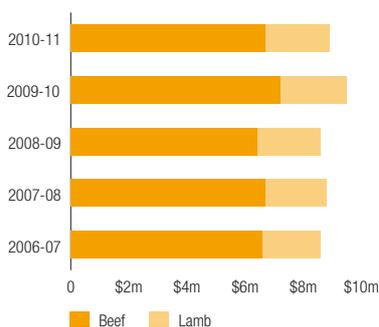
## OPPORTUNITIES AND CHALLENGES

Strong competition from alternative proteins and high lamb prices proved to be challenges for the Australian red meat and livestock industry in 2010-11. Local consumption by volume of beef was down 4%, although this was largely due to a surge in exports between September 2010 and March 2011 that left a lower volume for the domestic market. Lamb consumption by volume decreased 10% year-on-year, due to a drop in production and steady exports resulting in less product being available for the local market. There were some

indications that the high price of lamb is becoming a barrier for some price-sensitive consumers, retailers and foodservice operators.

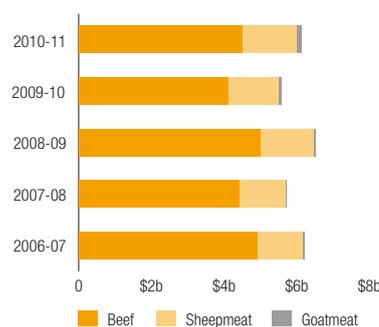
Some groups continue to call for consumers to reduce their consumption of red meat for health, environmental and animal welfare reasons. MLA's nutrition portfolio plays an important role in promoting the health attributes of beef and lamb, such as by providing scientific information during the review of the National Health and Medical Research Council's review of dietary guidelines.

**Domestic expenditure on beef decreased to \$6.7 billion and lamb decreased to \$2.2 billion**



Source: MLA estimate

**Beef export values increased to \$4.5 billion and sheepmeat increased to \$1.5 billion**



Source: MLA estimate

**The Australian dollar peaked at US\$1.09 and ¥89 in May 2011**



Source: RBA

Globally, the most important constraint on the export-reliant livestock industry was the high Australian dollar, which is having a negative impact on the competitiveness of Australian red meat products in international markets. The dollar appreciated approximately 18% during the year against the US dollar to reach US\$1.06 by the end of June, a trend that is likely to be sustained over at least the medium term.

Despite this, export volumes of beef and veal increased by 3% and lamb export volumes were up 7% during the year. More than 30% of total beef exports went outside our traditional trading partners to emerging markets such as Russia, the Middle East and South-East Asia – the highest proportion of total exports in more than 25 years. This countered subdued demand in Japan and the US, while demand from Korea was higher despite increased competition from the US. Sheepmeat demand across the globe continues to be extremely strong, with short-term supply the main challenge to further growth.

## PERFORMANCE

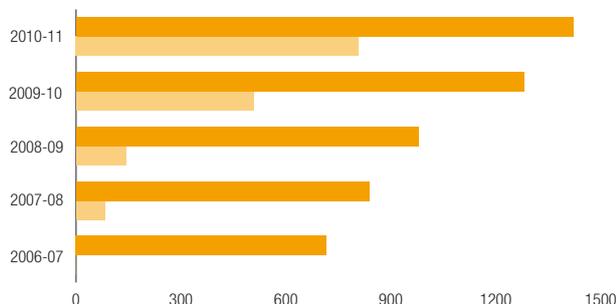
### Achieving consistent eating quality

Maintaining the integrity of our product is vital for ensuring ongoing consumer confidence in red meat. The Meat Standards Australia (MSA) program gives consumers the assurance of a consistently high quality eating experience, with its predictive power backed by results from more than 420,000 consumer taste tests. MLA invested \$7.4 million in this area during 2010-11.

Key performance indicators	
Eating quality of red meat improved by process control interventions in 80% of lamb and 80% of beef processed	Achieved
Increase MSA beef grading numbers to 1.44 million head and sheep grading numbers to 1.2 million head	Not achieved: graded 1.42 million cattle and 870,500 sheep
Maintain consumer satisfaction ratings on the quality of beef above 7.3 out of 10	Not achieved: rated 7.1 out of 10
Support the successful launch of four branded products underpinned by four-star MSA	Achieved

2010-11 saw MSA reach several important milestones. While falling short of its targets, MSA grading numbers increased to reach 1.42 million head of cattle – growth of 170,000 head or 13.6% on the previous financial year's figures. Compliance rates reached 94% during the year, from 91.7% during 2009-10, reflecting greater understanding of MSA requirements amongst cattle producers and improved seasonal conditions.

### MSA grading numbers continued to grow strongly in 2010-11 to reach 1.42 million cattle and 870,500 sheep



MSA-graded cattle attracted an average 15 cents per kg HSCW premium. MSA sheepmeat continued to strengthen, despite also not reaching targets, with 362,500 additional head graded under the program compared with the previous financial year to bring the total to 870,500 sheep. This growth in MSA-graded numbers has been driven in part by increased producer participation, with MLA conducting 71 producer training workshops during the year and educating producers on grading compliance.

MSA also made some progress at the retail level, with 31 beef and two lamb brands in the domestic market now underpinned by MSA science under Industry Collaborative Agreements (see page 34). Three brands – Riverine Tender Cut (Cargill), King Island (JBS Australia) and Brannans Butchery (Aldi) – launched lines of MSA-graded beef during the year using the MSA logo as a third party endorsement of quality at the point of purchase in supermarkets. Further work is required to increase the adoption and visibility of MSA at the retail level, particularly as a critical mass of grading numbers has now been reached.

The research behind MSA was also awarded one of Australia's most prestigious science prizes, taking out the Australian Museum Eureka Award in the research by an interdisciplinary team category in August 2010.



Meat Standards Australia grading numbers reached critical mass during 2010-11

A survey found that 86% of wholesalers and 78% of foodservice operators rated MSA as providing good value to their business or better, consistent with a survey conducted in 2009.

### Enhancing nutritional value

Promoting the nutritional attributes of red meat to consumers and healthcare professionals aims to build demand for red meat in domestic and international markets. MLA invested \$7.9 million to develop nutrition communication campaigns and fund credible scientific research to underpin these activities.

#### Key performance indicators

Increase mothers with children who strongly agree that “red meat is an essential part of a healthy diet” to 49%	Not achieved: fell from 48% to 47%
The resistor/rejector consumer segment does not increase above 20%	Achieved

The ‘Red Meat Amazing Food’ promotional campaign continued as part of MLA’s sponsorship of the popular television series *Junior Masterchef*, highlighting the nutritional benefits of eating red meat three to four times per week. We also distributed more than 150,000 copies of a new brochure *How to make every bite count* to new mothers informing them about the value of including red meat in their infants’ diets as a source of iron and zinc. The ‘Red Meat EnergiZn Life’ campaign provided information to 21,000 healthcare professionals about the benefits of the iron and zinc in red meat to maintain energy levels and combat fatigue.

MLA provided comprehensive submissions to the Australian Government’s National Health and Medical Research Council’s review of the Australian dietary guidelines to highlight the importance of eating red meat three to four times a week as part of a balanced diet. This included providing panel members with information on nutritional and environmental aspects of red meat production and consumption.

We continued funding 11 nutrition studies as well as four new studies relating to red meat’s nutritional value and its role in the health of infants and toddlers; young women and the elderly; red meat consumption patterns; and the role of food knowledge and cooking practices. Four scientific papers were published in peer-reviewed journals and six presentations were delivered at conferences as a result of these studies, while two conference proceedings were published.

### Developing new products

Industry profitability depends on getting extra value from the full range of meat cuts and non-meat parts of

the carcass. MLA invested \$1.7 million to develop new products that increase revenue per carcass, develop industry capability to access novel markets and value chains, and develop advanced technologies to give industry a competitive edge.

#### Key performance indicators

Develop technologies from products and bioactives resulting in increased carcass worth by \$5/head for cattle and \$1/head for sheep	Not achieved: numeat chilling technology potential increase of \$5/head for cattle but not assessed for sheep
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A joint MLA and Australian Meat Processor Corporation (AMPC) survey was released in January 2011 that identified four blood-based bioactive products with potential markets in the pharmaceutical, medical device, food and animal health industries. The compounds – bovine serum albumin, thrombin, immunoglobulin G and haemoglobin – all have the potential to add an additional revenue stream for processors. A fifth bioactive compound derived from cartilage, chondroitin sulphate, has also been identified as having commercial potential. Business cases for two of these bioactives estimate a potential contribution of between \$8.20 and \$9.50 per head for cattle.

MLA also progressed with the commercialisation of SmartShape, an advanced processing technology that provides consistent shaping and portion control of red meat. The technology is undergoing commercial trials and a process was developed for the cold setting of primal cuts in a SmartShape machine, which was demonstrated to processors and foodservice providers.

At the retail level, three new products were launched with the assistance of MLA including the rump portioned rolled roast, Mexican beef fajita strips and a range of gourmet sausages produced using a novel processing technology that allows carcasses to be de-boned and then instantly chilled. A business case for the thin sliced technology behind the retail ‘Sizzle Steak’ showed it contributed an additional \$4.94 per head to carcass value.



*Mr Beak's sausage range is manufactured using innovative processing technology supported through the MLA Donor Company*



The 'Nothing beats Beef' launch campaign reached 14.6 million Australians

### Promoting beef and lamb at home

Growing demand for beef and lamb in our most important single market – within Australia – is vital to the health of the industry. MLA invested \$18.2 million in marketing programs to build demand for beef and lamb at wholesale, retail and foodservice.

Key performance indicators	
Contribute to growth in consumer expenditure of \$300 million for beef and \$100 million for lamb	Not achieved: expenditure fell 5% for beef and 1.5% for lamb
Increase key consumer attitudes to beef – “well liked in our household” to 72% and “my favourite meat” to 26%	Not achieved: liked fell from 71% to 68% and favourite from 21% to 19%
Increase key consumer attitudes to lamb – “top of mind” to 21% and “loved by Australians” to 77%	Not achieved: top of mind steady at 18% and loved at 76%
Retailer butchers rate MLA marketing programs overall at 3.5 out of 5	Achieved

MLA launched our largest-ever beef marketing campaign, 'Nothing beats Beef', to an audience of more than 14.6 million people in October and November 2010. At a time when there was also supermarket discounting, the \$5 million summer campaign contributed to an increase of 12% on sales of prime steak (to 12.03 million per week), a 14% rise in beef sausages sold (to 8.5 million per week) and an increase in total beef/veal servings of 6%, to 51 million year-on-year according to Roy Morgan data. Further beef promotional campaigns were run to capitalise on the Royal wedding in April 2011 and a new 'Nothing beats Beef' winter campaign in June.

## Masterpieces program

MLA's *Masterpieces* program continued to grow during 2010-11, significantly increasing sales of non-traditional cuts amongst participating wholesalers, restaurateurs and foodservice professionals.

Through the beef *Masterpieces* program, MLA provided support and resources to restaurateurs, wholesalers and chefs in the form of a 36-page brochure that included cut specifications and cooking tips, and held 15 masterclasses around Australia attended by 335 chefs and foodservice professionals.

Chefs took to the campaign, with Melbourne's Crown Casino inviting chefs to use specific *Masterpieces* cuts – flank, brisket or oyster blade – to create new and exciting dishes as part of its annual chef competition.

Following this success, MLA's lamb *Masterpieces* program was launched in April 2011 to showcase the versatility of non-loin lamb cuts including forequarter, ribs, rump and mince. Approximately 470 people attended the program launch.

Andrews Meat Industries Sales and Marketing Manager, Jacinta Geddes, said the program has increased industry awareness and increased sales of non-traditional beef cuts.

“*Masterpieces* couldn't have come at a better time – the masterclasses show chefs how to use an alternative range of cuts to achieve better margins on their menus,” she said.

A survey of almost 440 foodservice outlets found that reported usage of bolar blade increased 15%, flank 26% and flat iron steak 90% as a result of beef *Masterpieces*.

Andrews Meat Industries reported sales of oyster blade increasing from 158kg to 1,929kg for the financial year, flank from 2,375kg to 2,894kg and flat iron steak from 18kg to 579kg following their participation in the program.



MLA produced two editions of *ENTICE* magazine during 2010-11 to support summer and winter beef campaigns. The 12-page publication featured recipes, tips and information to support seasonal beef campaigns and remained popular with consumers with more than 3.7 million copies distributed via retailers nationwide.

Sam Kekovich returned to front another successful Australia Day lamb campaign in 2011. The week leading up to and including 26 January was a record for lamb sales according to Nielsen Homescan Data, with a 12% rise on the same period the previous year and 22% higher than an average week. The third Mother's Day lamb campaign featuring 'Young Kekovich' did not perform as strongly as in previous years.

A new fashion-themed marketing campaign was rolled out for the traditional spring lamb campaign period including retail point-of-sale, television, magazine, shopping centre and online advertising, and public relations activities. The spring lamb campaign contributed to an 8.7% rise in lamb servings from 21.8 million to 23.7 million year-on-year during the campaign period, according to Roy Morgan research.

Four editions of the red meat foodservice journal *Chef's Special* were produced and distributed to 16,000 contacts to keep red meat top of mind and on the menu in this important sector. MLA also managed the highly successful *Masterpieces* campaign during the year to promote lesser-used cuts of beef and lamb to chefs and foodservice professionals (see page 15).

### Promoting Australian beef and sheepmeat overseas

Australian red meat's excellent eating quality, combined with its clean and safe image, continued to underpin its strong performance in export markets. MLA invested \$29.6 million in work with exporters and importers to develop and grow Australian red meat brands in all major export markets.

#### Key performance indicators

Achieve at least 80% of KPIs listed in regional beef implementation plans	Achieved
ICA activity to total at least \$4.5 million with 80% of documented KPIs being achieved	Achieved
Achieve at least 80% of KPIs listed in regional sheepmeat implementation plans	Achieved
Total activity under the new global ICA budget to more than \$500,000 and at least 80% of KPIs	Not achieved: due to supply issues

Japan continues to be Australia's largest beef export market, and our marketing activities aimed to maintain a high level of trust in our product. Australian industry



MLA marketing initiatives in Korea grew demand, including the fifth Pencil Box Culinary Challenge held in Seoul in April

was prominent in supporting the local beef industry in the aftermath of the earthquake and tsunami in March 2011 (see page 17). Australian beef was also promoted through the 'Iron Beauty' campaign focusing on educating women about the benefits of eating beef to improve energy levels. The campaign uses new marketing materials, recipe cards and in-store promotions that have been well received by retailers and other key stakeholders in the market.

In Korea, the Australian beef industry increased export value by 19% during 2010-11 in the face of aggressive promotion of US product in the market. Our industry's reputation as a consistent, clean and safe provider of red meat ensures all Korean food retail outlets carry Australian product and in-store sampling encouraged 78% of Korean consumers to purchase Australian beef. A new campaign was developed with Australian Beef ambassador Mr Keun Hyung, known as Korea's Paul Newman. It reached approximately 12 million Koreans a month through a television commercial screened on IPTV and cable TV, with a further eight million people a month seeing it screened on Seoul's subway line. Australian beef is the preferred product in fine dining restaurants throughout Korea and is sold in all 61 five-star hotels across the country.

In the US, MLA conducted a beef eating quality study for the world's largest full service restaurant group, opening an opportunity to supply up to 1,800 restaurants. The study found that Australian MSA-graded grainfed beef was at least equal to the current US Department of Agriculture-graded product and that grassfed product within a selected MSA boning group range presented no discernable difference in eating quality to the US consumer. MLA also presented lamb menu concepts to six large restaurant chains. Combined with marketing and education targeting US foodservice and retail outlets, this has led to one major group changing to Australian lamb and a six-restaurant chain using Australian lamb for their entire 113-tonne per year lamb requirement. An ipod 'app' was developed to give

instant access to product information about Australian lamb, our industry, cooking charts, recipes and an Australian lamb retail store locator.

In the Middle East, 22 Australian exporters attended this year's Gulfood Trade Show, where there was strong interest in chilled beef and lamb resulting in orders worth an estimated \$9 million. MLA also worked with importers on an Australian beef cooking competition featuring 165 chefs and an Australian lamb butchery competition featuring 38 butchers. A series of 10 chef masterclasses were also held across the region to showcase grainfed Australian beef, involving 200 chefs from 120 outlets that were sourcing their requirements from other countries. Fifty outlets switched to Australian product for around 80% of their grainfed beef usage following the masterclasses.

Across South-East Asia and Greater China, 928 positive media articles were published highlighting the safety, integrity and quality of Australian beef. MLA also launched a trade and consumer-focused website in five key languages to target more than nine million potential customers. More than 300 in-store sampling days were conducted in Indonesia to encourage the trial and purchase of Australian product. MLA marketing activities contributed to growing shelf space for Australian product by 10% in emerging markets such as the Philippines, where 86 new retail outlets stocked Australian beef, while maintaining shelf space in established markets such as Singapore and Hong Kong.

In Europe and Russia, technical support materials were produced and distributed in a variety of languages, including 10,000 copies of a new Australian grainfed beef brochure and a Russian version of the domestic *Masterpieces* brochure.

### 2011-12 activities

MLA will build on these activities from 2010-11 and plans to:

- increase the volume of MSA four- and five-star beef marked under premium brands; increase the number of cuts marketed as MSA; and continue to increase the model's predictive power
- launch a new nutrition campaign 'Ready for Anything' and improve policy maker awareness of the nutrition and integrity of red meat
- extend 'Nothing beats Beef' and 'We love our Lamb' campaigns to strengthen seasonal demand for red meat and continue foodservice campaigns
- defend market position in Japan and Korea in the face of increased US beef competition and enhance marketing activities in key emerging markets in South-East Asia and the Middle East

## 'Together with Japan'

A charity initiative demonstrated the strong ties between the Australian beef industry and our partners in Japan and raised more than \$250,000.

MLA worked alongside Australian industry to show our support for the Japanese beef industry as part of the 'Together with Japan' campaign in the wake of the devastation wreaked by the earthquakes and tsunami on 11 March 2011.

A charity barbecue event was held on Sydney Harbour in May to launch the initiative, which was attended by three beef producers from Tohoku.

MLA hosted activities on the ground in Japan including charity barbecues throughout the affected region and donated 10,000 units of retort-pouch curries and stews.

Industry also made donations to purchase hay for affected producers and create agriculture scholarships for students from Tohoku.

To show support for the foodservice sector, a special logo was displayed in more than 2,000 outlets nationwide between April and June with the Aussie Beef logo accompanied by the message "We are with you".



Stockyard Managing Director, Lachie Hart, said it was important to show support for our largest trading partner.

"Initiatives like this show our industry supporting their industry at a time of great need. The Japanese people have shown their strong desire to rebuild and regain strength, with the help of their friends overseas," he said.



# Increasing productivity across the supply chain

**MLA assists industry by investing in research and development (R&D) to boost profitability – investigating ways to increase productivity on-farm and off-farm, provide relevant industry information, and improve animal health and biosecurity.**

**RESEARCH PRIORITIES**

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

**BUSINESS UNITS**

- Livestock production innovation
- Client innovation services
- International markets and economic services

**Investment**



**Key achievements:**

- New feedbase investment plan developed to chart pasture research over next decade
- Commercial release of new BREEDPLAN estimated breeding values incorporating genomic measures
- Successful trial of HookAssist, a new technology for easier handling of the beef carcass

**Areas requiring further focus:**

- Increasing transparency and reporting around research and development projects
- Improving on-farm outcomes from animal health and biosecurity programs

## OPPORTUNITIES AND CHALLENGES

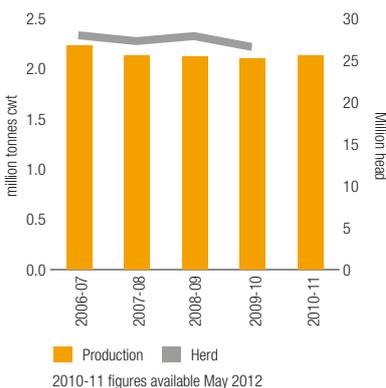
MLA manages a portfolio of R&D across a wide range of scientific disciplines and co-invests with governments, universities, industry bodies and private organisations. The complexity of this operating environment makes it critical that we display a high level of transparency and accountability in the strategic direction and funding disclosures of our research portfolio.

MLA is the lead agency on the national commodity strategies for R&D in beef and sheepmeat production, which are supported by all major investors in public sector livestock research. The priorities in these strategies were refined and rationalised during the year

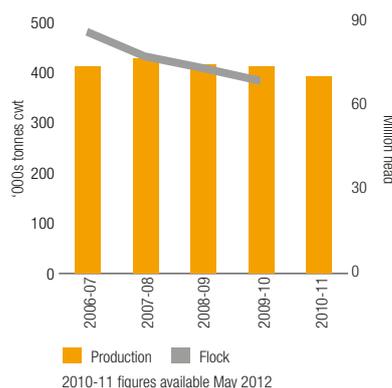
to fulfil the requirements of the national rural research, developed and extension framework, particularly across the human and physical infrastructure of participating agencies.

The lengthy timeframes involved in R&D, and even longer payback periods, underline the importance of sound planning to the success of research programs. MLA's activities, particularly in the area of pasture research, operate over a decade-long time span due to the long periods involved in plant breeding and selection. This work is crucial to provide producers and supply chains with the tools to improve profitability by increasing productivity and reducing input costs.

**Beef production increased to 2.13 million tonnes cwt**



**Lamb production decreased to 391,340 tonnes cwt**



## PERFORMANCE

### Boosting on-farm productivity

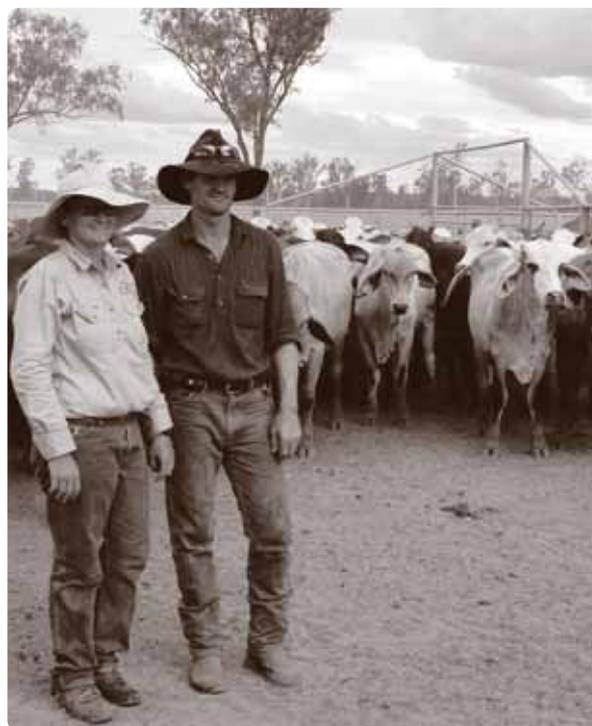
The low profit margin for many farm enterprises, coupled with a volatile operating environment, makes advances in on-farm productivity essential to the future viability of the livestock industry. MLA invested \$10.7 million in the management of strategic R&D, particularly in the key productivity drivers of animal genetics and pasture improvement.

Key performance indicators	
Technologies or management practices which can get 12% or greater internal rate of return	Achieved
Complete the first set of initiatives within phase two of Pastures Australia	Achieved
New sheep breeding values released for intramuscular fat, shear force and lean meat yield	Achieved
Prototype multi-breed genetic analysis released for European beef breeds	Achieved
Causes of liveweight gain variation for ten study mobs in the NT quantified	Not achieved: rain delayed data collection

New sheep research breeding values (RBVs) for intramuscular fat and shear force were released during 2010-11 – the first to focus specifically on eating quality traits. The RBVs were predicted using pedigree data and DNA samples from the Sheep Cooperative Research Centre (CRC) Information Nucleus flock, and will be used to develop genomic technologies and integrate into standard genetic analysis. Further consumer eating quality testing has since been conducted to map out links to the MSA grading program. The Sheep CRC was awarded a STAR Award at the CRC's Excellence in Innovation Awards in May 2011 for their work with the Information Nucleus flock.

Five new projects commenced into the genetics of the major cattle breeds through the Beef Information Nucleus (BIN) program. Managed by the respective breed societies and supported by MLA, these projects include the largest single-breed progeny testing programs undertaken in Australia. They will enable the creation of accurate databases of Angus, Brahman, Hereford, Limousin and Charolais cattle populations to help producers take advantage of emerging DNA marker technology and lay the groundwork for genetic improvement across key traits such as eating quality.

Estimated breeding values for Angus cattle, blending three different sources of genetic information, were also released during 2010-11 (see page 21).



Annie and Rob Donoghue's Brahman cattle were involved in the Beef Information Nucleus program

MLA published the first-ever best practice guide for intensive sheep and lamb finishing in June 2011. The *National Procedures and Guidelines for Intensive Sheep and Lamb Feeding Systems* was completed after a five-year development period, and covers a range of issues relating to sheep and lamb finishing including management, environmental, nutrition, animal health and welfare considerations.

MLA developed a comprehensive strategic investment plan to steer the next decade of RD&E in the red meat industry's feedbase. The national feedbase investment plan will coordinate investment to improve pasture productivity and quality; improve fertiliser efficiency; integrate crops, pastures and livestock; ensure better use of perennials; and optimise business performance and climate adaptation. More than 450 producers, consultants and researchers contributed to the plan's development via a survey, and a further 130 interviews were conducted with major industry stakeholders.

Working with seed companies and the Australian Seed Federation, MLA took the first steps towards introducing a national quality assurance system for seeds with the development of trial protocols, an auditing system and reporting during the year. This project aims to provide producers with assurance around the performance of pasture varieties.

### Increasing off-farm productivity

Improving efficiencies in the processing sector will ensure Australian industry remains competitive internationally, even with our comparatively high input costs. MLA invested \$1.6 million in work with processors and Australian Meat Processor Corporation (AMPC) to develop automation and manual assist technologies, and implement new evaluation and information systems.

#### Key performance indicators

Technologies developed capable of increasing net worth of carcass by \$3.50/head (beef) and \$1.50/head (sheep)	Achieved
Develop technologies to reduce occupational health and safety risks	Achieved

The HookAssist device – a new technology that enables easier handling of the beef carcass – commenced production trials during the year. HookAssist is an intelligent assisted device that helps boning room operators to perform physically intensive tasks by reducing the force required by their hook hand. The device generated considerable interest at an AMPC/MLA Technology and the Environment R&D Conference in June 2011, and was successfully trialled with a range of cuts including thin skirt, tenderloin, rump and shank.

The next generation of robotic sheep processing technologies commenced operation with a new Robotic Ovine Primal Cutting system – the ROC450. The system can process up to 450 carcasses an hour, typically using one robot to hold the carcass in place while the second saws it into various programmed cuts. A cost/benefit analysis of an earlier model indicates the technology has a payback of between one and two years with an overall net annual benefit of between \$385,000 and \$950,000 per installation.



The HookAssist technology enables easier handling of the beef carcass

### Providing market intelligence

Accurate competitive intelligence and market information gives producers insights into their trading environment that helps them make better business decisions. MLA provides cattle and lamb supply information and forecasting, information flow across the supply chain, data and analysis on the domestic market, and international benchmarks. MLA invested \$5.1 million in this area during 2010-11.

#### Key performance indicators

Over 90% of clients value MLA market information, with over 60% finding it highly or extremely valuable	Achieved
Increase electronic distribution of MLA market information by 5%	Achieved
Collect and analyse carcass quality data from four beef processors and two sheep processors	Not achieved: Livestock Data Link trialled in two beef supply chains

MLA's market information services continued to be highly regarded. Market information on the MLA website was our most widely used content, with 15,838 visitors per month in the six months to June 2011, an increase of 22% from the previous year. Subscriptions for our regular market update email bulletin *Meat & Livestock Weekly* increased by 10% and subscribers to the National Livestock Reporting Service increased by 19%. The bi-annual industry projections received widespread media coverage.

A pilot of Livestock Data Link – a new carcass performance feedback program – was completed during the year with carcass quality data evaluated across two beef processor supply chains. Four producer workshops were held focusing on compliance with market specifications, benchmarking reports and on-farm solutions to feedback.

### Safeguarding animal health and biosecurity

Ensuring that Australia remains free of key animal diseases that could impact trade is critical to market access and consumer confidence in our product. MLA invested \$3.1 million on R&D to identify, manage and respond to animal health issues.

#### Key performance indicators

Deliver innovations by 2012 that could reduce cost and/or risk from the five key exotic/notifiable diseases	Achieved
Develop improved controls for high priority diseases delivered to industry by 2012	Not applicable: research ongoing



NSW sheep producers John and Jean Reardon reduced incidence of OJD through vaccination

Economic impact of removing persistently infected cattle with bovine viral diarrhoea virus from feedlot pens established	Not achieved: project delayed
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MLA-funded research into control measures for Ovine Johnes Disease (OJD) progressed during the year, with the continuation of a major eight-year trial of the effectiveness of the vaccine Gudair. The research is taking samples from third-generation sheep to see if they are still shedding the bacterium *mycobacterium paratuberculosis* that causes OJD.

Research into improved management strategies to minimise the impact of bovine respiratory disease among feedlot cattle made some progress during the year, although concluding it has been hampered by issues with the placement and size of trials.

### 2011-12 activities

MLA will build on these activities from 2010-11 and plans to:

- commence feedbase investment plan research programs, and continue investments in CRCs and the Sheep Information Nucleus
- commence a program addressing nitrogen rundown in tropical pastures
- maintain focus on automation and manual assist technologies in the processing sector
- deliver more tailored market information services
- address rapid diagnosis and vaccine tools for major bovine and ovine diseases

## Angus genetics advances

A multi-partner collaboration is opening the doors to more accurate and user-friendly genomics for Angus beef producers.

New blended BREEDPLAN estimated breeding values (EBVs) were commercially released during the year, based on Pfizer Animal Health's molecular value predictions (MVPs) that express genetic merit for chosen traits.

Researchers from the Animal Genetics and Breeding Unit at the University of New England have translated and calibrated eight MVPs to contribute information for the calculation of EBVs. The research was supported by MLA and Angus Australia.

The eight MVP traits blended into the EBVs are birth weight, weaning weight, milk, calving ease, carcass weight, carcass rib fat, carcass eye muscle area and carcass marbling.

Angus Australia Breed Development Manager, Carel Teseling, said that the research will be most useful to producers with small herds who are unable to compare a large group of animals to accurately calibrate EBVs.

"We'll see the greatest value of the genomic technology in future when it's able to explain a bigger proportion of genetic variation," he said.

The molecular technology will eventually give breeders access to new traits currently not measurable by any other means, or traits that are currently expensive and hard to measure.



# Promoting industry integrity and sustainability

**MLA helps build community trust in the red meat industry by providing tools to further its sustainability, demonstrate environmental stewardship, respond to climate change, improve animal welfare and communicate with the community.**

**RESEARCH PRIORITIES**

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

**BUSINESS UNITS**

- Livestock production innovation
- Client innovation services
- Communications

**Investment**



**Key achievements:**

- Invested in Invasive Animals Cooperative Research Centre that produced new pig and dog controls
- Funding for CSIRO researchers developed more accurate measurement of carbon footprint of northern beef industry
- Launch of Virtual Farm Visits educated school children about life for livestock producers

**Areas requiring further focus:**

- Generating practical outcomes from animal welfare research and development portfolio
- Building producers' advocacy capability using social media tools

## OPPORTUNITIES AND CHALLENGES

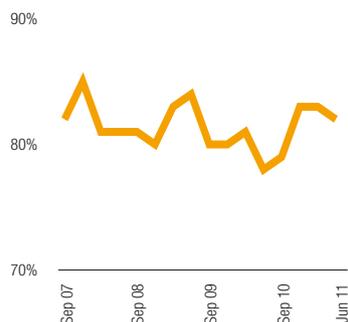
Community expectations around the ethics of food production are changing rapidly, and the Australian red meat and livestock industry implements a number of environmental and animal welfare programs. MLA research conducted during the year found that 81% of people believe Australian cattle farmers are ethical and trustworthy and 78% believe cattle farmers are good caretakers of the land, a slight decrease on the previous year.

The Australian Government's continuing policy focus on climate variability – both reducing carbon emissions and adapting to change – defined a key strand of MLA's environmental research. The Reducing

Emissions from Livestock Research Program and Livestock Adaptation Programs are in the second year of three-year funding cycles, and substantial progress was made on a number of projects that have now reached their halfway mark.

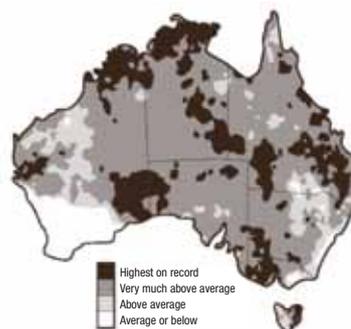
Significantly higher rainfall across the east and north of Australia during the financial year is also expected to increase populations of pests and weeds. MLA-funded research has focused on developing control measures that reduce the impact of invasive weeds, insect pests, and predation from feral dogs, foxes and pigs.

**81% of Australians believe the red meat industry is ethical and trustworthy**



Source: Roy Morgan

**Large parts of Australia received record rainfall during 2010-11**



Source: Bureau of Meteorology

## PERFORMANCE

### Furthering environmental sustainability

The sustainable management of natural resources achieves the dual role of improving the natural environment and boosting performance at the enterprise level. MLA invested \$3.2 million in work with other industry groups, research agencies and supply chains to boost water use efficiency, soil management and feral pest management, improve biodiversity, and demonstrate environmental stewardship.

Key performance indicators	
Paterson's curse biological control program established	Achieved
Trialled technologies for reducing cleaning water use and identify opportunities for improved management of processing sector waste streams	Not achieved: trials planned for 2011-12
Environmental standards launched, to achieve adoption by 20% of red meat production by 2014	Not applicable: program changed to best management practice

MLA-funded research into control agents for some of Australia's most invasive weeds yielded positive results during the year. Trials were conducted on a promising bio-control agent for parkinsonia – one of Australia's most virulent weeds that has spread over 3.3 million hectares. The agent is now being moved toward registration and commercial release. CSIRO also imported a further three potential bio-control agents for assessment and potential release. A bio-control program for Paterson's curse was delivered during the year, with training provided to almost 400 producers and stakeholders around the management of bio-control agents and 3,000 copies of an instructional CD distributed.

MLA funding also enabled the commercialisation of a number of projects from the Invasive Animals Cooperative Research Council (IACRC). Pest control tools were trialled during the year including the faster-acting pig bait Hog-Gone and the toxin paraminopropiophenone to control wild dogs and foxes. Both are expected to be registered during 2012. A renewal of MLA funding for the IACRC was approved in June 2011 for the five years commencing from 2012-13, pending a government funding extension. Upcoming IACRC research will focus particularly on rabbit and wild dog control technologies.



Producer Damian Parker took part in a trial for a bio-agent to control parkinsonia

A review of the environmental sustainability of the processing sector was published in 2010-11. The review tracked data from environmental performance reviews conducted at 10 processing plants at five-year intervals between 1998 and 2008. It showed that processors have increased water efficiency, with a reduction in water consumption by 11%, and reduced nutrient discharge, with nitrogen loads down by 25%. These plants also now recycle 85% of their total organic solid wastes and re-use 57% of their wastewater for irrigation.

### Responding to climate variability

The challenges presented by a more variable climate require that Australian industry adopts a multi-faceted strategic approach to this critical issue. MLA invested \$9.2 million in work with industry to develop adaptation strategies that safeguard production in the face of an increasingly variable climate, provide accurate measurement and effective management of carbon emissions, and provide data to enable assessment of the impacts of climate change policies.

Key performance indicators	
Identify management options to improve the resilience of pasture to future climate changes by 2012	Achieved
Develop technologies or practices with potential to reduce methane emissions from livestock by 30% and be in development by 2012	Achieved
Soil carbon sequestration quantified under different pasture systems and grazing practices	Achieved
Evaluation and implementation of solutions for energy recovery from processing waste streams	Achieved



CSIRO researchers used laser technology to collect data on methane emissions in Queensland

The Reducing Emissions from Livestock Research Program (RELRP) is coordinated by MLA on behalf of the Australian Government, encompassing 23 research projects worth \$15.5 million over three years to June 2012. These projects are focused on various aspects of measuring and reducing carbon emissions from cattle and sheep – and developing practical on-farm options for reducing methane emissions while simultaneously increasing productivity.

In May 2011, a RELRP-funded project found that northern cattle fed on tropical grasses emit 30% less methane than had been previously estimated, potentially reducing the averages used to calculate the industry's carbon footprint. The research, conducted by CSIRO at the Landsdown Research Station in Queensland, measured the methane emissions of Brahman cattle in custom-built respiration chambers. This revised methodology is now being put to the Federal Department of Environment and Climate Change for inclusion in future greenhouse gas inventory reporting. Another RELRP project has been evaluating more than 100 native and introduced plants for their methane reduction properties, with trials planned for 10 to 15 plants.

MLA also published two studies into energy efficiency in the processing sector during 2010-11. One of these was into the feasibility and advantages of the cogeneration of electricity and thermal energy in processing plants, which can reduce electricity supply and carbon emissions by between 40% and 70%. The other examined strategies for reducing electricity charges and inputs through measures such as increased energy efficiency, fuel switching, load switching and shedding, and distributed generation.

## Improving animal welfare

Safeguarding animal welfare is a priority for all sectors of the Australian livestock industry. MLA invested \$576,000 in work with industry to further improve animal welfare by demonstrating practices with positive outcomes that are in line with the Australian Government's Australian Animal Welfare Strategy.

### Key performance indicators

Commercial value of a polled gene marker test determined via Beef CRC validation	Achieved
Consideration by Peak Councils of the applicability of quantitative behavioural assessment for assessing acceptable welfare outcomes in sheep and cattle	Achieved
A nationally-agreed guideline for assessing welfare risk in cattle below AUS-MEAT Fat Score 1	Not achieved: project delayed
Options investigated for controlling cattle fertility with improved welfare outcomes	Achieved

A new DNA test to identify a polled gene marker in *Bos Indicus* cattle was launched in August 2010. A multi-partner collaboration with research conducted by the Beef CRC developed the test, which identifies whether cattle are "true polled" with approximately 90% accuracy in these northern breeds. Genetic identification of polling status allows for earlier de-horning of cattle with improved animal welfare outcomes. The test was trialed with commercial samples and has demonstrated utility in Brahman cattle.

The first phase of MLA-funded research into the development of a remote calving alert device was completed in January 2011 at Charles Sturt University NSW. The technology will help scientists better understand the causes and prevention of calf losses due to dystocia, a problem that has been estimated to cost industry as much as \$200 million annually.

## Building community understanding

The livestock industry is generally highly trusted by the wider community, with a growing interest in animal welfare and environmental sustainability issues. MLA invested \$2.2 million in a community communications program to build understanding of our industry, create a human bond with producers and defend the industry's reputation.

### Key performance indicators

Increase consumer trust scores to 80% agreeing the industry is ethical and trustworthy	Achieved
Less than 5% of consumers reduce red meat consumption due to environmental concerns	Achieved

An online initiative to educate schoolchildren about life on farm, Virtual Farm Visit, was launched in 2010-11 (see right).

MLA's Red Meat Green Facts program further educated consumers on producers' role as custodians of the environment. Aiming to counteract misinformation about industry's environmental impact, several key activities were conducted during the year. Since the launch of the program in June 2010, more than 13,000 people have visited the program's website and 6,000 copies of a brochure distributed at conferences, events and schools. Leading environmental experts, including prominent spokesperson Professor Tim Flannery, also spoke at an MLA forum *Can red meat be green?* held in Brisbane, which generated more than 30 stories in metropolitan media.

MLA educated more than 2.7 million people about livestock production at Australia's five major agricultural shows during the year. Visitors to the Sydney Royal Easter Show, Royal Melbourne Show, Ekka in Brisbane, Royal Adelaide Show and Perth Royal Show were able to experience livestock displays, cooking demonstrations and producer discussions. Exit research conducted by Millward Brown showed that 76% of visitors stayed between 15 and 59 minutes and 81% rated their impression of the industry above eight out of 10.

### 2011-12 activities

MLA will build on these activities from 2010-11 and plans to:

- trial an environmental self assessment tool for producers and fund research into pest control
- continue funding IACRC's pest control research
- continue research into climate variability and mitigating emissions
- work with processing companies to trial new technologies and practices that will help reduce water and energy consumption
- develop animal welfare projects that are aligned with the new industry plan
- develop producers' capacity to advocate for their industry using social media

## Virtual Farm Visit

Several thousand Australian school children got the chance to experience life on the land with the launch of a new online application Virtual Farm Visit in February 2011.

The application is designed as an educational tool to be used by school students in years 7 to 10, giving them insight into the everyday life and issues relating to livestock production.

Virtual Farm Visit features real life case studies of producers from locations across the country, who show users around various aspects of managing their properties, illustrated by around 20 short video clips.

Virtual Farm Visit was developed in consultation with teachers and aligns with curriculum learning outcomes to ensure it is a useful tool in the classroom.

Each activity is aligned with a subject area of the school curriculum, allowing teachers to direct their class to relevant content. The five main subject areas covered are science, technology, environment and society, sustainable futures and geography.

A teacher's guide is also available to help them use the application.

Approximately 900 unique visitors per month were using Virtual Farm Visit during 2010-11.

Primary Industries Education Foundation Executive Director, Ben Stockwin, said the application came from a desire to give every school student the chance to visit a farm.

"While in reality not every school student will make it onto a property, Virtual Farm Visit will give them a real flavour of what happens on a farm through the eyes of producers. It's a great concept that is easy-to-use and the interface is fresh and engaging," he said.



# Increasing industry and people capability

MLA endeavours to help the red meat and livestock industry boost productivity along the entire value chain by increasing the adoption of innovation, fostering industry people and skills, building innovation capability and providing policy research to inform industry on priority issues.

**RESEARCH PRIORITIES**

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

**BUSINESS UNITS**

- Livestock production innovation
- Client innovation services
- International markets and economic services

**Key achievements:**

- 1,500 lamb producers attended *It's Ewe Time* forums with 72% intending to make changes in their businesses as a result
- Ten processors participating in the Collaborative Innovation Strategies program

**Areas requiring further focus:**

- Launch and rollout of FutureBeef program to deliver research results to northern beef producers

**Investment**



## OPPORTUNITIES AND CHALLENGES

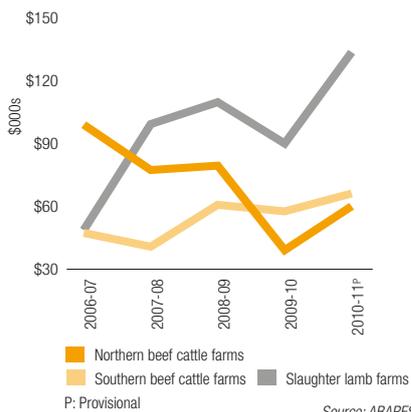
With increasing specialisation and complexity across the red meat and livestock industry, different parts of industry require tailored approaches to assist them in adopting innovative practices that are relevant to their operations. MLA identifies needs and opportunities to better deliver practical innovation tools and information, and helps build infrastructure capacity.

The evolving role of government in delivering R&D extension activities is also having a significant impact on innovation. MLA is working to increase the capacity of the private sector to deliver extension activities as

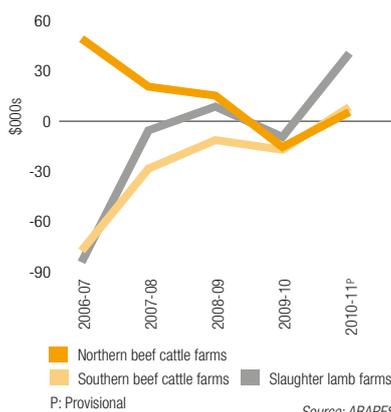
state governments reduce their commitment in this area. We are also examining ways to boost co-funding of research projects with industry, especially farm consultants.

As the demographics of the industry continue to change, identifying the leaders of tomorrow is critical to our future. In addition to our skills development work throughout the industry, MLA is directing efforts to ensure younger farm consultants have the necessary skills and knowledge to deliver benefits to farm businesses.

**Average farm cash income increased across beef and lamb enterprises in 2010-11**



**Average farm business profit increased in 2010-11 across beef and lamb enterprises**



## PERFORMANCE

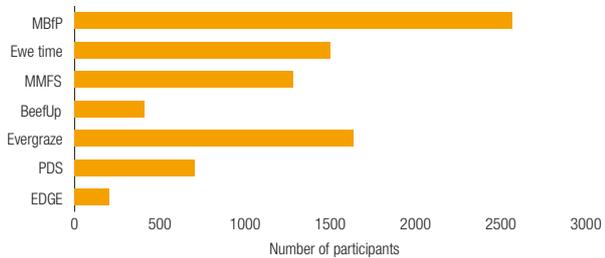
### Driving innovation across the industry

MLA facilitates face-to-face meetings and workshops, provides hard copy publications and develops online tools and calculators to help producers and processors boost their profitability by applying the latest R&D in their businesses. We invested \$6 million in 2010-11 to provide more information specifically targeted to producers' needs, delivering practical R&D tools and information through specific channels, building innovation capability across the industry, and reporting on the outcomes of MLA-funded research.

Key performance indicators	
350 southern beef and sheep producers engaged in practice change	Achieved
Structured adoption programs developed for northern beef and Going into Goats programs	Achieved
Standardised impact evaluations conducted for at least six on-farm innovations	Achieved
Twelve off-farm commercial-ready technologies have reached 80% of adoption targets	Not achieved: reached for eight technologies
Conduct standardised cost/benefit evaluations for at least six off-farm technologies	Achieved

More than 8,300 producers engaged with MLA's extension programs during 2010-11: 2,569 with More Beef from Pastures (MBfP), 2,781 with Making More From Sheep (MMFS) and 2,955 from other MLA extension programs such as BeefUp forums. These activities also continued to drive on-farm practice change,

### More than 8,300 producers engaged with MLA's extension programs during 2010-11



with an estimated 70% of program participants indicating they plan to implement a change to the management of their business following their participation.

The second phases of MBfP and MMFS were launched in early 2011 to provide greater regionally-specific R&D extension activities. Program coordinators in each state delivered a range of local events, peer networks, educational materials and demonstration trials as part of the programs. There were delays in launching FutureBeef – a new structured adoption program for northern beef producers that is now due to be launched in the second half of 2011. Eleven BeefUp forums were held in locations across Queensland and the Northern Territory, including a highly successful forum for young producers. The Going into Goats program also made advances, particularly with the relaunch of the program's regular e-newsletter that reaches more than 2,210 subscribers.

More than 1,090 people attended three Meat Profit Day events held in Charters Towers and Eidsvold, Queensland and Bingara, New South Wales during the financial year, hearing about various aspects of improving their business performance. Attendees rated the events among the best Meat Profit Days ever held, with average satisfaction scores at 4.6 out of five and



A Next Generation BeefUp forum held in September 2010 attracted 140 young people

## Increasing industry and people capability

63% of attendees saying they plan to make changes to their businesses as a direct result of attending the event.

The highly successful *It's Ewe Time* forums were held in late 2010 and mid-2011 as part of the MMFS program (see page 29).

### Developing a skilled workforce

MLA continued to develop an industry-wide culture that fosters the skills and leadership of people and promotes the industry as providing rewarding career paths. We invested \$1.7 million during 2010-11 to support delivery of graduate opportunities and scholarships, forums to explore innovation issues and building capability of farm consultants.

#### Key performance indicators

Provide more than two scholarships in on-farm industry leadership, graduate capability and undergraduate training	Achieved
Develop strategy to increase capability in private farm consultants	Achieved
Initiate a professional development and/or training program to build capability of producers involved in (permanent) RD&E consultation committees	Achieved
Processing sector achieves at least 80% of agreed targets to attract and retain staff	Not achieved: targets not agreed

An MLA-hosted R&D Insights Forum was held in May 2011 to bring a range of industry stakeholders together to discuss the issues confronting the innovation



WA producer demonstration site participant Gary Ryan and facilitator Paul Omodei are examining stocking rates and pasture management

sector. MLA also managed several agricultural and meat processing scholarships, including the 2010 Nuffield Scholarship which was awarded to NSW lamb producer James Male to research profitability and export opportunities for prime lamb production.

An expo showcasing career opportunities was held at the Intercollegiate Meat Judging Competition in July 2010, which attracted more than 190 students from across the country. Careers in the red meat industry were also promoted at the Royal Easter Show in Sydney.

### Building innovation

Sustaining productivity gains and the competitive advantage of our industry relies on building the innovation skills and capabilities throughout the value chain. MLA invested \$1.5 million in programs to develop capability both on- and off-farm during 2010-11.

#### Key performance indicators

At least 800 southern producers engaged in knowledge, aspiration, skills and attitude activities	Not achieved: 491 producers engaged
All collaborative innovation partners meet 80% of innovation strategy KPIs	Not achieved: 75% completed KPIs

MLA's producer demonstration sites continue to drive the on-farm adoption of R&D outputs by showing how new technologies and management practices can be applied at the local level. More than 28 local groups involving more than 704 producers from across the country are using MLA funding to run trials and demonstrate their results across issues such as pasture management, alternate business models, use of remote sensors and pest control measures.

A new series of BusinessEDGE workshops assisted northern producers to better run the business side of their operations. The two-day courses, which cover a wide range of topics relating to financial performance and risk management, were run from the first half of 2011. They address the need to develop business skills in the northern industry, an issue identified in MLA's *Northern beef situation analysis* conducted last year.

The 10 companies participating in the Collaborative Innovation Strategies program moved their operations to the next level during the year. Four of these companies have now completed the initial program and are moving into the next phase, however two have withdrawn from the program due to commercial restructuring. The program assists these partners to develop their own comprehensive innovation strategies and leads to accelerated adoption of R&D outcomes and a greater overall level of innovation available to industry.

## Conducting policy research

With an increasing proportion of costs faced by producers relating to legislative and regulatory requirements, addressing these issues is critical to the future competitiveness of the industry. MLA invested \$268,000 in this area, commissioning independent analysis and providing it to peak councils and other industry organisations to inform them on priority issues. While MLA plays no role in lobbying, we do provide research services at the direction of industry.

### Key performance indicators

High levels of satisfaction by industry of MLA policy research activities	Achieved
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During the year, MLA commissioned research into the following industry issues:

- the impacts of a future carbon price on beef and sheep producers
- the implications of the Australian Government's carbon farming initiative
- the impacts of changes to transport pricing for heavy vehicles
- benefits of regulations across the red meat and livestock industries

MLA also coordinated a joint response to the Productivity Commission inquiry into rural research and development corporations.

### 2011-12 activities

MLA will build on these activities from 2010-11 and plans to:

- launch FutureBeef – a program designed to deliver research results to northern beef producers
- continue rollout of second phase southern extension programs, and adopt innovation 'hit list'
- continue programs to build people skills across the sector
- make strategic investments in the capabilities of R&D providers to ensure that they meet industry's needs
- continue to support Collaborative Innovation Strategies and producer demonstration site programs
- launch a new innovation service to build off-farm value-adding capability

## It's Ewe Time forums

A series of *It's Ewe Time* forums was held across the southern and eastern states in July and August 2010, reinforcing the importance of holistic management practices to lamb enterprises.

More than 1,500 lamb producers attended the forums, to hear from MLA and leading industry experts. There were more than 600 requests for follow-up information from participants attending the forums.

Approximately 74% of participants reported that they planned to make changes in their practice as a result of attending a session.

The practical forums covered topics to give producers the knowledge and tools to wean 10% more lambs per hectare, achieve 10% more carcass weight and make sheep easier to manage.

The forums were presented through Making More From Sheep (MMFS), a joint initiative of MLA and Australian Wool Innovation.

NSW producer Vicky Geddes attended a forum held in Wagga Wagga which gave her new insights into managing her enterprise.

"It's important to get out and off the farm and tap into the latest thinking. The forum highlighted a host of new possibilities," she said.

"For me, it resonated that researchers can put dollar values on the genetic linkages between muscling, growth and fat, and easy-care robust sheep."

A second series of *It's Ewe Time* forums were held in July and August 2011 across Australia.



# About MLA

*Increasing productivity through new technologies –  
NSW producer Eric Harvey using his mobile device to  
remotely monitor water levels on his property*



## FINANCIAL SUMMARY

### Revenue

Revenue decreased by 2.6% to \$167.4 million, reflecting declines of \$2.4 million in matching contributions from the Australian Government in line with MLA's lower eligible research and development investment and of \$1.7 million in private contributions through the MLA Donor Company. Income from levies was relatively steady at \$96.1 million.

	2010-11	2009-10
<b>Total revenue</b>	<b>\$167.4m</b>	<b>\$171.8m</b>
Grassfed cattle levies	\$56.2m	\$57.1m
Grainfed cattle levies	\$8.5m	\$7.7m
Lamb levies	\$28.7m	\$28.3m
Mutton/goats levies	\$2.8m	\$3.3m
Processor contributions	\$9.0m	\$9.7m
Livestock exporter contributions	\$2.2m	\$1.8m
Government contributions	\$40.3m	\$42.7m
R&D partnerships	\$10.4m	\$12.1m
Other	\$9.3m	\$9.1m

### Expenditure

Expenditure decreased by 2.5% to \$166.5 million, reflecting a decline in spending on the increasing productivity strategic imperative and lower investments in the MLA Donor Company (R&D partnerships) as the result of a difficult processing sector environment with low margins and strong Australian dollar.

	2010-11	2009-10
<b>Total expenditure</b>	<b>\$166.5m</b>	<b>\$170.7m</b>
Improving market access	\$20.7m	\$21.1m
Growing demand	\$65.4m	\$64.6m
Increasing productivity	\$20.4m	\$24.2m
Promoting integrity and sustainability	\$15.2m	\$15.5m
Increasing industry capability	\$9.4m	\$8.4m
R&D partnerships	\$20.8m	\$22.9m
Communications	\$4.0m	\$4.0m
Corporate services	\$10.6m	\$10.1m

	2010-11	2009-10	2008-09	2007-08	2006-07
<b>Total revenue</b>	<b>\$167.4m</b>	<b>\$171.8m</b>	<b>\$163.4m</b>	<b>\$162.9m</b>	<b>\$161.8m</b>
Levies income	\$96.1m	\$96.4m	\$98.1m	\$93.9m	\$98.2m
Government contributions	\$40.3m	\$42.7m	\$33.7m	\$34.5m	\$35.7m
Processor contributions	\$9.0m	\$9.7m	\$10.6m	\$10.7m	\$11.1m
<b>Total expenditure</b>	<b>\$166.5m</b>	<b>\$170.7m</b>	<b>\$146.8m</b>	<b>\$157.1m</b>	<b>\$159.5m</b>
Research and development	\$76.1m	\$82.3m	\$66.6m	\$69.0m	\$71.3m
Marketing	\$90.4m	\$88.4m	\$80.2m	\$88.1m	88.2m

### Retained surplus/deficit

MLA's surplus for the year was \$0.9 million taking the retained surplus as at 30 June 2011 to \$56.4 million. This surplus is broken down by levy stream as follows:

<b>Total</b>	<b>\$56.4m</b>
Grassfed cattle	\$23.8m
Grainfed cattle	\$4.6m
Lamb	\$24.7m
Sheep	\$2.2m
Goats	\$1.1m

### MEMBERSHIP

MLA had 47,556 members at 30 June 2011, a slight increase compared to the previous year. While all producers pay a transaction levy on livestock sales, becoming a member of MLA is not compulsory.

	2010-11	2009-10	2008-09	2007-08	2006-07
<b>Membership</b>	<b>47,556</b>	<b>47,342</b>	<b>46,156</b>	<b>44,898</b>	<b>43,401</b>
Cattle grassfed	40,450	40,224	39,062	37,878	36,442
Cattle grainfed	5,201	5,140	4,962	4,847	4,708
Sheep/prime lambs	17,410	17,375	17,030	16,777	16,488
Sheep only	9,875	9,980	10,074	10,183	10,250
Goats	2,302	2,287	2,248	2,217	2,126

## STRATEGIC FRAMEWORK

### MLA stakeholders

MLA operates in partnership with industry and government to deliver world-class services and solutions to the red meat and livestock industry.

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

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

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

### Strategic alignment

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

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

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

The *MLA strategic plan 2010–2015* and *MISP* align with the Australian Government's national and rural research priorities.

## MLA INVESTMENTS

### Collaboration and co-investment

Collaboration with our key stakeholders – industry bodies, peak councils, governments, agencies, co-operative research centres, universities, other R&D corporations, the CSIRO and private companies – is central to the way MLA does business. This collaboration is important to maximise the return on MLA investments, avoid duplication and generate efficiencies with other partner organisations, and maximise delivery to producers.

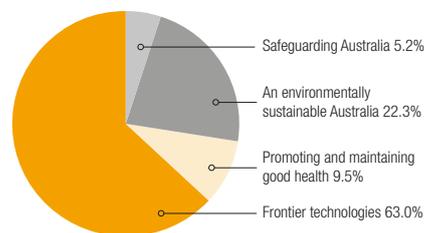
MLA co-invests in projects with a number of our key stakeholders. We work with the Australian Government which provides matching funds to support our research and development programs. We also work with private industry investors through the MLA Donor Company and Industry Collaborative Agreements.

### Research and development investments

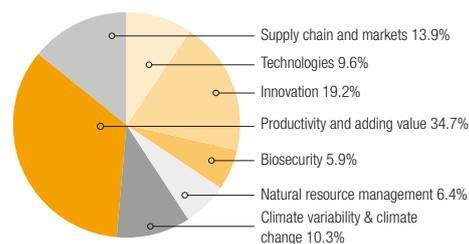
The competitiveness of Australia's red meat and livestock industry is driven by our long history of innovation. Working smarter by applying R&D throughout the supply chain has been the backbone of productivity growth across the industry.

MLA invested more than \$76.1 million in a range of R&D programs during 2010-11. This investment includes matching funds from the Australian Government, and aligns with national and rural R&D priorities.

#### National R&D priorities

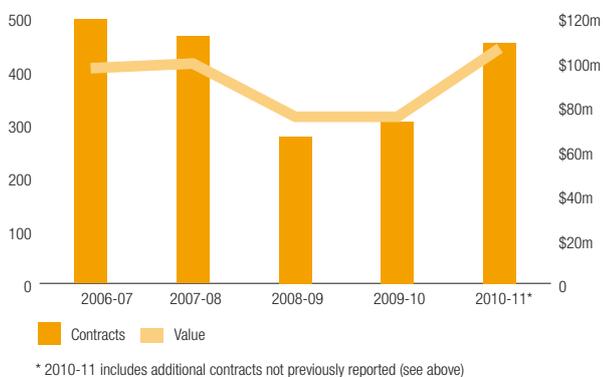


#### Rural R&D priorities



Throughout the year, MLA completed or terminated 365 research contracts worth \$25.1 million. We commenced 556 new contracts during the year worth \$47.4 million. This resulted in a total of 452 current research contracts at 30 June 2011 valued at \$106.0 million. It must be noted that each R&D project can include multiple contracts. For the first time, these reported contracts for 2010-11 include nutrition marketing, industry systems and livestock export R&D programs. These activities were not included in contract summary details previously.

**MLA had 452 live R&D contracts worth \$106 million at 30 June 2011**



MLA's long-term collaboration with other R&D agencies, including the CSIRO, universities and state governments, helps maintain a pool of research facilities. In 2010-11, MLA had more than 160 collaborative agreements in place with more than \$55 million in co-investment.

These research contracts cover all R&D projects that are summarised in the *Report to stakeholders* in this *Annual report*. A complete list detailing all R&D projects completed during 2010-11 is published on the MLA website.

A report during the year by the Australian Government's Productivity Commission (PC) into the role of rural research and development corporations (RDCs) underlined the importance of R&D investments in maintaining productivity. The PC report recognised that the RDC model delivers clear benefits to industry. However, the PC recommended that government should halve its investment in rural research, development and extension – a recommendation rejected by the Australian Government in their preliminary response.

**MLA Donor Company**

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

No producer levies are invested in MDC-funded projects.

During 2010-11, the MDC attracted a total investment of \$20.8 million in private and public funds in red meat industry R&D. The total value of the current portfolio of approved MDC projects reached \$128.7 million at 30 June 2011. A total of 70 new project contracts were approved last year totalling \$26.8 million.

Since its inception in 1999, the MDC has approved more than 470 contracts worth \$157.1 million. Private investors in projects funded through the MDC have included all parts of the red meat supply chain – processors, value-adders, breed societies, pastoral companies and technology providers.

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

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

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

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

- Development of technology behind Beak & Johnston's sausage range (see page 14)
- Five Beef Information Nucleus breed programs (see page 19)
- Trials of HookAssist technology and the next generation Robotic Ovine Primal Cutting system (see page 20)

### Industry Collaborative Agreements

Industry Collaborative Agreements (ICAs) continue to be effective in marketing Australian red meat in partnership with industry. ICAs involve MLA working with individual Australian exporters or overseas importers to jointly fund specific marketing activities to boost demand of Australian red meat overseas. We also have ICAs in place with domestic suppliers to support marketing of specific brands.

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

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

For beef, MLA worked with 50 Australian exporters during the year to deliver ICA activities across key markets including Japan, South-East Asia and Greater China, North America and Korea. MLA contributed a total of approximately \$2.35 million, and exporters contributed the same amount. These activities strengthened brands and built awareness for product across both new and existing accounts.

For lamb, MLA managed ICAs with 15 Australian exporters across South-East Asia and Greater China, Japan and Europe. MLA contributed a total of approximately \$102,690 and exporters contributed the same amount. These activities focused on retaining key accounts and maintaining volumes, given strong lamb prices and the exchange rate.

Region	MLA contribution beef ICAs (A\$)	MLA contribution lamb ICAs (A\$)
Europe	111,748	18,105
Japan	698,168	44,990
Korea	228,167	n/a
Middle East/North Africa	89,800	874
North America	300,225	7,172
South-East Asia/ Greater China	613,897	31,547
Cross regional	306,643	–
<b>Total MLA contribution</b>	<b>2,348,648</b>	<b>102,688</b>
<b>Total participant contribution</b>	<b>2,348,648</b>	<b>102,688</b>

Some of the specific activities supported by ICAs included point-of-sale materials, in-store sampling, trade advertising, market research, brand development, company brochures, websites, seminars and incoming trade missions.

A full list of ICAs is attached on page 79 as an appendix to this *Annual report*. More detailed reporting on MLA's investment in ICAs will be included in our *Annual report* in 2011-12, and will include the specific funding amounts provided to each exporter, importer and supplier.

### Evaluating our performance

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

To determine the value and efficiency of our work and its impact, we set targets through our annual planning process and measure our performance each year against our agreed key performance indicators. These are published each year in our *Annual operating plan final report*.

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

Independent evaluation of programs across our portfolio of work began in 2006-07 and this year an evaluation was completed of the more than \$30 million invested by MLA and the Australian Meat Processor Corporation (and previously the Meat Research Corporation) with Australian Government co-funding since 1996 in environmental sustainability programs. The CIE evaluation found that this co-investment provided industry with evidence, knowledge and capability to respond to issues, inform policy and mitigate future environmental impacts.

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

## ORGANISATION

### Board of directors

The Board sets strategic priorities and direction for the company, approves and monitors progress against the strategic plan, evaluates performance and budgets, and oversees risk management and compliance. For our current Board members and their profiles see the *Directors' report* on page 44. The Board includes a Managing Director, who is responsible for the day-to-day operations of the company.

### Organisation structure

MLA has seven business units, each led by a General Manager.

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

**Communications** aims to ensure industry stakeholders are aware of the opportunities created by MLA's programs and their potential benefits to industry. Community communications assists producers and processors to promote the integrity of the industry to the broader community.

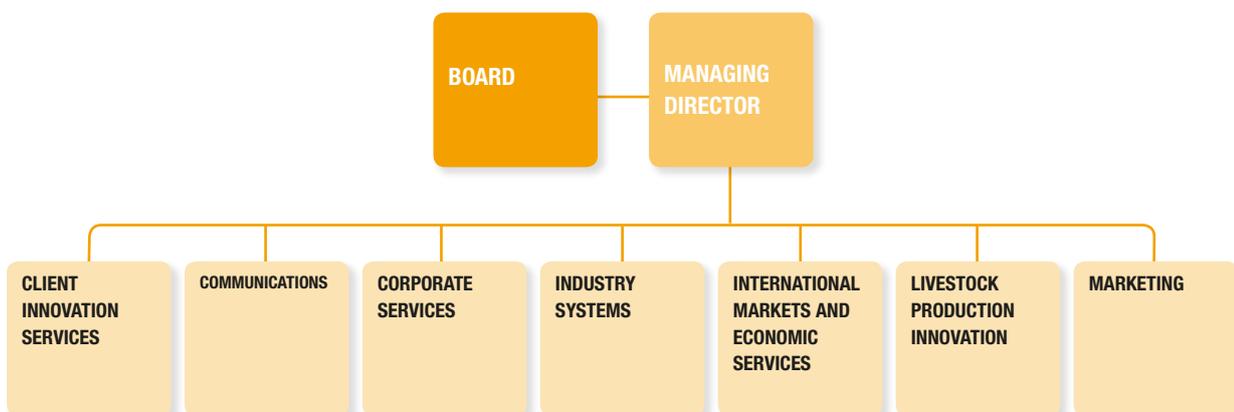
**Corporate services** provides support services, risk management, corporate governance, budget, planning and financial reporting to MLA management and stakeholders.

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

**International markets and economic services** works with industry and government to protect and increase access to international markets, and provides market information and analysis that supports the Australian red meat and livestock industry. The activities of overseas regional offices support the development of strong supply chains and customer loyalty to Australian red meat and livestock by promoting its quality, safety and nutritional value.

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

**Marketing** grows demand and promotes the quality, safety and nutritional value of Australian red meat in the domestic market.



### Executive Committee

The Managing Director and seven General Managers make up MLA's Executive Committee, which is responsible for guiding MLA's performance through the development of key strategies, business plans and policies, and ensuring the company's corporate objectives are met.

#### David Palmer

Managing Director

See page 44 for David Palmer's profile.

*David Palmer resigned as Managing Director of MLA on 8 July 2011. Scott Hansen has taken up the position.*

#### Peter Barnard PhD Econ

General Manager International Markets and Economic Services

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

#### Glen Feist

General Manager Marketing

Glen has more than 20 years' experience in senior roles managing retail meat supply and marketing across Australia and Asia. He joined MLA in 2003, as Regional Manager Korea and subsequently led the Japan office before returning to Australia to take up the position of General Manager Marketing in 2010.

#### Michelle Gorman BScAg (Hons) MSc GAICD

General Manager Industry Systems

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

#### Ian Johnsson BRurSc PhD

General Manager Livestock Production Innovation

Ian joined MLA in 2007 bringing with him over 30 years of agricultural research experience. His hands-on research in the livestock arena, combined with his senior management with MLA's predecessor organisations and more recently Australian Pork Limited enabled him to oversee and develop MLA's on-farm research portfolio.

*Ian Johnsson resigned from MLA on 6 May 2011. Peter Vaughan took up the position on 15 August 2011.*

#### David Pietsch BA Comms GAICD

General Manager Communications

After growing up on a mixed farming property near Inglewood in southern Queensland, David has undertaken a number of agricultural communications roles. Immediately prior to joining MLA, David spent five years as Policy Director with AgForce Cattle which gave him a strong perspective on both producer and industry interests. David has been with MLA since 2004 and became General Manager Communications in 2009.

#### Christine Pitt DBA MHA BSc MAICD

General Manager Client Innovation Services

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

#### Laurie Robinson CPA

General Manager Corporate Services

See page 46 for Laurie Robinson's profile.

*Company Secretary Rachel Debeck joined the Executive Committee on 15 July 2011. See page 46 for her details.*



*MLA Executive Committee (from left): Glen Feist, Michelle Gorman, Laurie Robinson, David Palmer, Ian Johnsson, Christine Pitt, David Pietsch, Peter Barnard*

## Office locations

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

## Staff profile

At 30 June 2011, MLA employed 243 full time staff equivalents – a decrease of 1.7% from 2009-10. This slight decrease in staff numbers reflected several positions that were in the process of being filled at the end of the financial year.

	30 June 2011	30 June 2010	30 June 2009	30 June 2008
<b>Total staff</b>	<b>243</b>	<b>247</b>	<b>235</b>	<b>238</b>
Male	127	123	127	129
Female	116	124	108	109
Full-time	229	227	221	226
Part-time	14	20	14	12
Australian-based	204	213	203	204
Overseas-based	39	34	32	34

Approximately 56% of our staff come from a rural background through family affiliation, previous industry experience or tertiary qualification.

Voluntary employee turnover was 14% or 33 employees during the year – an increase on the previous year. This rate was in line with the increase in staff turnover across the wider economy as employee confidence recovered from the low levels experienced immediately following the global financial crisis.

## Skills development

MLA is committed to developing our people. Succession and talent management programs have been supported by the creation of cross-functional project teams, internal secondments and promotions within business units. This has enabled on-the-job learning, formal training and career progression opportunities. We also encourage staff to undertake external education to enhance their skills, with 16 staff members receiving external education assistance during the year, most of these undertaking post-graduate qualifications. Training is also provided in workplace skill such as communication, negotiation, presentation, leadership and project management.

## Occupational health and safety

MLA is committed to the health and wellbeing of staff. We regularly review occupational health and safety measurement systems and seek to identify areas of potential risk to ensure we meet or exceed Australian legislation and standards. During the year, there was one case of injury resulting in total lost time of 48 hours. This was a decrease on 2009-10, when there were four cases totalling 1,094 hours. There were no reported breaches of occupational health and safety laws.

## Diversity and equal employment opportunity

MLA introduced a diversity policy during the year, which outlines our commitment to equal employment opportunity and sets measureable objectives for the company's performance. At as 30 June 2011, 48% of MLA's staff were women. Of the Executive Committee, two of the seven executive members are female and one of 10 MLA Board directors is female. There were no reports of harassment or discrimination in the workplace during the year.

## Corporate social responsibility

MLA contributes to the communities in which we work through a range of initiatives. We were active in the industry's 'Together with Japan' initiative to support Japanese farmers affected by the earthquake and tsunami in early 2011. MLA staff also participated in several charity initiatives during the year including the World's Greatest Shave to raise funds for the Leukaemia Foundation and the Sydney Coastrek to raise funds for the Fred Hollows Foundation.

# Corporate governance

MLA's corporate governance framework reflects our efforts to ensure that our values underpin the way in which we operate and behave. This framework has been established to ensure that we remain accountable to our stakeholders and that stakeholder interests are protected.

In developing and implementing our corporate governance practices we have taken into account the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. This statement and documents and policies relevant to our corporate governance framework are available on our website at [www.mla.com.au/corporategovernance](http://www.mla.com.au/corporategovernance)

## The company

MLA is incorporated under the *Corporations Act 2001* as a public company limited by guarantee. It is the declared marketing and research and development body under the *Australian Meat & Live-Stock Industry Act 1997* and is operated on a not-for-profit basis. MLA has approximately 47,500 cattle, sheep and goat producer members.

## The Board

### Composition

The Board comprises 10 directors, with the Managing Director the only executive director. The Board is a skills-based board with directors appointed for a maximum three-year term under the terms of MLA's constitution, after which time a director may reapply for a position on the Board in the same way as other candidates. The Board has the appropriate range of skills, knowledge and experience necessary to govern the company, and it provides input into the skills requirements for the Board through the Selection Committee. Further information about the Selection Committee is on page 40.

The Chairman of the Board was appointed in 2005 and is an independent director. The current composition of the Board and details about each director are set out in the *Directors' report* on page 44.

### Roles and responsibilities

The roles and responsibilities of the Board are formalised in the Board charter. The Board strives to build sustainable value for MLA's members and the red meat industry and to achieve MLA's mission of delivering world class services and solutions in partnership with industry and government. The Board's responsibilities include:

- providing input into and approving management strategies, budgets, programs and policies

- appointing and removing the Managing Director
- assessing performance against strategies to monitor both the performance of management as well as the continuing suitability of strategies
- overseeing the company and reviewing operating information
- approving and monitoring significant capital expenditure and significant commitments under agreed programs
- ensuring the company operates with an appropriate corporate governance structure
- ensuring the company operates in accordance with its objects and the Industry Memorandum of Understanding
- ensuring the company meets its obligations under the MLA/Commonwealth Deed of Agreement

Directors may, with the Chairman's approval, obtain independent professional advice on matters arising in the course of their Board and committee duties. Directors have access to company records and information.

### Board meetings

The Board has 11 scheduled meetings each year, with additional meetings held when required. The Board met a further seven times during the year to address issues arising between meetings. Meeting agendas are formulated in preparation for each meeting, however the Board also has an annual agenda which sets items to be considered and reviewed throughout the year.

These items include monthly reviews of MLA's financial position and management reports, a detailed review of each of the company's strategic imperatives and 'health checks'. Health checks detail topics including industry dynamics and challenges; industry outlook and forecasts; consumer trends; human resources; and R&D programs.

The annual agenda also sets key review dates for items which must come before the Board under the categories of performance, compliance and governance.

The Board continually strives to ensure its meetings are conducted efficiently to enable sufficient discussion and contribution from all directors. The Board regularly considers and discusses key strategic issues at both a company and industry level. During the year, the Board participated in a strategic planning day with the Executive Committee.

Management attends and provides input into issues arising in Board meetings relevant to their portfolios. Directors regularly meet with management

and have regular exposure to other employees through presentations given at Board meetings and attendance by directors at industry meetings, forums and workshops.

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

### Board evaluation

The Board reviews its own performance during meetings and also evaluates its performance through a formal annual performance review, facilitated by an external specialist. As part of the review, each director, and members of the Executive Committee completed a survey and participated in an interview. Observations from the review were reported to, and discussed, by the Board. The Chairman also discussed individual results with each director.

### Board training

The Board has scheduled a further whole-of-Board governance training program for September. In addition, a number of directors participated in individual training programs throughout the year.

### Independence

The Board considers each director's independence. 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. In October, the Board implemented its *Policy on the independence of directors*, which requires that the Board will assess independence annually, or more regularly if a director's circumstances change.

The Board has determined that all of the non-executive directors are independent.

### Conflicts of interest

Each director provides information about their business and other interests to the Board at the time of their appointment and this information is updated following further notifications by a director. In November, the Board implemented its *Conflict of interest policy and procedures* to provide a framework to effectively deal with conflicts of interest.

### Diversity

In April, the Board implemented a company-wide *Diversity policy*. The Board also set a number of Board focussed measurable objectives, including that:

- the MLA Selection Committee be advised of the Board's commitment to diversity
- at least one suitable female candidate should be included on a Selection Committee interview shortlist
- at least one female should sit on the Selection Committee and Board Remuneration Committees by 2012
- an objective of 30% female MLA board directors by December 2014, with an objective of 20% female MLA board directors by December 2012

As at 30 June 2011, 48% of MLA's staff were women. On the senior executive team, two of the seven executives are female and on the current MLA Board of 10, one director is female.

A sub-committee of the Executive Committee has also been established to develop a company-wide diversity strategy and to recommend to the Board measurable targets for achieving diversity.

### Board committees

There were two Board committees that met during the year:

- Audit and Risk Committee
- Remuneration Committee

These Board committees are comprised solely of non-executive directors, with management attending committee meetings by invitation only.

A program of committee meetings is developed at the beginning of each year and committees also meet throughout the year to consider issues which may arise. The Chair of each committee provides a verbal update of each committee meeting to the Board and minutes of committee meetings are provided in the Board papers.

The role of each committee is set out in the committee charters, which are regularly reviewed. The members of each committee, together with each member's attendance at meetings are set out in the *Director's report* on page 44.

### Audit and Risk Committee

The Audit and Risk Committee oversees MLA's risk program and has oversight responsibility of the company's financial reporting, internal control structure, risk management and the internal and

external audit functions. In keeping with community expectations, the chair of the committee is not the Chairman of the Board. The Audit and Risk Committee is required to meet at least three times a year and meets separately with the external auditor at least once each year.

The Audit and Risk Committee is responsible for making recommendations to the Board for the approval of the annual audit plan and annual financial statements.

The Committee holds discussions with the external auditors and management before the annual financial statements are submitted to the Board.

The Audit and Risk Committee is also responsible for making recommendations to the Board about the appointment of MLA's auditors.

The Audit and Risk Committee reviews the adequacy and effectiveness of internal controls, including the company's policies and procedures, to assess, monitor and manage business risk and legal and ethical compliance programs. This review includes monitoring the implementation of MLA's *Risk management plan*, *Fraud control plan* and *Intellectual property plan*.

It also reviews the company's foreign exchange and treasury management and oversees the company's risk management program. During the year the Audit and Risk Committee completed a review of its Charter.

Further information about MLA's risk management activities is on page 41.

### Remuneration Committee

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

- processes and guidelines for annual staff remuneration reviews and making recommendations to the Board accordingly
- the remuneration package of the Managing Director and making recommendations to the Board in this regard
- remuneration packages for the general managers and other executives nominated by the Committee, in consultation with the Managing Director
- any bonus or special incentive plans and making recommendations to the Board in this regard
- company policies relevant to any human resource issues and activities that impact on remuneration and compensation.

### Selection Committee

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

- three persons elected by members of MLA
- three persons appointed by Peak Councils
- three directors

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

The Selection Committee assesses candidates against a range of criteria, including experience and skills, personal qualities and their available time commitment.

The composition of the Selection Committee, together with each member's attendance at meetings is set out in the *Directors' report* on page 47.

### Reporting framework

MLA is party to a Deed of agreement with the Commonwealth of Australia through its Department of Agriculture, Fisheries and Forestry (the deed). The deed sets out the requirements for the company's expenditure of levy funds and matching funds and provides a framework under which the company must report to the Department. Key reporting obligations include:

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

MLA is currently in discussions with the Department in relation to a new statutory funding agreement with the Commonwealth.

## Financial and risk management

MLA's risk management policies and assessments are documented in the *Risk management plan* (the plan). The plan outlines the process followed to identify risks and categorises risks as 'strategic risks' or 'operational risks'. Individual risks have been identified, assessed, categorised and entered into a risk register, which forms part of the plan.

The Board has delegated to the Audit and Risk Committee the responsibility to monitor and review risks relating to governance and finance and those risks that are operational/internal in nature.

The Committee receives regular updates on matters relating to financial management, treasury, foreign exchange, payroll management, system controls and levels of authority.

During the final months of the year MLA commenced a major review of the plan, as well as the company's *Fraud control plan* and *Intellectual property plan*.

The Audit and Risk Committee has received a written declaration from the Managing Director and Chief Financial Officer that the financial reports represent a true and fair view, in all material respects, of the company's financial condition and operating results and are in accordance with relevant accounting standards.

## Code of business conduct and ethics

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

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

The code also establishes a reporting framework to enable employees to report any breach of the code. All employees are required to confirm that they have

read and understood the code each year. A copy of the code is provided to all new employees on commencement and is a feature of the formal induction training which is provided at least twice a year. During the year, the code was reviewed and updated, in particular to incorporate reference to two new internal policies: *Anti-bribery policy* and *Social media policy*.

## Remuneration and performance arrangements

The total limit for directors' remuneration (excluding the Managing Director) is \$750,000. This limit was determined by members at the 2008 annual general meeting. The Board determined in June 2010 that an increase of 3% for directors' fees would take effect from 1 July 2010, taking the total per annum costs to \$458,628. This was the first increase in directors' fees since July 2004. No further increases were implemented during the year.

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

The remuneration packages for the senior management team are reviewed each year and include a performance based component to ensure the remuneration structure:

- aligns management effort with organisational objectives
- attracts, retains and motivates quality management personnel

## Communicating with members

MLA implements a member communications strategy that seeks to:

- create awareness of MLA and its activities amongst MLA members
- demonstrate the relevance and value of MLA and its programs
- proactively engage members to take advantage of the opportunities created by the company in partnership with industry and government

In implementing this strategy we employ a variety of communications tactics including radio and print media, magazines and publications, the corporate website, events and our *feedbackTV* DVDs. The success of these efforts is measured through member surveys, media and website monitoring, publication orders and increases in membership.

MLA employs a policy of ensuring all members have the opportunity to participate in our annual general meeting (AGM) by rotating its location around the nation. The 2010 AGM was held in Launceston, Tasmania and was preceded by Darwin, Northern Territory (2009), Orange, New South Wales (2008), Rockhampton, Queensland (2007), Adelaide, South Australia (2006), and Melbourne, Victoria (2005).

Events play an important role in giving members information and the direct opportunity to contribute to the direction of the company. In 2010-11 we collaborated with a range of industry organisations to participate in 59 producer events across the company.

Our 2009-10 *Annual report* was made available through our corporate website as well as in hard copy for members who requested it.

MLA's website [www.mla.com.au](http://www.mla.com.au) provides information on on-farm tools and resources, post-farm research programs, domestic and international marketing activities, market information and links to websites for key industry systems such as Meat Standards Australia, the National Livestock Identification System and Livestock Production Assurance. The site is consistently ranked in the Top 10 by website monitoring company Hitwise and maintained 39,500 unique visitors a month during 2010-11.

Our flagship magazine *feedback* and DVD program *feedbackTV* continue to demonstrate the breadth of research and marketing activities that the company undertakes on behalf of industry to more than 47,500 members.

# Financial report

for the year ended 30 June 2011

Directors' report	44	13. Intangible assets	64
Auditor's independence declaration	49	14. Trade and other payables (current)	65
Income statement	50	15. Provisions (current)	65
Statement of comprehensive income	51	16. Other liabilities (current)	66
Statement of financial position	52	17. Other payables (non-current)	66
Statement of changes in equity	53	18. Provisions (non-current)	66
Statement of cash flows	54	19. Cash flow hedge reserve	67
Notes to the financial statements		20. Foreign currency exposure	67
1. Corporate information	55	21. Employee entitlements	68
2. Summary of significant accounting policies	55	22. Remuneration of auditors	68
3. Revenue from continuing operations	58	23. Director and executive disclosures	69
4. Transaction levies	59	24. Notes to the statement of cash flows	71
5. Other income	59	25. Expenditure commitments	71
6. Expenses and losses	59	26. Members' funds	72
7. Trade and other receivables (current)	60	27. Contributed equity	72
8. Prepayments and deposits	61	28. Financial risk management objectives and policies	72
9. Investment in associate	61	29. Financing arrangements	75
10. Investments in subsidiaries	62	Directors' declaration	76
11. Parent entity information	62	Independent auditor's report	77
12. Property, plant and equipment	63		

## Directors' report

The Board of Directors of Meat & Livestock Australia Limited ('MLA' or 'the company') is pleased to submit its report for the financial year ended 30 June 2011.

### 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. All directors were in office for the entire year unless otherwise stated.

#### Names, qualifications, experience and special responsibilities

##### **(Don) Arthur Heatley** (Chairman)

Director since 1998

Mr Heatley owns and operates three north Queensland properties that carry 14,000 head of cattle which supply the Japanese, US and live export markets. He has served on the Queensland Government's Livestock Export Advisory Committee, as well as having held positions with the Cattle Council of Australia and the North Queensland Beef Research Committee. Mr Heatley is Chairman of the Selection Committee. Mr Heatley has been Chairman of MLA since 2005.

##### **David Palmer** (Managing Director) GradDipMgmt (AGSM) Director since 2006

Mr Palmer served as MLA's Regional Manager in North America for the three years prior to his appointment as Managing Director in February 2006. Prior to his posting to Washington, Mr Palmer was the General Manager, Industry Affairs and Communication with MLA, based in Sydney. Before joining MLA, Mr Palmer managed food safety and quality assurance programs at the Australian Meat & Live-Stock Corporation, and spent six years as the Executive Director of the Cattle

Council of Australia based in Canberra. Mr Palmer was a director of MLA and MLA Donor Company Limited until his resignation on 8 July 2011. Mr Palmer remains a director of AUS-MEAT Limited.

##### **Scott Hansen** (Managing Director) BRurSc

GradCertComms

Director appointed 9 July 2011

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

##### **Robert Anderson** FAICD

Director since 2010

Mr Anderson operates a beef cattle operation near Mullaley, in north west New South Wales. Mr Anderson is actively involved in his local community and has had extensive involvement in industry related boards and committees. Mr Anderson is a past councillor of Cattle Council of Australia and National Farmers' Federation and was a director and senior vice president of NSW Farmers' Association. He is a graduate of the Australian Rural Leadership Program and is a Fellow



The MLA Board (from left): Michael Carroll, Peter Trefort, Iain Mars, Peter Boyden, David Palmer, Don Heatley, Rob Anderson, Lucinda Corrigan, Gregory Harper and Grant Burbidge

of the Australian Institute of Company Directors. Since 2003 he has been Chair of the AUS-QUAL Advisory Committee that advises the board of AUS-QUAL Pty Limited on industry matters concerning quality assurance accreditation across Australian and international producer and processor industries. Mr Anderson is Deputy Chairman of MLA and a director of National Livestock Identification System (NLIS) Ltd and AUS-MEAT Limited.

**Peter Boyden** BSc (Maths)  
Director since 2005

Mr Boyden is a Principal of The Adelante Group, a specialist executive mentoring organisation, and the Managing Director of Boyden & Associates (a planning and strategic development consultancy). He is an internationally experienced senior executive, with extensive general management, strategic planning and marketing expertise gained in multi-national businesses. Previously Mr Boyden was the Managing Director of Unilever Australasia Foods, Executive Director of the Australian Food and Grocery Council, and Marketing Director for Unilever Australasia. He is a non-executive director of Foods Standards Australia New Zealand and Dairy Innovation Australia Ltd. Mr Boyden is Chairman of the Remuneration Committee and a member of the Selection Committee.

**(Grant) Stuart Burbidge** BAppSc (Wool and Pastoral)  
(Hons), GAICD  
Director since 2008

Mr Burbidge is from Tarcutta on the south west slopes of New South Wales and currently runs a flock of 20,000 sheep. He has 30 years experience as a livestock producer and also provides strategic management expertise to other agricultural enterprises. Mr Burbidge has been a director of companies bringing

investment, management and labour hire to agriculture, and also research and development for agrochemical companies. Mr Burbidge is a member of the Advisory Board of Fred Morley Centre at Charles Sturt University. Mr Burbidge has been a director since 2008 and is a member of the Remuneration Committee.

**Michael Carroll** BAgSc, MBA, GAICD  
Director since 2007

Mr Carroll serves a range of agribusiness companies in a board and advisory capacity. His board positions include Warrnambool Cheese and Butter, Select Harvests, Sunny Queen Farms, Rural Funds Management and Rural Finance Corporation. Advisory clients span government, major banks and institutional investors and successful family owned agribusinesses. Mr Carroll is also on the board of the Australian Farm Institute and a member of the Marcus Oldham Foundation. Prior to this Mr Carroll worked for the National Australia Bank (NAB) in a number of roles, including being responsible for establishing and leading NAB's Agribusiness division. Before joining NAB, he worked for a number of companies involved in agricultural research and product development. Mr Carroll comes from a family who have been involved in agriculture for over 130 years and has his own property in western Victoria. Mr Carroll is the Chairman of the Audit and Risk Committee and a director of MLA Donor Company Limited.

**Lucinda Corrigan** BScAgr (Hons 1), FAICD  
Director since 2007

Ms Corrigan is a Director of Rennylea Angus, a leading beef genetics business running 3,000 head of cattle across five properties in the Murray Valley of NSW. Rennylea supplies commercial producers across Australia and genetic products to international



markets. Ms Corrigan has skills and experience in R&D, genetics, natural resource management, communications, marketing and advocacy and for 20 years has served as a non executive director on industry bodies and innovation companies. During the last decade she has been a director of four cooperative research centres and is currently Deputy Chairman of the Future Farm Industries Cooperative Research Centre. She is Chairman of the advisory committee of the Graham Centre, a partnership between Charles Sturt University and NSW Department of Primary Industries. In the Holbrook community, she is co-organiser of the local beef group's activities. She is a Fellow of the Australian Institute of Company Directors and the Australian Rural Leadership Foundation. Ms Corrigan is a member of the Audit and Risk Committee and a director of MLA Donor Company Limited.

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

Dr Harper is a career scientist with extensive research experience within the university environment and the CSIRO across a range of projects focused on food and livestock. He has worked in laboratories in the fields of biochemistry and cellular biology and applied the science to medicine and meat production. Dr Harper is currently the Deputy Chief for Business Development of CSIRO Livestock Industries. Prior to this (2006–2008) he was seconded from the CSIRO to be the Manager of MLA's Strategic Science Program. He is a member of CSIRO Livestock Industries divisional executive, and past President of the Matrix Biology Society of Australia and New Zealand. Dr Harper also sits on the Industry Advisory Panel of the Queensland Facility for Advanced Bioinformatics. Dr Harper is a member of the Audit and Risk Committee.

**Iain Mars** BSc (Economics)  
Director since 2009

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

**Peter Trefort**  
Director since 2003

Mr Trefort manages his family's property at Narrogin in Western Australia. Mr Trefort has more than 40 years' experience in sheep and cattle production as well as management across the supply chain. He has worked extensively developing on-farm and processing R&D strategy with the Department of Agriculture (WA), University of WA and Murdoch (WA). He has been successful in developing and commercialising an innovative new range of lamb cuts to extend markets both domestically and internationally. He is a director of Hillside Meats, Elderstone Nominees Pty Ltd and Sheep CRC Limited. In 2007, Mr Trefort received an honorary doctorate in Science from Murdoch University. Mr Trefort is a member of the Selection and Remuneration Committees.

### Directors who retired or resigned during the year

**(John) Henry Wyld** FAICD  
Retired November 2010

Mr Wyld has been extensively involved in the cattle and sheep industries for a number of decades and was involved in establishing MLA. Previously Mr Wyld was a director of Austops Limited, Victorian Producers Co-op Limited, CRC for Beef Quality, the Australian Meat & Live-Stock Corporation and AUS-MEAT Limited. Mr Wyld was also president of the Cattle Council of Australia and the Victorian Farmers' Federation Pastoral Group and chairman of the NLIS Executive Committee. Mr Wyld currently operates cattle and sheep properties in South Gippsland and western Victoria. Mr Wyld is a director of NLIS Limited.

### Company secretaries

**Rachel Debeck** BA, LLB (Hons), GAICD  
Appointed July 2006

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

**Laurence Robinson** CPA  
Appointed October 2006

Mr Robinson joined MLA in October 2006. He has extensive experience in all aspects of financial and

corporate management and has been employed as a finance director and chief financial officer across publicly listed and multi-national companies within Australia and overseas. Immediately prior to joining MLA, Mr Robinson worked for Dairy Farmers as its Chief Financial Officer.

### MLA Donor Company Limited

The business activities of MLA Donor Company Limited are overseen by a separate board of directors. At 30 June 2011 the members of the board were Mr Michael Carroll, Ms Lucinda Corrigan, Mr David Palmer and Mr Laurence Robinson. Mr Scott Hansen replaced Mr David Palmer on the board following his resignation on 8 July 2011.

### National Livestock Identification System Limited

The business activities of National Livestock Identification System Limited are overseen by a separate board of directors. At 30 June 2011, the members of the board were Mr Robert Anderson, Mr Ian Feldtmann, Mr Stephen Kelly, Mr Peter Milne and Mr John Wyld. Ms Michelle Gorman and Mr Ian Mars resigned as directors during the year.

### Directors' meetings

During the year the company held 18 meetings of directors. The attendances of the directors at meetings of the Board and of its committees were:

#### Meetings attended/held while in office

	Board of directors		Committees of the board of directors	
	Scheduled meetings	Ad hoc meetings	Audit and risk	Remuneration
R Anderson	6/6	6/6	–	–
P Boyden	9/11	7/7	–	2/2
G Burbidge	11/11	7/7	–	2/2
M Carroll	11/11	6/7	5/5	–
L Corrigan	10/11	3/7	4/5	–
G Harper	11/11	7/7	5/5	–
A Heatley	11/11	7/7	–	–
I Mars	9/11	6/7	–	–
D Palmer	11/11	7/7	–	–
P Trefort	11/11	6/7	–	2/2
H Wyld	5/5	1/1	–	–

### Selection Committee

During the year, the Selection Committee held five meetings. The current members of the Selection Committee and the meetings attended/held while in office are listed below.

#### MLA Directors

Don Heatley (Chair) 5/5

Peter Boyden 4/5

Peter Trefort 5/5

#### Peak Council representatives

Greg Brown 5/5

Jim Cudmore 4/5

Kate Joseph 5/5

#### MLA Member elected representatives

Robert Green 5/5

Kerry Corish 4/5

Warren Barnett 4/5

### Principal activities

The major activities of 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 \$876,000 (2010: net surplus of \$1,113,000).

#### Group overview

The group earned total revenue of \$167,393,000 (2010: \$171,788,000) which is comprised of the following:

- Transaction levies \$96,083,000 (2010: \$96,362,000)
- Research and development matching grants \$35,633,000 (2010: \$38,094,000)
- Research and development contributions (unmatched) \$4,815,000 (2010: \$6,156,000)
- Other income and revenues \$30,862,000 (2010: \$31,176,000)

Total income received/receivable was more than total expenditure, which resulted in a net surplus from continuing operations of \$876,000 for the year.

#### Significant changes in the state of affairs

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

#### Significant events after the balance date

There were no significant events after the balance date.

#### Likely developments and expected results

No significant changes in the operations of the group are expected in the future.

#### Environmental regulation and performance

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

### Indemnification and insurance of directors and officers

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

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

### Rounding of amounts

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

### Registered office and principal place of business

Level 1, 165 Walker 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 2011 has been received and can be found following this report.

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



A Heatley  
Director



S Hansen  
Director

Sydney  
8 September 2011

# Auditor's independence declaration

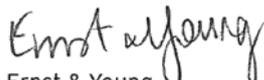
to the Directors of Meat & Livestock Australia Limited



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

In relation to our audit of the financial report of Meat & Livestock Australia Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

  
Ernst & Young



Rob Lewis  
Partner  
Sydney  
8 September 2011

# Income statement

Year ended 30 June 2011

	Notes	Consolidated	
		2011 \$000	2010 \$000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES FROM CONTINUING OPERATIONS</b>	3	<b>167,393</b>	171,788
<b>EXPENDITURE FROM CONTINUING OPERATIONS</b>			
Improving market access		20,731	21,077
Growing demand		64,755	63,998
Increasing productivity		20,371	24,151
Promoting integrity & sustainability		15,244	15,533
Increasing industry capability		9,432	8,380
Communicating with stakeholders		4,004	3,991
Other		551	575
R&D partnerships		20,826	22,865
Corporate costs		10,603	10,105
Total expenditure		<b>166,517</b>	170,675
<b>NET SURPLUS FROM CONTINUING OPERATIONS</b>		<b>876</b>	1,113
<b>TOTAL CHANGE IN MEMBERS' FUNDS</b>		<b>876</b>	1,113

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

# Statement of comprehensive income

Year ended 30 June 2011

	Notes	Consolidated	
		2011 \$000	2010 \$000
<b>NET SURPLUS FROM CONTINUING OPERATIONS</b>		<b>876</b>	1,113
<b>OTHER COMPREHENSIVE INCOME</b>			
Cash flow hedges:			
Gain/(loss) taken to equity		(262)	275
Transferred to statement of financial position		(275)	667
Other comprehensive income for the year		(537)	942
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>339</b>	2,055

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

# Statement of financial position

As at 30 June 2011

	Notes	Consolidated	
		2011 \$000	2010 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	24	80,636	83,836
Trade and other receivables	7	22,254	26,635
Prepayments and deposits	8	1,349	607
<b>TOTAL CURRENT ASSETS</b>		<b>104,239</b>	111,078
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	1,988	1,681
Intangible assets	13	1,119	1,859
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,107</b>	3,540
<b>TOTAL ASSETS</b>		<b>107,346</b>	114,618
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	27,802	36,462
Provisions	15	1,783	1,906
Other liabilities	16	10,104	9,573
<b>TOTAL CURRENT LIABILITIES</b>		<b>39,689</b>	47,941
<b>NON-CURRENT LIABILITIES</b>			
Other payables	17	165	296
Provisions	18	2,314	1,542
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,479</b>	1,838
<b>TOTAL LIABILITIES</b>		<b>42,168</b>	49,779
<b>NET ASSETS</b>		<b>65,178</b>	64,839
<b>EQUITY – MEMBERS' FUNDS</b>			
Contributed equity	27	9,031	9,031
Retained surplus		56,409	55,533
Cash flow hedge reserve	19	(262)	275
<b>TOTAL EQUITY – MEMBERS' FUNDS</b>		<b>65,178</b>	64,839

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

# Statement of changes in equity

Year ended 30 June 2011

	Consolidated			Total \$000
	Contributed equity \$000	Retained earnings \$000	Cash flow hedge reserve \$000	
At 1 July 2009	9,031	54,420	(667)	62,784
Surplus for the year	-	1,113	-	1,113
Other comprehensive income	-	-	942	942
Total comprehensive income	-	1,113	942	2,055
<b>At 30 June 2010</b>	<b>9,031</b>	<b>55,533</b>	<b>275</b>	<b>64,839</b>
Surplus for the year	-	876	-	876
Other comprehensive income	-	-	(537)	(537)
Total comprehensive income	-	876	(537)	339
<b>At 30 June 2011</b>	<b>9,031</b>	<b>56,409</b>	<b>(262)</b>	<b>65,178</b>

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

# Statement of cash flows

Year ended 30 June 2011

	Notes	Consolidated	
		2011 \$000	2010 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Levies collected		96,345	96,349
Research and development matching grants		38,322	34,471
Receipts from processors and live exporters		12,780	11,274
Other receipts		20,357	26,187
Payments to suppliers and employees		(173,704)	(158,958)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	24(b)	<b>(5,900)</b>	9,323
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		77	13
Purchase of property, plant and equipment		(1,214)	(1,492)
Purchase of software		(117)	(406)
Interest received		3,954	2,763
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>2,700</b>	878
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>(3,200)</b>	10,201
Add opening cash brought forward		83,836	73,635
<b>CLOSING CASH CARRIED FORWARD</b>	24(a)	<b>80,636</b>	83,836

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

# Notes to the financial statements

Year ended 30 June 2011

## 1. CORPORATE INFORMATION

The financial report of Meat & Livestock Australia Limited ("MLA" or "the Company") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 8 September 2011.

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

MLA is a company limited by guarantee incorporated in Australia.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

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

The financial report is presented in Australian dollars.

### (b) Statement of compliance

The accounting policies adopted are consistent with those of the previous financial year other than the following standards that have been adopted from 1 July 2010:

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of this standard does not have a material impact on the Group.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not effective have not been adopted by the Group for the annual reporting period ending 30 June 2011 and the directors having considered the changes to the accounting standards and other than potential disclosure adjustments, do not believe there will be a material impact to the financial statements.

### (c) Principles of consolidation

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

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

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

### (d) Cash and cash equivalents

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

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

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

### (e) Trade and other receivables

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

### (f) Taxes

#### Income tax

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

#### Goods and Services Tax (GST)

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

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

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

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

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

Year ended 30 June 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (g) Revenue recognition

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

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

### (h) Derivative financial instruments and hedging

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

to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

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

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

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

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

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

#### Cash flow hedges

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

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

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in

equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the Statement of comprehensive income.

#### (i) Foreign currency translation

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

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

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

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

#### (j) Impairment of assets

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

#### (k) Intangible assets

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

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

Intangibles are amortised as follows:

Computer software 1–5 years

#### (l) Leases

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

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

#### (m) Property, plant and equipment

##### Cost

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

##### Depreciation

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

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

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

##### Derecognition and disposal

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

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

#### (n) Trade and other payables

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

#### (o) Unearned income

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

## Notes to the financial statements

Year ended 30 June 2011

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (p) Employee benefits

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

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled.

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

#### (q) Rent free period

The office lease in North Sydney was renegotiated in 2008 to include a rent-free period. The benefit of the rent-free period is being amortised on a straight-line basis over the 64 month lease term. The Company's Brisbane office moved to new premises during 2010 with a rent-free period. The benefit of the rent-free period is being amortised on a straight-line basis over the sixty month lease term.

#### (r) Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the consolidated Statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

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

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

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

### 3. REVENUE FROM CONTINUING OPERATIONS

	Notes	Consolidated	
		2011 \$000	2010 \$000
<b>Revenues from operating activities</b>			
Transaction levies	4	96,083	96,362
R&D Commonwealth matching payments		35,633	38,094
R&D contributions (unmatched)		4,815	6,156
Other income	5	26,653	28,197
Total revenues from operating activities		163,184	168,809
<b>Revenues from non-operating activities</b>			
Bank interest		4,190	2,979
Net gain on disposal of property, plant and equipment		19	–
Total revenues from non-operating activities		4,209	2,979
Total revenues from continuing operations		167,393	171,788

	Consolidated	
	2011 \$000	2010 \$000
<b>4. TRANSACTION LEVIES</b>		
Transaction levies:		
– Grainfed cattle	8,469	7,736
– Grassfed cattle	56,191	57,099
– Lambs	28,663	28,254
– Sheep	2,144	2,660
– Goats	616	613
Total transaction levies	<b>96,083</b>	96,362
<b>5. OTHER INCOME</b>		
Processor contributions	8,980	9,733
Live exporter contributions	2,167	1,846
Co-operative funding	2,130	2,012
R&D partnership income	10,413	12,094
Sale of products or services	1,746	1,780
Other	1,217	732
Total other income	<b>26,653</b>	28,197
<b>6. EXPENSES AND LOSSES</b>		
Depreciation and amortisation of non-current assets included in the Income statement:		
Leasehold improvements	369	340
Plant and equipment	449	493
Furniture and fittings	31	29
Amortisation of intangible assets	857	872
Total depreciation and amortisation of non-current assets	<b>1,706</b>	1,734
Bad and doubtful debts – trade debtors	–	40
Operating lease rentals included in the Income statement	3,393	3,267
Employee benefit expense:		
Wages and salaries	23,033	22,696
Workers compensation costs	202	143
Annual leave provision	1,683	1,718
Long service leave provision	642	628
Superannuation expense	1,865	1,760
Other post employment benefits	81	69
Termination expenses	77	615
Total employee benefit expense	<b>27,583</b>	27,629

## Notes to the financial statements

Year ended 30 June 2011

	Consolidated	
	2011 \$000	2010 \$000
<b>7. TRADE AND OTHER RECEIVABLES (CURRENT)</b>		
Trade receivables	3,408	2,137
Allowance for impairment of receivables (a)	(64)	(67)
Trade receivables, net	3,344	2,070
Accrued revenue		
– Levies	6,708	6,970
– R&D matching grants	8,617	11,306
– Other	3,356	5,429
Total accrued revenue	18,681	23,705
Goods and Services Tax	146	469
Derivative financial instruments	–	275
Other receivables	83	116
Total current receivables, net	22,254	26,635

Movements in the provision for impairment loss were as follows:

At the beginning of the financial year	67	65
Charge for the year	–	40
Amounts written off	(3)	(38)
At 30 June	64	67

As at 30 June 2011, the ageing analysis of trade receivables (net of impairment) is as follows:

### Consolidated

	Total \$000	Current \$000	Past due but not impaired				
			1-30 days \$000	31-60 days \$000	61-90 days \$000	91-120 days \$000	>120 days \$000
Trade receivables (net of impairment)							
<b>2011</b>	<b>3,344</b>	<b>2,856</b>	<b>366</b>	<b>25</b>	<b>48</b>	<b>1</b>	<b>48</b>
2010	2,070	1,900	101	61	7	1	–

(a) Allowance for impairment of receivables

A provision for impairment loss is recognised when there is objective evidence that a trade receivable is individually impaired (refer Note 2(e)). Financial difficulties of the debtor or defaulting in payments are considered objective evidence of impairment. As at 30 June 2011, there were no (2010: \$40,000) trade receivables that were individually impaired and provided for.

Receivables past due but not impaired are: \$488,000 (2010: \$170,000). Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these balances will be received when due.

(b) Interest rate risk

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

(c) Security

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

(d) Credit risk

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

	Consolidated	
	2011 \$000	2010 \$000
<b>8. PREPAYMENTS AND DEPOSITS</b>		
Prepayments	1,190	383
Deposits	159	224
Total prepayments and deposits	<b>1,349</b>	607

### 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 2011 was \$550,000 (2010: \$575,000).

#### Summary results of the associate entity

	AUS-MEAT Limited	
	2011 \$000	2010 \$000
Revenue	10,889	9,466
Accumulated surplus at beginning of the year	845	320
Net surplus for the year	535	525
Accumulated surplus at end of the year	<b>1,380</b>	845

#### Financial summary of associated entity

Total current assets	5,354	4,265
Total non current assets	4,068	4,088
Total current liabilities	3,141	2,703
Total non current liabilities	154	127
Net assets	<b>6,127</b>	5,523

The investment in AUS-MEAT Limited has been taken up at nil value (2010:\$nil). There is no entitlement to a share of the net results or net assets except in the event of a winding up of the entity.

## Notes to the financial statements

Year ended 30 June 2011

### 10. INVESTMENTS IN SUBSIDIARIES

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

Name	% Equity Interest		Investment (\$000)	
	2011	2010	2011	2010
(a) MLA Donor Company Limited	100	100	-	-
(b) National Livestock Identification System Limited	100	100	-	-
			-	-

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.

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

### 11. PARENT ENTITY INFORMATION

	2011 \$000	2010 \$000
Information relating to Meat & Livestock Australia Limited:		
Current assets	103,981	111,021
Total assets	106,943	114,424
Current liabilities	39,371	47,834
Total liabilities	41,765	49,585
Contributed equity	9,031	9,031
Reserves	(262)	275
Total equity – Members' funds	65,178	64,839
Surplus for the year	876	1,113
Other comprehensive income for the year	(537)	942

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	
	2011 \$000	2010 \$000
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and equipment</b>		
At cost	5,123	5,128
<i>Accumulated depreciation</i>	<b>(3,904)</b>	(4,153)
Total plant and equipment	<b>1,219</b>	975
<b>Furniture and fittings</b>		
At cost	358	354
<i>Accumulated depreciation</i>	<b>(251)</b>	(241)
Total furniture and fittings	<b>107</b>	113
<b>Leasehold improvements</b>		
At cost	5,187	4,803
<i>Accumulated depreciation</i>	<b>(4,525)</b>	(4,209)
Total leasehold improvements	<b>662</b>	593
<b>Total property, plant and equipment</b>		
Cost	<b>10,668</b>	10,285
<i>Accumulated depreciation</i>	<b>(8,680)</b>	(8,603)
Total written down value	<b>1,988</b>	1,681

## Notes to the financial statements

Year ended 30 June 2011

	Consolidated	
	2011 \$000	2010 \$000
<b>12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
<b>Plant and equipment</b>		
Carrying amount at beginning	975	796
Additions	704	685
Disposals	(11)	(13)
Depreciation expense	(449)	(493)
	<b>1,219</b>	<b>975</b>
<b>Furniture and fittings</b>		
Carrying amount at beginning	113	69
Additions	25	73
Disposals	–	–
Depreciation expense	(31)	(29)
	<b>107</b>	<b>113</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	593	199
Additions	485	734
Disposals	(47)	–
Depreciation expense	(369)	(340)
	<b>662</b>	<b>593</b>
<b>13. INTANGIBLE ASSETS</b>		
<b>Software</b>		
At cost	4,136	4,018
Accumulated amortisation	(3,017)	(2,159)
Total software	<b>1,119</b>	<b>1,859</b>
Reconciliation		
Carrying amount at beginning	1,859	2,325
Additions	117	406
Amortisation expense	(857)	(872)
	<b>1,119</b>	<b>1,859</b>

	Consolidated	
	2011 \$000	2010 \$000
<b>14. TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade payables (a)	10,330	15,783
Accrued R&D and other creditors (a)	14,085	17,299
Funds held on behalf of the Commonwealth (b)	341	393
Rent-free period (Refer note 2q)	150	131
Derivative financial instruments (c)	262	–
Employee entitlements		
– Annual leave	2,291	2,538
– Other	343	318
<b>Total current trade and other payables</b>	<b>27,802</b>	<b>36,462</b>

(a) Trade payables, accrued R&D and other creditors are non-interest bearing and are normally settled on 30 day terms. In the case of accrued R&D, any payments are further subject to milestones being satisfactorily completed. Where other creditors and accruals include balances that are denominated in a foreign currency that has not been effectively hedged, these balances have been further disclosed in Note 20.

(b) The Company has entered into arrangements with the Australian Government, through the Department of Agriculture, Forestry and Fisheries to receive grants in relation to the National Livestock Identification System (NLIS). These funds are distributed at the direction of the NLIS Review Committee and the Minister.

(c) Pursuant to Note 2(i), the Group remeasured to fair value its outstanding forward currency and option contracts as at year end.

#### 15. PROVISIONS (CURRENT)

	Consolidated	
	2011 \$000	2010 \$000
Employee entitlements		
– Long service leave	1,733	1,756
Leasehold make good	–	100
Other provisions	50	50
<b>Total current provisions</b>	<b>1,783</b>	<b>1,906</b>

*Movements in provisions:*

	Consolidated			
	Long service leave \$000	Leasehold make good \$000	Other provisions \$000	Total \$000
Carrying amount at the beginning of the financial year	1,756	100	50	1,906
Additional provisions/(provision written back)	175	(47)	–	128
Utilised	(348)	(53)	–	(401)
Amounts transferred from non-current during the year	150	–	–	150
<b>Carrying amount at the end of the financial year</b>	<b>1,733</b>	<b>–</b>	<b>50</b>	<b>1,783</b>

## Notes to the financial statements

Year ended 30 June 2011

	Consolidated	
	2011 \$000	2010 \$000
<b>16. OTHER LIABILITIES (CURRENT)</b>		
Unearned income	9,568	7,952
Other	536	1,621
Total current other liabilities	10,104	9,573

### 17. OTHER PAYABLES (NON-CURRENT)

Rent-free period (Refer note 2q)	165	296
Total non-current other payables	165	296

### 18. PROVISIONS (NON-CURRENT)

Employee entitlements		
– Long service leave	1,328	942
Leasehold make good	986	600
Total non-current provisions	2,314	1,542

Movements in provisions:

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	942	600	1,542
Additional provisions	536	386	922
Amounts transferred to current during the year	(150)	–	(150)
Carrying amount at the end of the financial year	1,328	986	2,314

	Consolidated	
	2011 \$000	2010 \$000
<b>19. CASH FLOW HEDGE RESERVE</b>		
At the beginning of the financial year	275	(667)
Net surplus/(loss) on cash flow hedges	(262)	275
Transfer of cash flow hedge reserve to Statement of comprehensive income	(275)	667
<b>Total cash flow hedge reserve (a)</b>	<b>(262)</b>	<b>275</b>

(a) The full amount of hedged cash flows as at 30 June 2011 are expected to affect the Statement of comprehensive income within one year.

Gains and losses on the effective portions of derivatives designated as cash flow hedges are directly recognised in equity (the cash flow hedge reserve) and are transferred to current year earnings when the cash flows affect the Statement of comprehensive income. As at 30 June 2011, a loss of \$261,528 (2010: \$274,648 gain) was recognised in the cash flow hedge reserve. The Company did not have any portion of cash flow hedges deemed ineffective.

## 20. FOREIGN CURRENCY EXPOSURE

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

### Current assets:

– Bahrain dinars	13	60
– Euro	97	21
– Chinese renminbi	15	12
– Indonesian rupiah	74	–
	<b>199</b>	<b>93</b>

### Current liabilities:

– Bahrain dinars	153	133
– Euro	94	–
– Chinese renminbi	23	–
– Indonesian rupiah	53	–
	<b>323</b>	<b>133</b>

## Notes to the financial statements

Year ended 30 June 2011

	Consolidated	
	2011 \$000	2010 \$000
<b>21. EMPLOYEE ENTITLEMENTS</b>		
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer note 15)	1,733	1,756
Provisions – non current (refer note 18)	1,328	942
Payables – current (refer note 14)	2,634	2,856
	<b>5,695</b>	<b>5,554</b>
The number of full-time equivalent employees as at 30 June	<b>243.4</b>	246.7

## 22. REMUNERATION OF AUDITORS

	Consolidated	
	2011 \$	2010 \$
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	142,400	139,500
– other services in relation to the entity and any other entity in the consolidated entity:		
• tax compliance	14,900	9,475
• other non-statutory audit services (a)	4,100	69,120
	<b>161,400</b>	<b>218,095</b>
(a) Summary of the other non-statutory audit fees incurred are:		
Grant audits	4,100	4,120
Regional office audit	–	11,500
Levies handling and voting entitlement review	–	35,000
Other	–	18,500
	<b>4,100</b>	<b>69,120</b>

## 23. DIRECTOR AND EXECUTIVE DISCLOSURES

### (a) Details of key management personnel

#### (i) Directors

(Don) Arthur Heatley – Chairman	
David Palmer – Managing Director	(retired 8 July 2011)
Robert Anderson	(appointed 17 November 2010)
Peter Boyden	
(Grant) Stuart Burbidge	
Michael Carroll	
Lucinda Corrigan	
Gregory Harper	
Iain Mars	
Peter Trefort	
(John) Henry Wyld	(retired 17 November 2010)

#### (ii) Executives

Peter Barnard	General Manager – International Markets and Economic Services
Michelle Gorman	General Manager – Industry Systems
David Pietsch	General Manager – Corporate Communications
Ian Johnsson	General Manager – Livestock Production Innovation (a)
Christine Pitt	General Manager – Client and Innovation Services
Laurence Robinson	General Manager – Corporate Services
Glen Feist	General Manager – Marketing

(a) Ian Johnsson stepped down from his executive role on 6 May 2011.

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

	Consolidated	
	2011 \$	2010 \$
Directors		
Short-term benefits	900,096	911,142
Post employment benefits	52,943	52,757
Other long-term benefits	10,126	9,921
	(a) 963,165	973,820
Executives (b)		
Short-term benefits	1,972,932	2,109,608
Post employment benefits	106,394	101,228
Other long-term benefits	36,707	55,289
Termination expenses	–	568,410
	(a) 2,116,033	2,834,535

(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.

## 23. DIRECTOR AND EXECUTIVE DISCLOSURES *continued*

### (b) Related party transactions

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

- Mr Burbidge is a member of the Advisory Board at Charles Sturt University: Fred Morley Centre. During the year, the Company engaged the research arm of the University to provide studies involving the *E. coli* 0157 super-shedding state in cattle and the delivery of a best management process for control of summer active perennial weeds. Charles Sturt University has invoiced the Company \$135,856 (2010: \$202,911) and the outstanding balance at 30 June was \$nil (2010: \$48,826).
- Mr Carroll is a director of Australian Farm Institute Limited which is an independent organisation that conducts research into farm policy issues to benefit Australian agriculture. The Institute invoiced the Company \$103,697 (2010: \$209,318) during the year and the outstanding balance at 30 June was \$nil (2010: \$nil). The amounts incurred by the Company represents membership fees and fees for conducting research into greenhouse efficient management practices and modelling the impact of carbon tax under various scenarios on farm profitability.
- Ms Corrigan is Deputy Chair of Future Farm Industries Cooperative Research Centre Limited (FFI CRC). FFI CRC is a public company limited by guarantee charged with developing new and innovative farming systems and technologies to improve the resilience of Australian broadacre agriculture to climate change, salinity, climate variability and drought while improving productivity and sustainability. MLA is a participant of FFI CRC. FFI CRC invoiced the Company \$950,000 (2010: \$780,000) during the year and the outstanding balance at 30 June was \$nil (2010: \$nil). The amounts incurred involve conducting further research into the *Evergraze* farming systems approach on matching plant and land capability, improving livestock performance through increased stocking rates and pasture utilisation as well as investigating new options for sustainable grazing systems that incorporate perennial shrubs in mixed farming systems in low-medium rainfall areas.
- Dr Harper is the Deputy Chief for Business Development of CSIRO Livestock Industries. CSIRO is Australia's national science agency and Australia's largest and most diverse scientific research organisation. CSIRO has invoiced the Company \$4,211,366 (2010:\$4,044,159) primarily to carry out R&D projects, payment of which involved \$800,875 received from the Australian Government on behalf of CSIRO relating to the Reducing Emissions from Livestock program and two environmental adaptation programs. Of this amount \$1,232,691 (2010: \$1,411,181) was invoiced specifically by the Division of Livestock Industries. The outstanding balance at 30 June was \$82,966 (2010: \$231,122). The Company invoiced CSIRO \$80,136 (2010: \$108,291) primarily for royalties and the sale of research assets.
- Mr Mars is the CEO and Director of JBS Australia Pty Ltd (formerly Swift Australia Pty Ltd). JBS Australia has invoiced the Company \$1,045,813 (2010: \$2,483,658) of which \$865,665 was to carry out R&D projects through the MLA Donor Company which were funded fifty percent by JBS Australia and AMPC and fifty percent by government matching funds. The balance of \$180,148 were payments made through the International and Domestic ICA marketing program. The outstanding balance at 30 June was \$403,566 (2010: \$65,735). The Company has invoiced JBS Australia \$794,186 (2010:\$859,763) for MSA producer training and contributions to projects primarily through the MLA Donor Company.
- Peter Trefort is a director of Sheep CRC Ltd, joining the Board in June 2009. The Sheep CRC is supported by major providers, managers and users of research in the Australian sheep industry and is supported under the Australian Government's Cooperative Research Centres (CRC) Program. The role of the CRC is to facilitate transformation of the sheep industry. The Sheep CRC is a company limited by guarantee which MLA is a participant and member of. It was established in July 2007 for a term of seven years. The MLA Board approved its participation and contribution in February 2006. The Sheep CRC invoiced the Company \$2,917,732 (2010: \$4,258,650) to carry out R&D projects. The outstanding balance at 30 June was \$111,100 (2010: \$1,834,600).
- John Wyld received director's fees including superannuation totalling \$10,062 (2010: \$17,440) from AUS-MEAT Limited.
- Robert Anderson received director's fees including superannuation totalling \$7,378 (2010: \$nil) from AUS-MEAT Limited.

**Consolidated**

	2011 \$000	2010 \$000
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## 24. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of cash

Cash on hand	9,252	13,521
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	341	393
Short term money market deposits	71,043	69,922
Closing cash balance	80,636	83,836

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

Net surplus	876	1,113
Adjustments for:		
Net (gain) on disposal of property, plant and equipment	(19)	–
Depreciation expense	849	862
Amortisation expense	857	872
Interest received	(3,954)	(2,764)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
– Decrease/(increase) in trade and other receivables	4,381	(743)
– (Increase)/decrease in prepayments and deposits	(742)	231
Increase/(decrease) in liabilities:		
– (Decrease)/increase in trade and other payables	(8,791)	7,462
– Increase in other liabilities	531	110
– Increase in provisions	112	2,180
Net cash from operating activities	(5,900)	9,323

## 25. EXPENDITURE COMMITMENTS

### Expenditure (primarily research and development) contracted for is payable as follows:

– Not later than one year	45,473	40,723
– Later than one year but not later than five years	36,262	30,677
– Later than five years	–	2
Aggregate R&D expenditure contracted for at balance date	81,735	71,402

### Operating lease expenditure contracted for is payable as follows:

– Not later than one year	3,354	3,744
– Later than one year but not later than five years	4,285	5,271
Aggregate lease expenditure contracted for at balance date (a)	7,639	9,015

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

## Notes to the financial statements

Year ended 30 June 2011

### 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 2011, the number of members was 47,556 (2010: 47,342).

### 27. CONTRIBUTED EQUITY

	Consolidated	
	2011 \$000	2010 \$000
Capital contribution	9,031	9,031

This amount represents contributions from the Australian 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 purpose is to manage the currency risks arising from the Group's overseas operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Oversight responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board.

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

#### Risk exposures and responses

##### (i) Interest rate risk

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

Cash deposits and short term cash assets are held at floating exchange rates of interest that range between 0% and 6.28% at 30 June 2011. Some of these assets are held in foreign currency accounts.

#### Sensitivity analysis:

At 30 June 2011, if interest rates moved, as illustrated in the table below, with all other variables held constant, the effect on the Group's net surplus would have been as follows:

Judgements of reasonable possible movements:

	Consolidated Surplus	
	2011 \$000	2010 \$000
+1.00% (2010: +1.00%)	793	825
-1.00% (2010: -1.00%)	(793)	(825)

There is no direct impact on other comprehensive income.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

### (ii) Foreign currency risk

The Group has a policy of hedging a proportion of the offshore component of its annual expenditure. In doing so, it works within Board approved risk management bands which establish the upper and lower limits of hedge cover for each period out on a rolling 12 month basis. The objective is to ensure that the annual budget allocation for offshore expenditure is optimised within an acceptable risk framework.

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

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

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

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

At 30 June 2011, 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 2011. The following tables summarise by currency the Australian dollar value of forward foreign exchange contracts. The "buy" amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies under forward contracts.

#### Foreign exchange – forward contracts

	Consolidated			
	Average exchange rate		Buy amount	
	2011	2010	2011 \$000	2010 \$000
<b>United States dollars</b>				
Maturing in:				
3 months or less	0.9827	0.8752	865	780
Over 3 to 12 months	1.0278	0.8803	1,995	1,534
			<b>2,860</b>	2,314
<b>Japanese yen</b>				
Maturing in:				
3 months or less	81.45	79.28	1,105	1,577
Over 3 to 12 months	83.43	79.89	2,733	2,065
			<b>3,718</b>	3,642
<b>Korean won</b>				
Maturing in:				
3 months or less	1101.53	1008.03	590	893
Over 3 to 12 months	1119.76	993.42	1,295	956
			<b>1,885</b>	1,849

#### 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.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

### *(iii) Credit risk*

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

The Group's objectives in relation to credit risk are to ensure minimum impairment of its financial assets and minimise the possibility of loss.

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

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

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

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

### *(iv) Liquidity risk*

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

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

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

#### *A. Non Derivative financial liabilities*

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

	<b>Consolidated</b>	
	<b>Less than 6 months \$000</b>	<b>6 to 12 months \$000</b>
<b>Financial liabilities</b>		
Trade and other payables	24,415	–
Funds held on behalf of the Commonwealth	341	–

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

### (v) Fair value

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

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

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

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

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

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

	Consolidated	
	Year ended 30 June 2011	
	Market observable inputs (level 2) \$000	Total \$000
<b>Financial assets</b>		
Derivative instruments		
Forward currency contracts	(262)	(262)
	(262)	(262)

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

## 29. FINANCING ARRANGEMENTS

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

- A \$500,000 (2010: \$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 (2010: \$5 million) contingency fund for the management of industry crises may be accessible. Use of this facility requires a two-thirds majority decision of RMAC directors with terms and conditions as agreed by RMAC and the Australian 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 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



A. Heatley  
Director

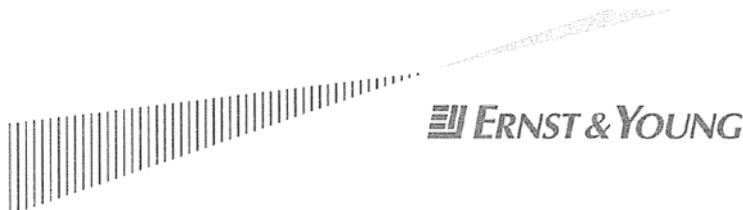


S. Hansen  
Director

Sydney  
8 September 2011

# Independent auditor's report

to the members of Meat & Livestock Australia Limited



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

### Report on the Financial Report

We have audited the accompanying financial report of Meat & Livestock Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

#### *Independence*

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

In addition to our audit of the financial report, we were engaged to undertake the services disclosed in Note 22 of the financial statements. The provision of these services has not impaired our independence.



**Opinion**

In our opinion:

1. the financial report of Meat & Livestock Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

  
Ernst & Young



Rob Lewis  
Partner  
Sydney  
8 September 2011

The following companies participated in industry collaborative agreements (ICAs) with MLA during 2010-11. More detailed reporting will be included in the 2011-12 *Annual report*. See page 34 for further details.

## International – beef

AACo  
 Abel Agrico  
 Andrews Meat Industries Pty Ltd  
 Atron Enterprises (T/A Walltel Pty Ltd)  
 ANZ Exports  
 Australian Country Choice  
 Australian Certified Wagyu Beef  
 Australian Organic Meats  
 Beak & Johnston  
 Cargill Beef Australia  
 CM Exports  
 Comgroup Supplies  
 Customised Beef Traders  
 Dorper Lamb Pty Ltd  
 E C Throsby Pty Ltd  
 Floreat Meat Exporters Pty Ltd  
 Foodcomm Pty Ltd  
 Foodworks International Pty Ltd  
 Greenhams Tasmania  
 Gourmet Foods of Australia Pty Ltd T/A GFA Exports  
 Homebush Export Meat Co.  
 Inter Agri Group  
 Itoham Foods Australia  
 John Dee Export Pty Ltd  
 Kilcoy Pastoral Company  
 Mariani Foods Pty Ltd  
 Matrad Pty Ltd  
 Meat Tender Pty Ltd  
 Mulwarra Export Pty Ltd  
 Nippon Meat Packers Australia Pty Ltd  
 Nolan Meats Pty Ltd  
 OBE Beef Pty Ltd  
 Oz Nature Pty Ltd  
 Pegela Pastoral Company  
 Prestige Foods International  
 P & M Quality Smallgoods T/A Primo  
 Q Exports International  
 Rangers Valley Cattle Station  
 RH Collinson  
 Sanger Australia  
 Signature Beef  
 South Australian Cattle Co.  
 Stanbroke Beef  
 Stockyard Pty Ltd  
 Swift Australia  
 Tasmania Feedlot Pty Ltd  
 Teys Brothers Holdings Pty Ltd  
 Top Cut Foods Ltd  
 White Stripe Foods Pty Ltd  
 W R Carpenter

## International – lamb

Aurora Gourmet Produce  
 Abel Agrico  
 Castricum Bros  
 Dorper Lamb Pty Ltd  
 Haywill Holdings  
 Intanat  
 Intec Australia  
 Inter Agri Pty Ltd  
 Matrad Pty Ltd  
 Meat Tender Pty Ltd  
 Mulwarra Export Pty Ltd  
 OBE Lamb Pty Ltd  
 Southern Meats  
 Top Cut Foods Ltd  
 White Stripe Foods Pty Ltd

## Domestic – beef and lamb

AACo (1824)  
 Atron Enterprises  
 Barcoo Beef  
 Bingil Bay Beef  
 Bush's (Riverina Blue, Crystal Spring Lamb)  
 Cargill Australia  
 Certified Australian Angus Beef (Angus Pure)  
 Coorong Angus  
 Dardenup Butchery Company (Valley Spring Lamb)  
 Gippsland Natural (Enviromeat)  
 Greenham Australia  
 JBS Australia  
 Johnsons Meats (Glenview Angus)

In preparing our Annual Report we reference a number of our planning and evaluation documents. These are publicly available via our website at [www.mla.com.au](http://www.mla.com.au) or by phoning 1800 675 717:

*MLA Strategic plan 2010–2015*

*MLA Annual operating plan 2010-11*

*MLA Annual operating plan final report 2010-11*

*MLA evaluation series*

### Tables, illustrations and charts

Australian dollar vs US dollar and Japanese yen	12
Australian rainfall 2010-11	22
Beef production and cattle herd	18
Beef top 10 exporter nations	8
Beef shipments composition	2
Community perception of industry	22
Eastern states trade lamb indicator	3
Eastern young cattle indicator	3
Farm cash income	26
Farm business profit	26
Industry collaborative agreements (table)	34
Lamb production and sheep flock	18
MLA Board and Committee meetings (table)	47
MLA expenditure total	5
MLA expenditure composition	5
MLA expenditure (table)	31
MLA membership	4
MLA membership (table)	31
MLA R&D investments	33
MLA retained surplus (table)	31
MLA revenue composition	4
MLA revenue total	4
MLA revenue (table)	31
MLA revenue and expenditure overview (table)	31
MLA revenues vs expenditure	7
MLA staff profile (table)	37
MSA grading numbers	13
National R&D priority alignment	32
NLIS transactions	9
Organisation structure	35
Rural R&D priority alignment	32
Sheepmeat top 10 exporter nations	8
Value of beef and lamb consumption	12
Value of beef, sheepmeat and goatmeat exports	12
Value of industry	2
Value of live cattle and sheep exports	8
Volume of beef and lamb consumption	3
Volume of beef and sheepmeat exports	2

### Acronyms

AMLC	Australian Meat and Live-Stock Corporation
AQIS	Australian Quarantine and Inspection Service
AWI	Australian Wool Innovation
BIN	beef information nucleus
CRC	Cooperative Research Centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Department of Agriculture, Forestry and Fisheries
DFAT	Department of Foreign Affairs and Trade
DEEDI	Department of Employment, Economic Development and Innovation (Queensland)
EBV	estimated breeding value
EU	European Union
FTA	free trade agreement
HPP	high pressure processing
ICA	industry collaborative agreement
KPI	key performance indicator
LEP	Livestock Export Program
MBfP	More Beef from Pastures
MDC	MLA Donor Company Limited
MLA	Meat & Livestock Australia
MMFS	Making More From Sheep
MRC	Meat Research Corporation
MSA	Meat Standards Australia
MVP	molecular value prediction
NLIS	National Livestock Identification System
NSW	New South Wales
NVD	National Vendor Declaration
OH&S	Occupational health and safety
OIE	World Organisation for Animal Health
OJD	ovine johnes disease
PDS	Producer Demonstration Sites
QDPI&F	Queensland Department of Primary Industries and Fisheries
R&D	research and development
RBV	research breeding value
RD&E	research, development and extension
RELRP	Reducing Emissions from Livestock Research Program
SARDI	South Australian Research and Development Institute
US	United States
WTO	World Trade Organization

# Index

FC Front cover  
IFC Inside front cover  
IBC Inside back cover

## A

About MLA 1, 30–42  
Adoption 26–29  
Agricultural shows 25  
Animal health 20–21  
Annual operating plan 7, 40  
Assets 63–64  
Australian Government 7, 8, 10, 12, 18, 32, 40  
Australian Livestock Exporters' Council 32  
Australian Lot Feeders' Association 32  
Australian Meat Processors Corporation 20, 32  
Audit 49  
Audit and risk committee 39–40, 41  
Australian dollar 2, 12, 13  
Australian Seed Federation 19  
Automation 20  
Awards 19

## B

Beef Cooperative Research Centre 24  
Beef genetics 5, 19, 21  
Beef information nucleus 19  
Beef promotion 4, 12, 15–16  
BeefUp forums 27  
Bioactives 14  
Biosecurity 20–21  
Board 35, 38–39  
Board committees 39–41  
Bovine respiratory disease 21  
Breeding 5, 19, 21  
BREEDPLAN 5, 21

## C

Cash flow 54  
Cattle Council of Australia 11, 32  
Chairman 2–3, 44  
Client innovation services 8, 12, 18, 22, 26, 35  
Climate change 22, 23–24  
Code of conduct 41  
Collaboration 32  
Collaborative innovation strategies 28  
Committees 39–40  
Communications 35, 41  
Community 22, 24–25

Company secretaries 46–47  
Cooperative Research Centres 4, 19, 23, 24, 32–33  
Corporate governance 38–48  
Corporate services 35  
Corporate social responsibility 37  
CSIRO 5, 24, 43, 33

## D

Deed of Agreement 40  
Directors 38, 44–46  
Diversity 37, 39

## E

E. Coli 8, 10  
Eastern young cattle indicator 3  
Eastern states trade lamb indicator 3  
Eating quality 4, 13–14, 16–17, 19  
Employee entitlements 68  
Environment 22–25  
Equal employment opportunity 37  
Equity 53  
Ernst & Young 44, 77–78  
Estimated breeding values 19, 21  
Eureka Awards 13  
European Union 8, 10, 17  
European Union Cattle Accreditation Scheme 10  
Evaluation 34  
Events 42  
Executive committee 36  
Expenditure 4, 31  
Exports – beef 2, 12–13  
Exports – sheepmeat 2, 12–13

## F

Feedbase investment plan 4, 19,  
Financial position 31  
Financial report 49–78  
Financial summary 4, 31  
Food safety 9  
Foodservice 14, 15, 16  
Forecasts  
Free trade agreements 8, 9  
FutureBeef 27

## G

Genetics 4–5, 18–19, 21, 24  
Glossary 84  
Goats 2, 27  
Going into Goats 27

Grazing management  
Greenhouse gas emissions 23–24  
Growing demand 12–17

## H

Hedging 56  
Highlights 7  
History 1  
HookAssist 5, 20

## I

Improving market access 8–11  
Income 51  
Increasing industry and people capability 26–29  
Indemnification and insurance 48  
Indonesia 2, 5, 8, 10, 11  
Industry systems 8, 12, 35  
Industry Collaborative Agreements 13, 34, 79  
International markets and economic services 8, 12, 18, 35  
Invasive Animals Cooperative Research Centre 4, 23  
It's Ewe Time forums 27, 29

## J

Japan 2, 5, 12, 13, 16, 17

## K

Key performance indicators 7, 8, 12, 18, 22, 26  
Korea 4, 9, 13, 16

## L

Lamb promotion 12, 16, Leases 57  
Levies 1, 4–5, 7, 31  
Liabilities 66  
LiveCorp 10–11, 32  
Livestock export 2, 5, 8, 10–11  
Livestock DataLink 20  
Livestock production innovation 18, 22, 26, 35

## M

Making More From Sheep 27  
Managing Director 4–5,  
Markets – international 2–3, 8–11, 12–13, 16–17  
Markets – domestic 2–3, 12–16  
Market access 8–11  
Marketing 12–17, 35  
Masterpieces 15,  
Meat Industry Strategic Plan 7

Market information 20  
Meat Profit Days 27  
Meat Standards Australia 4, 13–14, 19  
Media 41  
Membership 31  
MLA Donor Company 4, 32, 33  
Middle East 11, 17  
Mission 1  
Molecular value predictions 21  
More Beef from Pastures 27

## N

National Health and Medical Research Council 12–13, 14  
National Livestock Identification System 9, 10  
New products 14  
North America 9, 10, 13, 16–17  
Nutrition 12–13, 14, 17

## O

Objectives 7  
Occupational health and safety 37  
Organisation structure 35  
Operating environment 2–3, 8, 12–13, 18, 22, 26  
Opportunities and challenges 8, 12–13, 18, 22, 26  
Ovine Johnes Disease 21

## P

Parkinsonia 23  
Pastures 18, 19, 23  
Paterson's curse 23  
Peak Industry Councils 29, 32  
Performance 7–42  
Policy research 29  
Processors 14, 20, 31  
Producer demonstration sites 28  
Producer engagement 42  
Productivity Commission 33  
Professional development 28, 37  
Profile 1  
Promoting integrity and sustainability 22–25  
Promotion – domestic market 15–16  
Promotion – international markets 16–17  
Property, plant and equipment 63  
Publications 42

## R

Rains and flooding 2, 22  
Red Meat Green Facts 25  
Reducing Emissions from Livestock Research Program 22, 24  
Related party transactions 70  
Remuneration 69  
Remuneration committee 40  
Research and development 18–21, 22–25, 32–33  
Research breeding values 5, 19  
Retailers 15–17  
Revenue 4, 31  
Risk management 41  
Robotic Ovine Cutting system 20,  
Russia 13, 17

## S

Selection committee 40  
Sheep Cooperative Research Centre 4, 19,  
Sheep genetics 19  
Sheep information nucleus 19  
Sheepmeat Council of Australia 32  
Smartshape 14  
Social media 22, 25  
South East Asia and China 17,  
Staff 37  
Strategic plan 7, 32  
Surplus – financial 4, 31  
Sustainability 22–25

## T

Trade liberalisation 9–10  
Training 37  
Transaction levies 4, 31

## U

United States 9, 10, 13, 16–17

## V

Values 1  
Virtual Farm Visit 5, 25  
Vision 1

## W

Water and energy 24  
Websites 42  
World Trade Organization (WTO) 8

MLA's *Annual report 2010-11* is available online at  
[www.mla.com.au/annualreport](http://www.mla.com.au/annualreport)

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