



**Meat & Livestock Australia**  
**Annual report 2011-12**

## Reading this Annual report

This *Annual report* presents Meat & Livestock Australia's programs, outcomes and financial performance during 2011-12. It is made up of five sections:

- introductory reports by the MLA Chairman and 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
- appendices including a list of completed MLA R&D projects during the year, industry collaborative agreements, and useful information on reading this report

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# Who we are

Meat & Livestock Australia (MLA) creates opportunities for Australia's cattle, sheep and goat supply chains. We provide marketing and research and development (R&D) services that deliver benefits to livestock producers.

MLA is a producer-owned service company, and does not represent the industry, lobby government or regulate the industry.

MLA invests more than \$170 million in marketing and R&D programs annually. This funding comes from:

- transaction levies on livestock sales
- Australian Government dollar-for-dollar funding for investment in R&D
- voluntary contributions from individual processors, wholesalers, foodservice operators and retailers
- contributions from processor and livestock export industry bodies

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

## Vision

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

## Mission

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

## Values

Act with integrity  
Respect where the money comes from  
Deliver quality  
Collaborate with stakeholders  
Work as a team



# Chairman's report

I'm pleased to present my first annual report as Chairman of MLA, having been elected to the role in November 2011.

Since that time I've travelled around the country with Managing Director Scott Hansen, discussing MLA's role with livestock producers and other stakeholders and asking how we can best help them get the most out of their businesses.

One strong message I got from these discussions is that in an industry as complex as ours, MLA must be able to clearly define what we do.

Our role is clear – we deliver marketing and research services that create opportunities for livestock producers from their levy investments.

The directors on the MLA Board are not popularly elected to represent producers on policy issues. Rather, they are selected to match the mix of specialist strategic skills required to deliver on our marketing and research objectives, then presented to members for their endorsement.

The MLA Board provides governance and strategic oversight to the effective investment of levy and government funds in industry programs. An important part of our role is ensuring your levies are being invested in the right strategic areas, which we do in partnership with the industry peak councils to ensure MLA's goals are firmly aligned with the strategic imperatives of each sector of industry.

For MLA to focus on providing marketing and research services, we rely on other parts of industry to fulfil their respective roles – whether it's the peak councils and farming organisations in representing industry and lobbying governments, or government in regulating the industry where appropriate.

With this in mind the *Annual report 2011-12* sets out MLA's corporate and financial performance over the past year, giving stakeholders a clear picture of how we've delivered against our strategic goals and where we've invested their funds to benefit the livestock industry.

I urge you to read on about how MLA's marketing and research programs have helped industry produce more beef, lamb and goatmeat with fewer inputs and generate additional value from the global marketplace.



Rob Anderson  
Chairman



# Managing Director's report

Most organisations that undergo a leadership transition take the opportunity to take stock of the path they are on and re-orientate themselves towards the future.

With my appointment as Managing Director in July 2011, and new Chairman Rob Anderson selected by members alongside three new Board directors at our last annual general meeting, MLA is grasping such an opportunity.

Over the year, I've asked one question of all the stakeholders I've met – of producers, of government, and of industry organisations: what do you think is MLA's core business?

The responses to this question have helped crystallise the expectation that MLA must focus on exactly what it was created to do – deliver marketing and research and development (R&D) services to industry.

In order to generate a return on their transaction levy investment of \$4.58 per head of cattle, \$1.27 per lamb and \$0.27 per goat, livestock producers expect us to deliver high impact marketing programs that grow demand for red meat, and invest in a world class R&D portfolio that achieves productivity improvements.

My role as Managing Director is to ensure that MLA delivers on this expectation: that our strategic direction is clear, that we are resourced and structured to get the job done, and that our staff and industry know what we are trying to achieve and how we are performing.

## Renewed purpose

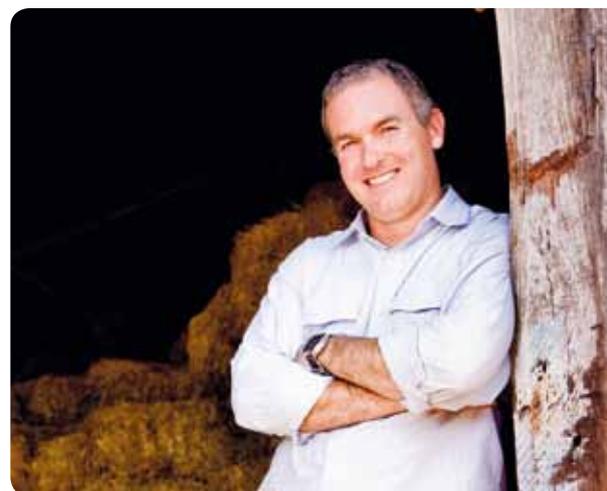
One of my first tasks in the role was to sit down with the MLA Board and executive team to take a long view in redefining MLA's purpose, and present it to our members at last year's annual general meeting. Together, we developed a new vision, mission and values that clearly focus on those who own the company – cattle, sheep and goat producers.

MLA's new mission defines the ultimate goal of the business. We create opportunities for supply chains by optimising the return on their collective investments. Our marketing and R&D programs have a bigger impact by virtue of the scale of pooled levy funds and the coordinated direction provided by the industry's investment strategies.

In order to better service this refined mission, we began the process of more clearly aligning the organisation to MLA's role as a marketing and R&D service provider.

To ensure the efficiency and flexibility of our marketing, we brought together our domestic and international marketing teams, including our regional offices, into a single Global Marketing team under the direction of a new general manager.

Our on-farm R&D team has been restructured in line with the two clear goals of this area of work – productivity and sustainability – while the extension



and adoption program has been merged with our communications team to create a single business unit responsible for engaging producers with MLA information and tools.

## Renewed focus

During the year we revised the *MLA corporate plan*, consolidating our five strategic imperatives into four: two defining our marketing activities and two our R&D activities.

A series of business plans, one for each specific strategy that sits under these four strategic imperatives, provide the detailed activities and budgets that will help us achieve our goals by 2015.

The revised *Corporate plan* also introduces a new concept for MLA: a series of 15 'focus areas' that will allow us to put renewed emphasis on the major program areas that we think will deliver the greatest returns to livestock producers.

These 15 marketing and R&D focus areas range from growing demand for beef in emerging export markets to improving reproductive efficiency in sheep flocks and northern cattle herds. A full list is available on the MLA website.

The first year of results from these changes to our strategic planning will be reported in the *Annual report 2012-13*, and we have highlighted outcomes from the programs that have led to our 15 key focus areas throughout this annual report.

## Renewed activity

While we've worked to reorient the business, our staff have been getting on with the job of delivering some pleasing results for levy payers.

This annual report provides a review of the opportunities we have created for livestock supply chains throughout the year.

# Managing Director's report

Some highlights of MLA's achievements this year include our beef and sheepmeat eating quality program, Meat Standards Australia (MSA), which saw grading numbers boom to reach 2.1 million head of cattle and 3.3 million sheep. With Woolworths now joining Aldi, CostCo and 600 independent butchers in stocking MSA-graded beef, consumer awareness of the program increased from 15% to 40%.

Two seasonal domestic marketing campaigns helped increase demand at home. The summer beef campaign helped lift beef consumption by 500,000 serves per week over the first eight weeks of the campaign and took out several international advertising awards. The Australia Day lamb campaign this year featured Sam Kekovich lambasting popular culture and gave lamb sales a 32% boost during the Australia Day trading week.

On farm, producers heard the preliminary results from a landmark study into the fertility of northern cattle herds at Beef Australia 2012. The 'Cash Cow' project collected data from more than 57,000 breeding cattle from 147 mobs across 81 participating properties to determine the factors that impact on a female's breeding performance. The results will be distilled into new learning resources, decision making tools and technologies to increase the reproductive efficiency of northern cattle herds, including a new calculator that illustrates the factors that affect profitability and a refined remote calving device.

The second phase of the sheep genomics pilot project was also completed by the Sheep CRC, providing important insights for producers aiming to balance genetic traits for lean meat yield and eating quality, with supply chain trials applying the research in finding new ways to increase yield without impacting eating quality.

MLA also supported industry and exporters to re-establish the live cattle trade to Indonesia under the Australian Government's new Exporter Supply Chain Assurance System (ESCAS) during the year, in particular through gap analyses and assessments of facilities. Supporting industry to meet the requirements of ESCAS will continue to be an area of focus with all markets scheduled to be operating under the system by 31 December 2012.

By putting the time into re-focusing MLA's programs during the year, we aim to deliver similar outcomes to these – and more – as we work towards 2015.

To conclude, I'd like to acknowledge the legacy left by outgoing Chairman Don Heatley and Managing Director David Palmer, both of whom helped shape MLA and provide the platform for MLA to create new opportunities for livestock producers.



Scott Hansen  
Managing Director

# Report to stakeholders



*Northern producer Annabelle Coppin talked about the importance of training cattle weaners in the January edition of feedback magazine.  
Image Nicolle Versteeg.*

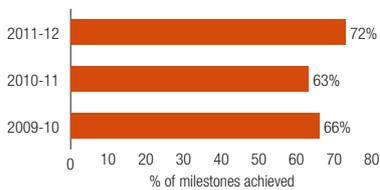
# MLA 2011-12 – performance at a glance

This *Report to stakeholders* focuses on MLA's activities and outcomes for the 2011-12 financial year, reporting against the objectives outlined in MLA's *Annual operating plan 2011-12*. It is aligned with our five strategic imperatives and structured according to our five year *Strategic plan 2010-2015*.

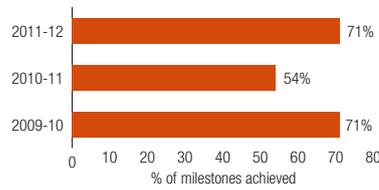
## Corporate performance

MLA's corporate performance improved during 2011-12, with 72% of key milestones achieved across all program areas, member satisfaction with MLA services increasing to be rated 3.5 out of 5, and a growth in membership.

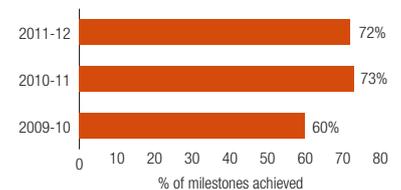
**MLA achieved 51 from 71 key milestones across all strategic imperatives during 2011-12**



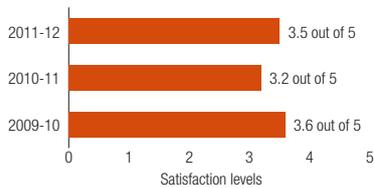
**MLA achieved 20 from 28 key milestones across marketing programs during 2011-12**



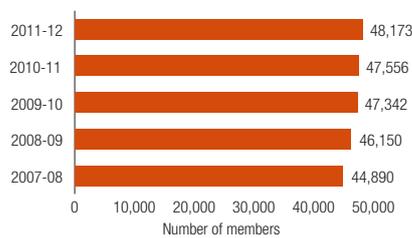
**MLA achieved 31 from 43 key milestones across R&D programs during 2011-12**



**Member satisfaction with MLA's performance increased to 3.5 out of 5 during 2011-12**



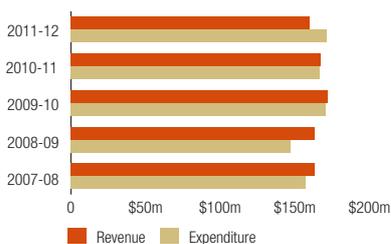
**MLA membership increased slightly to 48,173 during 2011-12**



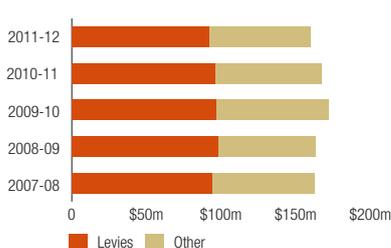
## Financial performance

MLA's total expenditure of \$171.0 million was 12.1% under the \$193.5 million budget for the year. A revenue shortfall due in large part to a drop in levy income meant MLA posted a deficit of \$11.1 million for the year.

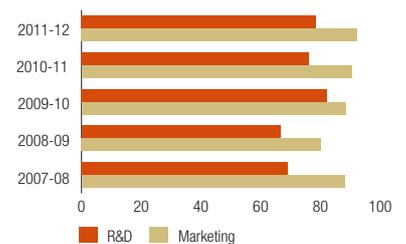
**MLA had expenditure of \$171.0 million and revenue of \$159.9 million in 2011-12**



**MLA raised \$91.8 million from producer levies during 2011-12, a decrease of 4.5%**



**MLA invested \$92.4 million in marketing and \$78.6 million in research programs during 2011-12**



## MLA PROGRAM HIGHLIGHTS

Assisted industry and government to obtain new market access to Russia – currently our fifth largest beef market – with access to a shared pool of up to 407,000 tonnes of frozen beef and 11,000 tonnes of chilled beef per annum with in-quota tariff rates of 15% (see page 15-16)

Meat Standards Australia (MSA) experienced very strong growth in grading numbers – with 2.1 million head of cattle (up 46% from the previous financial year) and 3.3 million head of sheep (up 375%) graded during 2011-12 (see page 18)

MLA's second summertime 'Nothing beats Beef' campaign won several international advertising awards and was highly rated by retailers – with the launch phase increasing weekly beef servings by 500,000 serves (see page 20)

In Korea, MLA's popular product sampling program stimulated consumer appetite for Australian beef in a difficult trading environment with more than 1,000 sampling events per month and evaluation showing that 78% of consumers go on to purchase after tasting a sample (see page 21)

Preliminary results announced from the four-year northern beef fertility project (Cash Cow) identified factors that can improve the reproductive efficiency of northern cattle herds (see page 25)

Second phase of the sheep genomics pilot project completed, with research breeding values for lean meat yield and eating quality being trialled for impact across the supply chain (see page 25)

Research into a potential treatment for *Theileria orientalis* found that the drug buparvaquone is effective against the three main strains of the cattle disease that can cost approximately \$67 per head (see page 30)

Launched the Target 100 initiative that showcases the sustainability commitment of cattle and sheep producers, with the website already receiving more than 4,000 visitors each month (see page 32)



## AREAS REQUIRING FURTHER FOCUS

Continue to support industry and government to secure an Australia–Korea free trade agreement (FTA) with the third largest export market for Australian beef that will reduce the current 40% tariff, which is particularly urgent given the tariff on US beef is being eliminated (see page 15)

Develop a high impact multi-faceted domestic marketing campaign to promote the nutritional benefits of eating beef and lamb three to four times per week (see page 19)

Evaluate alternative options to assist industry to demonstrate best practice natural resource management and animal husbandry (see page 29)

# Operating environment

Working in partnership with a myriad of stakeholders – such as livestock producers, supply chains, industry bodies, governments and research organisations – MLA delivers marketing and R&D programs within a complex and constantly changing operating environment.

Australia's livestock industries faced numerous challenges during 2011-12 as global events continued to weigh on local conditions.

Underpinned by strong livestock prices, industry displayed great resilience in the second half of 2011. This followed on from the major shocks of earlier in the calendar year, including the earthquake and tsunami in our largest beef export market of Japan, and the cessation and subsequent restriction on trade to our largest livestock export market of Indonesia.

However, macro-economic volatility impacted industry in the first half of 2012. The high Australian dollar and uncertain global economic conditions combined with increasing supply for both cattle and sheep to bring down prices. With them, some confidence slipped from our export-oriented industry.

Despite this, the industry remains one of the few global suppliers of high quality meat that is growing production of beef and lamb. Australia is well placed over the long-term to take advantage of projected new export opportunities in emerging economies.

## Uncertain global demand

With approximately two-thirds of Australia's beef, half of the lamb and more than 90% of goatmeat supply destined for export to more than 100 countries, global economic conditions have a major impact on local livestock prices.

Consumers across the developed world – most notably in Japan, the United States (US) and Europe – continued to rein in their spending as they reduce debt levels, and the subdued economic performance of these nations began to have knock-on effects in many emerging economies.

Australia's meat and livestock industries faced the difficult task of growing demand for their products in these conditions while confronting the major headwind of an Australian dollar trading at more than 23% above its 10-year average against the US dollar.

In our major export markets including Japan and Korea, the high Australian dollar has given many of our competitors a significant price advantage and resulted in export volumes to Japan being stable and falling to Korea by 15%.

Emerging export markets continued to take a significant volume of Australian beef during the year, with non-traditional markets including Russia, Greater China, South East Asia and the Middle East making up 30% of our exports.

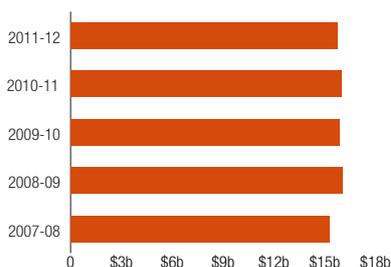
The competitive landscape internationally continued to change during the year. The US grew market share in our large beef markets of Japan and Korea, however in the process this opened up some supply niches within the US market that present opportunities for Australian exporters. South American beef exporting countries continued to face supply challenges and strong demand from growing middle classes at home.

Beef export volumes increased by 1.2% during 2011-12 to reach approximately 948,285 tonnes swt, with a total export value of an estimated \$4.7 billion FOB. Sheepmeat export volumes increased strongly by 8.3% to reach 262,940 tonnes swt, with a total export value of an estimated \$1.5 billion FOB.

In Australia, the largest and most loyal single market for our beef and lamb, a number of factors impacted domestic demand. Like much of the rest of the developed world, consumer sentiment was subdued due to falling housing prices, rising living costs and economic uncertainty. The two biggest supermarket chains – that between them supply approximately 55% of retail share – heavily discounted beef and lamb during the year, with beef's value share down 0.8% and lamb 0.1%.

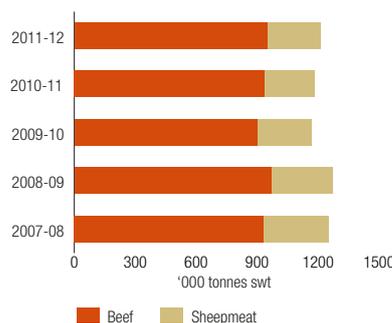
Despite these factors, beef and lamb retail prices have remained steady while the overall value of all

The total value of the red meat and livestock industry decreased slightly to \$15.73 billion



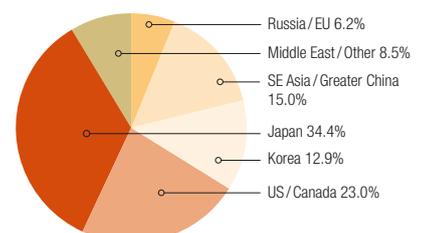
Source: MLA estimate

The volume of beef exports increased to 948,300 tonnes swt and sheepmeat exports increased to 262,900 tonnes swt



Source: DAFF

Beef shipments to non-traditional markets made up 30% of all exports by volume



Source: MLA estimate

fresh meats have declined, with the prices of competitor proteins such as chicken declining substantially.

With an increased share of production destined for export, the Australian market took in 705,630 tonnes cwt of Australian beef with an estimated retail value of \$6.2 billion, both lower than the previous year. The volume of lamb on the domestic market increased to 212,280 tonnes cwt with an estimated retail value of \$2.3 billion.

### Lifting local production

While demand faced significant headwinds during the first half of 2012, cattle and sheep supply forged ahead with livestock numbers and meat production increasing, driven in large part by another good season.

Rainfall across most production zones – in particular southern Queensland, much of NSW and eastern Victoria – was significantly above average over the year. Coming on the back of two years of higher rainfall, this allowed producers to continue to rebuild their herds and flocks following years of drought.

The quality of the season is reflected by the fact that this rebuilding was accompanied by strong beef and sheepmeat production.

Beef and veal production remained relatively constant at 2.11 million tonnes cwt, while the cattle herd grew by 3.8% to reach 29.6 million head. Lamb production grew strongly by 7.2% during the year to reach 419,329 tonnes cwt with mutton falling slightly to 119,713 tonnes cwt, while the sheep flock increased to reach 75 million head.

Australia is now one of the few major beef exporters globally with a growing herd and sheepmeat exporters with a growing flock.

The increased production coupled with uncertain demand meant livestock prices for both cattle and sheep declined slightly in the first half of 2012 from the highs of the previous year.

The benchmark eastern young cattle indicator peaked at \$4.13 per kg in December 2011 to reach \$3.72 per kg by June 2012. The eastern states trade lamb indicator peaked at \$5.27 per kg in October 2011 to reach \$4.08 per kg by June 2012.

Despite these slight price declines, the profitability of many cattle and sheep enterprises improved during the year, with average farm cash incomes in the black due largely to moderate operating costs due to lower interest payments, cattle purchases and contract costs. Fuel and fertiliser costs were relatively stable during the year, despite rises in the costs of these and other inputs including machinery and labour over the long term.

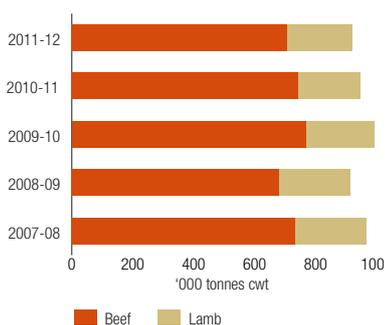
Average farm profits were positive for northern cattle farms at \$90,900, southern cattle farms at \$32,800 and slaughter lamb farms at \$86,600.

Addressing the slowdown in productivity growth across Australia's rural sector over the past few years will further enhance the profitability of enterprises, through continued innovation by industry. The ABARES farm survey estimates the annual productivity growth of approximately 1.4% in the beef industry and 0.5% in the sheep industry over the past 30 years.



[www.mla.com.au/industryprojections](http://www.mla.com.au/industryprojections)  
[www.mla.com.au/sheepprojections](http://www.mla.com.au/sheepprojections)

The volume of beef consumed domestically decreased to 705,600 tonnes cwt and lamb increased to 212,300 tonnes cwt



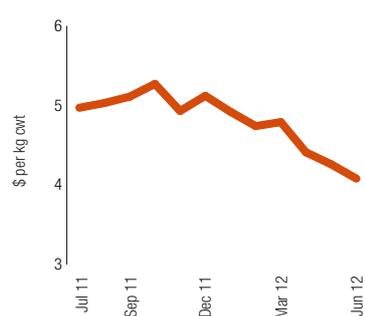
Source: MLA estimate

The eastern young cattle indicator peaked at \$4.13 per kg cwt in December 2011



Source: NLRS

The eastern states trade lamb indicator peaked at \$5.27 per kg cwt in October 2011



Source: NLRS

# MLA strategies 2011-12

MLA's corporate strategy for 2011-12 is focused on five strategic imperatives, underpinned by 21 objectives that guide the strategies and initiatives to achieve them.

In 2011-12, 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

This *Report to stakeholders* details MLA's performance against these five strategic imperatives and 21 strategies in our *Annual operating plan 2011-12*. It outlines major program highlights and achievement of key milestones across these strategies, drawing on the vision contained in MLA's *Strategic plan 2010-2015*.

The *Annual operating plan* establishes a clear direction for MLA's marketing and research programs that create opportunities for cattle, sheep and goat producers. It is designed to deliver programs that are closely aligned with the themes of the *Meat Industry Strategic Plan 2010-2015*, the industry's beef and sheepmeat sector plans, and the Australian Government's National and Rural R&D Priorities.

MLA's *Strategic plan* is a dynamic document that the MLA Board and Executive Committee review annually to ensure it remains relevant to industry, government and the community and *Annual operating plans* are developed from it each year.



[www.mla.com.au/aop](http://www.mla.com.au/aop)  
[www.mla.com.au/strategicplan](http://www.mla.com.au/strategicplan)  
[www.mla.com.au/corporateplan](http://www.mla.com.au/corporateplan)

## MLA stakeholders

MLA operates in partnership with industry and government to develop and implement our programs.

Peak industry councils provide policy direction, scrutinise budgets and monitor MLA's performance on behalf of the cattle, sheep and goat industries. These are the Australian Lotfeeders' Association, Cattle Council of Australia, Goat Industry Council of Australia and Sheepmeat Council of Australia.

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

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.

## Future directions

MLA embarked on a rigorous review strategic planning review during 2011-12, in line with the independent evaluation of MLA's performance conducted by Arche Consulting in 2010.

The result was a new five-year planning model based on a revised *Corporate plan 2010-2015* supported by a series of business plans that outline specific marketing and R&D programs.

At the heart of the revised *Corporate plan 2010-2015* is a series of 15 focus areas for the company that have been identified as the program areas that will deliver the greatest returns on levy payers' investments.

The new model will come into operation with the *Annual operating plan 2012-13*, and be reflected in the *Annual report 2012-13*.

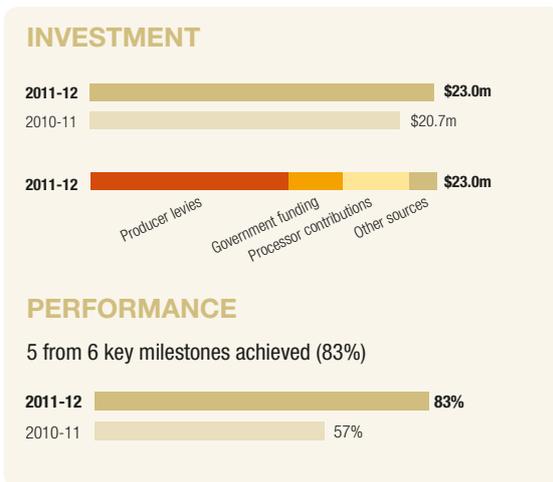
Objective	Strategy
<b>1. Improving market access</b>	
1.1 Enhancing product integrity	1.1.1 Enhance the uptake of quality assurance systems by all sectors of the red meat supply chain 1.1.2 Develop and promote appropriate meat and livestock traceability systems 1.1.3 Conduct scientific research to ensure the food safety systems available to Australia are at the leading edge of international knowledge and practice 1.1.4 Promote the integrity of Australian red meat products to our international and domestic customers while assisting industry to minimise food safety related incidents
1.2 Ensuring a whole-of-industry approach to maintaining and liberalising access to world meat markets	1.2.1 Assist industry to defend favourable market access conditions in overseas markets 1.2.2 Position the Australian red meat and livestock industry for the WTO Doha round 1.2.3 Position the Australian meat and livestock industry for FTA negotiations 1.2.4 Develop strategies to assist industry to remove access barriers
1.3 Maximising market options for producers and exporters in the livestock export trade	1.3.1 Support industry to deliver continuous improvement in animal welfare 1.3.2 Improve industry capability and livestock performance throughout the supply chain 1.3.3 Build community support through proactive communication of industry achievements 1.3.4 Support industry and government to defend market access conditions and build demand for livestock
<b>2. Growing demand</b>	
2.1 Achieving consistent eating quality	2.1.1 Develop and prove interventions for eating quality, nutrition, consistency and productivity 2.1.2 Develop and maintain standards and measurement tools to underpin guarantees of eating quality 2.1.3 Partner with supply chains to support brands and adopt eating quality systems
2.2 Enhancing the nutritional reputation of red meat	2.2.1 Increase knowledge of the health benefits of red meat 2.2.2 Maintain consistent and fact-based dietary recommendations for red meat 2.2.3 Communicate and promote evidence-based nutrition information on red meat to health professionals and the broader community
2.3 Developing new products	2.3.1 Identify and evaluate emerging trends for new products 2.3.2 Develop technologies to improve the range of applications of co-products as commercial ingredients 2.3.3 Develop new technologies to enable transformation and value-adding of low value cuts 2.3.4 Implement innovative value-adding strategies
2.4 Aggressive promotion in the domestic market	2.4.1 Maintain lamb as a routine habitual purchase 2.4.2 Strengthen Australian consumers' emotional bond with beef 2.4.3 Work with retailers and foodservice to raise standards of presentation, quality, merchandising and promotion
2.5 Aggressive promotion in export markets for beef	2.5.1 Disseminate comprehensive export marketing information 2.5.2 Develop new trade and consumer opportunities for Australian beef internationally 2.5.3 Position Australian beef as safe, consistent, versatile and nutritious via trade and consumer educational activities 2.5.4 Assist in the creation and promotion of strong brand identities through implementation of industry collaborative agreements (ICAs)
2.6 Aggressive promotion in export markets for lamb	2.6.1 Disseminate comprehensive export marketing information 2.6.2 Grow awareness, trial and purchase of Australian lamb in overseas markets 2.6.3 Position Australian lamb in overseas markets by leveraging generic positive attributes 2.6.4 Under ICAs, support the growth of branded lamb supply chains to develop trade and consumer loyalty

# MLA strategies 2011-12

Objective	Strategy
<b>3. Increasing productivity across the supply chain</b>	
3.1 Increasing productivity on-farm	3.1.1 Enhance rates of genetic improvement in flock, herd and feedbase performance 3.1.2 Increase feed productivity and sustainability 3.1.3 Optimise business performance in supply chains 3.1.4 Optimise utilisation rates and productivity in grazing and feeding systems 3.1.5 Increase labour efficiencies through new technology
3.2 Increasing productivity off-farm	3.2.1 Develop new technologies and systems to increase processing efficiencies 3.2.2 Assist the processing sector to improve occupational health and safety 3.2.3 Develop new systems to support processing decision-making
3.3 Improving supply chain and market information	3.3.1 Collect and maintain meat market data of relevance to Australian industry 3.3.2 Disseminate incisive analyses of relevant world meat market developments 3.3.3 Gather and analyse data on competitors 3.3.4 Facilitate improved information flows and risk management within supply chains
3.4 Improving animal health and biosecurity	3.4.1 Assist industry to maintain Australia's favourable disease status 3.4.2 Assist industry to improve controls for key livestock diseases and causes of production loss
<b>4. Promoting industry integrity and sustainability</b>	
4.1 Ensuring sustainability and demonstrating environmental stewardship	4.1.1 Develop and promote information and tools that help natural resource management and productivity 4.1.2 Support industry to assess natural resource impacts and demonstrate environmental stewardship
4.2 Responding to climate change	4.2.1 Develop adaptation strategies to improve resilience of production systems 4.2.2 Develop mitigation strategies to reduce greenhouse gas emissions 4.2.3 Conduct research to inform and respond to market initiatives
4.3 Continued improvement in animal welfare	4.3.1 Assist industry to address potential welfare issues along supply chain, and monitor and meet community expectations and standards 4.3.2 Develop and use a practical risk management approach to animal welfare which address potential issues along the supply chain
4.4 Community communications	4.4.1 Support the industry to maintain the community's trust and confidence in the integrity and ethics of industry 4.4.2 Support producers and representative bodies to build community trust in the industry's environmental management and performance 4.4.3 Support producers and representative bodies to reinforce the trust and confidence in their care for animals
<b>5. Increasing industry and people capability</b>	
5.1 Increasing adoption of innovation	5.1.1 Collaborate to deliver tools, information and learning opportunities 5.1.2 Implement effective commercialisation and adoption processes, systems and plans 5.1.3 Plan, measure, evaluate and report on the outcomes of R&D
5.2 Working with industry to attract, develop and retain world-class people	5.2.1 Enhance industry's image as a desirable career destination to attract the right people 5.2.2 Collaborate with industry to implement professional and skills development programs 5.2.3 Assist industry to retain a motivated and appropriately skilled workforce 5.2.4 Support the development of essential science, research, technical and extension capabilities
5.3 Building industry innovation capability	5.3.1 Partner with enterprises to develop and implement effective innovation capability building programs 5.3.2 Provide a range of tools, methods and enabling support structures at enterprise and supply chain levels
5.4 Supporting industry with policy research	5.4.1 Work with peak councils and government to identify priority policy issues and commission research 5.4.2 Work with peak councils to communicate industry policy positions 5.4.3 Seek opportunities for coalitions with like-minded organisations

# 1. Improving market access

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



## Australian Government research priorities

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

## Delivering MLA business units

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

## OPPORTUNITIES AND CHALLENGES

Market access is the lifeblood of our industry. Even incremental improvements in market access arrangements can make major gains for industry, with an evaluation of market access programs indicating that they had the potential to return \$8 for every dollar invested by industry.

The aggressive inroads being made by Australia's competitor suppliers to our large north Asian markets continues to present challenges. The United States has secured a free trade agreement with Korea and progressed access discussions with Japan during 2011-12.

Market access arrangements with emerging markets for Australian beef and lamb are increasingly coming under the spotlight as they become more important trading partners. Last year, non-traditional markets across South-East Asia, Greater China, Russia and the Middle East accounted for approximately 30% of total beef shipments.

In the aftermath of the suspension of live cattle exports to Indonesia in June 2011, the Australian Government mandated the introduction of the Exporter Supply Chain Assurance System (ESCAS). The requirements of the new system mean exporters are required to provide evidence that their livestock handling meets OIE (World Organisation for Animal Health) animal welfare standards up to, and including, the point of processing. ESCAS was in place for Indonesia from July 2011, in Egypt by October 2011, and Bahrain, Kuwait, Qatar and Turkey added on 1 March 2012. A further 10 nations including Jordan, Saudi Arabia, the UAE, Malaysia and the Philippines will be added on 1 September 2012 and all other nations added by 31 December 2012.

## KEY ACHIEVEMENTS

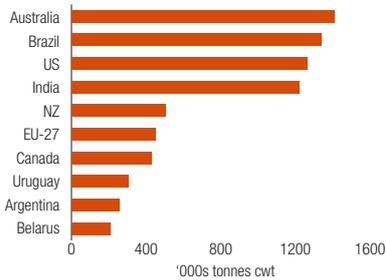
- Assisted industry and government to secure market access to Russia – currently our fifth largest beef market – with access to a shared pool of up to 407,000 tonnes of frozen beef and 11,000 tonnes of chilled beef per annum with in-quota tariff rates of 15%
- Partnered with industry and government to secure a free trade agreement (FTA) with Malaysia – our tenth largest market for beef and lamb – an important development in the fast-growing South East Asian region
- Food safety R&D helped industry to prepare for a new US testing regime that included banning the sale of ground beef with six additional strains of non-O157 *E. coli*
- Assisted industry and exporters to re-establish live cattle trade with Indonesia under the new Australian Government's Exporter Supply Chain Assurance System (ESCAS)

### Areas requiring further focus:

- Continue to support industry and government to secure an Australia-Korea FTA with the third largest export market for Australian beef that will reduce the current 40% tariff, particularly urgent given the tariff on US beef is being eliminated
- Continue to support industry to meet the requirements of the ESCAS in livestock export markets, with all markets scheduled to be operating under the new system by 31 December 2012

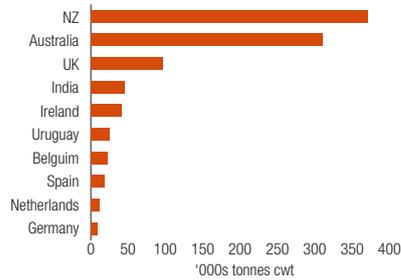
# 1. Improving market access

**Australia was the world's largest exporter of beef during 2011**



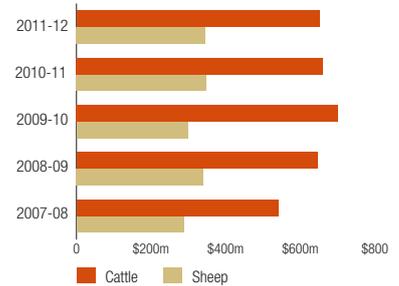
Source: USDA

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



Source: FAO (includes intra-European trade)

**The value of live cattle exports decreased to \$651 million and live sheep exports to \$345 million**



Source: ABS

## PERFORMANCE 2011-12

### 1.1 Enhancing product integrity

MLA assists the livestock industry to maintain its reputation for producing safe and wholesome beef and lamb by managing on-farm risk management systems and advanced food safety science.

Throughout 2011-12, MLA invested \$11.3 million in this area including \$4.9 million in producer levy funds, \$2.9 million in processor funds and \$2.2 million in government funding. This was 10.3% under the budget

of \$12.6 million for the year. These funds supported Livestock Production Assurance (LPA) and producer education; the development of new food safety systems; supporting the National Livestock Identification System (NLIS); and conducting scientific research and developing systems to underpin food safety systems.

### In focus: alleviate technical trade barriers

MLA's food safety R&D focussed on demonstrating compliance with food safety expectations. In June 2012, the US changed its import requirements to ban the sale of ground beef with six additional strains of non-0157 *E. coli*. An MLA research project surveying more than 1,800kgs of Australian manufacturing beef using four different screening methods estimated the prevalence of these types of *E. coli* at less than 0.02%. MLA also provided industry assistance to implement testing and control regimes, running two half-day seminars on how to prepare for the changes that were attended by more than 100 industry and processor representatives. From 2012-13, MLA will build on this by identifying high priority technical trade barriers that are impeding red meat sales and assist government to alleviate their impact by providing science and technology.



[www.mla.com.au/meatsafety](http://www.mla.com.au/meatsafety)

#### Key milestone

#### Result

Satisfaction rating of MLA's food safety activities rated more than 85% by industry by processors and AMIC	Not applicable – next biennial survey conducted October 2012
Develop the capability for all jurisdictions to be able to execute traceability reports through the NLIS mirror database	Not achieved – queries to meet reporting requirements with work required to enable access through mirror database
Overseas customers rank Australia's safety systems as equivalent to, or better than, alternate supplying nations	Achieved – trade satisfaction with Australian beef at more than 75% in key markets

LPA underpins Australia's reputation as a leading international producer of safe red meat with more than 195,850 accredited participants under the program, an increase of 4.7% from 2010-11. A new web-based system for National vendor Declarations (NVDs) was launched in December 2011. The web interface provides LPA accredited producers with the ability to access NVDs electronically without the need for downloading and installing software, which was previously necessary to access electronic declarations. The number of users increased by 58% on the previous year following the launch of the new system reaching 7,557 users at 30 June 2012. *Strategy 1.1.1*

A review of the SAFEMEAT Initiatives (LPA/NVDs and NLIS) commenced during 2011-12 to assess the future requirements of these industry systems and identify opportunities for improved efficiencies and integration. *Strategy 1.1.4*



### In focus: on-farm risk management systems

Managed by a subsidiary of MLA, the NLIS database provides traceability from property of birth to slaughter. In 2011-12, an average of 311,568 transactions were processed through the database per month, an increase of 15% from 2010-11. The number of account holders also grew by 10% to reach 55,355 people. The NLIS database was successfully transferred to a new hosting provider, which included an upgrade of the IT infrastructure that houses NLIS. NLIS also developed a new program Global LiveTrack – a central web-based system that supports the traceability requirements of ESCAS for livestock exporters. From 2012-13, MLA will build on this by focusing on assisting industry to better integrate and sustainably deliver its on-farm risk management systems (LPA/NVDs and NLIS).

[www.mla.com.au/nlis](http://www.mla.com.au/nlis)



## 1.2 Assisting industry to maintain and liberalise market access

MLA assists industry's efforts to improve market access arrangements for Australian red meat by providing market intelligence focussed on supporting trade liberalisation and the reduction of technical trade barriers.

MLA invested \$3.4 million in supporting industry and government to maintain and improve market access during 2011-12 including \$1.6 million in producer levy funds and \$1.8 million in processor contributions. This was 24.2% under the \$4.5 million budget for the year. The funds supported government and industry to progress several free trade agreements (FTAs) including with Korea, Japan and Malaysia; progress industry priorities in Trans Pacific Partnership (TPP) negotiations; and conduct research into technical barriers to trade.

### Key milestone

### Result

Satisfaction rating of MLA market access activities by government and industry maintained above 85%	Not applicable – next biennial survey conducted October 2012
Persuasive and well-researched submissions on market access issues prepared to the satisfaction of industry	Achieved – submissions prepared for four major issues

With the current World Trade Organization (WTO) Doha Round negotiations at an impasse, MLA's trade reform focus in 2011-12 was to actively partner with the Australian Government on bilateral and regional trade agreements.

With 11 member countries, the TPP could provide a useful opportunity to improve regional access arrangements – particularly now that Canada (which imposes a 35,000 tonne beef quota) and Mexico (10-25% tariffs) have been granted membership. MLA also co-ordinated the industry submission into the Australia-India Comprehensive Economic Cooperation Agreement, which may offer improved prospects for sheepmeat. *Strategy 1.2.3*

The Malaysia-Australia FTA was signed in May 2012, locking in zero import tariffs for Australian livestock and red meat products for our 10th largest export market for both Australian beef and lamb by volume. The agreement also incorporated text outlining co-operative and consultative mechanisms to deal with standards and future technical regulations. *Strategy 1.2.3*

Grainfed beef exports to Australia's highest value market per tonne – the European Union (EU) – will benefit from a major expansion of the high quality beef grainfed quota. From August 2012, the EU's grainfed beef quota will increase from 20,000 tonnes to 48,200 tonnes, with Australia sharing access to this amount with other nations including the US and Canada. *Strategy 1.2.4*

With Russia joining the WTO during the year, Australia obtained guaranteed access to a shared pool of up to 407,000 tonnes of frozen beef and 11,000 tonnes of chilled beef per annum, with in-quota tariff rates of 15%. High quality beef was granted an exception from the

### In focus: securing free trade agreements

With the US securing an FTA with Korea during 2011-12 that will reduce their 40% tariff on their beef over the next 15 years, the imperative for securing an Australia-Korea FTA became more urgent to maintain competitiveness in our third largest export destination for Australian beef. Negotiations by industry and government progressed during the year. From 2012-13, MLA will continue to focus on assisting government and peak councils to secure FTAs that eliminate the current tariffs on red meat exports to Korea and Japan.

[www.mla.com.au/ftas](http://www.mla.com.au/ftas)



# 1. Improving market access

## In focus: assist supply chains with compliance

To assist exporters and importers meet the requirements of ESCAS, MLA provided gap analyses of supply chains, including assessment of all facilities where Australian livestock would be transported, held and/or processed. This included inspection of practices, procedures and facilities at ports, transport vehicles, feedlots and abattoirs. These assessments were made against the Australian Government's welfare checklist and exporters/importers were provided with advice regarding their level of preparedness for the independent audit. Additionally, in-market training was provided to ensure that staff handling, transporting and slaughtering Australian livestock were well equipped to meet the welfare requirements. Similar gap analyses and training is being provided in other markets joining ESCAS in the second half of 2012. From 2012-13, MLA will focus on maintaining access to livestock export markets by assisting supply chains to implement and comply with ESCAS regulations by providing gap analyses, risk analyses, training and technical advice.

[www.mla.com.au/escas](http://www.mla.com.au/escas)



quantitative restrictions – enabling Australia to respond to this high value and growing market segment without volume limitations. Sheepmeat and offal were also exempt from quotas, and import tariff reductions for both these product categories were secured. *Strategy 1.2.4*

### 1.3 Maximising market options in the livestock export trade

MLA works in partnership with industry, governments and overseas partners to maintain and further develop a sustainable livestock export trade – operating the Livestock Export Program (LEP) in collaboration with LiveCorp to provide R&D and market support to assist supply chains to meet their responsibilities.

MLA invested \$8.3 million in this area during 2011-12 including \$6.7 million in producer levy funds and \$1.2 million in government funding. This was 11% under the budget of \$9.4 million for the year. A particular focus

during the year was on helping livestock exporters meet the requirements of ESCAS by conducting R&D, training and education that helped maintain market access to livestock export markets.

#### Key milestone

#### Result

Eid al Adha plan developed that is accepted by industry and government with MLA elements of this plan delivered to the satisfaction of industry	Achieved – Eid al Adha plan implemented with 98% compliance
High levels of satisfaction by Indonesian importers and Australian exporters that the provision of technical support by MLA provides benefits to the supply chain	Achieved – exporters rated MLA 3.9 out of 5, importers 3.1 out of 5
By supporting industry to deliver enhanced animal welfare outcomes and appropriate communications, increase the current level of community support for the livestock export trade	Achieved – research found 82% thought the trade should continue to countries that meet OIE standards vs banning the trade

Through the LEP and under the direction of the Sheepmeat Council of Australia, MLA assisted importers to deliver improved animal welfare outcomes in the key markets of Kuwait, Bahrain and Qatar during the four-day Eid al Adha festival in November 2011. Under the initiative, industry successfully implemented a policy of no private sales of sheep to unknown slaughter points with all livestock processed in approved facilities that met or exceeded OIE animal welfare standards. MLA communicated the plan to all participants and provided on-the-ground resources at critical locations. With the strong support of importers and governments, the initiative delivered a 98% compliance rate – a significant achievement given the nature of the festival.

*Strategy 1.3.1*

#### > Planned activities 2012-13

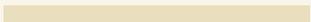
Across the improving market access imperative, next year MLA will:

- continue to invest in maintaining the NLIS database and LPA systems; develop tools and systems for managing food safety; and support the development of integrity systems
- assist government and industry in securing a FTA with Korea; progress industry priorities under the Trans-Pacific Partnership trade talks; ongoing advocacy for a Japan FTA; and direct additional efforts towards tackling the increasing number of technical trade barriers
- assist supply chains to meet the new ESCAS standards, which requires greater interaction with foreign governments to convey an understanding of the new regulations

## 2. Growing demand

**MLA works to grow demand for Australian beef, sheepmeat and goatmeat by stimulating consumer demand in domestic and international markets, providing systems to achieve consistent eating quality, enhancing red meat's nutritional reputation, and developing new products.**

### INVESTMENT

2011-12  \$65.6m  
2010-11  \$65.4m

2011-12  \$65.6m  
Producer levies  
Other sources

### PERFORMANCE

12 from 19 key milestones achieved (63%)

2011-12  63%  
2010-11  50%

### Australian Government research priorities

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

### Delivering MLA business units

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

## OPPORTUNITIES AND CHALLENGES

In 2011-12, global demand for proteins continued to be impacted by economic uncertainty and slow recovery in markets such as the United States and Japan. With household and government balance sheets weighed down by relatively high debt levels across the developed world, consumer spending remains relatively subdued. In Australia, the 'two-speed' economy had some impact on consumer behaviour particularly with cost competition from other proteins.

For beef and sheepmeat, two other factors had a major impact on export demand. The continuing strength of the Australian dollar and its resilience despite falling commodity prices has been significantly dampening export demand. The \$A traded significantly higher than its long term average over the course of the year, between US\$0.95 and US\$1.10 and between ¥74 and ¥86. Competitor nations also impacted exports to several international markets, particularly with aggressive moves by the US into our large north Asian markets of Japan and Korea.

Export values for Australian beef increased 3.5% for the year to reach \$4.7 billion while the value of lamb and sheepmeat remained steady at \$1.5 billion. The trend of the shift towards emerging markets that became apparent last financial year continued, with 30% of beef exported to non-traditional trading partners such as Russia, the Middle East and South East Asia. Demand for sheepmeat continued to be strong across the globe. Domestically, expenditure on beef decreased 6.6% to \$6.2 billion while spending on lamb increased 4.7% to \$2.3 billion. Exports to South East Asia and Greater China alone have almost doubled over the past decade.

## KEY ACHIEVEMENTS

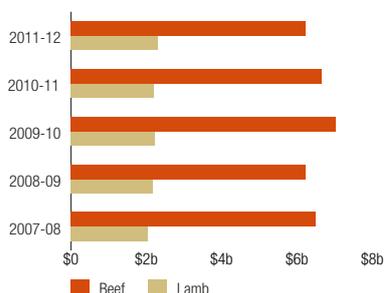
- Meat Standards Australia (MSA) experienced very strong growth in grading numbers – with 2.1 million head of cattle (up 46% from the previous financial year) and 3.3 million head of sheep (up 375%) graded during 2011-12
- The summer 'Nothing beats Beef' campaign generated a strong emotional response from consumers, was rated the best ever by retailers, and won several international media and advertising awards
- Lamb continued its ownership of the Australia Day period, with record sales up 32% during the week coinciding with the annual Sam Kekovich campaign that this year focussed on "chopular" culture
- In Korea, MLA's popular product sampling program stimulated consumer appetite for Australian beef in a difficult trading environment with more than 1,000 sampling events per month and evaluation showing that 78% of consumers go on to purchase after tasting a sample
- In Japan, the Iron Beauty campaign focussed on promoting the benefits of eating Australian beef to women, the main household decision makers, with the campaign branding now featuring in 6,000 retail outlets

### Areas requiring further focus:

- Maintain the market position of Australian beef in the large north Asian markets of Japan and Korea in the face of the high Australian dollar and aggressive marketing campaigns by US product to increase their market share
- Develop a high impact multi-faceted domestic marketing campaign to promote the nutritional benefits of eating beef and lamb three to four times per week

## 2. Growing demand

Domestic expenditure on beef decreased to \$6.2 billion and lamb increased to \$2.3 billion



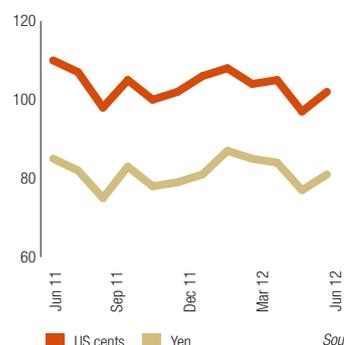
Source: MLA estimate

Beef export values increased to \$4.7 billion and sheepmeat was steady at \$1.5 billion



Source: MLA estimate

The Australian dollar peaked at US\$1.10 in July 2011 and ¥87 in February 2012



Source: RBA

### PERFORMANCE 2011-12

#### 2.1 Achieving consistent eating quality

MLA manages the Meat Standards Australia (MSA) program to give consumers a consistent eating quality experience for beef and lamb, with its predictive power backed by more than 603,000 consumer taste tests.

MLA invested \$8.5 million in eating quality programs during 2011-12 including \$6.2 million in producer levy funds and \$1.8 million in government funding. This was 1.7% over the \$8.4 million budget for the area. This funding supported MSA activities including R&D into the model and its implications for livestock production, awareness programs to drive adoption of MSA by supply chains, education programs to improve compliance, and promotion of MSA-graded product at retail.

##### Key milestone

##### Result

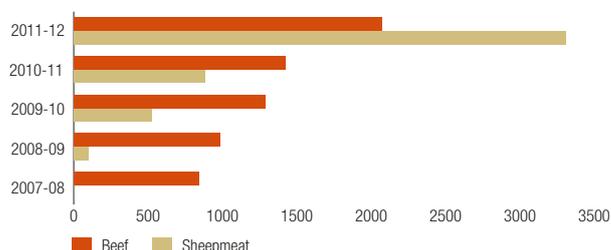
Increase consumer satisfaction by increasing MSA cattle grading numbers to 1.6 million head	Achieved – 2.1 million cattle graded
Increase consumer satisfaction by increasing MSA sheep grading numbers to 1 million head	Achieved – 3.3 million sheep graded
200 tonnes of four- and five-star beef identified and sold by brands	Achieved – more than 200 tonnes of four- and five-star product sold across six brands
One technology is further developed/validated to improve the overall eating quality of meat by prediction and management of heat toughened carcasses	Not achieved – technologies found to have little effect on incidence of heat toughened carcasses
Increase consumer quality ratings of beef above 7.3 out of 10	Achieved – consumer rating of beef was 7.4 out of 10

MSA experienced a watershed year in 2011-12, with large numbers of cattle and sheep graded through the program and major new retailers promoting MSA-graded product.

Approximately 2.07 million head of cattle were MSA-graded during 2011-12, an increase of 45% or 646,000 head from the previous financial year. Compliance rates for MSA beef were 94.3%, unchanged from 2010-11. MSA

sheepmeat grading numbers surged during the year, with the 3.31 million head graded, almost four times the number graded in 2010-11. Compliance rates for MSA sheepmeat were 90.5%. An additional 4,232 producers registered to supply MSA during the year to take the total number of registered producers to 23,751. *Strategy 2.1.3*

#### MSA increased grading numbers to 2.07 million cattle and 3.31 million sheep during 2011-12



A new look 'MSA graded' symbol was unveiled in November 2011 along with new point-of-sale material in supermarkets and local butchers nationally to increase awareness of the MSA program among consumers. This was complemented by a 30-second 'What's new?' infomercial, print advertisements and public relations to introduce consumers to the MSA logo as a visual identifier they can trust to "take the guesswork out of buying beef". A survey showed 40% of consumers were aware of the MSA symbol after the promotion compared to 15% before. Additional major retailers stocked MSA-graded product and promoted the symbol, with Woolworths, CostCo, Aldi and 600 independent butchers now stocking MSA product. *Strategy 2.1.3*

Research commenced into the potential to further identify, segregate, and market significantly more MSA four- and five-star premium beef cuts. With four- or five-star quality cuts having the potential to attract premiums, the project aims to identify additional opportunities for red meat processors to optimise the harvesting of superior MSA graded products. *Strategy 2.1.1*

## 2.2 Enhancing red meat's nutritional reputation

MLA works to position beef and lamb as important sources of nutrients including protein, iron, zinc, B-group vitamins and omega-3 – and defend the nutritional reputation of our products – amongst healthcare professionals and the community.

In 2011-12, MLA invested \$8.0 million in this area including \$6.7 million in producer levy funds. This was 1.8% over the budget of \$7.8 million for the year. These funds supported the launch of a new consumer education campaign; a healthcare campaign on the benefits of red meat in meeting the nutritional needs of young children and women; research into red meat nutrition; and advice to policy-makers.

### Key milestones

Key milestones	Result
Independent consumer research among mothers with children in household shows strongly agree 'red meat is an essential part of a healthy diet' reaches 50%	Not achieved – percentage of target who agreed was 48%
Independent consumer research among mothers with children in household shows resister/rejector consumer segment does not increase above 17%	Not achieved – resister/rejector consumer segment at 23%

MLA's nutrition research underpins our consumer campaigns which communicate the benefits of eating red meat 3-4 times a week as part of a healthy diet. A series of 'Red Meat: Ready for Anything' television advertisements featuring actor Sam Neill was produced and screened from March 2011, focussing on the iron in red meat providing the energy to meet any challenge. While the advertisements scored well on industry measures such as engagement and relevance, it fell short of benchmarks for message communication and persuasion and has been discontinued. *Strategy 2.2.3*

Parents were provided with tips on preparing healthy red meat meals for their families that could easily be turned into nutritious school lunches as part of a back-to-school campaign. Over 680,000 recipe booklets were distributed via a number of channels including as inserts into magazines such as the *Australian Women's Weekly*. *Strategy 2.2.3*

In May 2012, a new healthy eating brochure promoting a higher protein diet for weight loss in young women was launched, including distribution to over 10,000 healthcare professionals and 180,000 copies inserted in *Cosmopolitan* magazine. MLA continued to promote the successful 'How to make every bite count' brochure for introducing solids to babies, with over 160,000 copies distributed to consumers and healthcare professionals. *Strategy 2.2.3*

MLA sponsored a symposium hosted by the Dietitians Association of Australia (DAA) on the benefits of a higher protein diet for addressing health issues at key life stages. The symposium was hosted in Melbourne, Sydney and

Brisbane and available by webinar, reaching over 500 healthcare professionals. *Strategy 2.2.2*

In late 2011, new draft dietary guidelines were released by the National Health and Medical Research Centre (NHMRC) which continued to recommend lean red meat as part of a healthy diet. In February 2012, MLA made a submission to the NHMRC to provide greater consideration of evidence supporting red meat's role as a good source of iron and zinc in the Australian diet, particularly for vulnerable groups, in its draft Australian dietary guidelines. *Strategy 2.2.2*

Over the course of 2011-12, MLA funded 15 human nutrition research projects, including studies into the contribution of red meat consumption in infants and toddlers to the prevention of childhood obesity; the influence of iron deficiency and cognition in young women; the role of higher protein diets for muscle health in the elderly; and benefits of a high protein low carbohydrate diet for improving diabetes and cardiovascular risk factors in people with type 2 diabetes. *Strategy 2.2.1*

## 2.3 Developing new products

MLA invests in science and technology that has the potential to deliver additional value from lower-value meat and non-meat parts of animals including offal, skins and blood products.

MLA invested \$1.8 million in this area over the financial year including \$0.6 million in producer levy funds, \$0.3 million in processor contributions and \$0.9 million in government funds. This was 10% under the budget of \$2 million. An additional \$1.1 million was invested through the MLA Donor Company. This investment supported industry to identify market opportunities for value-added products; and develop and commercialise new technologies that increase revenue from the carcass.

### Key milestone

Key milestone	Result
Two new value-added red meat products successfully launched in the domestic market, each with the potential to add at least \$2 per head in net value	Achieved – Numeat and Smartshape launched, both with potential to add more than \$2 per head
Demonstrate the commercial feasibility of high pressure processing for red meat	Not achieved – delay in commissioning site
Two processors establish facilities for production of value-added blood products each with the potential to add \$2 per head in net value	Not achieved – one processor collecting and processing bovine blood

SmartShape™ technology is a unique invention that shapes meat into a cylindrical shape that is retained when removed from packaging. It offers advantages such as providing better portion control, less waste, and consistent preparation and presentation. The invention was developed with funding from the MLA Donor Company, and a commercial prototype was installed during 2011-12 in one of Cargill Beef's NSW processing plants. Development work is currently underway to improve SmartShape™ to make it more automated and faster.

## 2. Growing demand

Foodservice, airline and aged care catering have shown interest in using SmartShape™ product. *Strategy 2.3.3*

MLA-funded research is also taking two bioactive compounds a step closer to commercialisation. The research allows the two compounds – chondroitin sulphate and bovine serum albumin – to be extracted from trachea and blood co-products without using solvents, resulting in potential cost savings of between 30–50% compared to conventional extraction methods. Currently used in pharmaceuticals and medical processes, bovine serum albumin has an estimated market value of approximately \$167 million. *Strategy 2.3.2*

### 2.4 Aggressive promotion of beef and lamb in the Australian market

MLA delivers marketing programs that stimulate consumer desire for beef and lamb in our largest and most stable market through high impact seasonal promotions, improving retail and point-of-sale activities, and supporting foodservice and restaurants.

MLA invested \$18.8 million in this domestic marketing including \$17.3 million in producer levy funds and \$1.2 million in processor contributions. This was 1.9%

over the annual budget of \$18.4 million. It supported the delivery of ‘Nothing beats Beef’ marketing campaigns around summer barbecues and winter meals; ‘We love our Lamb’ campaigns around Australia Day, Mothers’ Day and spring; a range of other beef and lamb consumer marketing programs; and retail and foodservice activities including ‘Masterpieces’, ‘Beefing up your profits’ and the Red Meat Networking Club.

Key milestone	Result
Improvement in key beef attributes as measured by consumer tracking – ‘makes the most satisfying meals’ (above 59%)	Achieved – 63% agree beef most satisfying meal
Improvement in key lamb attributes as measured by consumer tracking – ‘is loved by Australians’ (above 76%)	Not achieved – 73% agree lamb loved by Australians
Strong retailer support for MLA programs as evidenced by retail butchers continuing to rate them overall at over 3.5 out of 5	Achieved – retail butchers rate MLA programs 3.55 out of 5

Long-serving ‘Lambassador’ Sam Kekovich returned to front MLA’s Australia Day 2012 lamb campaign, which featured his now traditional rant, this year against pop culture, and a pop-song parody of the 1990s hit ‘Barbie Girl’. The campaign included television advertisements, social media, public relations and point-of-sale materials. A Barbie Girl video clip on youtube was viewed more than one million times. Coinciding with various supermarket promotions, the campaign helped lamb sales value reach more than \$18.5 million for the week, up 32% on average weekly sales and the highest since MLA began tracking in 2002. Lamb sales value share also performed strongly for the month of January, up 13% on the previous year. The traditional Mother’s Day lamb campaign was changed to a longer autumn campaign following feedback from retailers, contributing to stronger sales of lamb roasts over the period. 2011’s fashion-themed spring lamb campaign did not perform as strongly, with volumes down due to decreased supply and high prices.

*Strategy 2.4.1*

Launched in 2010, MLA’s Masterpieces program promotes non-loin cuts of beef and lamb to the foodservice sector to add more value to the carcass. In late 2011, MLA launched ‘Masterpieces Streetfood’ with 37,000 copies of a sandwich burger book distributed. It featured recipes from leading Australian chefs designed to keep red meat top of the menu for casual but creative meal options on their menus with low portion costs. Seventy-eight Masterclasses were also held throughout the country to demonstrate the use of non-loin cuts to trade and foodservice professionals. *Strategy 2.4.3*

MLA’s Red Meat Networking Club (RMNC) promotes red meat innovation and best retail practices to increase sales of red meat. In 2012, the RMNC celebrated its tenth anniversary and boasted a membership of more than 1,600 retailers nationally. *Strategy 2.4.3*

### Increase consumers’ beef demand

The 2011-12 summer beef campaign had MLA’s longest running beef campaign period, reminding consumers of beef’s superior desirability through TV, print, digital and outdoor advertising, a range of point-of-sale materials, and *ENTICE* magazine. The point of sale materials generated strong engagement and butchers rated it the most useful summer campaign to date (at 3.37 out of 5).

MLA’s outdoor billboard campaign appeared at 33 prominent sites including a smoking billboard in Sydney and ‘sensory’ outdoor ads at bus stops in Sydney and Melbourne – performing strongly on measures such as relevance and ‘believability’. With more than 7,000 users, the Beef Essentials mobile phone app was awarded a coveted ‘Webby’ in the lifestyle category – the international digital media awards. The broader media strategy was one of only three global campaigns that were highly commended at the prestigious Festival of Media 2012 awards in Switzerland.

The launch phase of the campaign (October-November) helped increase servings of beef by 500,000 serves per week to 49.32 million/week during that period, compared with the same period the previous year. A winter beef campaign began in June 2012, encouraging Australians to warm up during ‘Beefgiving season’. From 2012-13, MLA will build on these successful campaigns by focussing on increasing Australian consumers’ demand for beef through compelling marketing campaigns encompassing eating quality, enjoyment and nutrition.



[www.mla.com.au/domesticmarketing](http://www.mla.com.au/domesticmarketing)



## 2.5 Aggressive promotion of beef in export markets

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

In 2011-12, MLA invested \$21.5 million to promote beef in export markets including \$20.9 million in producer levy funds. This was 7% under the budget of \$23.1 million. The investment supported business development work with foodservice operators and retailers; generic positioning of beef as safe, clean and nutritious; working closely with exporters to grow sales of individual beef brands; and monitoring in-market consumer and business trends.

### Key milestone

### Result

A majority of end users and importers rate Australia as the preferred supplier of imported beef	Achieved – in all markets where measured
Achieve at least 80% of KPIs listed in regional beef implementation plans	Not achieved – 78% of regional KPIs achieved
An additional 35 major customers are recruited globally for Australian beef and over 80% of Australian exporter and importers satisfied with MLA business development activities	Achieved – customer recruitment and satisfaction on track

In Japan, marketing activities focused on promoting the nutritional attributes of Australian beef through the 'Iron Beauty' campaign. The campaign aims to educate women, as the key grocery buyers, about the importance of iron in their diet, of which Australian beef is a rich source. More than 30 'Iron Beauties' from major companies such as McDonalds and Denny's in the Japanese retail and foodservice sector visited Australia throughout the year to learn about the production of Australian beef from paddock-to-plate. The 'Iron Beauty' branding now features on the menus in more than 6,000 foodservice outlets across Japan. MLA also organised beef cooking demonstrations in 735 Japanese retail stores during the peak beef consumption period – Golden Week between 20 April and 8 May 2012. *Strategy 2.5.2 and 2.5.3*

In the US, Australian grassfed beef is positioned as a niche product for American consumers seeking something different to grainfed product. An MLA-commissioned survey of US consumers indicated over one-third view grassfed beef as high quality and more than one-quarter consider a grassfed claim to be as important as USDA grading. MLA marketing activities have included grassfed specific advertising in retail and foodservice publications, a new look website, and supporting presence at trade shows including the National Restaurant Association. Exports of Australian grassfed beef to the US have grown 30% to 119,114 tonnes swt in the last financial year. *Strategy 2.5.3*

In Korea, despite a difficult year for Australian beef

### In focus: creating new beef business

MLA's industry collaborative agreement program assisted 63 companies to launch branded beef products globally last financial year, and grow the market for Australian beef. One company, Atron Enterprises, launched a new premium grainfed brand Condabri into Asian markets last year, based on Wagyu and British breed cattle grain fed for 70–120 days. Volumes have grown from 20–30 carcasses per month to more than 200 per month over the course of 2011-12. From 2012-13, MLA will build on these and similar activities by creating new business for Australian beef in emerging markets by working with exporters to win at least 20 new major accounts and at least 20 large new product opportunities for branded beef.

[www.mla.com.au/ica](http://www.mla.com.au/ica)



exports, MLA continued to drive demand through consumer sampling campaigns to drive awareness and engagement. More than 1,000 'Aussie Beef' sampling events were held in retail outlets each month during the year. An estimated 55% of Australian beef exported to Korea is sold at retail. An MLA survey of consumers indicated the program is affecting consumer behavior, with 78% going on to purchase Australian beef immediately after sampling. Australia's promotional efforts are highly rated by local retailers, foodservice and trade operators, with an overall satisfaction rate of 82% well above Australia's competitors. *Strategy 2.5.2*

In Indonesia, more than 600 people entered an MLA-initiated talent search for a local everyday ambassador for Australian beef. The Irawaty family from Jakarta won the competition and are advocating for the benefits of eating Australian beef through cooking demonstrations, school workshops and a magazine feature in the popular *Living with Martha Stewart* magazine. *Strategy 2.5.2*

## 2. Growing demand

### 2.6 Aggressive promotion of lamb in export markets

MLA works in export markets to support existing supply chains, retail outlets and foodservice accounts, with tight supply preventing further significant market expansion.

In 2011-12, MLA invested \$6.5 million to promote lamb in export markets including \$6.3 million in producer levy funds. This was 11% under the budget of \$7.3 million. The investment supported business development work with foodservice operators and retailers; working closely with exporters to grow sales of individual beef brands; and monitoring in-market consumer and business trends.

Key milestone	Result
A majority of end users and importers rate Australia as the preferred supplier of imported lamb	Achieved – in all markets where measured
Achieve at least 80% of KPIs listed in regional sheepmeat implementation plans	Achieved – 82% of regional KPIs achieved
An additional 20 major customers are recruited globally for Australian lamb and over 80% of Australian exporters and importers are satisfied with MLA business development activities	Achieved – customer recruitment and satisfaction on track

In the US, the leading destination for Australian lamb, MLA developed a foodservice resource *From Cuts to Cuisine* featuring recipes and other information to show chefs how to better utilise cuts other than the rack to add value to their menu offer – helping chefs keep lamb on the menu in a difficult trading environment. The book features a step-by-step guide to lamb cuts and 16 different menu concepts. It also includes information on the stringent quality assurance standards to which Australian lamb is produced and packed and nutritional information. More than 24,000 copies of the book have been distributed. *Strategy 2.6.2*

MLA also partnered with North America's largest processor and marketer of lamb, Superior Farms, to make Australian lamb burgers commercially available for the US foodservice industry for the first time. MLA will assist in marketing the new product through the Industry Collaborative Agreement (ICA) program. The ICA program sees producer levies matched with private investment on marketing activities with broad industry benefit, working with 17 lamb and sheepmeat partners during the year. *Strategy 2.6.4*

#### > Planned activities 2012-13

Across the growing demand imperative, next year MLA will:

- focus on decreasing eating quality variation within brands, increasing the volume of MSA-graded product per carcass, and strengthening MSA's integrity
- redirect the consumer nutrition campaign from 'Red Meat: Ready for Anything' to community-based initiatives which help Australians embrace healthy eating
- assist industry to identify market opportunities for lower-value meat cuts and co-products
- focus on beef and lamb's superior eating traits, with increased emphasis on seasonal associations, a wider range of cuts and meals, digital media, and targeting emerging demographic groups
- help exporters to retain sales and customers for Australian beef in the Japanese and Korean markets in the face of the aggressive promotion of US beef; and to maximise growth opportunities in developing markets
- continue to broaden lamb's menu range, involving work with the quick service, mid-scale and casual dining sectors particularly in North America and also securing greater penetration in the Middle East, South East Asia and Greater China

#### In focus: new business for Australian lamb

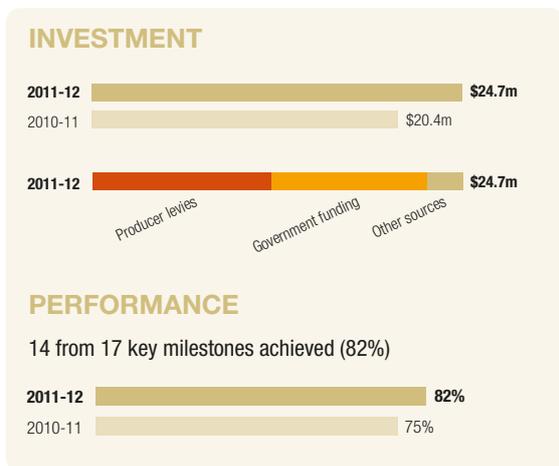
In the Middle East, MLA marketing activities including foodservice and retail staff training, food sampling, point of sale material and print media advertising. New business was on the menu at Gulfood, one of the largest food and hospitality shows in the world, held in Dubai between 19–22 February 2012. Nineteen Australian exporters and industry representatives attended this year's event, with an estimated more than \$8 million in new business reported by exhibitors. MLA also developed a campaign to encourage more consumption of Australian red meat during Ramadan in August 2011, with 48 supermarkets across the region participating in a promotion to break their fast and 'Celebrate Iftar with Australian red meat'. From 2012-13, MLA will build on these programs by creating incremental business for Australian lamb in global markets by increasing consumer perceptions and working with exporters to win 20 new major accounts for Australian lamb.

[www.mla.com.au/globalamb](http://www.mla.com.au/globalamb)



# 3. Increasing productivity across the supply chain

**MLA invests in R&D that creates opportunities for cattle, sheep and goat producers to boost on-farm and off-farm productivity, provide market information, and improve animal health and biosecurity.**



**Australian Government research priorities**

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

**Delivering MLA business units**

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

## OPPORTUNITIES AND CHALLENGES

The livestock industry has continued to improve its productivity in recent decades, underpinned by science-based innovations including improved animal genetics, pasture and disease management. ABARES farm survey results estimate annual productivity growth between 1977-78 and 2009-10 to be approximately 1.4% in the beef industry and 0.5% in the sheep industry.

With many livestock producers facing a cost-price squeeze, stuck between input costs that are increasing at a faster rate than livestock prices, it is imperative for industry to continue these productivity increases. Cash costs per farm were expected to increase in the vicinity of 3% during 2011-12, despite the costs of key inputs such as fuel and fertiliser being relatively stable.

MLA works to increase supply chain productivity by managing an integrated portfolio of R&D projects. This portfolio includes investments across a wide range of scientific disciplines and co-investments with partners including government, universities, industry bodies and private companies. The complexity of this portfolio makes it particularly important that MLA displays a high level of transparency and accountability in where levy-payers investments are spent.

Several developments in government funding of livestock industry R&D impacted MLA's operations during 2011-12 and into the future. The CRC for Beef Genetic Technologies (Beef CRC) concluded at the end of the year, with the term of the CRC for Sheep Industry Innovation (Sheep CRC) continuing to 2014. Alongside other industry partners, MLA support will enable the continuation of key ongoing research programs – such as the Sheep Information Nucleus flock – over the coming years. The Australian Government's response to the Productivity Commission's report into Australia's 15 rural research and development corporations, of which MLA is one, was also published in July 2012 – recommitting it to the RDC model with only relatively minor changes to their operations.

## KEY ACHIEVEMENTS

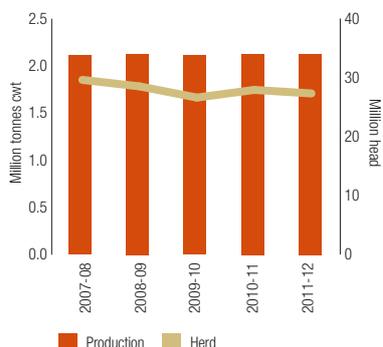
- Preliminary results announced from the four-year northern beef fertility project (Cash Cow) identified factors that can improve the reproductive efficiency of northern cattle herds
- Second phase of the sheep genomics pilot project completed, with research breeding values for lean meat yield and eating quality being trialled for impact across the supply chain
- Research into a potential treatment for *Theileria orientalis* found that the drug buparvaquone is effective against the three main strains of the cattle disease that can cost approximately \$67 per head
- Release of a beta-version of a world-first ePreg™ handheld cattle pregnancy detector, developed by Heard Systems with support through the MLA Donor Company

**Areas requiring further focus:**

- Deliver practical benefits to producers from the decade-long feedbase investment plan
- Increase the engagement of supply chains and processors with the carcase feedback system Livestock Data Link

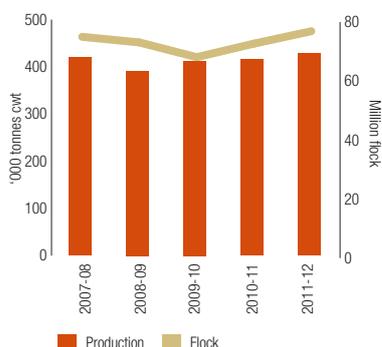
# 3. Increasing productivity across the supply chain

**Beef production decreased to 2.11 million tonnes cwt and cattle herd increased to 29.6 million**



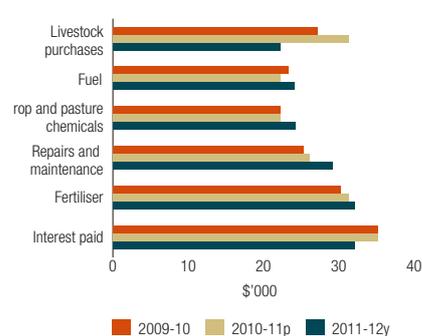
Source: ABS

**Lamb production increased to 419,300 tonnes cwt and sheep flock increased to 75 million**



Source: ABS

**Major cash costs for broadacre farms increased by approximately 3% during 2011-12**



Source: ABARES

## PERFORMANCE 2011-12

### 3.1 Increasing productivity on-farm

MLA assists producers to increase farm productivity by enhancing the genetic performance of animals and pastures, feed productivity, utilisation rates, business performance and labour efficiency.

MLA invested \$14.1 million in this area during 2011-12 including \$6.4 million in producer levy funds, \$6.5 million in government funds. This was 5.7% over the budget of \$13.4 million. An additional \$3.4 million was invested through the MLA Donor Company. It included support for programs to improve livestock fertility; a major new breeding and evaluation program for improving southern pastures; continuing the Sheep Information Nucleus flock; and overcoming nitrogen rundown in tropical grass dominant pastures.

#### Key milestone

#### Result

Beef CRC data analysed and the potential for new gene markers in Brahman and tropical composites reported	Achieved – prediction equations released and being integrated into BREEDPLAN
Prototype multi-breed genetic analyses released for southern/British breeds Angus, Hereford, Shorthorn and Murray Grey	Not achieved – two analyses of European and British breeds completed
Second phase pilot genotyping project completed for 1,000 rams, with recommendations for use of genomic tools released for at least five traits	Achieved – second phase completed
First trial results for national pasture variety trials released to livestock producers	Achieved – one seed company has published and presented results
Psyllid resistant leucaena lines identified for seed increase and commercialisation	Achieved – two elite breeding lines identified

### In focus: improve pasture and forage crops

MLA-funded research commenced in 2011-12 into finding strategies to reduce rundown in buffel and other sown pastures in northern Australia, which can lead to a potential loss of 25–50% in pasture production in affected areas. The first phase of the project reviewed existing research into a range of strategies to address pasture rundown, in particular the use of legumes. The research will investigate livestock performance, animal diet preferences, and grazing management using various legume species such as desmanthus, caatinga stylo and butterfly pea. Northern research into the development of new varieties of leucaena identified two elite breeding lines with good psyllid resistance, digestibility, biomass yield and bushy habit identified for potential commercialisation. From 2012-13, MLA will build on similar research by creating opportunities through genetic research and management practices to improve pasture and forage crop productivity, quality and persistence.

[www.mla.com.au/pastures](http://www.mla.com.au/pastures)



The Beef CRC released genomic prediction equations during the year that are used in calculating estimated breeding values (EBVs) that provide scope for estimating genetic merit in young bulls and heifers for traits including feed efficiency and eating quality. EBVs incorporating genomic information are now being delivered to industry, mainly in the Angus breed though will also be produced for a large number of elite industry sires. *Strategy 3.1.1*

A collaboration between MLA, the Sheep CRC and Australian Wool Innovation, the second phase of the sheep genomics pilot project focussed on the delivery of research breeding values (RBVs) to breeders and demonstrating their value to supply chains using genetic samples from 1,500 sheep. In 2011-12, the project prioritised four areas for development. It included development of a SNP-based DNA parentage test that included traits for horn-polling and pigmentation, ahead of further evaluation and potential commercialisation. Young rams from various breeds were also DNA-tested for reproductive performance using the 50K SNP chip. The project also included cost-benefit studies of DNA testing and RBVs that compared 20 enterprises and found the breakeven point for genetic testing ranged from \$30 for a terminal sire to more than \$100 for a Merino ram. RBVs for lean meat yield and eating quality were produced on several hundred industry sires, with some of these animals being progeny tested to evaluate the supply chain impact of the tools. MLA will continue to support the Information Nucleus flock that is at the core of this research with more than \$2.2 million in funding over the next two years. *Strategy 3.1.1*

MLA funding between 2003 and 2008 enabled the testing and development of a new variety of forage oat Aladdin, that was commercially released in 2012. The forage oat is resistant to all known traces of leaf rust, has late maturity and a very long production season. It was developed at the Queensland Government's Leslie Research Centre in Toowoomba, and has been released by commercial partner Heritage Seeds. *Strategy 3.1.2*

Developed by Heard Systems with funding assistance through the MLA Donor Company, a beta-version of the world first ePreg™ cattle pregnancy detector was released during the year. MLA is working with the company to increase the accuracy of the device from its current level of 85%. *Strategy 3.1.5*

### In focus: improving reproductive efficiency

The four-year MLA-funded northern beef fertility project – also known as 'Cash Cow' – aims to identify strategies to increase the reproductive efficiency of cattle herds across northern Australia by 10%. Collecting data from over 57,000 breeding cattle from 147 mobs across 81 participating properties, preliminary results from the project were delivered by University of Queensland researchers at Beef Australia 2012. The research team has completed the first round of multivariate analysis of the different factors that influence a female's breeding performance – including timing of previous calving, wet season phosphorus deficiency, previous reproductive performance, and body condition score. Final results of the project are expected during 2012-13, with recommendations for best practice approaches to improve the reproductive efficiency of northern cattle herds to be presented afterwards. From 2012-13, MLA will build on this and similar programs by creating opportunities through research and extension to improve reproduction efficiency in northern beef (by five percentage points) and maternal sheep breeds (by two percentage points).

[www.mla.com.au/cashcow](http://www.mla.com.au/cashcow)



# 3. Increasing productivity across the supply chain

## 3.2 Increasing productivity off-farm

Working in partnership with the Australian Meat Processor Corporation, individual processors and technology providers, MLA manages an R&D portfolio to improve processing efficiencies, addressing labour availability and OH&S and reducing consumption of water and electricity.

In 2011-12, MLA invested \$1 million in this area including no producer levy funds, \$0.5 million in government funds and \$0.5 in processor contributions. This was 64.9% under the \$2.9 million budget. A further \$5.3 million was invested through the MLA Donor Company. It enabled collaborations that developed cost effective automation and manual assist technologies, and novel objective measurement systems.

### Key milestone

### Result

Realise net benefits of \$1 million per annum from processing technologies developed under this program and installed during 2011-12	Achieved – net benefit of \$1 million per annum achieved through four technologies
Total aggregated net benefit of technologies installed during 2011-12 and previous years reaches \$3 million per annum	Achieved – total aggregated net benefits of \$4 million from 11 technologies
Demonstrate in production at least two new technologies/systems capable of improving cost of production and yield to increase net worth of the carcase by \$1/head in sheep and/or beef	Achieved – four technologies in production increase net worth of carcase by more than \$1 per head
Develop technologies and systems capable of eliminating and/or reducing OH&S risks	Achieved – four technologies capable of reducing OHS risks
Demonstrate in production at least two new technologies that have a main OHS-related benefit	Achieved – four technologies developed with main OHS benefit

MLA completed four research projects into spray chilling, an innovative method of chilling beef and lamb carcasses that significantly reduces shrinking during the typical overnight chilling regime. A pilot trial conducted at two processing companies found spray chilled carcasses retained 0.5% more weight compared to conventionally-chilled carcasses under identical conditions, with no noticeable difference in shelf life or other characteristics. The projected net benefit of the technology is estimated at \$11 per head for beef and \$2.90 for lamb. *Strategy 3.2.1*

Another robotic processing technology developed with MLA funding became fully commercial this year. SaniVac is a robotic system to clean and sterilise sheep, lamb or goat carcasses, and replaces the manual operation of a sterilising wand resulting in reduced labour costs and improved OH&S. SaniVac systems are now commercially available from Machinery Automation & Robotics and have been in commercial operation at three processing installations nationwide, with a benefit:cost analysis showing a payback period of 1.9 years. *Strategy 3.2.1*

### In focus: improve labour efficiency

Several new robotic processing technologies are currently in development. The LEAP III Primal Cutter was installed at a lamb boning company in 2011-12 and is operating successfully at full-scale production. Developed by Scott Technologies with support from MLA, the LEAP III Primal Cutter has been designed to automatically cut lamb carcasses into hindquarters, middle sections and forequarters – and operates with an integrated x-ray that enables more accurate cutting. It can perform up to three cuts on the carcase, with OH&S benefits and product quality benefits, and evaluations indicate it delivers a benefit of up to \$2.77 per head. From 2012-13, MLA will build on similar research to create opportunities with new practices or technologies to improve labour efficiency by 5%, encompassing OH&S, labour resource need and yield.

[www.mla.com.au/offarm](http://www.mla.com.au/offarm)



## 3.3 Improving supply chain and market information

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

MLA invested \$5.1 million in this area during 2011-12 including \$3.3 million in producer levy funds and \$1.3 million in government funding. This was a 4.5% underspend on the \$5.3 million budget for this area for the year. This investment enabled continuing provision of information online and by email; more detailed data on trade flows and forward looking analyses of the industry; and improved supply chain data through the further development of Livestock Data Link.

### Key milestone

### Result

Over 90% of clients find MLA market information valuable to their businesses, with over 60% finding it highly or extremely valuable	Achieved – 97% of clients find it valuable, 65% highly or extremely valuable
Increase electronic distribution of MLA market information by 5%	Achieved – website traffic increased by 6.5% and email distribution by 12%
Eight processing plants uploading data to, and a majority of suppliers to those accessing feedback data through Livestock Data Link	Not achieved – four processing plants evaluated LDL as part of a pilot and a small number of suppliers accessed feedback
NLRS maintains its ISO QMS accreditation	Achieved

Market information continued to be the most popular content on the MLA website, with more than 9,800 unique visitors to the 'prices and markets' section of the website each month. There were 458,715 unique pageviews of content in the 'prices and markets' section of the website during 2011-12, an increase of 6.5% in traffic from 2010-11. MLA's flagship weekly market information newsletter *Meat & Livestock Weekly* was emailed to more than 20,650 MLA members (via the weekly MLA email *fridayfeedback*) and approximately 1,600 other subscribers at 30 June 2012, an increase of 12% from the previous year. Bi-annual cattle and sheep industry projections were also released to widespread media attention. Distribution of market information was made fully electronic during 2011-12. *Strategy 3.3.1 and 3.3.2*

A new workshop – Confident Livestock Marketing – was launched during the year to equip producers with an understanding of how best to apply market information in their short- and longer-term business decision making. Three workshops were held during the year with positive responses received from participants. *Strategy 3.3.2*

### 3.4 Improving animal health and biosecurity

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

In 2011-12, MLA invested \$4.5 million in this area including \$2.2 million in producer levy funds and \$2.2 million government funding. This was 10.3% under the \$5 million budget for the year. An additional \$2.8 million was invested through the MLA Donor Company. This funding supported programs to address issues such as diagnosis and assessment of bluetongue virus and vectors; sheep measles occurrence and economic impact; improved worm control including a vaccine for Barber's pole worm; assessments of theileriosis; and improved diagnostic and management tools for Johnes disease.

### In focus: improve compliance with market specifications

Livestock Data Link (LDL) is a carcase performance feedback program that aims to provide detailed feedback on carcase performance and improve the efficiency of supplying the market. It continued to be piloted during 2011-12 and was assessed by four processors. The capability of LDL expanded significantly during the year, with lamb carcase data incorporated and Meat Standards Australia feedback beginning to be integrated into LDL. These developments will expand the array of carcase feedback data potentially available to processors and producers. Independent economic analysis confirmed the value of LDL to the industry with \$51 million potentially saved annually through improved compliance to specifications, \$64 million potentially saved annually through reduced carcase condemnations, and \$12-49 million potentially saved in fewer offal and meat condemnations. From 2012-13, MLA will build on these programs by creating opportunities to improve compliance to market specifications by 3% by providing information and tools that encourage practice change on-farm such as LDL and BeefSpecs.

[www.mla.com.au/marketspecs](http://www.mla.com.au/marketspecs)



### Key milestone

### Result

Develop a five-year strategic plan for animal health and biosecurity and have approved by stakeholders	Achieved – approved in April 2012
Deliver to biosecurity and have approved authorities improved diagnostic methods for principal biosecurity hazards	Not achieved – several projects underway
New diagnostic capability for theileriosis assessed in industry and the disease status better defined and understood	Achieved – new diagnostic test developed and disease assessment conducted

MLA-funded research into a potential treatment for *Theileria orientalis* was completed during the year, which may facilitate the future registration of the drug Buparvaquone that has been used effectively against *Theileria* overseas for many years. Local research has now found that doses of the drug are effective against the three main strains of the disease in Australian cattle herds. Further research is now required into the residue levels of buparvaquone using a newly developed analytical

# 3. Increasing productivity across the supply chain

## In focus: minimise threat of disease

An MLA-funded research project began in August 2011 to reduce Barber's pole worm infestations by producing a vaccine that will replace the need for multiple drenching treatments. Preliminary trials of the vaccine with grazing lambs in WA have shown it could be highly effective. The vaccine, which has been patented in the UK by the Moredun Research Institute, may be available pending approval for release in 2014. From 2012-13, MLA will build on this and similar research by creating opportunities through research to minimise the threat and impact of exotic, emerging and endemic diseases on livestock enterprises.

[www.mla.com.au/animalhealth](http://www.mla.com.au/animalhealth)



technique before Australian veterinarians can apply for permits to use the drug. *Theileria* is estimated to cost the average affected cattle herd approximately \$67 per head.  
**Strategy 3.4.2**

A research project into the spread and control of ticks in northern cattle herds identified an increased risk of tick fever amongst *Bos indicus* herds infused with Wagyu, Senepol and Tuli cattle genes. Brahman-type cattle are known to be more resistant to tick fever than British and European breeds, however this study showed that resistance to the disease organism *Babesia bovis*, the most common cause of tick fever, declines rapidly as *Bos taurus* content increases. All breeds were found susceptible to the *Anaplasma marginale* organism that makes up 13% of tick fever cases. Tick fever costs the northern cattle industry an estimated \$27 million per year.  
**Strategy 3.4.2**

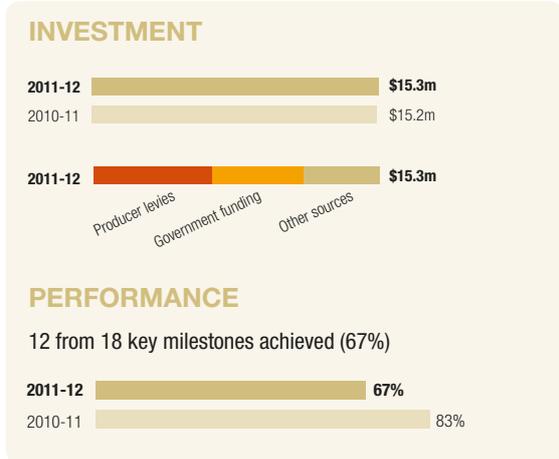
## > Planned activities 2012-13

Across the increasing productivity imperative, next year MLA will:

- implement the feedbase investment plan, lamb and weaner survival program, individual animal management program and southern beef compliance program and priority activities within the RD&E Priorities Prospectus for the Northern Australia Beef Industry
- support the Future Farm Industries CRC and continue funding for the Sheep Information Nucleus flock
- collaborate with processors with a primary focus on the development of cost effective automation technologies and manual assist technologies
- deliver more tailored market information services including increased use of data detailing red meat trade flows and providing more 'forward looking' analyses
- address rapid diagnosis of blue-tongue viruses and vectors; controlling sheep measles and worms; development of a vaccine for Barber's pole worms; theileriosis control in cattle; and developing practical emergency disease management

# 4. Promoting industry integrity and sustainability

**MLA assists the livestock industry to ensure sustainability and demonstrate environmental stewardship; respond to climate change; continue to improve animal welfare; and communicate with the community.**



**Australian Government research priorities**

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

**Delivering MLA business units**

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

## OPPORTUNITIES AND CHALLENGES

MLA research over many years has consistently found a high level of trust in beef, lamb and goat producers. In June 2012, this research found that 83% of people believe that Australian cattle farmers are ethical and trustworthy, an increase from 81% the previous year.

Livestock producers work in a complex environment, with community expectations that their meat is produced to high ethical standards. The ethics of food production are changing rapidly, with a relatively small but influential segment of Australian consumers considering environmental impacts and animal welfare in their purchasing decisions. Animal welfare is a consideration in purchasing decisions for 18% of consumers, while environmental issues are a consideration for 6%.

A major strand of MLA's R&D spending is tied to the Australian Government's research priority around climate variability. Developing production strategies that respond to Australia's highly variable climate while increasing the efficiency of production are expected to be major outcomes of these programs. Government funding for the Reducing Emissions from Livestock Research Program (RELRP) and Livestock Adaptation Program expired at the end of the 2011-12 financial year. Research will continue through the Australian Government's new National Livestock Methane Reduction Program from July 2012.

The continuing wetter seasons being experienced by producers across much of the country has seen further increases in populations of various pests and weeds, with a significant MLA R&D investment directed towards developing controls for them.

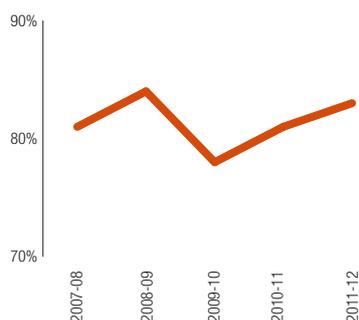
## KEY ACHIEVEMENTS

- The Invasive Animals CRC continued to develop new technologies to control wild dogs, pigs and foxes – including para-aminopropiophenone – and promote their adoption by producers
- Published the revised *Is it fit to load?* guide that was updated to reflect changed national industry livestock transport standards and downloaded 1,600 times in a month
- Launched the Target 100 initiative that showcases the sustainability commitment of cattle and sheep producers, with the website receiving more than 4,000 visitors each month

### Areas requiring further focus:

- Evaluate alternative options to assist industry to demonstrate best practice natural resource management and animal husbandry

**83% of Australians believe the red meat industry is ethical and trustworthy**



Source: Roy Morgan

# 4. Promoting industry integrity and sustainability

## PERFORMANCE 2011-12

### 4.1 Ensuring environmental sustainability

MLA supports the livestock industry to further its sustainability practices through R&D programs that are focussed on improving natural resource management, increasing productivity and demonstrate their environmental stewardship.

MLA invested \$3.5 million in this area during 2011-12 including \$1.4 million in producer levy funds and \$1.8 million in government funding. This was 24.3% under the program budget of \$4.6 million for the year. An additional \$0.8 million was invested through the MLA Donor Company. It supported the development of new techniques for controlling weed and feral animal species; and processing technologies to improve water use, energy efficiency, wastewater management and nutrient treatment.

#### Key milestone

#### Result

Application made to AQIS for the release of new biocontrol agents for parkinsonia	Achieved – application submitted in October 2011
Field testing completed on new trial feral pig toxin and an application submitted to APVMA for its registration	Not achieved – submission delayed due to material supply difficulties
Approval to pilot a minimum of two modules of the grazing self assessment tool in at least four regions	Not achieved – scoping study completed with peak councils choosing to direct investment to other projects
New technologies or processes capable of reducing the total cost of electricity for meat plants by 4% are defined and/or validated	Not achieved – several research projects unsuccessful, although one into refrigeration control holds promise
New technologies or processes capable of reducing abattoir water consumption by 2% are demonstrated and/or validated	Achieved – research project demonstrated savings of 2-4%
New opportunities are identified and at least two new technologies are started to reduce wastewater-related environmental footprint in processing sector	Achieved – two methods of wastewater treatment identified and development commenced

Two long-term MLA-funded research projects provided evidence to help producers make decisions about stocking rates and grazing systems used in northern Australia. The first, with the CSIRO and Queensland Government, examined various grazing systems at nine properties and found that the type of grazing system used has relatively little impact on pasture or animal productivity. Another trial at Wambiana, run by the Queensland Government with MLA co-funding, investigated five grazing strategies across different climatic conditions, finding that heavy stocking rates were the least profitable grazing strategy over the long term, with moderate stocking rates outperforming them by more than \$1 million in income over 13 years for an average north Queensland property. *Strategy 4.1.1*

### In focus: improve production efficiency and sustainability

In partnership with the Australian Government, MLA managed 23 R&D projects that were part of the three-year RELRP that concluded in June 2012. Some of the projects concluded as part of the program included CSIRO research that found northern cattle fed on tropical grasses emit 30% less methane than had been previously estimated; research into feeding ruminants fats and oils found that grapemarc, a wine by-product, reduced emissions by 7–10% with a related lift in productivity by 7–10%; and a study of feed supplements that reduce methane-producing bacteria in the rumen, including native Australian shrubs such as eremophila and rhagodia. Science from RELRP underpins the Australian Farm Institute's FarmGas online calculator. MLA will continue to manage 16 projects over the next three years under the second round of the program which is now known as the National Livestock Methane Program. From 2012-13, MLA will build on these programs by creating opportunities through research that will deliver a 10% improvement in production efficiency through new tools and management practices that will decrease greenhouse gas emissions from livestock systems by up to 30%. [www.mla.com.au/relrp](http://www.mla.com.au/relrp)



MLA's ongoing investment in the Invasive Animals Cooperative Research Centre (IACRC) of \$2.5 million over the next five years was timely as seasonal conditions stimulated an increase in wild dog numbers that impacted livestock across much of eastern Australia. Several IACRC projects developing wild dog controls are expected to be commercialised during 2012-13 with further development of the promising toxin para-aminopropiophenone (PAPP) in several forms including bait for wild dogs and paste for feral cats and foxes. The fast-acting pig bait HogGone™ was also submitted for registration by the Australian Pesticides and Veterinary Medicines Authority (APVMA) during 2011-12. *Strategy 4.1.1*

Two species of Mediterranean dung beetle have been imported into Australia to help improve early spring pasture productivity as part of a new CSIRO project supported by MLA. The beetles are currently in quarantine and are expected to be released once their eggs are harvested and surface sterilised. They are scheduled for a field release in 2014. *Strategy 4.1.1*

Three water re-use methods developed through MLA supported research have reached the validation stage in cooperation with Biosecurity Australia. These re-use methods are expected to reduce water consumption in the processing sector by more than 2% each. *Strategy 4.1.1*

A scoping study for a project to develop an environmental self-assessment tool for livestock producers was concluded during the year, with peak industry councils choosing to direct the remainder of this investment into other environmental projects. *Strategy 4.1.2*

## 4.2 Responding to climate change

MLA conducts R&D into the potential impacts and management strategies to mitigate the impact of climate change while increasing enterprise productivity, through two programs managed with the Australian Government – the Reducing Emissions from Livestock Research Program (RELRP) and southern and northern Climate Change Adaptation programs.

MLA invested \$8.7 million in this area during the financial year, including \$2.4 million in producer levies, \$2.7 million in matched government funding and \$3.3 million in external funding with the majority of this government funding under the RELRP program. This was 4.6% under the \$9.1 million budget. An additional \$0.3 million was invested through the MLA Donor Company. It included research into the accurate measurement and potential reduction of greenhouse gas emissions from supply chains; and management practices to adapt to a variable climate while increasing productivity.

Key milestone	Result
Identify management options to improve the resilience of pasture systems to predicted future changes in regional climate	Achieved – management options identified and delivered
Develop technologies or changes to management practices that have the potential to reduce methane emissions from livestock by 30%	Achieved – RELRP identified several technologies with potential to reduce emissions
New technologies to turn waste into energy are demonstrated to provide a 5% reduction in abattoir energy consumption	Achieved – two technologies demonstrated to reduce consumption by more than 5%
Establish a collaborative R&D program that will identify and/or develop technologies and practices by 2015 that have the potential processing to reduce emissions by 10% per kg HSCW	Not achieved – creation of an anaerobic lagoon knowledge centre delayed

Australian Government funding for the three-year Southern Livestock Adaptation 2030 (SLA) program also concluded in June 2012, in partnership with Dairy Australia, Australian Wool Innovation, state agriculture departments and universities. SLA combined global climate models, local weather data and producers' production and financial data to create scenarios of what weather may look like in 2030 and beyond, including their impacts on on-farm production.

The modelling predicts if temperatures increase and rainfall decreases, pasture productivity could be reduced by up to 20%, however there is significant variability between local regions. It found that many of the best adaptation strategies are already best practice in an industry that is used to dealing with a variable climate. *Strategy 4.2.1*

Several R&D projects into technologies to increase the energy efficiency of the processing sector have yielded positive results, including an analysis of biogas produced from covered anaerobic ponds showing good methane content with research ongoing to turn this into a gas that can be used for energy production. The combustion of paunch waste has been trialled with promising results which would allow the processing sector to significantly reduce waste disposal costs. *Strategy 4.2.2*

## 4.3 Improved animal welfare

MLA invests in R&D to support industry to continue to improve animal welfare standards and practices in line with changing community expectations in a cost-effective manner.

MLA invested \$0.7 million in this area during 2011-12, including \$0.4 million in producer levies and \$0.3 million in government funding. This was a 53.3% under the budget of \$1.7 million for the year. The funding supported the development of a five-year animal welfare strategy; improved pain management techniques; and research into polled genetic markers.

### In focus: improve animal welfare

The DNA test to identify a cattle polled gene marker was launched by the Beef CRC in August 2010 to improve animal welfare outcomes including the need for surgical de-horning. The Australian poll gene marker test improved its accuracy during 2011-12, with it now returning an informative result in 99% of tests in polled Brahman and as high as 77% in other tropical and British breeds. Available through the University of Queensland's Animal Genetic Laboratory, the test is being used by an increasing number of producers. Use of the test is estimated to enable a transition to a fully-polled herd through selection to as little as between four and eight years. From 2012-13, MLA will build on these and similar programs by creating cost effective opportunities to replace, relieve and refine animal husbandry practices to continuously improve animal welfare.

[www.mla.com.au/animalwelfare](http://www.mla.com.au/animalwelfare)



## 4. Promoting industry integrity and sustainability

### Key milestone

### Result

Develop and have approved a five-year R&D strategy in animal welfare	Achieved – endorsed December 2011
A nationally-agreed guideline for assessing welfare risk in cattle below AUS-MEAT fat score 1	Not achieved – project delivery expected March 2013
Increased use of the polled gene marker test in the Brahman breed and reduced need for surgical dehorning	Achieved – increased use of the single marker test
Adverse welfare impact of tension banding in post-weaning age cattle defined and communicated to industry	Achieved – results presented at Beef Australia 2012 in May
Proof of concept of an immunological alternative to surgical spaying	Not achieved – research project found impractical

MLA also published a revised version of the *Is it fit to load?* guide to the selection of animals fit to transport in June 2012. The guide was updated in line with new national standards and guidelines for livestock transport that are being introduced progressively from 1 July 2012, which brought consistency to livestock transport in order to ensure good welfare practices for all livestock journeys. More than 1,600 copies of the revised guide were downloaded from the MLA website to 30 June 2012. *Strategy 4.2.2*

### In focus: maintain community trust

MLA also delivered nine social media workshops across Australia reaching almost 100 producers since November 2011. The workshops were designed to teach red meat producers social media skills allowing them to share their stories about red meat production with the urban community online, as well as advocating for the livestock industry. From 2012-13, MLA will build on these programs by creating opportunities through media, social media and events for producers and industry to engage with the community and maintain current high levels of trust.

[www.mla.com.au/community](http://www.mla.com.au/community)



### 4.4 Community communications

MLA supports livestock producers and organisations to communicate their integrity with the community and maintain high levels of trust.

MLA invested \$2.3 million in this area during the financial year, including \$2.1 million in producer levy funds. This was a 1.6% underspend on the budget of \$2.4 million. This funding enabled the development of new channels to position the industry and built the capability of industry to communicate using new technology.

### Key milestone

### Result

Maintain the high levels of trust in the red meat industry	Achieved – trust levels at 83%
300 producers actively engaged in industry advocacy activities using MLA-developed resources by 2015	Achieved – 335 producers engaged through Target 100, social media workshops and other industry events
Percentage of consumers stating they are reducing red meat consumption due to environmental reasons maintained below 5%	Achieved – 2.9% of consumers reducing consumption down from 3.9% in previous year

MLA launched Target 100 in March 2012, an initiative demonstrating the sustainability credentials of cattle and sheep farmers by showcasing 100 industry activities and producer case studies through a central website and social media. The website currently receives more than 4,000 visits per month and has a growing social media following with more than 1,100 'likes' on facebook. The website launch has been supported by off-line communications including public relations, and cinema and print media advertising. *Strategy 4.2.2*

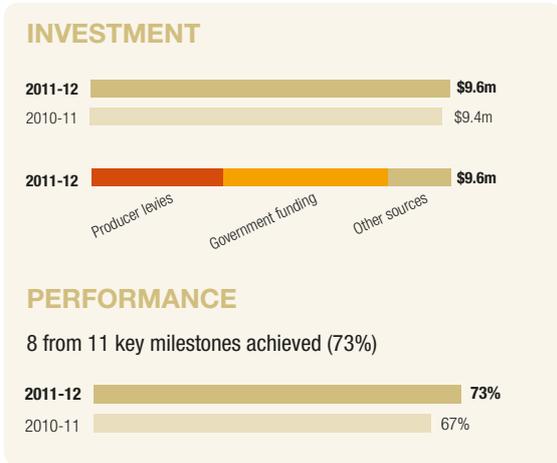
### > Planned activities 2012-13

Across the promoting integrity and sustainability imperative, next year MLA will:

- focus on refining existing knowledge to enhance natural resource use; new techniques for controlling major weed species; continued funding to the Invasive Animals CRC; refining a self-assessment tool for environmental management; and enhancing the environmental management of feedlots
- identify and develop opportunities to reduce energy consumption and generate clean energies from processing plants
- address priorities arising from a new five-year animal welfare plan, including to investigate needless injectors for applying analgesics
- support industry representatives and individual producers to authentically communicate the integrity of livestock production practices

# 5. Increasing industry and people capability

**MLA assists the livestock industry to increase the adoption of innovation, attract and retain a high quality workforce, build innovation capability, and by conducting policy research.**



**Australian Government research priorities**

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

**Delivering MLA business units**

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

## OPPORTUNITIES AND CHALLENGES

Successfully increasing productivity in the livestock industry relies on the capability of its people – individual producers, staff of industry organisations and government, consultants, academic researchers and others – to understand and take action on the latest scientific knowledge. With increasing specialisation and complexity across supply chains, effectively disseminating this knowledge to industry participants across varying levels of education and dispersed geographical locations remains a challenge. MLA delivers information and tools that are relevant to the many different parts of industry.

Extension activities to educate producers about the various opportunities for their enterprises have traditionally been the main responsibility of state government departments of agriculture. However, as funding pressures on agriculture departments have increased, their investment in extension activities have declined. At the same time, much of this shrinking funding pool has been focussed on activities with a public benefit rather than focussing on production benefits for individual producers. MLA has an important role to play in collaborating with governments and the private sector to deliver these extension activities.

At the same time, the demographics of industry means that attracting young people to farming industries is more important than ever before. While the average livestock producer gets older, the number of enrolments in tertiary agriculture courses has declined – falling from 4,500 in 2001 to 2,500 in 2011. The high wages paid by mining industries in particular, competing for labour in regional Australia, add an additional pressure to attracting young people to agriculture.

### KEY ACHIEVEMENTS

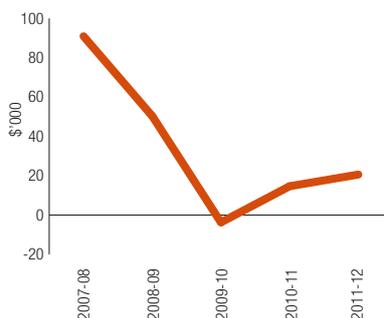
- Presented to more than 1,300 producers on MLA's information and tools to improve their businesses at the flagship industry events Beef Australia 2012 and LambEx 2012
- MLA's producer demonstration site program continued to drive producers' adoption of innovation, with more than 62% of participants changing practices from participation in 33 sites nationwide

**Areas requiring further focus:**

- In partnership with governments and industry, continue to drive increased adoption of R&D outcomes across the supply chain

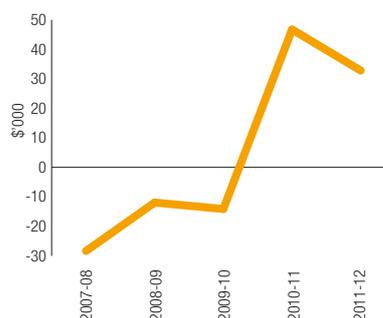
## 5. Increasing industry and people capability

Average business profit for northern cattle farms increased to reach \$90,900



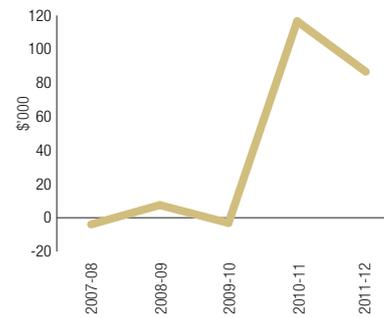
Source: ABARES

Average business profit for southern cattle farms increased to reach \$32,800



Source: ABARES

Average business profit for slaughter lamb farms decreased to reach \$86,600



Source: ABARES

### PERFORMANCE 2011-12

#### 5.1 Increasing the adoption of innovation

MLA delivers information and tools that help individual producers, processors and supply chains to take advantage of the latest R&D findings to improve their profitability.

In 2011-12, MLA invested \$6.6 million in this area, including \$2.4 million of producer levy funds and \$2.9 million in government funding. This was 17.3% under the program budget of \$8.0 million for the year. It supported rolling out the major southern extension programs; launching a new northern extension program FutureBeef; providing a range of tools, and publications for producers; and driving off-farm adoption of new technologies.

##### Key milestone

##### Result

At least 80% of targeted producers are aware of at least one MLA on-farm R&D communication/ extension program	Achieved – 83% awareness of MLA extension programs
At least 50% of targeted producers change management practices as a result of their engagement	Achieved – 52% changed practices
New BusinessEDGE workshop delivered to at least 10 producer groups across northern Australia and rated an 8 out of 10	Achieved – BusinessEDGE delivered to 12 groups with 244 participants with 94% planning to make practice changes as a result
10 off-farm commercial innovations have achieved at least 80% of their annual adoption strategy targets	Achieved – 14 innovations achieved 83% of their adoption targets
At least two fully commercial technologies have met their adoption targets	Achieved – eight commercial technologies met their adoption targets

MLA leveraged participation in the two flagship livestock industry events of 2012 to take on-farm practice change messages to producers. At Beef Australia 2012, held in Rockhampton Qld from 7–12 May 2012 and attracting more than 85,000 producers, MLA hosted an innovation marquee where 500 producers heard from expert speakers discussing grazing management, business

decision making, social media and MSA. Approximately 220 producers also attended an MLA seminar where they heard about research into the reproductive efficiency of northern cattle herds, the latest on MSA and global marketing strategies. MLA was also a major sponsor of LambEx 2012 held in Bendigo Vic. from 28–29 June 2012, attended by 600 producers. Attendees heard presentations from MLA staff including Scott Hansen discussing industry opportunities and Dr Rob Banks discussing genetic research. *Strategy 5.1.1*

Six hundred and fifty seven people attended 12 BeefUp forums held across Queensland and the Northern Territory, including two highly successful Next Generation forums for young producers, with 97% of producers saying they learnt something new from attending these events. A nationwide series of workshops held in partnership with Australian Wool Innovation, 'Bred well. Fed well' focussed on breeding and feeding better ewes through improved nutrition, breeding goals and feed budgets. To 30 June 2012, 24 'Bred well. Fed well' workshops were held with more than 622 attendees. *Strategy 5.1.1*

MLA also published a range of resources for producers, including two manuals that provided an overview of best management practice of reproductive efficiency in northern cattle herds. The *Heifer management in northern beef herds* and *Weaner management in northern beef herds* were both published in March 2012, with the weaner management manual downloaded 736 times from the MLA website and the heifer manual 1,462 times to 30 June 2012. *Strategy 5.1.1*

A collaborative extension program between MLA and the state agriculture departments of Queensland, WA and the NT, FutureBeef was launched at Beef Australia 2012. It aims to provide a coordinated approach to extension for northern cattle producers. A FutureBeef DVD including a database of all MLA research into the northern beef industry was produced for the program launch. *Strategy 5.1.1*

Off-farm adoption successes included the widespread take-up by processors of spray chilling, the successful

demonstration of new SmartShape™ primal value adding technology, and progress in covered anaerobic lagoons and water efficiency processes. *Strategy 5.1.2*

## 5.2 Developing a skilled workforce

MLA invests in initiatives to attract, develop and retain world-class people within the red meat industry through professional development, graduate and post-graduate opportunities scholarships, leadership programs and capability building.

MLA invested \$1.5 million in this area during the financial year including \$0.5 million in producer levy funds and \$0.7 million in government funds. This was 29.6% under the \$2.1 million budget. An additional \$1.3 million was invested through the MLA Donor Company. It supported enhancing technical skills within supply chains; building capability in the service provider community; and identifying skills gaps across the industry.

### Key milestone

### Result

Provide a minimum of two scholarship opportunities in each of the (on-farm) categories of industry leadership, graduate and post-doctoral scientific capability, and undergraduate training and placement	Achieved – two undergraduate scholarships, three postgraduate scholarships and one postdoctoral fellow established
Delivery of two new capability building programs that lead to an increased off-farm innovation adoption rate	Not achieved – industry development program under development

MLA directly supported 11 scientific scholarships during 2011-12, with an additional 24 postgraduates and 28 postdoctoral fellows receiving indirect support through MLA funding for research projects they worked on. These professionals contributed to projects as well as building their own capability in conducting livestock scientific research. *Strategy 5.2.2*

MLA also managed two agricultural scholarships – the 2011 Nuffield Scholarship was awarded to Queensland cattle producer Ray Vella to research beef cattle productivity in challenging environments. MLA also sponsored WA-based Renata Paliskis in the Australian Rural Leadership Program. *Strategy 5.2.2*

The Intercollegiate Meat Judging (ICMJ) workshop and careers expo was held in July 2011, attracting 95 students from 11 universities. The careers expo was attended by six employers including processors and pastoral companies. At least 15 of the students are working in the livestock industry. ICMJ also ran two secondary schools meat judging competitions, attracting around 150 students. *Strategy 5.2.2*

## 5.3 Building industry innovation capability

MLA invested \$1.1 million in this area during 2011-12, including \$0.3 million in producer levy funds and \$0.5 million in government funding. This was 52.9% under the budget of \$2.3 million. An additional \$1.4 million was invested through the MLA Donor Company. This

funding supported the nationwide network of producer demonstration sites (PDS) on-farm and collaborative innovation strategies off-farm.

### Key milestone

### Result

At least 10% of southern beef and sheep producers engaged in knowledge, aspiration, skills and attitude activities	Achieved – more than 2,700 producers engaged
At least three state-based goat officers supported as part of the National Goat Network	Not achieved – negotiations ongoing
All collaborative innovation partners monitor and meet at least 80% of their KPIs	Not achieved – not all partners monitoring KPIs
Trial two products/services with other processing companies to extend the innovation capability improvements arising from collaborative innovation strategies	Achieved – three technologies developed

MLA's PDS program continues 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. Thirty-three producer groups involving more than 796 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, parasite management, use of remote sensors and pest control measures. Approximately 62% of producers who visited a PDS reported having changed their management practices as a result. *Strategy 5.3.2*

Four companies participating in the Collaborative Innovation Strategies program completed the first phase of the program in 2011-12 and have continued to the second phase. An additional company joined the program this year. Evaluation from companies that have successfully completed the first phase indicates that the accelerated adoption of R&D outcomes and comprehensive innovation strategies developed through the program have delivered a \$16.47 per head benefit. *Strategy 5.3.1*

## 5.4 Conducting policy research

MLA commissions independent research and analysis and provides it to peak industry councils and other industry organisations to inform them on priority issues. We play no role in lobbying. MLA invested \$0.4 million in this area in 2011-12.

### Key milestones

### Result

80% satisfaction by industry of MLA policy research activities	Not applicable – next biennial survey conducted October 2012
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During the year, MLA commissioned research into the carbon price impacts on red meat producers and processors, and into government and industry investment trends. MLA also coordinated joint responses to the Senate's inquiry and independent review into live export supply chains. *Strategy 5.4.1*

# Financial summary

## Income and expenditure by funding source 2011-12

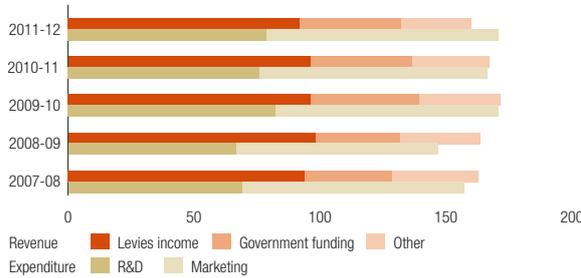
Strategic imperative	Goat		Mutton		Lamb		Total sheep		Cattle grass		
	R	M	R	M	R	M	R	M	R	M	
<b>1. Improving market access</b>											
√ 1.1 Enhancing product integrity	7	71	85	233	401	772	486	1,005	494	2,188	
√ 1.2 Maintaining and liberalising access to world markets		9	9	74	36	577	45	651	52	715	
√ 1.3 Maximising market options	31	16	163	798	155	527	319	1,325	423	4,592	
<b>2. Growing demand</b>											
√ 2.1 Achieving (ensuring) eating quality			108	160	365	846	472	1,006	907	2,962	
√ 2.2 Enhancing the nutritional reputation of red meat				3	138	1,623	138	1,625	89	4,187	
√ 2.3 Developing new products			31		160		191		308		
√ 2.4 Aggressive promotion in the market place – domestic		31		7		7,692		7,699		8,873	
√ 2.5/2.6 Aggressive promotion in export markets – beef and lamb		165				6,160		6,160		18,593	
<b>3. Enhancing competitiveness</b>											
√ 3.1 Increasing productivity – on farm	70		367		2,585	-3	2,953	-3	3,424	2	
√ 3.2 Increasing cost efficiency and productivity – off-farm						-2		-2		-5	
√ 3.3 Improving supply chain and market information	4	6	76	88	345	525	421	613	763	1,312	
√ 3.4 Improving biosecurity, animal health	1		150		1,175		1,325		532		
<b>4. Communication support</b>											
√ 4.1 Ensuring environmental stewardship			52		283		335		951		
√ 4.2 Responding to climate change			99		573		672		1,331		
√ 4.3 Continuous improvement in animal welfare			3		25		28		123		
√ 4.4 Community communications			2	89	7	330	9	419	32	1,445	
<b>5. Increasing industry capability</b>											
√ 5.1 Increasing adoption of innovation	182		100	5	654	46	754	51	1,317	55	
√ 5.2 Attract, develop and retain world-class people			13		106	-13	119	-13	252	-29	
√ 5.3 Building industry innovation capability	90		13		99	1	112	1	121	1	
√ 5.4 Supporting industry with policy research			8	2	34	9	42	11	83	21	
Communicating with stakeholders	5	9	44	49	249	607	293	656	439	1,625	
Ausmeat				44		66		110		384	
R&D Partnerships											
<b>Total expenditure before corporate services</b>	<b>389</b>	<b>308</b>	<b>1,324</b>	<b>1,552</b>	<b>7,389</b>	<b>19,762</b>	<b>8,713</b>	<b>21,314</b>	<b>11,640</b>	<b>46,921</b>	
√ Corporate services	20	13	56	53	461	1,117	517	1,170	583	2,316	
√ Levy collection costs		5		36		318		354		705	
<b>Total expenditure</b>	<b>409</b>	<b>325</b>	<b>1,381</b>	<b>1,642</b>	<b>7,850</b>	<b>21,197</b>	<b>9,230</b>	<b>22,838</b>	<b>12,223</b>	<b>49,942</b>	
Income available:											
– Levies	365	231	1,023	961	8,343	20,230	9,366	21,191	10,558	41,935	
– Government											
– Processors											
– Live export											
– R&D partnerships											
– External											
<b>Total income</b>	<b>365</b>	<b>231</b>	<b>1,023</b>	<b>961</b>	<b>8,343</b>	<b>20,230</b>	<b>9,366</b>	<b>21,191</b>	<b>10,558</b>	<b>41,935</b>	
(Deficit)/surplus	(44)	(95)	(358)	(681)	493	(966)	135	(1,647)	(1,665)	(8,007)	
Opening reserves	189	894	1,414	747	9,651	14,994	11,064	15,740	6,313	17,580	
Closing reserves	144	799	1,055	66	10,144	14,027	11,199	14,093	4,648	9,573	
% of revenue	40%	346%	103%	7%	122%	69%	120%	67%	44%	23%	

Cattle grain		Total cattle		Total levy funds		Processor		LiveCorp		External	MLA	MLA Donor Co.	Govt*	MLA total
R	M	R	M	R	M	R	M	R	M	M		R	R	2012
76	602	570	2,790	1,064	3,866	1,114	1,754	11	23	1,266	9,098		2,189	11,287
8	103	60	818	106	1,478	104	1,474			56	3,218		210	3,427
		423	4,592	772	5,933			414		33	7,153		1,187	8,339
224	662	1,131	3,624	1,603	4,630	152				379	6,765		1,755	8,520
15	684	104	4,870	242	6,496	157	665				7,560		399	7,959
52		360		552		352					904		904	1,808
	696		9,568		17,298		1,163			306	18,768			18,768
	2,303		20,896		27,222					784	28,006			28,006
		3,424	2	6,447	-1	53				1,131	7,630		6,500	14,131
			-5		-7	507				10	509		507	1,016
75	107	838	1,420	1,262	2,039					501	3,802		1,262	5,064
293		825		2,151		18				119	2,289		2,170	4,458
99		1,050		1,385		365				3	1,753		1,750	3,503
446		1,776		2,448		258				3,276	5,982		2,706	8,688
209		332		361		10					371		371	742
4	229	36	1,674	45	2,093	24	94				2,257		70	2,326
85	4	1,402	60	2,388	110	562				717	3,728		2,900	6,628
183		434	-29	553	-42	178				42	731		731	1,463
3		125	1	326	2	213				-2	539		539	1,078
15	3	98	25	140	36	47					222		187	409
17	73	456	1,698	754	2,363					30	3,147		754	3,900
	56		440		550						550			550
												8,729	8,729	17,458
<b>1,806</b>	<b>5,523</b>	<b>13,446</b>	<b>52,444</b>	<b>22,549</b>	<b>74,066</b>	<b>4,116</b>	<b>5,151</b>	<b>426</b>	<b>23</b>	<b>8,651</b>	<b>114,981</b>	<b>8,729</b>	<b>35,819</b>	<b>159,529</b>
147	302	730	2,618	1,267	3,801					3,931	9,000		1,267	10,267
	106		811		1,170						1,170			1,170
<b>1,953</b>	<b>5,931</b>	<b>14,176</b>	<b>55,873</b>	<b>23,816</b>	<b>79,037</b>	<b>4,116</b>	<b>5,151</b>	<b>426</b>	<b>23</b>	<b>12,582</b>	<b>125,151</b>	<b>8,729</b>	<b>37,086</b>	<b>170,966</b>
2,663	5,469	13,221	47,404	22,952	68,826						91,778			91,778
													37,086	37,086
						4,116	5,151				9,266			9,266
								426	23		449			449
												8,729		8,729
										12,582				12,582
<b>2,663</b>	<b>5,469</b>	<b>13,221</b>	<b>47,404</b>	<b>22,952</b>	<b>68,826</b>	<b>4,116</b>	<b>5,151</b>	<b>426</b>	<b>23</b>	<b>12,582</b>	<b>114,076</b>	<b>8,729</b>	<b>37,086</b>	<b>159,891</b>
711	(462)	(954)	(8,469)	(864)	(10,211)						(11,075)			(11,075)
1,604	3,025	7,918	20,604											
2,315	2,563	6,963	12,136											
87%	47%	53%	26%											

\* Government funds are for R&D eligible matching dollar contributions

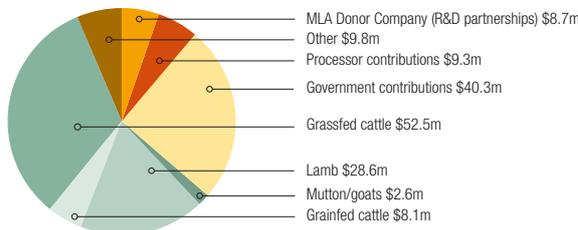
# Financial summary

**MLA had total revenue of \$159.9 million and expenditure of \$171.0 million during 2011-12**



## Revenue

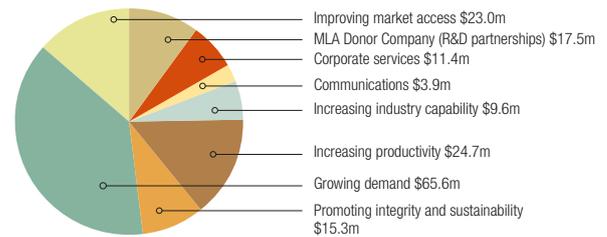
MLA's total income was \$159.9 million during 2011-12, a decrease of 4.5% from 2010-11. Income from producer levies decreased by 4.5% to \$91.8 million, government contributions were steady at \$40.3 million, and processor contributions increased by 3.3% to reach \$9.3 million. This change in income reflected lower than anticipated producer levy receipts from DAFF Levies by \$1.9 million, primarily from grassfed cattle, reduced funding for NLLIS by \$0.4 million and reduced income from the Australian Government (through climate change programs) and Australian Meat Processor Corporation.



	2011-12	2010-11	2009-10
Total revenue	\$159.9m	\$167.4m	\$171.8m
Grassfed cattle levies	\$52.5m	\$56.2m	\$57.1m
Grainfed cattle levies	\$8.1m	\$8.5m	\$7.7m
Lamb levies	\$28.6m	\$28.7m	\$28.3m
Mutton/goats levies	\$2.6m	\$2.8m	\$3.3m
Processor contributions	\$9.3m	\$9.0m	\$9.7m
Government contributions	\$40.3m	\$40.3m	\$42.7m
MLA Donor Company (R&D partnerships)	\$8.7m	\$10.4m	\$12.1m
Other funding sources	\$9.8m	\$11.6m	\$10.9m

## Expenditure

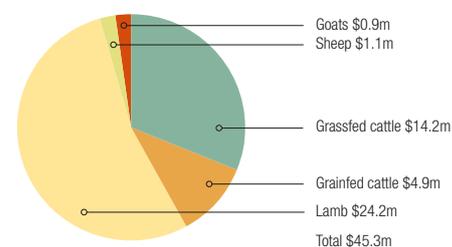
MLA's expenditure reached \$171.0 million during 2011-12, an increase of 2.7% from 2010-11. This included expenditure of \$92.4 million on marketing programs, an increase of 2.2% from the previous year, and of \$78.6 million on R&D programs, an increase of 3.3%. This expenditure was close to forecasts, with combined underspend of \$1.5 million across market access, export marketing and market information programs offset by an increase in expenditure on industry collaborative agreements worth \$1.3 million.



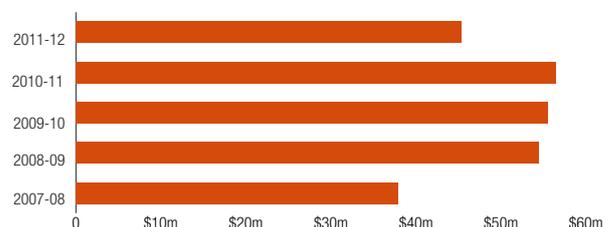
	2011-12	2010-11	2009-10
Total expenditure	\$171.0m	\$166.5m	\$170.7m
Improving market access	\$23.0m	\$20.7m	\$21.1m
Growing demand	\$65.6m	\$65.4m	\$64.6m
Increasing productivity	\$24.7m	\$20.4m	\$24.2m
Promoting integrity and sustainability	\$15.3m	\$15.2m	\$15.5m
Increasing industry capability	\$9.6m	\$9.4m	\$8.4m
MLA Donor Company (R&D partnerships)	\$17.5m	\$20.8m	\$22.9m
Communications	\$3.9m	\$4.0m	\$4.0m
Corporate services	\$11.4m	\$10.6m	\$10.1m

## Retained earnings

MLA's deficit for the year was \$11.1 million taking the retained surplus as at 30 June 2012 to \$45.3 million. This retained surplus is broken down as follows:



**MLA had a retained surplus of \$45.3 million at 30 June 2012**



# About MLA



*WA producer David Thompson talked about using breeding and feeding for profits in his sheep enterprise in the April edition of feedback magazine.*

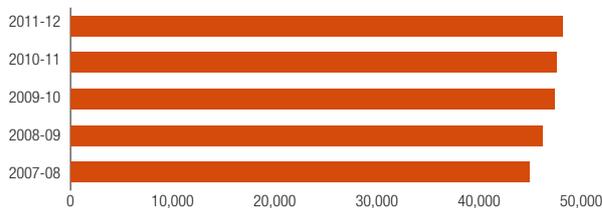
# About MLA

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 48,000 cattle, sheep and goat producer members.

## MLA membership

Membership of MLA is open to all levy-paying grassfed or grainfed cattle, sheep, lamb and/or goat producers and is free of charge. Benefits associated with membership include a range of free information and tools on MLA's market information, R&D and marketing programs.

**MLA had 48,173 members at 30 June 2012, an increase of 1.3% from the previous year**



	2011-12	2010-11	2009-10	2008-09	2007-08
Total	48,173	47,556	47,342	46,156	44,898
Grassfed cattle	41,005	40,450	40,224	39,062	37,878
Grainfed cattle	5,301	5,201	5,140	4,962	4,847
Sheep/prime lamb	17,611	17,410	17,375	17,030	16,777
Sheep only	9,872	9,875	9,980	10,074	10,183
Goats	2,344	2,302	2,287	2,248	2,217

## Collaboration and co-investments

Collaboration with our key stakeholders – industry bodies, peak industry 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.

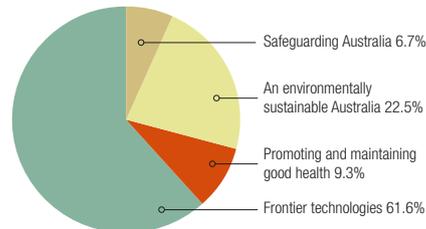
MLA co-invests in projects with a number of our key stakeholders. We work with the Australian Government, which provides matching funds to support our research and development programs. We also work with private industry investors through the MLA Donor Company and industry collaborative agreements.

## Research and development investments

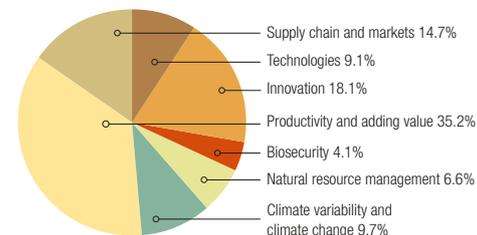
The competitiveness of Australia's red meat and livestock industry is driven by our long history of innovation. Working smarter by applying R&D throughout the supply chain has been the backbone of productivity growth across the industry.

MLA invested more than \$78.5 million in a range of R&D programs during 2011-12. This investment includes matching funds from the Australian Government, and aligns with national and rural R&D priorities.

### National R&D priorities

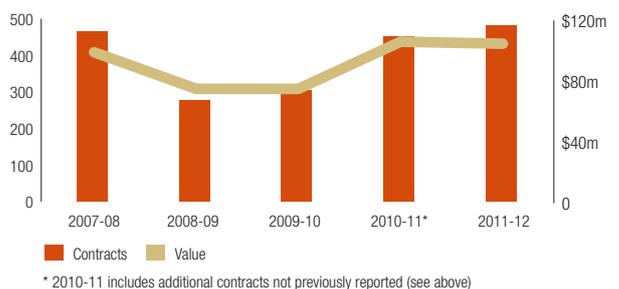


### Rural R&D priorities



Throughout the year, MLA completed or terminated 564 research contracts worth \$58.2 million. We commenced 594 new contracts during the year worth \$56.9 million. This resulted in a total of 482 current research contracts at 30 June 2012 valued at \$104.7 million. It must be noted that each R&D project can include multiple contracts. These reported contracts for 2011-12 include livestock production innovation, client innovation services, nutrition, industry systems and livestock export R&D programs.

**MLA had 482 current research contracts at 30 June 2012 worth \$104.7 million**



## R&D contracts by year

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 2011-12, MLA had more than 224 collaborative agreements in place with more than \$85.5 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 with a value of greater than \$10,000 and completed during 2011-12 is published as an appendix to this *Annual report* and separately on the MLA website.

## 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 2011-12, the MDC attracted a total investment of \$17.4 million in private and public funds in red meat industry R&D. A total of 44 new project contracts were approved last year totalling \$15.5 million.

Since its inception in 1999, the MDC has approved more than 514 contracts worth \$205.7 million. Private investors in projects funded through the MDC have included all parts of the red meat supply chain – processors, value-adders, breed societies, pastoral companies and technology providers.

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

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

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

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

- Smartshape™ technology (page 19)
- e-Preg™ cattle pregnancy detector (page 25)
- LEAP III Primal Cutter (page 26)
- SaniVac technology (page 26)
- Covered anaerobic ponds (page 31)
- Collaborative Innovation Strategies (page 35)

## Industry collaborative agreements

Industry collaborative agreements (ICAs) continue to be effective in marketing Australian red meat in partnership with industry.

ICAs involve MLA working with individual Australian exporters or overseas importers to jointly fund specific marketing activities to boost demand for Australian red meat overseas. We also have ICAs in place with domestic suppliers to support marketing of 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 63 Australian companies 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 \$3.4 million, and participants contributed the same amount. These activities strengthened brands and built awareness for product across both new and existing accounts.

For lamb, MLA managed ICAs with 17 Australian companies across South-East Asia and Greater China, Japan and Europe. MLA contributed a total of approximately \$224,098 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 ICA contribution (A\$)	
	Beef	Lamb
Australia	796,831	N/A
Europe	113,268	35,155
Japan	593,466	15,079
Korea	253,550	2,193
Middle East/North Africa	83,160	5,143
North America	447,281	29,950
South East Asia/Greater China	597,933	96,182
Cross region	371,794	42,634
Total MLA contribution	3,298,944	223,335
Total participant contribution	3,298,944	223,335

Activities conducted under ICAs during 2011-12 included trade missions, sampling, demonstrations, brand development, point of sale design and printing, advertising, website development, trade shows, training seminars, product development and market research.

In response to member requests, for the first time we have published details of each ICA participant and the specific funding amounts invested in an appendix to this *Annual report* and separately on the MLA website.

## Performance evaluation

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.

MLA's 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 a further two evaluations were completed.

The first of these evaluations was into MLA's programs for the aggressive promotion of beef in the Japanese and Korean markets, with the \$173 million investment between 2000 and 2009 estimated to deliver benefits back to industry conservatively valued between \$815 and \$994 million. This represents a benefit:cost ratio of between 4.7:1 and 5.8:1.

The second evaluation was into developing new products and markets for value-added products, with the \$20.9 million investment by MLA and partners between 1998 and 2008 estimated to have returned benefits of between \$94.4 million and \$206 million.

An independent review of MLA's performance conducted by Arche Consulting, completed in June 2010, recommended a number of key areas of improvement principally relating to longer-term strategic planning and KPI setting and reporting. MLA has managed the implementation of the review's recommendations and provided updates on the MLA website. Changes to MLA's strategic planning – including the development of detailed longer-term business plans across all MLA's strategic objectives – was a result of this process.

## 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 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 three-year terms 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 47.

The Chairman of the Board was elected in 2011 and is an independent director.

### Board members

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. All directors were in office for the entire year unless otherwise stated.

**Robert Anderson** (Chairman) FAICD  
Director since 2010

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



**Scott Hansen** (Managing Director)  
BRurSc GradCertComms  
Director since 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. Prior roles as Executive Director of the Victorian Farmers' Federation Pastoral Group and the Sheepmeat Council of Australia have given him an ideal perspective on both producer and industry interests. He also worked with the Victorian Department of Primary Industries. After graduating with a rural science degree from the University of New England, Mr Hansen spent time working in agricultural industries in Europe and the Middle East. Mr Hansen is also a director of AUS-MEAT Limited and MLA Donor Company Limited.

**Michele Allan** BAppSc MMgt  
MCommLaw DBA FAICD

Director since November 2011

Dr Allan brings strong expertise in corporate governance and strategy, with a background of executive and board positions. Dr Allan is a past executive director and non-executive director of Patties Foods Limited and was previously a non-executive director of the Dairy Research & Development Corporation. Current board positions include director of Food Standards Australia New Zealand, and Forest and Wood Products Australia. She is Chair of the William Angliss Institute and Grains and Legumes Nutritional Council. Dr Allan is a fellow of the Australian Institute of Company Directors. She is Chair of the Remuneration Committee and a member of the Audit and Risk Committee.



**Michael Carroll** BAgSc MBA FAICD  
Director since 2007

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



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

Director since 2007

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



**Dr Gregory Harper** BSc PhD  
GradDipMgmt GAICD

Director since 2009

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



# About MLA

## **Iain Mars** BSc (Economics)

Director since 2009

Mr Mars was the CEO and Director of JBS Australia Pty Ltd. With 30 years experience in the meat industry he was responsible for the management of JBS's extensive meat processing facilities and feedlot operations across Australia. Mr Mars joined the Vesty Group in London in 1981 as a management trainee visiting pubs, restaurants and butcher shops with samples of processed meat products. He has retained his passion for the industry, working in most of the major production markets and with organisations at different stages of development and market presence. Mr Mars has extensive executive management experience covering operations, sales and marketing roles developed during his time working in Asia, the US, Russia, Egypt, South America and the UK. Mr Mars became a member of the Remuneration and Audit and Risk Committees in December 2011.



## **Rodney Watt**

Director since November 2011

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



## **Directors who retired or resigned during the year**

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

Retired in November 2011

Mr Heatley owns and operates three north Queensland properties that carry 14,000 head of cattle which supply the Japanese, US and livestock 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 was Chairman of MLA from 2005 to 2011.

### **David Palmer** (Managing Director) GradDipMgmt

Retired in July 2011

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 was a director of AUS-MEAT Ltd until 31 December 2011.

### **Peter Boyden** BSc (Maths)

Retired in November 2011

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 Food Standards Australia New Zealand and Dairy Innovation Australia Ltd.

## **Geoffrey Maynard** BBus

Director since November 2011

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



## **Peter Trefort**

Director since 2003

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



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

Retired in November 2011

Mr Burbidge is from Tarcutta on the south west slopes of NSW 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 was a director of MLA from 2008 to 2011.

### Company secretaries

**Dominic Brennan** BA DipLaw

Appointed February 2012

For Mr Brennan's profile, see page 50.

**Rachel Debeck** BA LLB (Hons) GAICD

Appointed July 2006

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

**Laurence Robinson** CPA

Appointed October 2006

For Mr Robinson's profile, see page 51.

### Board 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 to create opportunities across the cattle, sheep and goat supply chains by optimising the return on collective investment in marketing and R&D.

The Board's responsibilities include:

- 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 had 10 scheduled meetings during 2011-12, and met an additional three times to address issues arising between meetings. One of these additional meetings was held by teleconference. Meeting agendas are formulated in preparation for each meeting, however the Board also has an annual agenda that sets items to be considered and reviewed throughout the year.

These items include 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 that must come before the Board under the categories of performance, compliance and governance.

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

During the year, the Board participated in a strategic planning day with the Executive 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.

During 2011-12, the Board made determinations on a range of significant issues including the approval of a new strategic planning framework for MLA with review and approval of the revised *Corporate plan 2010-2015* and more detailed business plans for strategies within it.

## 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. A formal review was conducted during 2011-12.

## Board training

The Board held whole-of-Board governance training program in September 2011. In addition, a number of directors participated in individual training programs throughout the year. In April 2012, the Board set aside a day to consider its ongoing strategies.

## 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. A *Policy on the independence of directors*, which requires that the Board assess independence annually, or more regularly if a director's circumstances change, is currently implemented and in force.

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

## Conflicts of interest

Each director provides information about their business and other interests to the Board at the time of their appointment and this information is updated following further notifications by a director. This is done in accordance with the adopted *Conflict of interest policy and procedures*.

## 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 54.

## 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. The Audit and Risk Committee consisted of Dr Greg Harper (Chairman), Michele Allen, Iain Mars and Rodney Watt at 30 June 2012. Details of each members' attendance at meetings is set out in the *Director's report* on page 54.

During 2011-12, the Audit and Risk Committee completed a major review of the Risk management plan, as well as reviews of the company's *Fraud control plan and Intellectual property plan*.

## 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
- The Remuneration Committee consisted of Michele Allan (Chair), Iain Mars and Peter Trefort at 30 June 2012. Details of each members' attendance at meetings is set out in the *Director's report* on page 54.

### Selection Committee

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

The Selection Committee consists of:

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

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

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

The composition of the Selection Committee, together with each member's attendance at meetings is set out in the *Directors' report* on page 54.

### 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 *Corporate plan*, the *Annual operating plan* covers intended operations of the company for the current year and R&D and marketing programs and activities to be undertaken
- Risk management plan – specifies measures to manage risk
- Fraud control plan – sets out measures to minimise the risk of fraud within the company
- Intellectual property plan – specifies procedures for the management, adoption and commercialisation of intellectual property

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.

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.

## Diversity

In April 2011, the Board implemented a company-wide Diversity policy. The Board also set a number of Board focussed measurable objectives, including that:

- at least one suitable female candidate should be included on a Selection Committee interview shortlist
- at least one female should sit on the Selection Committee and Board Remuneration Committees 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 2012, 48% of MLA's staff were women.

On the senior executive team, three of the nine executives are female and on the current MLA Board of 10, two directors are 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.

## Organisation structure

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

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

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

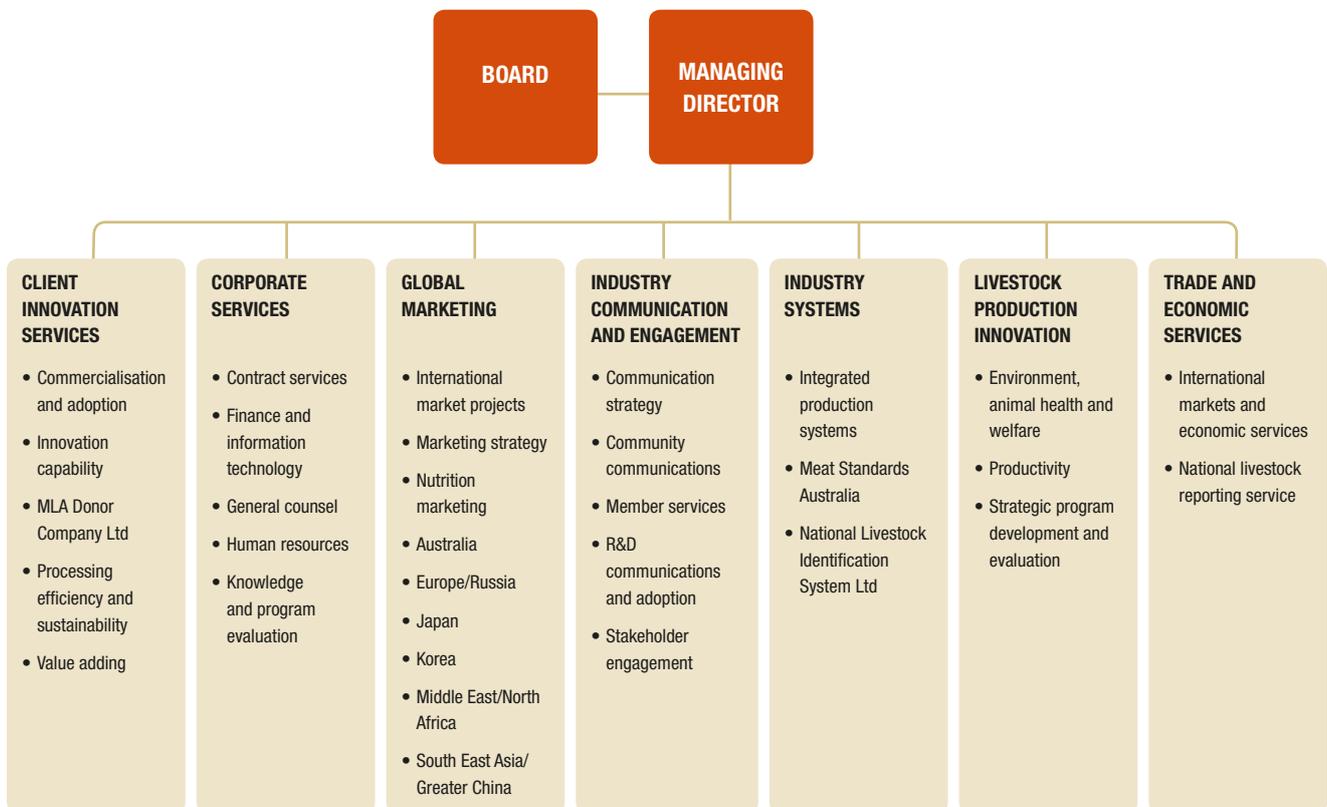
**Industry communication and engagement** aims to ensure producers and industry stakeholders are aware of the opportunities created by MLA's information and tools, as well as their potential benefits to their enterprises and the wider industry. Community communications assists producers to promote the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

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

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

**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.

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



# About MLA

## Executive Committee

The Managing Director, seven general managers and company secretary 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. The Executive Committee members at 30 June 2012 were:

**Scott Hansen**  
Managing Director

See page 42 for Mr Hansen's profile.



**Michael Edmonds**  
General Manager Global Marketing

Mr Edmonds joined MLA in March 2012 from Simplot Australia, where he was General Manager, Sales and Marketing, Top Cut foods – a leading provider of meat and protein-based meal solutions to foodservice and retail trade. Mr Edmonds has over two decades of experience and a unique blend of marketing and industry expertise having worked in both trade and direct consumer marketing of global food and beverage brands with companies including Foster's Group, Mars Inc. and ICI/Orica.



*Glenn Feist was General Manager Marketing to February 2012.*

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

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



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

Ms Gorman returned to MLA in 2006 after spending several years working for the American Farm Bureau Federation in Washington DC. Ms Gorman has held a number of roles in MLA including managing the market access program, heading the North America office in Washington DC and establishing the policy research program. Ms Gorman was on maternity leave from January 2012.



**Dominic Brennan** BA DipLaw  
Company Secretary

Mr Brennan is a solicitor. He joined MLA in January 2012. Prior to joining MLA he had a long career spanning over 20 years as senior legal adviser and company secretary both in Australia but primarily in the United Kingdom with affiliates of Exxon Mobil Corporation and Royal Dutch Shell plc. His family has been active in Australian agriculture since 1802 and he currently owns a mixed grain and livestock property at Warren in western NSW. He replaces Rachel Debeck for the duration of her current maternity leave.



**David Pietsch** BA Comms GAICD  
General Manager Industry Communication and Engagement

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



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

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



**Laurence Robinson** CPA  
General Manager Corporate Services

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.



**Peter Vaughan**  
General Manager Livestock Production Innovation

Prior to joining MLA in August 2011, Mr Vaughan was General Manager of Austgrains Pty Ltd, a grains commercialisation company. His previous role during his career working in research and innovation was six years spent with the Value Added Wheat Cooperative Research Centre (Wheat CRC) initially as the Commercial Director and finally for three years as the Managing Director.



## Office locations

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

## Staff profile

At 30 June 2012, MLA employed 233 full time staff equivalents – a decrease of 4.1% from the previous year. This decrease in staff numbers is reflected by staff movements and vacancies in the overseas offices.

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Total staff	233	243	247	235	238
Male	126	127	123	127	129
Female	107	116	124	108	109
Full-time	219	229	227	221	226
Part-time	14	14	20	14	12
Australia based	202	204	213	203	204
Overseas based	31	39	34	32	34

Approximately 58% of MLA staff come from a rural background through family affiliation, previous industry experience or tertiary qualification. Voluntary employee turnover was 15.3% or 37 employees during the year – a slight increase on the previous year. This rate was in line with the increase in staff turnover across the wider economy.

## Skills development

MLA has developed a leadership capability framework with high level of input and consultation with our managers. Following this, we assessed our managers using a 360 degree feedback process. This has enabled us to develop customised leadership development programs which we will embark on 2012-13. We reviewed our succession and people development approach with more robust diagnostics to assist us to better align our learning and development with business requirements.

We also encourage staff to undertake external education to enhance their skills, with 20 staff members receiving external education assistance during the year, most of these undertaking postgraduate qualifications.

## Occupational health and safety

MLA is committed to the health and wellbeing of staff. During the year, we developed a new 2012-2014 plan that was externally audited and complies with the workplace health and safety legislation that came into effect on 1 January 2012. The WHS plan focusses on the higher risk activities of the business encompassing international

locations and off-site safety. There has also been a greater focus on incident and near miss reporting. There were five workers compensation claims of which two resulted in a total lost time of four days. There were no reported breaches of occupational health and safety laws.

## Diversity and equal employment opportunity

MLA has a diversity policy, which outlines our commitment to equal employment opportunity and sets measurable objectives for the company's performance. Our pay equity gap analysis shows that we comply as our pay equity is below the maximum set by the Equal Opportunity for Women in the Workplace Agency. At as 30 June 2012, 48% of MLA staff were women, three of the nine executive members were women and two of 10 MLA Board directors were women.

## Corporate social responsibility

MLA contributes to the communities in which we work through a range of initiatives. MLA continued to be 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 Sydney Coastrek to raise funds for the Fred Hollows Foundation.

## 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 and attracts, retains and motivates quality management personnel.

## Communicating with members

In 2011-12, MLA implemented 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 employed a variety of communications tactics including radio and print media, magazines, publications, websites, social media, events and multimedia. The success of these efforts is measured through member surveys, media and website monitoring, publication orders and increases in membership.

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

Events play an important role in giving members information and the direct opportunity to contribute to the direction of the company. In 2011-12, we collaborated with a range of industry organisations to participate in 409 producer events across the company.

Our *Annual report 2010-11* was made available to approximately 3,500 people through our corporate website as well as in hard copy for members who requested it. It received a gold award in the 2012 Australasian Reporting Awards.

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 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 more than 50,000 unique visitors a month during 2011-12, an increase of approximately 25% from 2010-11.

Our flagship magazine *feedback* continues 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

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# Directors' report

The Board of Directors of Meat & Livestock Australia Limited ("MLA" or "the Company") has pleasure in submitting its report for the financial year ended 30 June 2012.

## DIRECTORS

The names of the company's directors in office during the financial year and until the date of this report are Mr Robert Anderson (Chairman), Mr Scott Hansen (Managing Director), Ms Michele Allan, Mr Michael Carroll, Ms Lucinda Corrigan, Mr Gregory Harper, Mr Iain Mars, Mr Geoffrey Maynard, Mr Peter Trefort and Mr Rodney Watt.

See page 42 for the professional details of company directors in office during the financial year.

## Directors retired or resigned during the year

Directors retiring during the year were Mr Arthur (Don) Heatley (Chairman), Mr David Palmer (Managing Director), Mr Peter Boyden and Mr Stuart (Grant) Burbidge.

See page 44 for the professional details of company directors who retired or resigned during the financial year.

## Company secretaries

Company secretaries during the year were Mr Dominic Brennan, Ms Rachel Debeck and Mr Laurence Robinson.

See page 45 for the professional details of company secretaries during the year.

## Subsidiaries

### MLA Donor Company Limited

The business activities of MLA Donor Company Limited are overseen by a separate board of directors. At 30 June 2012 the members of the board were Mr Scott Hansen, Ms Lucinda Corrigan, Mr Geoffrey Maynard and Mr Laurence Robinson. Mr Carroll resigned as a director during the year and was replaced with effect from 1 January 2012 by Mr Maynard.

### 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 2012, the members of the board were Mr John Wyld, Mr Ian Feldtmann, Mr Peter Milne, Mr Stephen Kelly and Mr Rodney Watt. Mr Anderson resigned as director during the year and was replaced with effect from 1 January 2012 by Mr Watt.

## Directors' meetings

During the year the Company held 13 meetings of directors. The attendances of the directors at meetings of the Board and of its committees were:

	Board of directors			Committees of the board of directors	
	Full Board			Audit	Remuneration
	Scheduled Meetings	Meetings held between Scheduled Meetings	Total		
M Allan	4 [5]	3 [3]	7 [8]	5 [5]	1 [1]
R Anderson	10 [10]	3 [3]	13 [13]		
P Boyden	4 [5]	0 [0]	4 [5]		3 [3]
G Burbidge	5 [5]	0 [0]	5 [5]		3 [3]
M Carroll	10 [10]	3 [3]	13 [13]	1 [1]	
L Corrigan	9 [10]	3 [3]	12 [13]	1 [1]	
S Hansen	10 [10]	3 [3]	13 [13]		
G Harper	8 [10]	3 [3]	11 [13]	6 [6]	
A Heatley	5 [5]	0 [0]	5 [5]		
I Mars	9 [10]	2 [3]	11 [13]	5 [5]	1 [1]
G Maynard	5 [5]	3 [3]	8 [8]		
D Palmer	1 [1]	0 [0]	1 [1]		
P Trefort	10 [10]	2 [3]	12 [13]		4 [4]
R Watt	5 [5]	3 [3]	8 [8]	5 [5]	

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

## Selection Committee

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

MLA Directors		
Don Heatley (Chair)	2 [2]	(retired November 2011)
Robert Anderson (Chair)	2 [2]	(appointed December 2011)
Peter Boyden	2 [2]	(retired November 2011)
Peter Trefort	2 [2]	(retired November 2011)
Rodney Watt	2 [2]	(appointed December 2011)
Lucinda Corrigan	2 [2]	(appointed December 2011)

Peak council representatives		
Greg Brown	2 [2]	(retired November 2011)
Jim Cudmore	4 [4]	
Kate Joseph	2 [2]	(retired November 2011)
Andrew Ogilvie	2 [2]	(appointed November 2011)
Ian McColl	2 [2]	(appointed November 2011)

MLA member elected representatives		
Robert Green	2 [2]	(retired November 2011)
Kerry Corish	1 [2]	(retired November 2011)
Warren Barnett	3 [4]	
Ben Hooper	2 [2]	(appointed November 2011)
Ian McCamley	2 [2]	(appointed November 2011)

## 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 deficit from continuing operations of \$11,075,000 (2011: net surplus of \$876,000). This deficit is in line with the budgeted result for the year.

### Group overview

The group earned total revenue of \$159,891,000 (2011: \$167,393,000) which is comprised of the following:

- Transaction levies \$91,778,000 (2011: \$96,083,000)

- Research and development matching grants \$37,086,000 (2011: \$35,633,000)
- Research and development contributions (unmatched) \$4,387,000 (2011: \$4,815,000)
- Other income and revenues \$26,640,000 (2011: \$30,862,000)

Total income received/receivable was more than total expenditure, which resulted in a net deficit from continuing operations of \$11,075,000 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

# Directors' report

## Auditor independence

The auditor's independence declaration which forms part of the *Directors' report* for the financial year ended 30 June 2012 has been received and can be found following this report.

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



R Anderson  
Director



S Hansen  
Director

Sydney  
13 September 2012

# Auditor's independence declaration

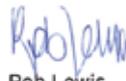


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## Auditor's Independence Declaration to the Directors of Meat & Livestock Australia Limited

In relation to our audit of the financial report of Meat & Livestock Australia Limited for the financial year ended 30 June 2012, 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  
13 September 2012

# Income statement

Year ended 30 June 2012	Note	Consolidated	
		2012 \$000	2011 \$000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES FROM CONTINUING OPERATIONS</b>	3	<b>159,891</b>	167,393
<b>EXPENDITURE FROM CONTINUING OPERATIONS</b>			
Improving market access		<b>23,053</b>	20,731
Growing demand		<b>65,061</b>	64,755
Increasing productivity		<b>24,669</b>	20,371
Promoting integrity and sustainability		<b>15,260</b>	15,244
Increasing industry capability		<b>9,578</b>	9,432
Communicating with stakeholders		<b>3,900</b>	4,004
Other		<b>550</b>	551
R&D partnerships		<b>17,458</b>	20,826
Corporate costs		<b>11,437</b>	10,603
Total expenditure		<b>170,966</b>	166,517
<b>NET (DEFICIT)/SURPLUS FROM CONTINUING OPERATIONS</b>		<b>(11,075)</b>	876
<b>TOTAL CHANGE IN MEMBERS' FUNDS</b>		<b>(11,075)</b>	876

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

# Statement of comprehensive income

Year ended 30 June 2012

	Consolidated	
	2012 \$000	2011 \$000
<b>NET (DEFICIT)/SURPLUS FROM CONTINUING OPERATIONS</b>	<b>(11,075)</b>	876
<b>OTHER COMPREHENSIVE INCOME</b>		
Cash flow hedges:		
(Loss) taken to equity	(3)	(262)
Transferred to statement of financial position	262	(275)
Other comprehensive income/(expense) for the year	259	(537)
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR</b>	<b>(10,816)</b>	339

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

# Statement of financial position

As at 30 June 2012	Notes	Consolidated	
		2012 \$000	2011 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	24	71,528	80,636
Trade and other receivables	7	20,566	22,254
Prepayments and deposits	8	1,019	1,349
<b>TOTAL CURRENT ASSETS</b>		<b>93,113</b>	104,239
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	1,554	1,988
Intangible assets	13	803	1,119
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,357</b>	3,107
<b>TOTAL ASSETS</b>		<b>95,470</b>	107,346
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	27,640	27,802
Provisions	15	2,094	1,783
Other liabilities	16	9,035	10,104
<b>TOTAL CURRENT LIABILITIES</b>		<b>38,769</b>	39,689
<b>NON-CURRENT LIABILITIES</b>			
Other payables	17	126	165
Provisions	18	2,213	2,314
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,339</b>	2,479
<b>TOTAL LIABILITIES</b>		<b>41,108</b>	42,168
<b>NET ASSETS</b>		<b>54,362</b>	65,178
<b>EQUITY – MEMBERS' FUNDS</b>			
Contributed equity	27	9,031	9,031
Retained surplus		45,334	56,409
Cash flow hedge reserve	19	(3)	(262)
<b>TOTAL EQUITY – MEMBERS' FUNDS</b>		<b>54,362</b>	65,178

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

# Statement of changes in equity

Year ended 30 June 2012	Consolidated			Total \$000
	Contributed equity \$000	Retained earnings \$000	Cash flow hedge reserve \$000	
At 1 July 2010	9,031	55,533	275	64,839
Surplus for the year	–	876	–	876
Other comprehensive (expense)	–	–	(537)	(537)
Total comprehensive income/(expense)	–	876	(537)	339
<b>At 30 June 2011</b>	<b>9,031</b>	<b>56,409</b>	<b>(262)</b>	<b>65,178</b>
Deficit for the year	–	(11,075)	–	(11,075)
Other comprehensive income	–	–	259	259
Total comprehensive (expense)/income	–	(11,075)	259	(10,816)
<b>At 30 June 2012</b>	<b>9,031</b>	<b>45,334</b>	<b>(3)</b>	<b>54,362</b>

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

# Statement of cash flows

Year ended 30 June 2012		Consolidated	
		2012 \$000	2011 \$000
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Levies collected		92,755	96,345
Research and development matching grants		37,387	38,322
Receipts from processors and live exporters		10,120	12,780
Other receipts		17,408	20,357
Payments to suppliers and employees		(169,813)	(173,704)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	24(b)	<b>(12,143)</b>	<b>(5,900)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		9	77
Purchase of property, plant and equipment		(580)	(1,214)
Purchase of software		(308)	(117)
Interest received		3,914	3,954
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>3,035</b>	<b>2,700</b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>			
Add opening cash brought forward		80,636	83,836
<b>CLOSING CASH CARRIED FORWARD</b>	24(a)	<b>71,528</b>	<b>80,636</b>

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

# Notes to the financial statements

## 1. CORPORATE INFORMATION

The financial report of Meat & Livestock Australia Limited ("MLA" or "the Company") for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 13 September 2012.

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 2011:

- AASB 124 (revised) *Related Party Disclosures*
- AASB Int 14 *Prepayments of a Minimum Funding Requirement (Amendment)*
- AASB 2009-12 *Amendments to Australian Accounting Standards* [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]
- AASB 2010-5 *Amendments to Australian Accounting Standards* [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* [AASB1 & AASB7]

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not effective have not been adopted by the Group for the annual reporting period ending 30 June 2012 and the directors having considered the changes to the accounting standards and other than potential disclosure adjustments, do not believe there will be a material impact to the financial statements.

### (c) Principles of consolidation

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

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

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

### (d) Cash and cash equivalents

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

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

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

### (e) Trade and other receivables

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

### (f) Taxes

#### *Income tax*

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

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

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

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

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

# Notes to the financial statements

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

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

## **(g) Revenue recognition**

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

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

## **(h) Derivative financial instruments and hedging**

The Group uses derivative financial instruments such as forward currency contracts and options contracts to hedge against the risks associated with foreign currency fluctuations.

These contracts are initially recognised at fair value on the date they are entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

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

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

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

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

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

### *Cash flow hedges*

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

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

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without

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

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
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### (l) Leases

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

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

### (m) Property, plant and equipment

#### Cost

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

#### Depreciation

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

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

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

#### Derecognition and disposal

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

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

### (n) Trade and other payables

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

### (o) Unearned income

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

# Notes to the financial statements

## (p) Employee benefits

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

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

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

## (q) 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 sixty four 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	
		2012 \$000	2011 \$000
<b>Revenues from operating activities</b>			
Transaction levies	4	91,778	96,083
R&D Commonwealth matching payments		37,086	35,633
R&D contributions (unmatched)		4,387	4,815
Other income	5	22,718	26,653
Total revenues from operating activities		155,969	163,184
<b>Revenues from non-operating activities</b>			
Bank interest		3,922	4,190
Net gain on disposal of property, plant and equipment		–	19
Total revenues from non-operating activities		3,922	4,209
Total revenues from continuing operations		159,891	167,393

	Consolidated	
	2012 \$000	2011 \$000
<b>4. TRANSACTION LEVIES</b>		
Transaction levies:		
– Grainfed cattle	8,133	8,469
– Grassfed cattle	52,493	56,191
– Lambs	28,573	28,663
– Sheep	1,983	2,144
– Goats	596	616
Total transaction levies	<b>91,778</b>	96,083
<b>5. OTHER INCOME</b>		
Processor contributions	9,266	8,980
Live exporter contributions	449	2,167
Co-operative funding	1,448	2,130
R&D partnership income	8,729	10,413
Sale of products or services	1,738	1,746
Other	1,088	1,217
Total other income	<b>22,718</b>	26,653
<b>6. EXPENSES AND LOSSES</b>		
Depreciation and amortisation of non-current assets included in the Income statement:		
Leasehold improvements	374	369
Plant and equipment	578	449
Furniture and fittings	48	31
Amortisation of intangible assets	623	857
Total depreciation and amortisation of non-current assets	<b>1,623</b>	1,706
Loss on sale of assets	5	–
Operating lease rentals included in the Income statement	3,384	3,393
Employee benefit expense:		
Wages and salaries	23,811	23,033
Workers compensation costs	155	202
Annual leave provision	1,671	1,683
Long service leave provision	528	642
Superannuation expense	1,908	1,865
Other post employment benefits	68	81
Termination expenses	647	77
Total employee benefit expense	<b>28,788</b>	27,583

# Notes to the financial statements

	Consolidated	
	2012 \$000	2011 \$000
<b>7. TRADE AND OTHER RECEIVABLES (CURRENT)</b>		
Trade receivables	2,987	3,408
Allowance for impairment of receivables (a)	(64)	(64)
Trade receivables, net	2,923	3,344
Accrued revenue		
– Levies	5,731	6,708
– R&D Commonwealth matching payments	8,316	8,617
– Other	3,518	3,356
Total accrued revenue	17,565	18,681
Goods and Services Tax	–	146
Other receivables	78	83
Total current receivables, net	20,566	22,254
Movements in the provision for impairment loss were as follows:		
At the beginning of the financial year	64	67
Charge for the year	–	–
Amounts written off	–	(3)
At 30 June	64	64

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

## Consolidated

	Total \$000	Current \$000	Past due but not impaired				
			1–30 days \$000	31–60 days \$000	61–90 days \$000	91–120 days \$000	>120 days \$000
Trade receivables (net of impairment)							
<b>30 June 2012</b>	<b>2,923</b>	<b>2,192</b>	<b>730</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>
30 June 2011	3,344	2,856	366	25	48	1	48

### (a) Allowance for impairment of receivables

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

Receivables past due but not impaired are: \$731,000 (2011: \$488,000). 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	
	2012 \$000	2011 \$000
<b>8. PREPAYMENTS AND DEPOSITS</b>		
Prepayments	709	1,190
Deposits	310	159
Total prepayments and deposits	<b>1,019</b>	1,349

#### 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 2012 was \$550,000 (2011: \$550,000).

#### Summary results of the associate entity

	AUS-MEAT Limited	
	2012 \$000	2011 \$000
Revenue	12,580	10,889
Accumulated surplus at beginning of the year	1,010	845
Net surplus for the year	987	165
Accumulated surplus at end of the year	<b>1,997</b>	1,010

#### Financial summary of associated entity

Total current assets	6,404	5,354
Total non current assets	4,256	4,068
Total current liabilities	3,377	3,141
Total non current liabilities	168	154
Net assets	<b>7,115</b>	6,127

The investment in AUS-MEAT Limited has been taken up at nil value (2011:\$nil). There is no entitlement to a share of the net results or net assets except in the event of a winding up of the entity.

# Notes to the financial statements

## 10. INVESTMENTS IN SUBSIDIARIES

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

Name	Equity interest %		Investment \$000	
	2012	2011	2012	2011
a) MLA Donor Company Limited	100	100	-	-
b) National Livestock Identification System Limited	100	100	-	-
			-	-

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

## 11. PARENT ENTITY INFORMATION

	2012 \$000	2011 \$000
<b>Information relating to Meat &amp; Livestock Australia Limited</b>		
Current assets	93,089	103,981
Total assets	95,353	106,943
Current liabilities	38,782	39,371
Total liabilities	40,991	41,765
Contributed equity	9,031	9,031
Reserves	(3)	(262)
Total equity – Members' funds	54,362	65,178
(Deficit)/surplus for the year	(11,075)	876
Other comprehensive income for the year	259	(537)

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	
	2012 \$000	2011 \$000
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and equipment</b>		
At cost	4,240	5,123
<i>Accumulated depreciation</i>	<b>(3,118)</b>	(3,904)
Total plant and equipment	<b>1,122</b>	1,219
<b>Furniture and fittings</b>		
At cost	384	358
<i>Accumulated depreciation</i>	<b>(287)</b>	(251)
Total furniture and fittings	<b>97</b>	107
<b>Leasehold improvements</b>		
At cost	5,182	5,187
<i>Accumulated depreciation</i>	<b>(4,847)</b>	(4,525)
Total leasehold improvements	<b>335</b>	662
<b>Total property, plant and equipment</b>		
Cost	<b>9,806</b>	10,668
<i>Accumulated depreciation</i>	<b>(8,252)</b>	(8,680)
Total written down value	<b>1,554</b>	1,988

# Notes to the financial statements

	Consolidated	
	2012 \$000	2011 \$000
<b>12. PROPERTY, PLANT AND EQUIPMENT <i>continued</i></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	1,219	975
Transfer (reclass)	3	–
Additions	492	704
Disposals	(14)	(11)
Depreciation expense	(578)	(449)
	1,122	1,219
<b>Furniture and fittings</b>		
Carrying amount at beginning	107	113
Transfer (reclass)	(3)	–
Additions	41	25
Depreciation expense	(48)	(31)
	97	107
<b>Leasehold improvements</b>		
Carrying amount at beginning	662	593
Additions	47	485
Disposals	–	(47)
Depreciation expense	(374)	(369)
	335	662
<b>13. INTANGIBLE ASSETS</b>		
<b>Software</b>		
At cost	4,443	4,136
<i>Accumulated amortisation</i>	(3,640)	(3,017)
Total software	803	1,119
Reconciliation		
Carrying amount at beginning	1,119	1,859
Additions	308	117
Amortisation expense	(624)	(857)
	803	1,119

	Consolidated	
	2012 \$000	2011 \$000
<b>14. TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade payables (a)	9,895	10,330
Accrued R&D and other creditors (a)	14,757	14,085
Funds held on behalf of the Commonwealth (b)	292	341
Rent-free period (Refer note 2q)	171	150
Derivative financial instruments (c)	3	262
Employee entitlements		
– Annual leave	2,356	2,291
– Other	166	343
Total current trade and other payables	27,640	27,802

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

(b) The Company has entered into arrangements with the Commonwealth Government, through the Department of Agriculture, 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.

	Consolidated	
	2012 \$000	2011 \$000
<b>15. PROVISIONS (CURRENT)</b>		
Employee entitlements		
– Long service leave	1,984	1,733
Leasehold make good	110	–
Other provisions	–	50
Total current provisions	2,094	1,783

**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	1,733	–	50	1,783
Additional provisions/(provision written back)	302	9	(50)	261
Utilised	(407)	–	–	(407)
Amounts transferred from non-current during the year	356	101	–	457
Carrying amount at the end of the financial year	1,984	110	–	2,094

# Notes to the financial statements

	Consolidated	
	2012 \$000	2011 \$000
<b>16. OTHER LIABILITIES (CURRENT)</b>		
Unearned income	7,893	9,568
Other	1,142	536
Total current other liabilities	9,035	10,104

## 17. OTHER PAYABLES (NON-CURRENT)

Rent-free period (Refer note 2q)	126	165
Total non-current other payables	126	165

## 18. PROVISIONS (NON-CURRENT)

Employee entitlements		
– Long service leave	1,328	1,328
Leasehold make good	885	986
Total non-current provisions	2,213	2,314

### Movements in provisions:

	Consolidated		
	Long service leave \$000	Leasehold make good \$000	Total \$000
Carrying amount at the beginning of the financial year	1,328	986	2,314
Additional provisions	356	–	356
Amounts transferred to current during the year	(356)	(101)	(457)
Carrying amount at the end of the financial year	1,328	885	2,213

	Consolidated	
	2012 \$000	2011 \$000
<b>19. CASH FLOW HEDGE RESERVE</b>		
At the beginning of the financial year	(262)	275
Net surplus/(loss) on cash flow hedges	(3)	(262)
Transfer of cash flow hedge reserve to Statement of comprehensive income	262	(275)
Total cash flow hedge reserve (a)	<b>(3)</b>	<b>(262)</b>

(a) The full amount of hedged cash flows as at 30 June 2012 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 2012, a loss of \$3,147 (2011: \$261,528 loss) was recognised in the cash flow hedge reserve. As at 30 June the Company did not have any portion of cash flow hedges deemed ineffective.

## 20. FOREIGN CURRENCY EXPOSURE

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

### Current assets:

– Bahrain dinars	55	13
– Euro	110	97
– Chinese renminbi	10	15
– Indonesian rupiah	14	74
	<b>189</b>	<b>199</b>

### Current liabilities:

– Bahrain dinars	102	153
– Euro	31	94
– Chinese renminbi	40	23
– Indonesian rupiah	48	53
	<b>221</b>	<b>323</b>

# Notes to the financial statements

	Consolidated	
	2012 \$000	2011 \$000
<b>21. EMPLOYEE ENTITLEMENTS</b>		
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer note 15)	1,984	1,733
Provisions – non current (refer note 18)	1,328	1,328
Payables – current (refer note 14)	2,522	2,634
	<b>5,834</b>	5,695
The number of full-time equivalent employees as at 30 June	<b>232.6</b>	243.4

## 22. REMUNERATION OF AUDITORS

	Consolidated	
	2012 \$	2011 \$
Amounts received or due and receivable by Ernst & Young for:		
– auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	156,500	142,400
– other services in relation to the entity and any other entity in the consolidated entity:		
• tax compliance	8,295	14,900
• other non-statutory audit services (a)	236,411	4,100
	<b>401,206</b>	161,400
(a) Summary of the other non-statutory audit fees incurred are:		
Grant audits	17,000	4,100
Internal control and governance review of regional offices	198,571	–
Risk management	20,840	–
	<b>236,411</b>	4,100

## 23. DIRECTOR AND EXECUTIVE DISCLOSURES

### (a) Details of key management personnel

#### (i) Directors

Robert Anderson – Chairman	
(Don) Arthur Heatley – Chairman	(retired 18 November 2011)
Scott Hansen – Managing Director	(appointed 9 July 2011)
Michele Allan	(appointed 18 November 2011)
Peter Boyden	(retired 18 November 2011)
(Grant) Stuart Burbidge	(retired 18 November 2011)
Michael Carroll	
Lucinda Corrigan	
Gregory Harper	
Iain Mars	
Geoffrey Maynard	(appointed 18 November 2011)
Peter Trefort	
Rodney Watt	(appointed 18 November 2011)

#### (ii) Executives

Peter Barnard	General Manager – Trade and Economic Services
Michelle Gorman	General Manager – Industry Systems
David Pietsch	General Manager – Industry Communication and Engagement
Peter Vaughan	General Manager – Livestock Production Innovation
Christine Pitt	General Manager – Client and Innovation Services
Laurence Robinson	General Manager – Corporate Services
Glen Feist	General Manager – Marketing (resigned 20 February 2012)
Michael Edmonds	General Manager – Global Marketing (appointed 19 March 2012)

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

		Consolidated	
		2012	2011
		\$	\$
<b>Directors</b>			
Short-term benefits		827,424	900,096
Post employment benefits		56,000	52,943
Other long-term benefits		18,858	10,126
	(a)	902,282	963,165
<b>Executives (b)</b>			
Short-term benefits		1,998,216	1,972,932
Post employment benefits		106,483	106,394
Other long-term benefits		33,050	36,707
	(a)	2,137,749	2,116,033

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

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

# Notes to the financial statements

## 23. DIRECTOR AND EXECUTIVE DISCLOSURES *continued*

### (b) Related party transactions

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

- Dr Allan is Director and Chair of the William Angliss Institute. The Institute is a dedicated training provider for the foods, tourism and hospitality industries. During the year they have invoiced the Company \$4,264 (2011: \$33,300) for various marketing activities.
- Robert Anderson received director's fees including superannuation totalling \$17,440 (2011: \$7,378) from AUS-MEAT Limited.
- Mr Burbidge was 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 various studies which included a genetic approach to internal parasite control in cattle, assessing the economic impact and epidemiological risks of sheep measles and the E.coli 0157 super-shedding state in cattle. Charles Sturt University has invoiced the Company \$455,240 (2011: \$135,856) and the outstanding balance at 30 June was \$16,102 (2011: \$nil).
- Mr Carroll was 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 \$444,570 (2011: \$103,697) during the year and the outstanding balance at 30 June was \$102,740 (2011: \$nil). Mr Carroll is a director of Rural Finance Corporation, which the Company has invoiced \$2,170 (2011: \$nil) for the use of NLRS reports.
- Ms Corrigan was 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 \$690,000 (2011: \$950,000) during the year and the outstanding balance at 30 June was \$55,000 (2011: \$nil). The amounts incurred involve conducting further research into the Evergraze farming systems approach on matching plant & 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 was the Deputy Chief for Business Development of CSIRO Livestock Industries until May 2012 when as part of a merger process, he became the Director of External Engagement for the new Division of Animal, Food and Health Sciences (official creation date July 1 2012). CSIRO is Australia's national science agency and Australia's largest and most diverse scientific research organisation. CSIRO has invoiced the Company \$4,102,008 (2011:\$4,211,366) primarily to carry out R&D projects, payment of which involved \$1,120,023 (2011:\$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 \$749,222 (2011: \$1,232,691) was invoiced specifically by the Division of Livestock Industries. The outstanding balance at 30 June was \$nil (2011: \$82,966). No invoices were raised specifically by the Division of Animal, Food and Health Sciences due to its state of development at the end of FY 2012. The Company invoiced CSIRO \$35,610 (2011: \$80,136) primarily for royalties and the sale of research assets.
- Mr Mars was the CEO and Director of JBS Australia Pty Ltd. JBS Australia has invoiced the Company \$1,754,443 (2011: \$1,045,813) of which \$1,515,337 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 \$239,106 was mostly payments made through the International and Domestic ICA marketing program. The outstanding balance at 30 June was \$13,463 (2011: \$403,566). The Company has invoiced JBS Australia \$582,549 (2011:\$794,186) for MSA producer training and contributions to projects primarily through the MLA Donor Company.
- Peter Trefort is a director of Sheep Co-operative Research Centre Limited (Sheep CRC), joining its Board in June 2009. The Sheep CRC is supported by major providers, managers and users of research in the Australian sheep industry and is supported under the Australian Government's Cooperative Research Centres (CRC) Program. The role of the CRC is to facilitate transformation of the sheep industry. The Sheep CRC is a Company Limited by guarantee which MLA is a participant and member of. It was established in July 2007 for a term of 7 years. The MLA Board approved its participation and contribution in February 2006. The Sheep CRC invoiced the Company \$2,166,351 (2011: \$2,917,732) to carry out R&D projects. The outstanding balance at 30 June was \$1,337,325 (2011: \$111,100).

## 24. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of cash

	Consolidated	
	2012 \$000	2011 \$000
Cash on hand	8,196	9,252
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	303	341
Short term money market deposits	63,029	71,043
Closing cash balance	71,528	80,636

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

Net (deficit)/surplus	(11,075)	876
Adjustments for:		
Net loss/(gain) on disposal of property, plant and equipment	5	(19)
Depreciation expense	1,000	849
Amortisation expense	623	857
Interest received	(3,914)	(3,954)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
– Decrease in trade and other receivables	1,688	4,381
– Decrease/(increase) in prepayments and deposits	330	(742)
Increase/(decrease) in liabilities:		
– (Decrease) in trade and other payables	(201)	(8,791)
– (Decrease)/increase in other liabilities	(1,069)	531
– Increase in provisions	470	112
Net cash from operating activities	(12,143)	(5,900)

## 25. EXPENDITURE COMMITMENTS

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

– Not later than one year	42,794	45,473
– Later than one year but not later than five years	34,949	36,262
– Later than five years	–	–
Aggregate R&D expenditure contracted for at balance date	77,743	81,735

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

– Not later than one year	3,271	3,354
– Later than one year but not later than five years	2,118	4,285
Aggregate lease expenditure contracted for at balance date (a)	5,389	7,639

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

# Notes to the financial statements

## 26. MEMBERS' FUNDS

The Company is incorporated in Australia and is a company limited by guarantee. If the Company is wound up, its Constitution states that each member is required to contribute a maximum of \$5 each towards meeting any outstanding obligations of the Company. At 30 June 2012, the number of members was 48,173 (2011: 47,556).

## 27. CONTRIBUTED EQUITY

	Consolidated	
	2012 \$000	2011 \$000
Capital contribution	9,031	9,031

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

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

### Risk exposures and responses

#### (i) Interest rate risk

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

Cash deposits and short term cash assets are held at floating exchange rates of interest that range between 0% and 5.81% at 30 June 2012. Some of these assets are held in foreign currency accounts.

#### Sensitivity analysis:

At 30 June 2012, 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	
	2012 \$000	2011 \$000
+1.00% (2011: +1.00%)	682	793
-1.00% (2011: -1.00%)	(682)	(793)

There is no direct impact on other comprehensive income.

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

### (ii) Foreign currency risk

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

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

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

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

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

At 30 June 2012, 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 2012. 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	
	2012	2011	2012 \$000	2011 \$000
<b>United States dollars</b>				
Maturing in:				
3 months or less	1.0273	0.9827	973	865
Over 3 to 12 months	1.0228	1.0278	880	1,995
			<b>1,853</b>	2,860
<b>Japanese yen</b>				
Maturing in:				
3 months or less	78.63	81.45	1,145	1,105
Over 3 to 12 months	80.62	83.43	1,364	2,733
			<b>2,509</b>	3,718
<b>Korean won</b>				
Maturing in:				
3 months or less	1144.44	1101.53	786	590
Over 3 to 12 months	1153.67	1119.76	520	1,295
			<b>1,306</b>	1,885

#### Sensitivity analysis:

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

# Notes to the financial statements

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

### *(iii) Credit risk*

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

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

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

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

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

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

### *(iv) Liquidity risk*

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

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

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

#### *A. Non derivative financial liabilities*

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

	Consolidated	
	Less than 6 months \$000	6 to 12 months \$000
<b>Financial liabilities</b>		
Trade and other payables	24,652	–
Funds held on behalf of the Commonwealth	292	–

## 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 2012	
	Market observable inputs (level 2) \$000	Total \$000
<b>Financial assets</b>		
Derivative instruments		
Forward currency contracts	(3)	(3)
	(3)	(3)

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 (2011: \$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 (2011: \$5 million) contingency fund for the management of industry crises may be accessible. Use of this facility requires a two-thirds majority decision of RMAC directors with terms and conditions as agreed by RMAC and the Commonwealth Government.
- No amount has been withdrawn from these funding facilities.

# Directors' declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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



R Anderson  
Director



S Hansen  
Director

Sydney  
13 September 2012

# Independent auditor's report



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

### Report on the Financial Report

We have audited the accompanying financial report of Meat & Livestock Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Independence*

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

# Independent auditor's report



## **Opinion**

In our opinion:

1. the financial report of Meat & Livestock Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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  
13 September 2012



# Appendices

*Scientists are tracking cattle genetic traits using a SNP chip in the August edition of feedback magazine.*

# Completed R&D projects

The following list contains technical R&D contracts completed within the 2011-12 financial year. A number of contracts of administrative, operational or capital related expenditure have not been included in this listing. All contracts under \$10,000 have also been omitted from this listing. All contracts are linked to the relevant final report or associated material.

AOP	Project code	Project description	Amount (\$)	Date completed	Service provider
1.1	A.MFS.0231	Microbiological survey of Australian red meat: baseline 2010-11	768,064	2/03/2012	Symbio Alliance
1.1	A.MFS.0246	ESAM analysis reporting service	27,000	14/02/2012	Primary Industries and Regions SA
1.1	A.MFS.0267	Confirmation: non-0157 STEC baseline	91,419	30/03/2012	CSIRO
1.1	A.MFS.0268	Screening 2: IEH non-0157 STEC baseline	46,300	30/03/2012	IEH Laboratories and Consulting Group
1.1	A.MFS.0269	Screening 1: non-0157 STEC baseline	261,607	30/03/2012	Symbio Alliance
1.1	A.MFS.0270	Screening 3: non-0157 STEC baseline	104,226	30/03/2012	Silliker Australia
1.1	P.PSH.0194	New unit in Veterinary Public Health and Food Safety	1,039,079	26/03/2012	The University of Sydney
2.1	A.MQT.0045	Development and facilitated adoption of NIR measurement of key eating quality traits	53,542	15/12/2011	Baud & Associates / Greenleaf Enterprises
2.1	A.MQT.0057	Preliminary investigation of impedance spectroscopy for measuring meat traits	20,110	16/11/2011	Industry and Investment NSW / InPhaze
2.1	A.MQT.0058	Steak cooking data for iPhone app development	49,825	26/08/2011	Sensory Solutions
2.1	A.MQT.0064	Document and protect SmartStim software	13,252	22/03/2012	CPE Systems
2.1	B.LSM.0019	Increased eating quality measurement including Dorpers	157,000	23/05/2012	Sheep CRC
2.1	B.SMQ.0057	Quantifying scope for MSA cuts-based grading model for Merino yearling sheepmeat	301,421	28/05/2012	Sheep CRC
2.1	B.SMQ.0060	Compounds associated with consumer acceptability of the flavour of lamb meat	68,500	31/10/2011	CSIRO
2.1	P.PIP.0209	New generation beef electronics, small to medium processors syndication	64,951	22/03/2012	Argus Realcold / Greenham Tasmania
2.1	P.PIP.0252	Assessment of commercial requirements for Smartstim in sheepmeat	117,545	1/03/2012	Carne Technologies Limited / CSIRO / Greenleaf Enterprises / JBS Australia
2.2	D.MHN.0030	Muscle health in the elderly	370,086	1/07/2011	Deakin University
2.2	D.MHN.0203	Investigate the metabolism of the omega 3 fatty acid, DPA, in humans	28,007	30/05/2012	Deakin University
2.2	D.MHN.0601	Assessment of the contribution of dietary intake and physical activity patterns to iron and zinc status of pre-menopausal women blood donors	41,268	28/02/2012	Australian Red Cross / Deakin University
2.2	D.MHN.0604	Knowledge of Australian agriculture among nutrition professionals	86,207	30/06/2012	Deakin University
2.2	D.MHN.0605	Cooking for health	76,807	30/06/2012	Deakin University
2.3	A.BIM.0033	Value chain models for the top 5 bioactives	77,553	1/03/2012	Occum Enterprises
2.3	A.BIT.0008	Production of bioactives using in vitro culture of cells from organs sourced from the meat processing industry	510,077	13/08/2011	Flinders University / Food Safety Services SA
2.3	A.BIT.0012	Solvent free extraction of bioactives: process development	340,000	26/06/2012	CSIRO
2.3	A.BIT.0015	IVCC commercialisation strategy development	19,705	30/07/2011	Lycopodium Process Industries
2.3	A.MPT.0030	Value adding capability tool	98,621	30/10/2011	Greenleaf Enterprises
2.3	A.MPT.0031	Value chain quantification/ qualification and mapping models	49,891	30/08/2011	Greenleaf Enterprises
2.3	A.MPT.0033	Evaluation and development of high moisture extruded red meat trim products	46,987	1/09/2011	Thricor

AOP	Project code	Project description	Amount (\$)	Date completed	Service provider
2.3	A.MPT.0035	Micronisation technology review for stabilised red meat co-products	13,429	28/05/2012	Thricor
2.3	A.MPT.0041	High pressure processing concept product development	75,000	16/11/2011	CSIRO
2.3	A.MPT.0054	SmartShape auto bagging system	31,470	21/06/2012	Fix All Services
2.3	P.PSH.0249	Development of bio-processing capacity for chondroitin sulphate and collagen type II	789,175	15/05/2012	Leaders Edge
2.3	P.PSH.0554	Protein coated gauze dressing: pre commercial trial and commercialisation	172,185	8/02/2012	NGCT
2.3	P.PSH.0606	Biological active glycoconjugate products from processing	146,850	22/06/2012	Industrial Research
3.1	B.BFG.0049	Additional measurements on muscle line cattle	216,500	30/06/2012	NSW Department of Industry & Investment
3.1	B.BSC.0095	SNP selection and pre-commercial development of a high accuracy sheep parentage assay	107,880	7/06/2012	CSIRO
3.1	B.GEN.0007	Development of national RDE plans for sheep and beef genetics 2011-2015	20,749	15/12/2011	Airlie Solutions
3.1	B.GSM.0002	Benefit:cost analysis of EverGraze	12,500	27/03/2012	Australian Wool Innovation
3.1	B.GSM.0005	Making better use of crop stubbles on mixed farms	23,000	30/01/2012	Falkiner Ag
3.1	B.LSM.0020	Development of a prime lamb skin cleanliness scoring system	43,189	14/05/2012	Department of Primary Industries Vic
3.1	B.LSM.0022	Scoping the benefits of saving labour in sheep enterprises in Australia	130,000	30/06/2012	Murdoch University
3.1	B.LSM.0025	Ultrasound measurement techniques in lamb carcasses	18,819	8/02/2012	Greenleaf Enterprises
3.1	B.LSM.0029	Developing RD&E priorities plan for individual animal information management	90,842	4/06/2012	SED Consulting
3.1	B.LSM.0031	Skin scoring cleanliness system	19,905	26/04/2012	SARDI
3.1	B.LSM.0032	Skin scoring cleanliness system	33,330	8/06/2012	Murdoch University
3.1	B.LSM.0036	Comparison of volume estimation in CT scans using mixture models	15,000	30/11/2011	Queensland University of Technology
3.1	B.LSM.0044	Continuation of Information Nucleus in sheep	415,800	30/06/2012	Sheep CRC
3.1	B.NBP.0361	Male indicator traits to improve female reproductive performance	180,000	30/06/2012	Beef CRC
3.1	B.NBP.0364	Gene discovery for post-partum reconception and puberty in cattle	880,000	30/06/2012	Beef CRC
3.1	B.NBP.0520	Early weaning technical manual	121,671	15/12/2011	Department of Primary Industries and Fisheries
3.1	B.NBP.0522	Determining the effectiveness of PEG in utilisation of topfeed by cattle	13,034	30/04/2012	NT Government
3.1	B.NBP.0554	Review of the effect of water quality on ruminant livestock health and productivity	85,864	30/11/2011	Murdoch University
3.1	B.NBP.0604	Markers and genes influencing puberty in tropically adopted beef cattle	41,000	1/09/2011	Beef CRC
3.1	B.NBP.0628	Kimberley and Pilbara RD&E program	95,000	10/04/2012	WA Agriculture Authority
3.1	B.NBP.0629	Factors associated with divergent post-weaning live weight gain in northern Australian beef cattle.	34,300	28/05/2012	University of Queensland
3.1	B.NBP.0641	Improved empirical models of cattle growth, reproduction and mortality from native pastures	60,000	25/05/2012	DEEDI Queensland
3.1	B.NBP.0705	The case for developing a sterile variety of leucaena	58,190	14/06/2012	AbacusBio
3.1	B.PAS.0343	Pasture updates NSW 2011	40,000	30/04/2012	Grassland Society of NSW

## Completed R&amp;D projects

AOP	Project code	Project description	Amount (\$)	Date completed	Service provider
3.1	B.PAS.0344	Pasture innovations research series	20,000	30/04/2012	Grassland Society of SA
3.1	B.PAS.0349	Pasture updates	80,000	14/05/2012	Grassland Society of SA
3.1	B.PAS.0350	Pasture species and trait prioritisation	19,100	15/02/2012	AbacusBio
3.1	B.PBE.0010	Researching pasture persistence in mixed swards	13,773	8/06/2012	Abbott Innovation
3.1	B.PBE.0011	Understanding pasture re-sowing decisions for meat producers	41,000	15/03/2012	RMCG
3.1	B.PBE.0012	Pasture variety trial marketing and communication plan	25,060	27/01/2012	TenMen Strategic Marketing
3.1	B.PSP.0006	Reducing the cost of pasture establishment	16,000	30/03/2012	SD & CV Burge
3.1	B.PSP.0007	Pasture health review	71,650	31/03/2012	Mike Stephens & Associates
3.1	B.PSP.0008	Sub-tropical pastures for southern meat producers	13,891	30/01/2012	Ian Maxwell Rogan Consulting
3.1	B.PSP.0009	Soil biology review and project prioritisation	25,335	13/06/2012	R J Hannam & Co
3.1	B.SBP.0086	Phenotypic prediction	180,000	30/06/2012	Beef CRC
3.1	B.SCC.0118	Development of a code of practice for intensive lamb finishing	512,704	30/12/2011	Productive Nutrition
3.1	B.SGA.0170	MERINOSELECT index review	10,500	30/06/2012	AbacusBio
3.1	B.SGN.0133	Modelling economic benefit of using genomic information in the sheep industry	30,000	1/02/2012	CSIRO
3.2	A.OHS.0061	Bandsaw resistant glove	30,000	11/01/2012	Kenovations / Design + Industry
3.2	A.OHS.0063	Q fever register 2011-12	115,332	30/06/2012	Ausvet Animal Health Services
3.2	A.TEC.0077	Operator controlled beef shackling system	379,500	9/11/2011	Strategic Engineering
3.2	A.TEC.0079	Multi-purpose small processor puller	15,663	5/06/2012	Matrix Professionals/ Scott Technology Australia
3.2	A.TEC.0080	3D X-Ray Developments	96,656	15/11/2011	Matrix Professionals/ Scott Technology Australia / Siemens AG
3.2	A.TEC.0081	Automated (CO2) beef de-dagging	72,100	20/02/2012	Scott Technology Australia
3.2	A.TEC.0082	Beef back boner: concept design	401,745	16/09/2011	Danish Technological Institute / Robotic Technologies
3.2	A.TEC.0086	Automated ovine shoulder break up	172,000	15/06/2012	Business and Manufacturing
3.2	P.PIP.0206	Foreleg, brisket and neck dual robot Sanivac	869,132	8/03/2012	Machinery Automation & Robotics
3.2	P.PIP.0208	Auto load VIP shoulder puller	200,670	10/02/2012	WAMMCO International
3.2	P.PIP.0260	Bladestop	530,933	15/06/2012	Bladestop
3.2	P.PIP.0262	Robotic kidney fat removal system	577,083	15/03/2012	Machinery Automation & Robotics
3.2	P.PIP.0271	Beef loin deboning manual saw semi-automation	125,214	28/05/2012	Greenleaf Enterprises / Scott Technology Australia
3.2	P.PIP.0275	ROC 450: Robotic ovine primal cutter system	2,081,360	13/12/2011	Machinery Automation & Robotics/ GM Scott
3.2	P.PIP.0292	Hardwick robotic brisket cutter	345,509	25/05/2012	Machinery Automation & Robotics
3.2	P.PSH.0351	Competitive (lean) manufacturing graduate	201,920	15/08/2011	TexSkill
3.2	P.PSH.0361	Development of ddle cutting to accommodate size variability	872,500	30/10/2011	ATTEC Danmark A/S
3.2	P.PSH.0485	Robotic brisket cutter	423,680	17/11/2011	Machinery Automation & Robotics

AOP	Project code	Project description	Amount (\$)	Date completed	Service provider
3.2	P.PSH.0526	Automated beef splitting	635,623	30/09/2011	Machinery Automation & Robotics
3.2	P.PSH.0585	Red meat project manager	211,200	31/10/2011	Machinery Automation & Robotics
3.2	P.PSH.0603	X-ray development trials	47,058	1/11/2011	Machinery Automation & Robotics
3.4	B.AHE.0019	Forewarning of ARG risk for producers	24,727	30/11/2011	Haen / Department of Agriculture / Rural Industries R&D Corporation
3.4	B.AHE.0033	Evaluate new rabbit haemorrhagic disease virus strains	250,000	30/06/2012	Invasive Animals CRC
3.4	B.AHE.0038	Distribution and significance of major piroplasm surface protein types	154,202	27/02/2012	Industry & Investment NSW / Bert de Vos/ DEEDI Queensland / Department of Primary Industries Vic
3.4	B.AHE.0074	Johnes disease test validation in beef cattle	47,600	30/04/2012	University of Sydney
3.4	B.AHE.0076	Theileria orientalis vaccine development potential	20,500	31/08/2011	DEEDI Queensland
3.4	B.AHE.0078	Buparvaquone assay method development and validation	16,485	30/11/2011	Agrisearch Analytical / Department of Trade and Investments
3.4	B.AHE.0193	Fungal biopesticide for cattle tick and buffalo fly control	91,126	30/05/2012	DEEDI Queensland/ University Of Queensland
3.4	B.AWW.0209	Polled gene marker refinement	108,000	15/11/2011	Animal Genetics and Breeding Unit / Beef CRC / CSIRO / University of New England / University Of Queensland
3.4	P.PSH.0296	Field study to assess the efficacy of Silirum vaccine in two cattle herds	972,549	5/08/2011	Pfizer Australia
3.4	P.PSH.0297	Improved diagnosis and prevention of bovine Johnes disease	1,312,200	7/09/2011	University of Sydney
3.4	P.PSH.0309	Evaluation of Gudair vaccination for the control of OJD	276,745	8/09/2011	University of Sydney
3.4	P.PSH.0444	Re-evaluation of worm control and anthelmintic resistance in cattle	95,731	16/12/2011	WA Department of Agriculture
3.4	P.PSH.0547	Animal health survey of Australian feedlot sector 2010	189,091	30/05/2012	Ausvet Animal Health Services
4.1	A.ENV.0100	Review of contaminant emissions	46,240	15/05/2012	GHD
4.1	A.ENV.0129	Saving electrical energy and cost phase changing materials	32,844	15/06/2012	KAV Consulting / R.B & R.A. Brooks
4.1	A.ENV.0131	Energy and nutrient analysis on individual waste streams	55,000	30/06/2012	University of Queensland
4.1	A.ENV.0132	High rate aerobic treatment combined with anaerobic digestion and anammox	121,000	30/06/2012	University of Queensland
4.1	A.ENV.0133	Integrated agroindustrial wastewater treatment and nutrient recovery	118,000	30/06/2012	University of Queensland
4.1	B.ENV.0056	Environmental stewardship module	14,584	31/08/2011	AUS-MEAT
4.1	B.ERM.0103	Assessing changes to Tasmanian pastures	20,000	7/12/2011	University of Tasmania
4.1	B.NBP.0552	Parkinsonia dieback workshops	80,000	6/06/2012	University of Queensland
4.1	B.NBP.0615	Nitrogen contribution to grazing ecosystems by cyanobacteria	19,000	6/06/2012	University of Queensland
4.1	B.NBP.0618	Preliminary investigation of prickly acacia dieback	35,000	12/03/2012	University of Queensland
4.1	B.NBP.0688	Electronic pasture assessment tool preliminary investigation	29,950	21/10/2011	DEEDI Queensland

## Completed R&amp;D projects

AOP	Project code	Project description	Amount (\$)	Date completed	Service provider
4.1	B.WEE.0128	Biological control of serrated tussock	64,000	16/04/2012	DPI Victoria
4.1	P.PIP.0204	A comparison of environment implications of various treatments of abattoir waste water	46,124	15/09/2011	R.B & R.A. Brooks
4.1	P.PIP.0265	Pilot of creative water technology	160,933	7/02/2012	Teys Australia
4.1	P.PIP.0306	Waste stream audit and analyses	35,040	12/03/2012	Australian Laboratory Services / Churchill Abattoir Trading
4.1	B.PAS.0236	Enrich 2: Building the capacity for multi-purpose forage shrub systems	300,000	30/03/2012	Future Farm Industries CRC
4.1	B.HRZ.0210	EverGraze 2008-2011	650,000	22/02/2012	Future Farm Industries CRC
4.2	A.ENV.0110	Paunch as boiler fuel	26,120	30/06/2012	Bridle Consulting
4.2	A.ENV.0127	Use of dewatered paunch waste and DAF sludge as a boiler fuel	13,566	1/05/2012	Emission Testing Consultants
4.2	B.CCH.1003	Novel individual enteric methane measuring system	541,000	24/01/2012	CSIRO
4.2	B.CCH.1005	Metagenomic analyses of feed utilization and hydrogen balance in Australian livestock for lower methane emissions.	797,500	28/03/2012	CSIRO
4.2	B.CCH.1006	Genetic improvement of cattle for GHG outcomes	1,104,200	16/03/2012	University of New England
4.2	B.CCH.1007	Archaeophage therapy to control rumen methanogens	310,001	16/12/2011	University of Queensland
4.2	B.CCH.1008	A tool to investigate methane mitigation strategies	511,885	16/12/2011	SARDI
4.2	B.CCH.1009	Enteric methane abatement strategies for ruminant production	1,390,080	16/12/2011	Department of Primary Industries Vic
4.2	B.CCH.1010	Novel strategies for enteric methane abatement	600,000	24/01/2012	University of New England
4.2	B.CCH.1011	Peptide-phage display libraries to discover bioactives against rumen methanogens	420,000	24/01/2012	CSIRO
4.2	B.CCH.1012	Antimethanogenic bioactivity of Australian plants for grazing systems	660,000	27/04/2012	University of WA
4.2	B.CCH.1014	Increasing productivity and reducing methane emissions by supplementing feed with dietary lipids	449,504	8/02/2012	University of Queensland
4.2	B.CCH.1015	Breeding low methane emitting sheep and elucidating the underlying biology	1,045,000	16/12/2011	Sheep CRC
4.2	B.CCH.1018	Microbial ecology of hydrogenotrophic rumen microorganisms	384,000	24/01/2012	CSIRO
4.2	B.CCH.1020	Manure management to reduce GHG from cattle feedlots	737,090	2/03/2012	University of Melbourne
4.2	B.CCH.1021	Intra-ruminal measurement of methane	185,000	16/05/2012	CSIRO
4.2	B.CCH.1022	Short-term methane measures to quantify daily emissions	115,000	16/05/2012	University of New England
4.2	B.CCH.1023	Blood methane concentration	80,000	30/06/2012	CSIRO
4.2	B.CCH.1024	Variability in methanogenic potential of the biserrula pelecinus	120,000	3/05/2012	University of WA
4.2	B.CCH.1025	A genomic strategy to identify archaeal viruses in the rumen	105,000	12/04/2012	DEEDI Queensland/ University Of Queensland
4.2	B.CCH.1027	Phylogenetic identification of rumen microbial organisms	100,000	18/04/2012	Primary Industries and Resources SA/ SARDI
4.2	B.CCH.1031	Demonstration of practical methane management strategies	250,000	6/03/2012	University of WA
4.2	B.CCH.1032	Demonstration of practical methane management strategies	250,000	28/03/2012	CSIRO
4.2	B.CCH.1033	Demonstration of practical methane management strategies	250,000	28/03/2012	University of New England

AOP	Project code	Project description	Amount (\$)	Date completed	Service provider
4.2	B.CCH.1034	Demonstration of practical methane management strategies	250,000	1/03/2012	Department of Primary Industries Vic
4.2	B.CCH.1036	Open path FTIR project	415,000	6/03/2012	University of Wollongong
4.2	B.CCH.1039	Modelling options for net carbon balance	50,000	20/04/2012	Industry & Investment NSW / University of New England
4.2	B.CCH.1046	Extension of FarmGas decision support tool	120,000	16/05/2012	Australian Farm Institute
4.2	B.CCH.1048	Scoping study for RELRP database	150,000	31/10/2011	CSIRO
4.2	B.CCH.1065	Effect of starch-based concentrates on methane emissions	190,000	9/06/2012	Victorian Government
4.2	B.CCH.1075	Selection and adoption of low heritability traits for lower emissions	30,190	30/05/2012	AbacusBio
4.2	B.CCH.1076	Understanding the ruminant pan-genome	24,000	16/05/2012	University of WA
4.2	B.CCH.1080	Modelling options for net carbon balance	50,000	17/01/2012	University of WA
4.2	B.CCH.1081	Modelling options for net carbon balance	50,000	19/04/2012	Department of Primary Industries Vic
4.2	B.CCH.1082	Modelling options for net carbon balance	50,000	24/01/2012	University of Tasmania
4.2	B.CCH.1083	Modelling options for net carbon balance synthesis report	75,000	16/05/2012	Industry & Investment NSW / University of New England
4.2	B.CCH.1085	Infrared thermography as proxy for measuring emissions	104,500	15/05/2012	University of Melbourne
4.2	B.CCH.1086	Proposed CFI methodology to reduce emissions through ration formulation	96,000	30/06/2012	Ternes Agricultural Consulting
4.2	B.CCH.2026	Water foot printing of livestock products	104,746	30/09/2011	CSIRO
4.2	B.FLT.0366	Energy recovery from feedlot waste feasibility study	25,000	31/08/2011	Bridle Consulting
4.2	B.MGS.0043	Matching grazing decision points based on soil water and forecast	65,000	20/06/2012	IMJ Consultants / University of Melbourne
4.2	B.NBP.0617	Climate change adaption improved strategies and policies for northern beef industry	450,000	28/05/2012	CSIRO
4.2	B.SBP.0071	Climate change adaption whole farm systems analysis for southern grazing industries	229,643	29/06/2012	University of Tasmania
4.2	B.SBP.0072	Climate change adaption whole farm systems analysis for southern grazing industries	745,357	1/05/2012	University of Melbourne
4.2	B.SBP.0073	Climate change adaption whole farm systems analysis for southern grazing industries	500,000	30/06/2012	CSIRO
4.2	B.SBP.0098	Climate change adaption review	22,311	2/11/2011	David Masters
4.3	B.FLT.0151	Heat load forecast service	60,000	30/06/2012	Katestone Environmental
5.1	A.CIS.0027	Ovine evisceration evaluation	49,826	2/11/2011	Professional Investment Services
5.1	A.ENV.0118	Cost:benefit analysis of co-generation	29,840	1/06/2012	SDA Engineering
5.1	A.ENV.0119	Solid anaerobic	17,000	15/05/2012	Colley Consulting
5.1	A.MIS.0010	Meat industry services	441,100	24/08/2011	CSIRO
5.1	A.MIS.1001	Meat Industry Services	160,000	30/06/2012	CSIRO
5.1	B.GOA.0042	Goat producer attitudinal survey and analysis	99,400	12/06/2012	Rural Directions
5.1	B.GOA.0044	On-farm goat program RD&E strategy	44,700	26/04/2012	Resource Strategies
5.1	B.GOA.0055	Goat nutrition in Australia review	49,746	31/03/2012	Productive Nutrition
5.1	B.MBP.0233	MBfP forums: Raising the Steaks	40,000	8/09/2011	Rural Directions
5.1	B.MMS.1032	MMfS forums Audiovisual services	62,838	26/08/2011	Australian Public Address
5.1	B.NBP.0467	Sustainable grazing practices in tropical savanna rangelands	27,000	30/06/2012	CSIRO

## Completed R&amp;D projects

AOP	Project code	Project description	Amount (\$)	Date completed	Service provider
5.1	B.NBP.0589	Improving knowledge and skills of best-practice husbandry	90,700	28/02/2011	Ross Newman
5.1	P.PSH.0337	Tropical Beef Technology Services	461,670	31/08/2011	Agricultural Business Research Institute
5.1	P.PSH.0420	Managing your profit drivers courses	130,239	8/05/2012	Holmes Sackett
5.2	A.MIN.0105	Benchmarking audit of meat industry trainer capacity	16,439	22/04/2012	MINTRAC
5.2	A.SCC.0059	Bar coding training programs	20,000	15/06/2012	MINTRAC
5.2	P.PIP.0219	Graduate program	148,180	14/05/2012	JBS Australia
5.2	P.PIP.0220	Graduate program	136,794	14/05/2012	JBS Australia
5.2	P.PIP.0221	Graduate program	114,289	14/05/2012	JBS Australia
5.2	P.PIP.0223	Graduate program	168,371	29/06/2012	JBS Australia
5.2	P.PIP.0224	Graduate program	147,582	14/05/2012	JBS Australia
5.2	P.PSH.0403	Graduate program	458,702	30/05/2012	Matrix Professionals
5.2	P.PSH.0423	Graduate program	252,965	1/12/2011	Midfield Meat International
5.3	A.MIN.0095	Meat industry training network	164,745	31/07/2011	MINTRAC
5.3	A.SCT.0065	Scoping beef supply chain initiatives project WA	16,946	15/08/2011	Greenleaf Enterprises
5.3	A.SCT.0067	Further development of beef value optimisation project	26,000	23/03/2012	Greenleaf Enterprises
5.3	B.GOA.0043	GiG guide	90,000	30/04/2012	DEEDI Queensland
5.3	B.NBP.0380	Best practice manual for the Top End	15,600	2/02/2012	NT Government
5.3	B.PDS.0001	Measuring lucerne/grass mix pasture	34,850	1/02/2012	Department of Primary Industries Vic
5.3	B.PDS.0005	Managing the growth of weaner cattle	37,793	30/01/2012	Tablelands / Stock Health & Pest Australia
5.3	B.PRS.9011	Fertility rundown in buffel pastures using legumes	15,000	26/06/2012	Donnybrook Landcare Group
5.3	P.PIP.0183	Collaborative Innovation Strategy	548,910	18/10/2011	Teys Australia
5.3	P.PSH.0349	Innovation manager professional development	12,264	9/05/2012	C.R.F. (Colac Otway)
5.3	P.PSH.0490	Ensuring leucaena can help the livestock industry	140,800	2/06/2012	Leucaena Network Association

# Industry collaborative agreements (ICAs)

The following list is of all ICAs undertaken in 2011-12 for marketing activities conducted in all markets, with MLA's contribution to each participant listed. The amounts listed were current at September 2012.

BEEF		BEEF		LAMB	
Company	Amount (\$)	Company	Amount (\$)	Company	Amount (\$)
AACO	230,577	Nolan Meats	18,787	Ausfine Foods	–
Abel Agrico	–	OBE Beef	50,763	Austral Pacific Exports	–
Andrews Meats	12,077	Oz Nature	2,864	Australian Lamb Co	1,625
Atron International	238,418	P & M Smallgoods	10,426	Dorper Lamb	3,787
Austral Pacific Exports	–	Pegela Pastoral Co.	–	Five Star Lamb	5,680
Australian Certified Wagyu	15,352	Prestige Foods Int	8,187	Fletcher International	–
Australian Country Choice	121,737	PrimeAg Meats	2,419	Homebush Export Meat	50,000
Australian Organic Meats	18,750	Rangers Valley	53,914	Intec Australia	28,971
Barcoo Agribusiness	5,597	Richard Gunner Fine Meats	26,844	JBS Australia	–
Beak & Johnston	12,937	Sanger Australia	97,922	Mulwarra Exports	11,756
Beefcorp	5,660	Signature Beef	20,409	OBE Lamb	–
Bidvest Australia	35,752	Stanbroke Beef	215,298	PrimeAg Meats	2,146
Bingil Bay	2,155	Stockyard	n/a	Sanger Australia	6,184
Bush's Meats	11,081	T&R Pastoral Co.	5,160	T&R Pastoral Co.	48,392
Cargill Beef*	18,391	Tasmania Feedlot	180,298	Top Cut Foods	15,079
Carpenter Beef	75,364	Teys Bros	172,301	V&V Walsh	–
Comgroup Supplies	–	Top Cut Foods	12,392	White Stripe Foods	49,715
Customised Beef Traders	–	V&V Walsh	61,896	<b>TOTAL</b>	<b>223,335</b>
Dardanup Butchery	201,435	Western Meat Packers	11,301		
Dorper Lamb	–	White Stripe Foods	45,668		
Dunnett & Johnston	4,895	Wilmot Natural Beef	9,400		
Elders International	35,257	<b>TOTAL</b>	<b>3,298,944</b>		
Floreat Meats	1,391				
Foodcomm Australia	244,844				
Foodworks International	–				
Gippsland Meats	17,999				
Glenview Angus	–				
Gourmet Foods Australia	21,597				
Greenhams Australia	66,874				
Harvey Industries	8,572				
Hereford Prime	29,351				
Homebush Export Meat	250,000				
Intec Australia	28,578				
Itoham (Riverina Australia)	54,576				
JBS Australia	162,179				
John Dee	25,540				
Kilcoy Pastoral Co.	28,274				
Margaret River Premium Meats	942				
Mariani Foods	61,276				
Matrad	69,091				
Meat Tender	–				
Mulwarra Exports	23,718				
Nippon Meat Packers	110,448				

# Useful information

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*

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## 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

- FC Front cover  
IFC Inside front cover  
IBC Inside back cover
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MLA's *Annual report 2011-12* is available online at  
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