

MLA AT A GLANCE

Our purpose

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

Our vision

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

Our mission

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

OUR FOUNDATIONS

Established
1998



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

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

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

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

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

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


50,128
members

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

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

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



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

Our values

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

Our strategic pillars

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

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

OUR BUSINESS MODEL

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

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

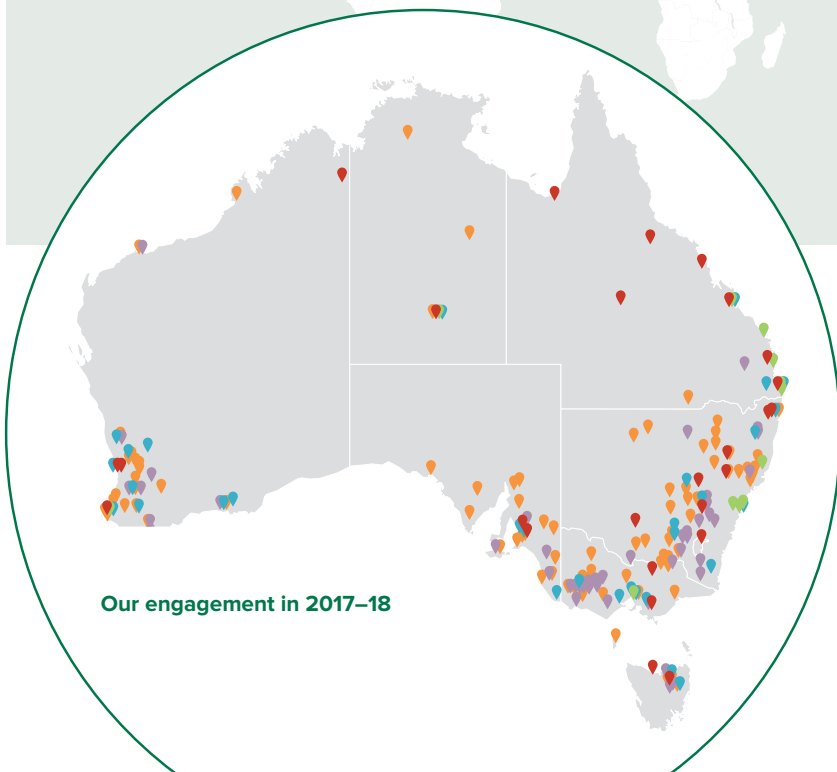
Our employees: At 30 June 2018 MLA had 265 employees across eight countries. MLA's workforce profile reflects a balanced gender profile and age distribution across the organisation (see page 69). More than 52% of employees were from a rural background.

Our locations

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



* MLA has a presence through local agents in these locations but does not have registered offices



Our engagement in 2017–18

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

These locations are in addition to 82 events sponsored by MLA

CHAIR'S REPORT

Board business, industry trends and outlook



Dr Michele Allan, Chair

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

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

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

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

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

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

Cattle and beef market

KEY TRENDS

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

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

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

Australian beef exports continue to experience intense competition in

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

Sheepmeat market

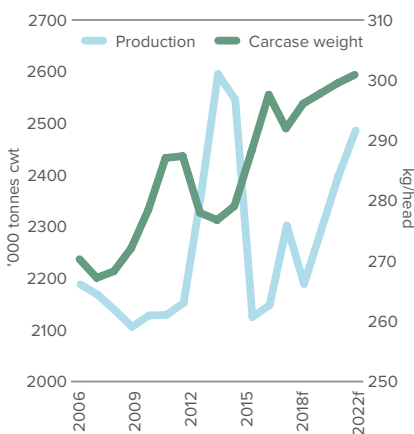
KEY TRENDS

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

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

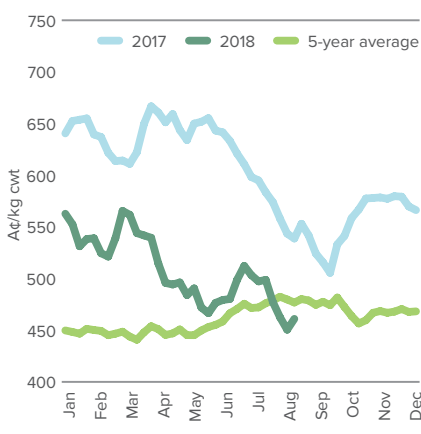
This growth in production is translating into increased exports, with lamb exports expected to surpass last year's record numbers. The global demand for Australian lamb remains strong, helping to drive up prices despite the increases in supply. This demand from international markets will be crucial in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

Figure 1. Beef and veal production



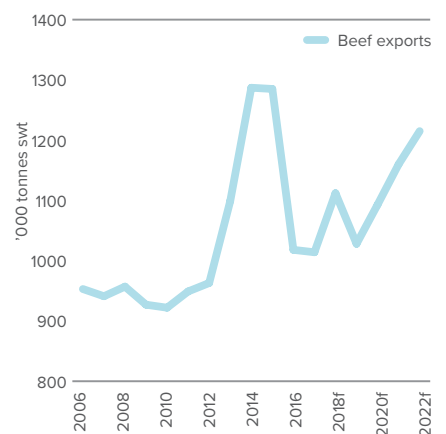
Sources: ABS, MLA forecasts

Figure 2. Eastern Young Cattle Indicator



Sources: ABS, MLA

Figure 3. Australian beef exports



Source: DAWR

Figure 4. National Trade Lamb Indicator

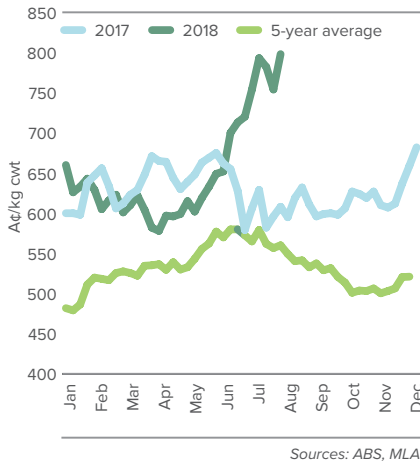


Figure 5. Australian lamb production

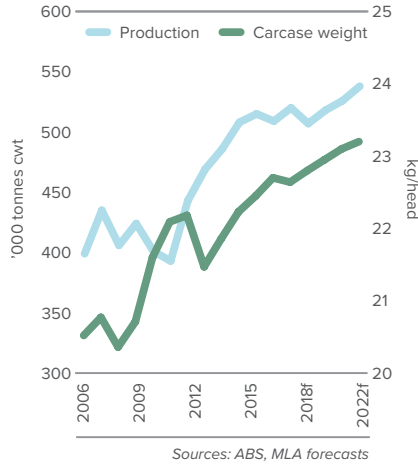
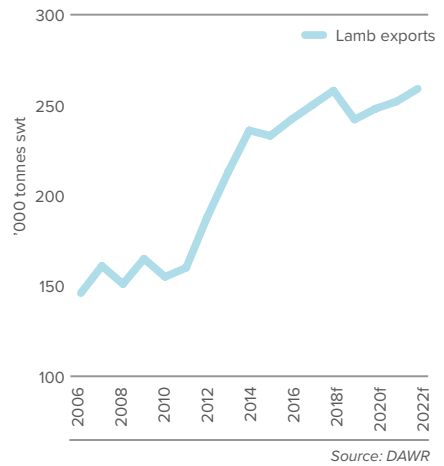


Figure 6. Australian lamb exports



Goat market

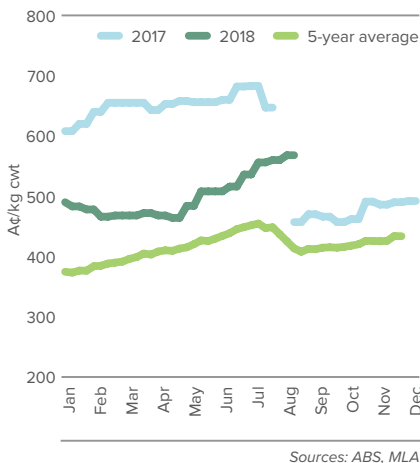
KEY TRENDS

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

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

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

Figure 7. Goat over-the-hooks indicator



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

Board business

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

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

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

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

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

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

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


Dr Michele Allan
Chair

MANAGING DIRECTOR'S REPORT

MLA's focus and outlook



Richard Norton,
Managing Director

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

Customer centricity

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

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

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

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

Beef Industry Sustainability Framework

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

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

Consumer and customer engagement

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

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

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

Stakeholder events

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

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

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

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

Accountability through transparency

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

Pillar and priority performance

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

Financial performance

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

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

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

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

Outcomes that make a difference

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

Domestic and international competitiveness

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

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

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

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

Carbon neutrality

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

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

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

Research collaboration

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

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

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

Looking ahead

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



Richard Norton
Managing Director



2017–18 HIGHLIGHTS

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

13 new on-farm RD&A projects

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



\$152 million in additional farm gate returns

delivered by Meat Standards Australia (page 30)

MLA commences 'carbon neutral by 2030' project

(page 19)



5 of 12 projects underway

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



Pasture Trial Network website launched

(page 37)

Timeline of achievements



July 2017

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



August 2017

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



September 2017

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



October 2017

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



November 2017

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



December 2017

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

MLA's inaugural
Red Meat event

ranked 8.6/10 for overall satisfaction

by attendees (page 51)

More than 470 producers

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

(page 44)



Australia's first commercial beef DEXA machine installed

(page 39)



9.59% increase in domestic lamb sales

during summer lamb
campaign

(page 26)



Animal welfare and biosecurity

added to LPA program to
enhance integrity systems

(page 32)



January 2018

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



February 2018

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



March 2018

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



April 2018

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



May 2018

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



June 2018

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

2017–18 SUMMARY STATISTICS

at 30 June 2018

Revenue

↑ **35.9% to**
\$272.5 million



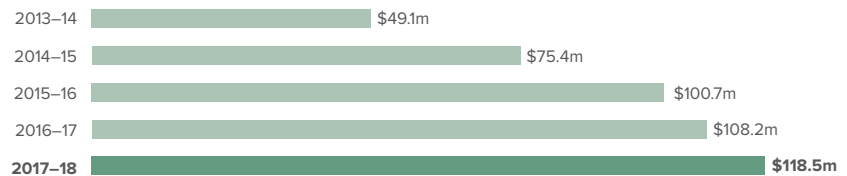
Expenditure

↑ **35.8% to**
\$262.2 million



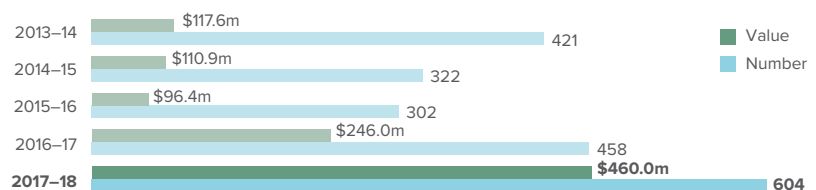
Retained earnings

↑ **9.5% to**
\$118.5 million



Number of current research contracts

604 worth
\$460.0 million



Number of MLA employees

↑ **9.0% to**
265 employees



Number of MLA members

↑ **0.8% to**
50,128 members



Key performance indicators

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

