
MEAT AND LIVESTOCK AUSTRALIA

3 YEAR REVIEW OF PERFORMANCE FINAL REPORT

JUNE 2010

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Meat & Livestock Australia

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ABBREVIATIONS & ACRONYMS

ALEC	Australian Livestock Exporters' Council
ALFA	Australian Lot Feeders Association
AMIC	Australian Meat Industry Council
AMPC	Australian Meat Processor Corporation
AOP	Annual Operating Plan
BCR	Benefit cost ratio
CCA	Cattle Council of Australia
CIS	Client Innovation Services
GICA	Goat Industry Council of Australia
HR	Human Resources
IP	Intellectual Property
IT	Information Technology
KPI	Key Performance Indicator
Live	Corp Australian Livestock Export Corporation
LPI	Livestock Production Innovation
MISP	Meat Industry Strategic Plan
MLA	Meat & Livestock Australia
MoU	Memorandum of Understanding
MSA	Meat Standards Australia
NLIS	National Livestock Identification System
NLRS	National Livestock Reporting Service
RDC	Research and Development Corporation
SCA	Sheepmeat Council of Australia
SFA	Statutory Funding Agreement
SABRC	Southern Australia Beef Research Council
NABRC	North Australia Beef Research Council

EXECUTIVE SUMMARY

INTRODUCTION

Meat and Livestock Australia (MLA) was established as a research, development and marketing service company for the meat and livestock industry in 1998. MLA provides marketing and research services to the Australian red meat industry, including livestock producers and lot feeders, meat processors, wholesalers, foodservice operators, retailers and exporters of red meat and livestock. MLA's mission is to deliver world-class services and solutions in partnership with industry and government.

MLA is predominantly funded by statutory levies paid on livestock sales. Additional investment is also sourced from co-operative contributions from individual processors; wholesalers, foodservice operators and retailers; and contributions from processor and livestock export industry bodies. The Australian Government matches the contributions made for research and development activities, up to 0.5% of the gross annual value of production.

REVIEW METHODOLOGY

This independent external review is a requirement of MLA's Statutory Funding Agreement (SFA) with the Australian Government. This agreement was signed by MLA and the Commonwealth in April 2007.

The terms of reference for the review, require an assessment of MLA's performance against its strategic and annual operating plans and take into account:

- the performance of MLA in meeting its obligations under the 2007 Deed;
- MLA's development of its strategic, operating, risk management, fraud control and intellectual property plans as required under the 2007 Deed; and
- the delivery of benefits to the industry foreshadowed by MLA's strategic and operating plans, since inception in 1998.

In line with these requirements, the review comprised the following areas of investigation:

- MLA's position, role and responsibilities;
- strategy development and implementation;
- organisation structure;

- consultation, liaison and collaboration with stakeholders;
- corporate governance; and
- company systems and support.

The Review Team has been informed by MLA documentation and interviews with stakeholders. More than 100 documents have been reviewed and 79 individuals including MLA directors, staff, and external stakeholders spanning Peak Councils, industry, government, partners and service providers have been consulted.

REVIEW FINDINGS AND RECOMMENDATIONS

Based on consultation and extensive review of MLA documents, the review finds that MLA has:

- a structured approach to preparing the company's strategic and annual operating plans. MLA plans align with government research and development priorities and cascade from industry priorities established in the Meat Industry Strategic Plan, through MLA's strategic and annual operating plans to business unit and program plans. The company has established and formalised approaches to involve stakeholders in the development of the annual operating plan.
- an organisational structure that supports the delivery of the company's strategy, which has changed over time in response to changes in strategy emphasis and industry requirements.
- the support of its Peak Councils and key stakeholders, and is viewed as a valuable contributor to the red meat industry. MLA directors and staff are perceived highly by stakeholders as skilled professionals working for the benefit of industry.
- a Board that is open and transparent. The Board has policies and procedures to guide its operations and has been committed to improving governance at all levels.
- been diligent and meticulous in meeting the requirements of the company's Statutory Funding Agreement with the Commonwealth.
- company systems and support functions that have improved over time, and clearly support the implementation of the company's strategy and policies, including those associated with fraud, risk and intellectual property management.
- a comprehensive approach to assessing value for money from past investments.

In summary, against the established terms of reference, the review concludes:

Terms of Reference One - An assessment of MLA's performance against its strategic and annual operating plans

- MLA's activities align with the strategies and key initiatives presented in the company's strategic and annual operating plans.
- MLA has met the majority of the detailed performance indicators set in the company's annual operating plans.
- MLA has taken steps to develop a structured and transparent approach to demonstrate performance against plans to stakeholders. This approach requires further development to ensure consistency across the business and greater clarity in reporting.
- The absence of quantified key performance indicators inhibits definitive assessment of MLA's performance against its strategic plan. However, the performance of the company against its annual operating plans and assessments of value to levy payers give confidence that MLA has performed well over the lifetime of the current strategic plan.

Terms of Reference Two - The performance of MLA in meeting its obligations under the 2007 Deed

- MLA has been diligent and meticulous in meeting the requirements of both the company's constitution and the Statutory Funding Agreement with the Commonwealth.

Terms of Reference Three - MLA's development of its strategic, operating, risk management, fraud control and intellectual property plans

- MLA has a structured approach to preparing the company's strategic and annual operating plans. The company has established and formalised approaches to involve stakeholders in the development of the annual operating plan.
- MLA plans cascade from industry priorities established in the Meat Industry Strategic Plan, through MLA's Strategic and annual operating plans to business unit and program plans. MLA plans align with government research and development priorities.
- MLA has developed comprehensive risk management, fraud control plans and intellectual property plans, and these plans are reviewed by the company at appropriate intervals. The company has an extensive suite of policies, systems and procedures to support the implementation of these plans.

Terms of Reference Four - the delivery of benefits to the industry since inception in 1998.

- MLA has developed a robust approach to evaluation, and has comprehensive processes in place to assess performance and the delivery of benefits to industry and levy payers.
- The Review Team finds with confidence that MLA has delivered value to the industry and levy payers since its inception.

This Review makes a number of recommendations for MLA's consideration. Recommendations relating to specific areas of company activity are presented as eighteen detailed recommendations throughout the document. The principal recommendations of the review, which relate to company-wide planning and operations, are outlined below.

MLA first introduced a company strategic plan at the commencement of the review period in response to a requirement of the statutory funding agreement. Consultation conducted as part of the review highlights an opportunity for MLA and its stakeholders to jointly reassess the role of future MLA strategic plans, and the contribution that stakeholders can be expected to make. The principal recommendations of the review are:

1. It is recommended that MLA, in consultation with its stakeholders, consider a more strategic and structured approach to stakeholder relationships. This will ensure the company continues to improve the effectiveness and efficiency of the company's extensive efforts in liaising with industry, government, key partners and service providers.
2. It is recommended that MLA consider the benefits of developing a consistent ex-ante evaluation process that enables comparison of value to levy payers across programs. Such an approach will encourage structured discussion of strategic alternatives and support decision making.
3. It is recommended that MLA consider establishing quantified key performance indicators for its strategic objectives, to enable active measurement of the performance of the company in delivering its strategic plan.
4. It is recommended that MLA refine its approach reporting outcomes to stakeholders to ensure clarity and consistency across business units. Such refinement will enhance the delivery of MLA's commitment to transparently communicate the company's performance in implementing plans and the benefits it provides levy payers.

1 INTRODUCTION

1.1 OVERVIEW

Meat and Livestock Australia (MLA) was established as a service company for the meat and livestock industry in 1998. MLA provides marketing and research services to the Australian red meat industry, including livestock producers and lot feeders, meat processors, wholesalers, foodservice operators, retailers and exporters of red meat and livestock. MLA's mission is to deliver world-class services and solutions in partnership with industry and government.

MLA is predominantly funded by statutory levies paid on livestock sales. Additional investment is also sourced from co-operative contributions from individual processors; wholesalers, foodservice operators and retailers; and contributions from processor and livestock export industry bodies. The Australian Government matches the contributions made for research and development activities, up to 0.5% of the gross annual value of production.

1.2 PURPOSE OF THIS REVIEW

This independent external review is undertaken in accordance with MLA's Statutory Funding Agreement (SFA) with the Australian Government. This agreement was signed by MLA and the Commonwealth in April 2007. The SFA requires a performance review to be conducted before 20 June 2010. This is the first such review of the company since its inception.

1.3 REVIEW METHODOLOGY

The terms of reference for the review, as stipulated by the SFA, require an assessment of MLA's performance against its strategic and annual operating plans and take into account:

- the performance of MLA in meeting its obligations under the 2007 Deed;
- MLA's development of its strategic, operating, risk management, fraud control and intellectual property plans as required under the 2007 Deed; and
- the delivery of benefits to the industry foreshadowed by MLA's strategic and operating plans, since inception in 1998.

MLA operates within the context of the broader Australian meat and livestock industry. Key instruments that influence the company's operations include the Australian Meat and Live-stock Industry Act 1997, MLA's Statutory Funding Agreement with the Commonwealth, the Meat Industry Memorandum of Understanding and MLA's Constitution.

In line with the requirements of these instruments, the review comprised the following areas of investigation:

- MLA's position, role and responsibilities;
- strategy development and implementation;
- organisation structure;
- consultation, liaison and collaboration with stakeholders;
- corporate governance; and
- company systems and support.

This report of the review is structured according to these areas of investigation and uses them as the principal headings.

The evaluation criteria for each of the areas of investigation were:

- alignment with the key objectives;
- progress towards or support for the achievement of objectives; and
- efficiency of this progress and any improvements made.

The Review Team has been informed by MLA documentation and interviews with MLA directors, staff, service providers, industry stakeholders, partners and government.

More than 100 documents have been reviewed and 79 individuals interviewed. 59 external stakeholders spanning Peak Councils, industry, government, partners and service providers have been consulted. A breakdown of stakeholders involved in consultation is provided in Table 1.

Table 1 Summary of consultation by stakeholder group

Stakeholder Group	Number people interviewed
Staff	15
Directors & former directors	5
Industry	29
Government	9
R&D partners & providers	12
Marketing partners & providers	6
Others	3
TOTAL	79

A detailed methodology, outlining the consultation process and documents reviewed, is presented in Appendices 1 and 2.

2 MLA'S POSITION AND ROLE IN THE MEAT AND LIVESTOCK INDUSTRY

2.1 THE AUSTRALIAN RED MEAT MEMORANDUM OF UNDERSTANDING

A Memorandum of Understanding (MoU) entered into by nine red meat industry organisations and the Commonwealth Government in April 1998 is the guiding document that describes MLA's position in the Australian Red Meat Industry. Signatories to the MoU are:

- industry Peak Councils (Cattle Council of Australia (CCA), Sheepmeat Council of Australia (SCA), National Meat Association of Australia (NMA), Australian Meat Council Limited (AMC), Australian Livestock Exporters' Council (ALEC), and the Australian Lot Feeders' Association (ALFA))¹ ;
- industry companies (Meat and Livestock Australia, Australian Meat Processor Corporation (AMPC), Australian Livestock Export Corporation (LiveCorp)); and
- Commonwealth of Australia.

The MoU articulates the role, responsibilities and obligations of MLA in providing services to the industry. These include:

- to undertake activities on behalf of producers, joint functions (funded jointly with Livecorp and/or AMPC), core functions (funded solely by MLA) and other services that benefit the industry;
- to participate in cooperative planning led by the Red Meat Advisory Council and the Peak Councils to identify the vision and strategic imperatives for the industry (the Meat Industry Strategic Plan - MISP);
- develop, jointly with the Peak Councils, the goals for achieving the vision and strategic imperatives of each industry sector;
- develop, jointly with the other industry companies, AMC, NMA and ALEC the goals for achieving the vision and strategic imperatives of each industry sector;
- each year prepare in consultation with CCA, SCA, ALFA and GICA:
 - a 3 year business plan (strategic plan) for the performance of functions to achieve the MISP, including financial projections; and
 - a 1 year operating plan (annual operating plan), consistent with the 3 year plan that sets out the activities MLA proposes to undertake.

¹ Note: The National Meat Association of Australia and the Australian Meat Council Limited merged in 2003 to form the Australian Meat Industry Council (AMIC)

- perform its functions in a manner consistent with the goals for achieving the vision and strategic imperatives for the industry;
- negotiate and enter into arrangements with other service companies to deliver joint functions; and
- work with Peak Industry Councils and industry to maintain a communications network, and as required, facilitate resolution of crises and issues.

It is noted that MLA has adopted a 5 year rolling strategic plan. Consistent with the requirements of the Statutory Funding Agreement, MLA also consults with the Minister and DAFF in preparing the company's strategic plan.

The MoU declares MLA to be the marketing body and the research body under section 60 of the Australian Meat and Live-stock Industry Act. The MoU also declares a wholly owned subsidiary of MLA (MLA Donor Company Limited) to be the approved donor under section 61 of the same Act. As the declared marketing and research body, MLA receives funds from the Australian Government comprising of levy payer contributions, and Commonwealth matching funding of research and development investment. The MLA Donor Company receives funds from third parties for research and development activities.

MLA's constitution documents the ten objects for which the company was established. These objects relate to the provision of marketing services both in Australia and overseas, identification and delivery of industry research and development needs, the collection and distribution of industry information and collaboration with industry and government on issues such as animal health and welfare and meat safety and hygiene.

MLA is a service company for the industry. Under the MoU, policy formulation, policy advice and advocacy to Government are the responsibility of the Peak Councils (CCA, SCA and ALFA) and GICA.

2.2 FINDINGS – POSITION AND ROLE IN INDUSTRY

MLA is highly cognisant of the Company's roles and responsibilities under the Meat Industry MoU. Directors and management frequently cite the MoU in describing the context for MLA's planning and activities.

MLA's role as a service company is reiterated in the company's mission, values and code of business conduct and ethics. MLA has taken a number of steps in recent years to strengthen the service culture of the company and this change in culture is recognised by industry stakeholders.

Parties to the MoU are satisfied that MLA has met the company's obligations under the MoU.

3 STRATEGY AND RESOURCE ALLOCATION

3.1 STRATEGY SETTING PROCESS

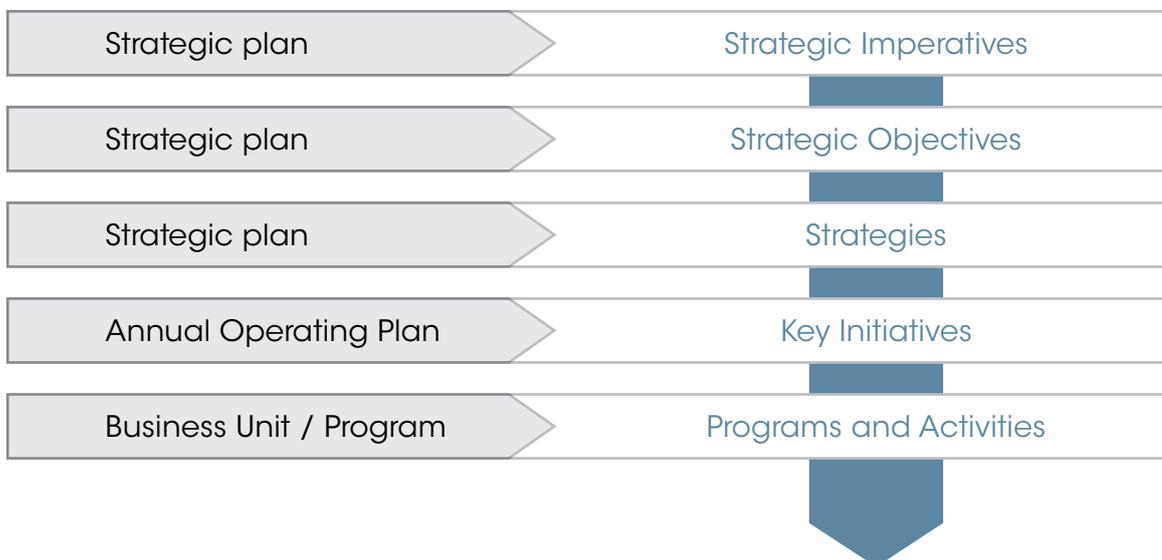
MLA’s process for strategy development sits within the context of broader industry planning. The MoU requires the development of the Meat Industry Strategic Plan (MISP), which sets out the strategic imperatives for the industry. These strategic imperatives, along with the research priorities of the Australian Government, provide the context for MLA’s planning. Furthermore, as outlined in Section 2, the MoU requires MLA to consult with the Peak Councils in developing the company’s strategic plan and the annual operating plan (AOP).

MLA’s framework for developing strategy involves planning at a number of levels including:

- 5 year rolling company strategic plan – which articulates strategic imperatives, strategic objectives and strategies;
- annual operating plans – which articulate the key initiatives against each strategy, key performance indicators and budget allocation;
- business unit strategies – which articulate programs and activities to meet strategies; and
- program strategies – which articulate the strategic direction for individual programs.

This hierarchy of planning is shown in Figure 1.

Figure 1 Planning hierarchy



As stated in MLA's first strategic plan (2007-2011), the process for developing that plan involved:

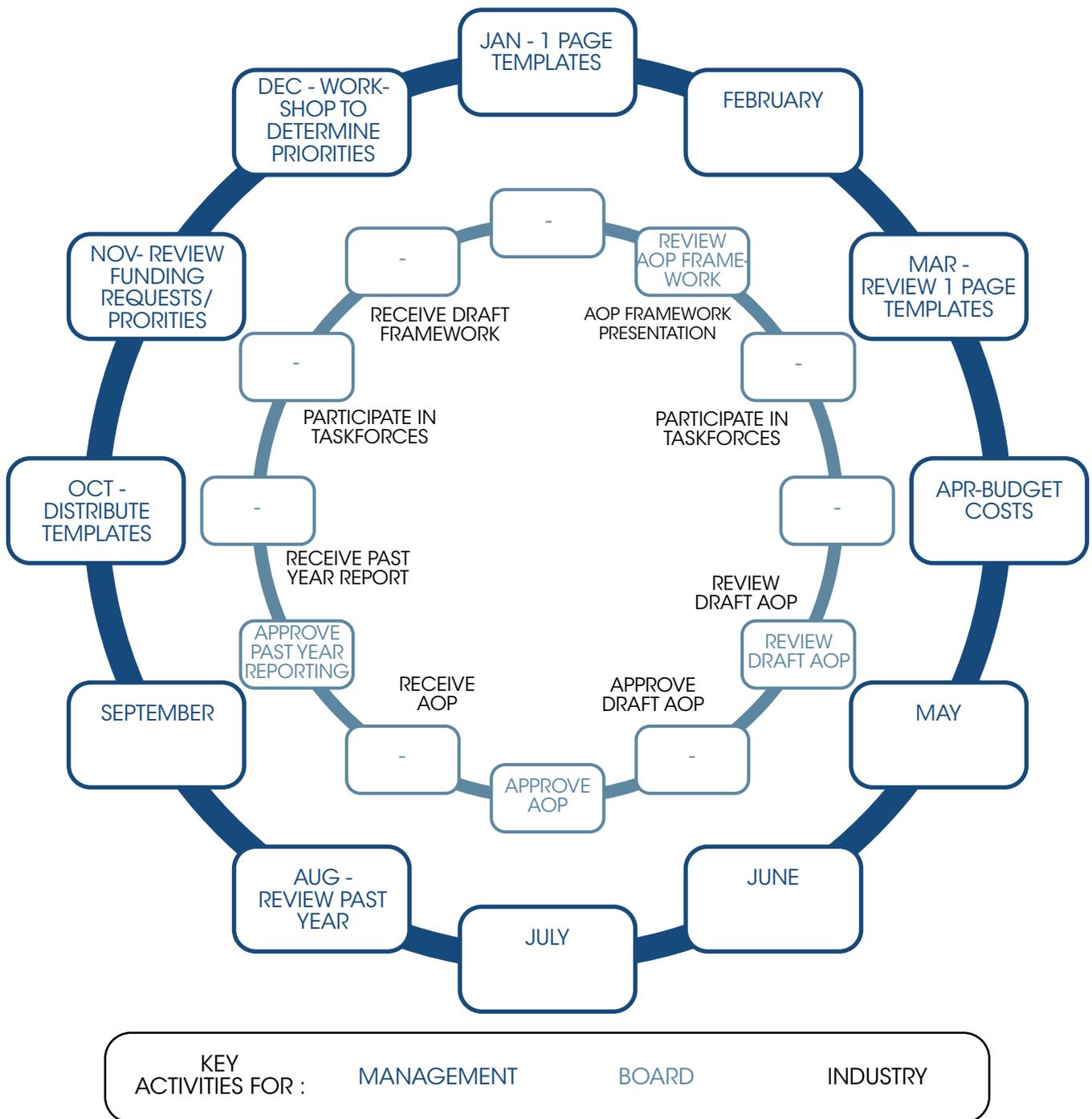
- a strategic planning workshop of the MLA Board;
- the formation of industry working parties to discuss key local and global market trends, risks and opportunities;
- an Industry Strategic Planning Meeting, informed by short papers from each industry working party;
- the establishment of a Strategic Plan Steering Committee (supported by MLA staff and external consultation) to oversee the drafting of the plan;
- review and approval of the draft and final strategic plan by Peak Councils; and
- review and approval of the draft and final strategic plan by the MLA Board.

MLA's annual approach to reviewing and revising the strategic plan has varied over the review period. In each year, Board and management participate in strategic planning days. Industry involvement has varied from year to year. In some years an Industry Strategic Planning Meeting has been held to seek stakeholder input. In other years, this meeting has not been held due to other industry planning activities, and Peak Councils have been asked to support any changes, following presentation of a draft plan.

During the consultation phase of this review, conducted in January 2010, stakeholders were not aware of how they were to be involved in the revision of the Strategic Plan. In early February 2010, MLA sent a revised draft of the Strategic Plan (2010-2015) to Peak Councils, providing a four week period to receive their feedback. MLA does not have an established or documented process to involve stakeholders in strategic planning activities that is accepted, broadly understood and anticipated by its core industry stakeholders.

MLA has developed a strict planning cycle for the development of the annual operating plan. This is based on a calendar of activities involving management, the Board, Peak Councils, industry stakeholders and government. This annual operating plan cycle is shown in Figure 2.

Figure 2 Annual Operating Plan Cycle



MLA has a strong emphasis on annual planning activities, and the development of the annual operating plan is the key focus of interaction with industry. Some industry stakeholders consulted in this review identified an opportunity to enhance interactions on strategic planning. This was considered particularly important, given recent industry agreement on the Meat Industry Strategic Plan for 2010-2015. Consultation conducted for this review highlighted that key industry stakeholders were unsure of MLA's process for refining MLA's strategic plan to align with the strategic themes and imperatives outlined in the new MISIP.

3.2 MLA'S STRATEGIC IMPERATIVES AND OBJECTIVES

MLA first developed a strategic plan for the company in 2006/07, in response to the requirements of the Statutory Funding Agreement. Prior to this time, MLA's focus was annual planning, that aligned with the strategic direction of the Meat Industry Strategic Plan (MISP) and the Commonwealth Government's national R&D priorities. MLA's Strategic Plan (2008-2012) has four strategic imperatives, and seventeen strategic objectives. These imperatives and objectives are shown in Figure 3. The alignment of these imperatives and objectives with the MISP and Commonwealth priorities is considered in Section 3.3.

Figure 3 MLA Strategic Imperatives and Objectives

Increasing Market Access	Growing Demand	Enhancing Competitiveness and Sustainability	Increasing industry capability
1.1 Increasing Product Integrity	2.1 Improving eating quality	3.1 Increasing cost efficiency and productivity – on farm	4.1 Increasing adoption of R&D outcomes
1.2 Maintaining and liberalising access to world meat markets	2.2 Enhancing the nutritional reputation of red meat	3.2 Increasing cost efficiency and productivity – off farm	4.2 Building world class skills and innovation capacity
1.3 Maximising market options for producers and exporters in the livestock export trade	2.3 Developing new products	3.3 Improving Industry and market information	
	2.4 Promoting industry integrity	3.4 Ensuring sustainability	
	2.5 Aggressive promotion in the domestic market	3.5 Science for the future	
	2.6 Aggressive promotion in the export markets	3.6 Improving biosecurity, animal health and welfare	

For each strategic imperative MLA's Strategic Plan includes qualitative descriptions of intended "industry outcomes" and broad "measures" to assess performance. The annual operating plan, in contrast, establishes quantified key performance indicators against each objective.

MLA allocates resources across strategic imperatives and objectives each year, as part of the development of the annual operating plans (AOPs). The company's AOP Budgetary Framework is a key tool used in resource allocation. The Framework articulates the forecast reserves and income for each species (mutton, lamb, grainfed cattle, grassfed cattle and goats) and proposed total expenditure on marketing and R&D activities. The Framework is accompanied by a detailed budget outlining proposed resource allocation at a program level. As outlined in Figure 2, the Framework and draft budget are refined over the planning cycle, with final resource allocation ultimately approved by the MLA Board.

Resource allocation against each strategic imperative over the past two years is provided in Table 2. The allocation of resources within each strategic imperative is provided in Appendix 3.

Table 2 Resource allocation

Strategic Imperative	2008/2009		2009/10	
	Actual expenditure (\$'000)	% total expenditure	Budgeted expenditure (\$'000)	% total expenditure
Increasing Market Access	22,791	15.5%	23,263	13.5%
Growing Demand	56,717	38.6%	66,552	38.7%
Enhancing Competitiveness and Sustainability	29,580	20.1%	38,684	22.5%
Increasing Industry Capability	8,683	5.9%	10,163	5.9%
Other areas of investment				
Communicating with Stakeholders	3,772	2.6%	3,858	2.2%
Corporate Services ²	9,416	6.4%	11,209	6.5%
Ausmeat	650	0.4%	575	0.3%
R&D partnerships	15,232	10.4%	17,800	10.3%
TOTAL	146,841	100.0%	172,104	100.0%

¹ 2009/10 figures are budget.

² Corporate Services includes an exchange rate net gain in the actual result for 2008/09. Exchange rate gains/losses are not included in budgets.

MLA's budget increased in 2009/10 in line with the decision of producers to increase the beef levy. The key area of significant proportional increase (relative to the previous year) was the Enhancing Competitiveness and Sustainability (up \$9.1 million or 31%) strategic imperative. Of the other strategic imperatives:

- Growing Demand was increased by \$9.8 million (up 17.3% on the previous year);
- Increasing Industry Capability was increased by \$1.5 million (up 17%);
- Increasing Market Access was increased by \$0.5 million (up 2%).

3.3 ALIGNMENT WITH INDUSTRY AND COMMONWEALTH PRIORITIES

Developed by the Red Meat Advisory Council (RMAC), The Meat Industry Strategic Plan (MISP) establishes the vision and strategic imperatives of the industry. As outlined in Section 2, MLA is required by the Meat Industry MoU to perform its functions in a manner consistent with this plan. During the period of this review, the second MISP (2004-2009) was in force. The alignment of the strategic imperatives of the MISP (2004-2009) with MLA strategic objectives is provided in Table 3.

Table 3 Alignment of MLA’s objectives with industry priorities

MISP Strategic Theme	MLA Strategic Objectives
Market Access	1.2 Maintaining and liberalising access to world meat markets 1.3 Maximising market options for producers and exporters in the livestock export trade
Product Marketing	2.2 Enhancing the nutritional reputation of red meat 2.5 Aggressive promotion in the domestic market 2.6 Aggressive promotion in export markets
Value Adding	2.3 Developing new products
Food Safety	1.1 Enhancing product integrity
Eating Quality	2.1 Improving eating quality
Community Concerns	2.4 Promoting industry integrity 3.4 Ensuring sustainability 3.6 Improving biosecurity, animal health and welfare
Whole of Chain Efficiency	3.1 Increasing cost efficiency and productivity – on farm 3.2 Increasing cost efficiency and productivity – off farm 3.3 Improving industry and market information

A new MISP (for the period 2010-2015) was launched in August 2009, and is due to commence in June 2010.

MLA’s Statutory Funding Agreement stipulates that the company must spend research and development funds in a manner that is consistent with research and development priorities of the Commonwealth.

The Commonwealth has seven rural R&D priorities. MLA reports its investment against all seven priorities in its Annual Reports and has provided the Review Team with information on expenditure. Review of MLA’s 2009/10 Annual Operating Plan indicates that MLA did not specifically align activities to one of these priorities, supply chain and markets. A summary of MLA’s investment against each of the Commonwealth’s R&D priorities over the review period is provided in Table 4.

Table 4 MLA expenditure against Commonwealth Rural R&D Priorities (\$'000)

Priority	2007/08	2008/09	2009/10 ¹
Productivity and Adding Value	\$9,820	\$17,836	\$23,300
Supply Chain and Markets	\$9,717	\$9,126	\$10,800
Natural Resource Management	\$6,694	\$5,267	\$7,500
Climate Variability and Climate Change	\$1,804	\$2,830	\$8,400
Biosecurity	\$2,809	\$6,632	\$8,500
Innovation skills	\$16,894	\$6,880	\$9,700
Technology	\$21,284	\$14,100	\$14,500
Other ²		\$215	\$800
TOTAL	\$69,022	\$62,886	\$83,500

¹ 2009/10 figures are budget.

² Other includes Ausmeat contribution and projects in early stages yet to be assigned to another priority.

Detailed comparison of MLA's budgeted versus actual project expenditure against each of these priorities, and the alignment of MLA strategic objectives and the Commonwealth priorities is provided in Appendix 3.

3.4 BUSINESS UNIT PLANNING

INTERNATIONAL MARKETING & ECONOMIC SERVICES

MLA's international marketing and economic services activities include:

- maintaining and increasing market access;
- marketing to increase demand;
- market development; and
- the collation and dissemination of market information.

MLA's international efforts are focused on the markets of Japan, Korea, the United States, South-East Asia, China, Europe, Russia and the Middle East. The company has overseas offices in Tokyo, Seoul, Washington, Beijing, Brussels, and Bahrain and representatives based in Moscow and cities throughout south-east Asia.

Region specific strategies are the key focus of planning for international marketing efforts. These plans "build up" to the overarching contributions of international marketing in the annual operating plan, and they align with the strict annual planning program shown in Figure 2.

The process is well structured, and is implemented consistently across the different regions. MLA fosters interactions between regional managers and there is evidence of communication, cooperation and the sharing of lessons learned between regions.

The annual planning process enables input by stakeholders at multiple points in the planning cycle through Regional Taskforces. MLA provides the Taskforces with comprehensive information to support their contributions. Taskforces review region specific plans prior to the approval of the plan by the MLA Executive Committee.

The size and structure of the taskforces enables a broad section of stakeholders to participate in MLA's planning process and the approach is important in building industry stakeholder confidence in MLA's activities. The size and composition of the taskforces does not always facilitate critical technical assessment of plans. Some Peak Councils and industry stakeholders raised questions as to the effectiveness of their contribution to the taskforces in developing MLA's marketing strategy.

MLA's approach to setting plans for international marketing is focused on a resource intensive annual planning process. MLA does not have a documented longer term (3-5 year) plan for each region. Review of MLA's annual operating plan shows limited change in the annual allocation of resources between regions over this period. This is not unexpected, given the cost and inflexibility of establishing and maintaining overseas offices and associated staff. There has however been some change within regions, such as the opening of an office in Russia in 2008 and an increased focus on supporting individual brands through partnerships (industry collaborative agreements) with export companies.

Given that a significant proportion of MLA's work in international markets properly remains constant over a number of years, it may be useful for MLA to place greater emphasis on 3 to 5 year strategies for each region. Such plans would clearly set the direction and goals for MLA in each market, and provide a framework for a more streamlined and efficient annual planning and adjustment. Review of the implementation documentation for plans indicates that MLA has established sound processes to deliver projects in international markets and to commission research.

MLA provides market news, analysis and forecasting through a dedicated Market Information and Analysis team. This includes the National Livestock Reporting Service (NLRS). Through a network of livestock market officers, the NLRS collects market data from the key auction and direct markets across Australia. This service is provided as a service to industry and used internally for various planning and project applications.

MLA market information program is viewed positively by the industry. MLA has made significant changes to the market information publication series over the review period. Alterations to the lamb forecasting committee and processes, cessation of a cattle futures initiative based on a strategic review and a significant investment in a study of cattle price drivers are examples of changes to better meet stakeholder requirements.

MLA has recently completed an independent review of the service. This review found that MLA's market information service is used by producers, industry organisations in the development of policy, governments, agribusinesses who provide services along the value chain and MLA itself. The review provides a stock take of MLA's investment in this area, identifies the beneficiaries of MLA's activities, and quantifies benefits to the red meat industry. This type of comprehensive review provides a sound basis for MLA's future planning for these activities.

The market information and analysis team provides valuable in-house capability for members directly, internally and to support strategy and policy development. An example of this was MLA's provision of supply and price information directly to the ACCC as part of the Commission's examination of the prices paid to farmers for livestock and the prices paid by Australian consumers for red meat.

FINDINGS AND RECOMMENDATIONS – INTERNATIONAL MARKETING AND ECONOMIC SERVICES

MLA's international marketing taskforces are viewed favourably by stakeholders as a mechanism for information exchange and developing and maintaining industry relationships. The purpose of the taskforce process is a mix of stakeholder (Peak Council and industry stakeholder) consultation, and a forum to enable MLA to seek expert opinion and feedback. Stakeholders have mixed views of the effectiveness and efficiency of the taskforces in meeting these two purposes.

MLA does not have a consistent process for developing and documenting longer term (3-5 year) plans for international marketing efforts that is linked to established strategic and annual planning cycles. However, the Review Team acknowledges that the activities of these units are informed by longer term strategic thinking, analysis and discussion with industry through the taskforce process.

It is recommended that MLA consider revising its approach to planning international activities. This should include consideration of longer term marketing plans for each region, how stakeholders are involved in the planning process and opportunities to streamline annual planning activities.

DOMESTIC MARKETING

MLA's domestic marketing activities include:

- delivery of a series of consumer promotion campaigns for beef and lamb;
- nutrition research and promotion to health care professionals and consumers;
- partnerships with retailers supporting consumer campaigns and raising meat retailing standards; and
- promotion within the food service sector including publications, promotions and education activities.

Strategy development for domestic marketing is focused on planning for campaigns and activities. This process is linked to the development of the annual operating plan, which establishes budget allocations for broad activities. The proposed package of activity is tested and discussed with stakeholders who are members of the Domestic Marketing Taskforce. This taskforce has an established and documented membership structure and terms of reference. Individual campaign plans are ultimately approved by the MLA Board, within the budget framework provided by the AOP.

MLA commissions detailed market research and analysis to support planning activities. This effort is focused on understanding the drivers of consumer demand together with analysis of barriers and opportunities to stimulate demand. Briefing documents for service providers are thorough and considered to be a high standard. There is evidence that marketing activities are aligned with research findings and market analysis, and are focused on the consumer.

MLA's Domestic Marketing team delivers significant programs with considerable visibility and impact within a relatively modest budget. Considerable effort is given to leveraging campaign spend through publicity channels and alignment with retailer partnerships.

FINDINGS AND RECOMMENDATIONS – DOMESTIC MARKETING

MLA's domestic marketing taskforces are viewed favourably by stakeholders as a mechanism for information exchange and developing and maintaining industry relationships. MLA's domestic marketing planning activities for the lamb sector are viewed favourably by stakeholders. Beef stakeholders note that MLA has responded to their requests to improve the information to support planning and the performance frameworks of domestic beef marketing activities.

Similar to international marketing efforts, domestic marketing taskforces have a dual purpose of industry consultation and expert opinion review and feedback. Stakeholders have mixed views of the effectiveness and efficiency of the taskforces in meeting these two purposes.

MLA's domestic marketing activities have been strategically focused on the key drivers of consumer demand - convenience, enjoyment, nutrition, integrity and value for money. However, domestic marketing planning activities are focused on the development of annual and individual campaign plans. MLA does not have a consistent process for developing and documenting longer term (3-5 year) plans for domestic marketing efforts that is linked to established strategic and annual planning cycles. Key documents such as the beef levy review are referred to and utilised in the absence of such a plan, though the company's industry stakeholders do not readily make the connection between these efforts and the longer term plan for marketing activities.

It is recommended that MLA consider revising its approach to planning domestic marketing activities. This includes consideration of longer term marketing plans for each species (beef, lamb/sheepmeat, goat meat), how stakeholders are involved in the planning process and opportunities to streamline annual planning activities.

LIVESTOCK PRODUCTION INNOVATION

The Livestock Production Innovation (LPI) research portfolio spans a broad range of activity including the following strategic areas:

- improving eating quality;
- increasing cost efficiency and productivity on farm;
- ensuring sustainability;
- improving biosecurity, animal health and welfare; and
- adoption and capability building.

MLA's on-farm research portfolio includes programs for:

- sheep, beef and plant genomics;
- soil biology;
- animal diseases;
- natural resource management – including water, soil health, biodiversity, weeds and feral animals;
- climate change and variability, and emissions;
- animal welfare including husbandry procedures, quality assurance, land transport, and in the live export and feedlot sectors;
- feedbase and pastures; and
- reproduction.

LPI has two key mechanisms to involve stakeholders in priority setting. The first is sector specific R&D Committees of the Peak Council's for lamb/sheepmeat, grass fed beef, grain fed beef, goat meat and live exports. The second is the Northern Australia Beef Research Council (NABRC) and the Southern Australia Beef Research Council (SABRC), which comprise of representatives of industry, government and research providers.

MLA's on-farm R&D priority setting process is perceived positively by Peak Council stakeholders. MLA should periodically ensure that NABRC and SABRC remain the best avenues for strategic discussion and carry out additional industry consultation associated with important reviews of strategy and direction.

The LPI team understands the importance of evaluation and is investing resources to better understand the outcomes from its programs. Through a series of independent evaluations, MLA is able to demonstrate value for money for levy payers from investments in on-farm R&D. LPI has taken steps to improve the connection between evaluation and future resource allocation. This includes the ongoing use of an impact model to assess on-farm returns of various R&D outcomes. These efforts are viewed by the Review Team as building the sophistication of MLA's use of structured evaluation within the business.

The LPI business group has been responsible for coordinating MLA's response to the National RD&E framework and the group has a key role in driving the implementation of this framework in the red meat industry.

FINDINGS AND RECOMMENDATIONS – LIVESTOCK PRODUCTION INNOVATION

The Livestock Production Innovation (LPI) research portfolio spans a broad range of activity. The portfolio addresses industry and company strategic priorities, and aligns with relevant Australian Government Rural R&D Priorities. LPI has actively managed its portfolio and reviewed underperforming investments. This has ensured that emerging priorities such as understanding and managing livestock greenhouse gas emissions can be accommodated and investment opportunities are examined.

Through a series of independent evaluations, MLA is able to demonstrate value for money for levy payers from investments in on-farm research and development. LPI has recently increased its focus on adoption of outcomes to further improve returns on its investment. An improvement in the use of KPIs to monitor the ongoing benefits derived from a large number of projects is important to ensure efficient and effective investment of MLA's R&D funds.

MLA's recent commitment to provide additional resources to improving the adoption of outcomes provides an opportunity to integrate underlying drivers of value for levy payers in the management of the R&D portfolio. This will enable the on-going refinement of the portfolio over time, and to maximise the value to levy payers.

As part of the National R,D&E Framework process, MLA is actively participating in a national process of reviewing past patterns of investment and the exploration of processes to support the prioritisation of future resource allocation.

It is recommended that MLA harness the opportunity of the new collaboration processes being developed under the National RD&E Framework to formalise and embed a standardised framework into MLA procedures for assessing the value of investment options at program and sub-program levels for on-farm R&D.

INDUSTRY SYSTEMS

The Industry Systems business unit has been responsible for the development and implementation of a number of significant industry-wide initiatives over the past decade. These industry initiatives have been priorities within the relevant MISP, and include:

- the National Livestock Identification Scheme (NLIS);
- Meat Standards Australia (MSA); and
- Livestock Quality Systems.

The Industry Systems team also manages a cross company initiative, Livestock Data Link.

NLIS is a national system for livestock identification and traceability, which allows individual animals to be identified electronically and tracked from property of birth to slaughter for biosecurity and disease control, food safety, product integrity and market access purposes. From 2002 to 2005, state governments across Australia mandated the use of NLIS. MLA provides services to government and industry to support the implementation of NLIS. These services include the operation of the NLIS Database, provision of professional helpdesk and communication services, and provision of support for industry and government in the ongoing development and administration of the system. Over the period of the review, MLA has transferred the delivery of these services to a wholly owned subsidiary company, NLIS Limited.

MSA is an eating quality grading and labelling system that identifies beef and sheepmeat eating quality and recommended cooking methods according to consumer tastes. MLA has supported the development and implementation of MSA, through funding underpinning research, establishing standards and quality processes for both producers and processors, and encouraging adoption throughout the supply chain by creating awareness, delivering training and branding activities.

During the period of the review, MLA transferred a number of domestic MSA functions to AUS-MEAT, a joint venture with AMPC. MLA has an ongoing role in the provision of research to underpin the MSA grading model, encouraging adoption in the supply chain, implementing MSA in the sheep supply chain and activities to support the use of MSA in export markets. The MSA initiative contributes to the delivery of MLA's strategic objectives of Growing Demand in Domestic and International Markets and Improving Eating Quality, with the intended industry outcomes of:

- Measurable improvements in the eating quality and consistency of Australian beef and sheepmeat;
- The use of eating quality attributes to differentiate our product in key markets;
- High levels of end-user and consumer satisfaction and confidence;
- Improving consumer and community attitudes towards red meat;
- Growing business in new markets and outlets;
- Capture unrealised value from the carcass; and
- Maintenance of a high level of trust among urban Australians.

Livestock Quality Systems is a suite of industry initiatives that provide certification and verification systems. Livestock Quality System initiatives include:

- National Vendor Declarations, managed by SAFEMEAT, which declare valuable information about the food safety status of the livestock being sold;
- Livestock Production Assurance, an on-farm food safety program that assists producers demonstrate claims made on National Vendor Declarations; and
- AgriSure, the umbrella brand for on-farm quality assurance and business management systems within the red meat industry.

MLA has a key role in supporting industry development and implementation of initiatives. During the period of the review, MLA transferred most of the Livestock Quality Systems functions to AUS-MEAT, a joint venture between MLA and AMPC. MLA's continuing role in these initiatives includes the delivery of underpinning research, and producer education and communication programs.

MLA's NLIS and Livestock Quality Systems service activities contribute to delivering on MLA's intended industry outcomes including:

- No major market disruption arising from a food safety incident;
- Australia enjoys an unparalleled reputation for its food safety systems;
- Improvements to existing conditions of access to international meat markets; and
- Market access for livestock exports maintained.

Livestock Data Link is a project, within the market information program that seeks to harness the wide range of data that the red meat industry collects at various points along the livestock supply chain. The aim is to enable the industry to confidentially analyse the information and identify areas for future improvement. The project is in the early stages of development, with the concept recently gaining support from industry stakeholders. MLA is in the process of developing a more detailed business case for the project, including undertaking a cost benefit analysis.

The most recent Meat Industry Strategic Plan reiterates the importance the broader industry places on the ability to demonstrate the achievement of standards for environmental sustainability, animal health and welfare and ensure consumer confidence in food safety and eating quality. However, neither the industry, nor MLA has yet established specific longer term objectives for each industry system initiative.

In MLA's strategic and annual operating plans the aims are outlined in directional terms such as 'improve' and 'reduce'. For example, in MLA's strategic plan, the strategy for Livestock Standards is to enhance the uptake of quality assurance systems by all sectors of the red meat supply chain. MLA's measure of success focuses on whether industry is satisfied with the company's role in contributing to the development of systems. The goal does not indicate an optimal target or principle that would enable an assessment of the range of returns to the investment of levy payers' funds.

MLA's annual operating plans do not explicitly articulate the future direction of the company's role in initiatives. For example, the transfer of NLIS functions from MLA was not specifically flagged in the company's annual operating plans, although the intention to transfer was discussed in key industry and government forums such as SAFEMEAT, and the various NLIS working groups and committees. In contrast, the transfer of Livestock Quality Systems functions from MLA to AUS-MEAT was flagged as a specific key performance indicator in annual operating plans.

Operating plan documents such as the National Livestock Identification System operational plan 2009/10 and NLIS business plan 2005/06 – 2007/08 are comprehensive and outline the role of MLA and activities for the year. Committees supporting individual industry programs are a key mechanism for industry input into planning efforts, and these committees have established terms of reference. However, they could be improved by the inclusion of statements of objectives and or a specific role in considering longer term plans.

The Industry Systems team has strengths in implementation and ongoing management of their suite of programs. There is extensive knowledge and capacity in systems that move from on-farm production to processing. MLA works proactively with Government stakeholders and the industry across a range of areas including SAFEMEAT. Technical research to support food safety is viewed by stakeholders as an area of success for MLA.

MLA conducts activities to track the success of its implementation of industry programs. For example, MLA uses market research techniques to understand the perceptions of food service and wholesale buyers, and market analysis to determine premiums paid for MSA product. These results were reported to the industry in the first MSA Annual Outcomes Report in 2008/09.

An independent evaluation of Meat Standards Australia conducted in 2007 shows that the system has produced higher, more consistent beef eating quality. The evaluation concluded that the \$210 million investment in MSA beef is estimated to generate \$932 million in industry value added across the red meat industry. Retail premiums for MSA graded beef are up to 20 percent, while overall carcass value is up by 8.4 per cent on average.

MLA has extensively communicated with levy payers about industry wide programs. This has included the provision of information and case studies on MLA's website, in MLA publications and through presentations at MLA and industry events. These efforts have been focused on encouraging levy payer participation in programs and describing MLA's progress and performance in program implementation. However, the communication of the on-going benefits of industry initiatives could be improved. The articulation of a longer term strategy for industry programs, and the benefits expected from each strategy, could foster improved communication with industry and aid the assessment of priorities. Such strategies would also provide an overarching framework for the articulation of MLA's role, and the setting of clear objectives and quantified goals sought from the ongoing investment of levy payers' funds in these initiatives.

FINDINGS AND RECOMMENDATIONS – INDUSTRY SYSTEMS

The Industry Systems team has strengths in implementation and ongoing management of their suite of programs. There is extensive knowledge and capacity in systems that move from on-farm production to processing. MLA is viewed as a proactive participant across these programs by partners.

Many of the activities undertaken by the Industry Systems business unit have a long lifetime and may not have an explicit project end date. The articulation of a longer term strategy for this type of program, which documents the longer term goals for the industry, and the basis of MLA's ongoing involvement, could assist communication with industry and aid the assessment of operational priorities for MLA.

It is recommended that MLA, together with industry and government partners, consider alternative approaches to planning, documenting and communicating the longer term objectives and strategies for key industry wide programs. Documenting longer term strategies and objectives would provide a framework to enable the assessment of the net benefits of each program to industry and levy payers. Such an approach would help facilitate a common understanding among stakeholders and levy payers of the future direction and overall value of programs to the industry.

CLIENT INNOVATION SERVICES

The Client Innovation Services (CIS) business unit is responsible for the development and implementation of MLA's off-farm R&D and innovation programs. These programs are funded in collaboration with the Australian Meat Processor Corporation (AMPC) or individual organisations through the MLA Donor Company.

The CIS team operates in areas across the MLA strategic plan including Market Access, Growing Demand, Competitiveness and Sustainability and Industry Capability. The CIS team enables MLA to have a 'whole of chain' perspective across the livestock industries.

Key areas of research, development and innovation activity managed by CIS include environmental management, eco-efficiency, product development, health and safety, education and training, technology development and commercialisation, food safety and microbiological research, and co-product innovations such as new blood fractions and rendering process technologies.

Strategy for a number of programs within the CIS business unit is developed jointly with AMPC and the Australian Meat Industry Council (AMIC). Two AMPC R&D Committees have been established; one for Processing Technology and the other for Environment. A third on Occupational Health and Safety is co-ordinated by AMIC. AMPC Committees meet twice yearly to evaluate and recommend projects for investment to the AMPC Board. MLA's CIS business unit is actively involved in Committee meetings.

These committees have general terms of reference which are explicit and appropriate. The meeting minutes indicate that the committees consider strategic issues. While the committees at times delve into project specifics, the small number of potential projects may mean this is unavoidable.

There are a number of specific detailed strategies that outline the function and role of MLA in addressing industry wide issues. The Automation Road in Meat Processing is an example of explicit and documented articulation of the issues facing the industry that serves as a basis for strategy.

FINDINGS AND RECOMMENDATIONS – CLIENT INNOVATION SERVICES

MLA's relationship with AMPC in planning and project delivery has improved over the past 18 months, with both companies now seeking greater collaboration. The nature of the processing sector enables the group to work very closely with a significant proportion of sector participants. The structures enable a responsive R&D program, that has a mix of industry wide projects and tactical jointly funded work that encourages innovation.

MLA and AMPC both identify the refinement of joint planning activities as an area for ongoing attention.

There is evidence that off-farm R&D projects have been managed, assessed and terminated appropriately. The group has taken steps to manage projects using ex-ante analysis and reassessment of key assumptions throughout the project life. This approach should continue to be implemented and improved. Together with the Livestock Production Innovation business unit, CIS contributes to the company's internal research and development status reporting, the "R&D Health Check". This report card could be streamlined and improved over the next 12 months to ensure that the information provided to the Executive Committee and Board reflects key drivers of research and development performance.

CORPORATE COMMUNICATIONS

The Corporate Communications business unit is responsible for developing & implementing MLA's external communications strategy. Responsibilities include:

- corporate publications and the MLA website;
- media relations;
- events and member services;
- community communications (industry integrity, environment and live exports);
- stakeholder relations; and
- issues management.

The business unit has a cascading approach to planning, and the planning process is consistent within the unit. There is clear alignment of the strategic plan, 3 year business unit strategy, the AOP and individual program plans. The business unit strategy provides a guiding framework for the activities of the group. It establishes MLA's communications approach (to create awareness, demonstrate relevant value and proactively engage) which provides a consistent framework throughout the business unit's areas of activity. The team's contribution to the annual operating plan is a key focus for planning and resource allocation within the business unit. Annual plans for individual programs are the building blocks for the annual operating plan process.

The Corporate Communications Group's programs for the planning and delivery of MLA's extensive efforts in communicating with levy payers include: publications such as Frontier, Feedback and Prograzier magazines and seasonal catalogues; the DVD Feedback TV; the MLA website; coordinating MLA's Meat Profit Days; and MLA participation in industry events organised by others.

The group has a comprehensive approach to measuring the success of most of its functions. A range of evaluation methods including member tracking surveys, media monitoring, and consumer surveys are used, and these provide key inputs

into future planning. Review of the results of these evaluations shows that MLA's communications activities are perceived highly by MLA members. As ascertained through review consultation, Peak Councils, industry and government stakeholders perceive that MLA has achieved a good balance in the methods used to communicate with individual members and levy payers.

The focal points of the group's stakeholder relations activities are the company's key stakeholder program implemented by the Board and Managing Director, and providing executive support to prepare MLA representatives for Peak Council and other industry meetings and government briefings.

MLA, through the Corporate Communications group, has a role in supporting industry and government in the management of issues and crises. The group coordinates and supports the company's response to emerging issues, particularly those requiring a public response, through the timely development of media statements and supporting materials (such as briefings and key message statements) for the MLA Board and Executive Committee.

External stakeholders (government, industry) have multiple points of interaction within MLA for crisis management planning and response on major issues such as food safety and animal health and welfare. MLA has an Emergency Animal Disease (EAD) Response Plan, which is dated June 2008. The Plan is comprehensive and includes the process, roles and responsibilities to be adopted in the event of a crisis. Elements of the plan, such as relevant MLA positions and contact details are outdated. In addition to MLA's EAD Response Plan, MLA contributes to the development and implementation of response plans of other groups such as SAFEMEAT and Animal Health Australia. The contribution of MLA staff in such forums is viewed favourably by these stakeholders.

FINDINGS AND RECOMMENDATIONS – CORPORATE COMMUNICATIONS

MLA's Corporate Communications business unit has a cascading planning process that guides the activities of the team. Plans are linked to the development of the annual operating plan, and are consistent with the overarching communications approach established in the three year business unit plan.

The business unit utilises a range of techniques to assess the success of initiatives, and these results are used to refine tactics over time. Stakeholders note the quality of MLA publications and events, and the results of member surveys show that overall communication efforts are valued by producers.

Responsibility for MLA participation in industry and government crisis response activities is diffuse across MLA. While not yet an issue, due primarily to strong relationships, the absence of a clear coordination point and up to date response plans poses a risk to MLA and the industry in the future.

It is recommended that MLA, in consultation with stakeholders, review the company's approach to crisis management. This should include consideration of roles and responsibilities within MLA and the support that the company provides industry stakeholders to ensure preparedness in the event of crises.

3.5 FINDINGS AND RECOMMENDATIONS – COMPANY STRATEGY & RESOURCE ALLOCATION

MLA first developed a strategic plan for the company in 2006/07, in response to the requirements of the Statutory Funding Agreement. Prior to this time, MLA's focus was annual planning that aligned with the strategic direction of the Meat Industry Strategic Plan.

MLA has a structured approach to preparing the company's strategic and annual operating plans. MLA plans align with the Commonwealth Rural R&D Priorities, and cascade from industry priorities established in the Meat Industry Strategic Plan, through MLA's strategic and annual operating plans to business unit and program plans.

MLA has established and formalised approaches to involve stakeholders in planning. Processes for involving Peak Councils and other industry stakeholders in planning activities have developed over time. A key focus of these interactions is the development of the annual operating plan, using an AOP Framework based on annual budgeting. This is consistent with the requirements of the Meat Industry MoU, and MLA's historic focus on annual planning. Through the consultation process of this review, industry stakeholders highlighted an opportunity to increase the strategic focus of their interactions with MLA.

It is recommended that MLA, in consultation its industry stakeholders, consider the overall process for engaging stakeholders in MLA strategic planning activities. Consideration should be given to the purpose and focus of interactions to ensure that industry engagement activities are both effective and efficient.

MLA's AOP Framework is a key tool used by MLA to involve Peak Councils in the development of the AOP. The AOP Framework describes the rationale for changes in annual budget allocations and is the basis of an iterative exchange with Peak Councils. The Framework facilitates discussion of key issues and highlights areas where significant change is proposed.

There is an opportunity for MLA, in consultation with industry stakeholders, to formalise and enhance the framework by documenting explicit principles for resource allocation, and establishing a common process to assess portfolio options. Such an approach will encourage structured discussion of strategic alternatives to support resource allocation decisions.

It is recommended that MLA, in consultation with industry stakeholders, review the tools used to make strategic resource allocation decisions. Consideration should be given to the benefits of more structured discussion of strategic alternatives and resource allocation decisions.

MLA assigns a page of the strategic plan and the annual operating plan to each business unit responsible for program delivery. This is not explicit in documents, such as the Strategic Plan and Annual Reports, that are shared with external stakeholders. While the roles of different business units are recognised by those close to MLA's activities (such as the Peak Councils) there is an opportunity for MLA to clearly communicate responsibility to broader stakeholders.

It is recommended that MLA consider approaches to more clearly communicate the roles of business units in delivering MLA's activities. This would aid communication and engagement with external stakeholders, particularly those new to interacting with MLA.

These recommendations should be considered in context of the principal recommendations of the review relating to the overarching role of MLA's strategic plan.

4 STRUCTURE

4.1 GROUP STRUCTURE

The MLA group of companies comprises the parent company – Meat and Livestock Australia Limited and three wholly owned subsidiaries - MLA Donor Company Limited, National Livestock Identification System Limited and ACN 134 251 004 Pty Ltd. MLA also owns 50% of shares in AUS-MEAT Limited.

The MLA Donor Company provides a mechanism for attracting commercial investment from individual enterprises and matching this with Commonwealth R&D funds. The Donor Company forms partnerships along the supply chain with processors, value-adders, pastoral companies, technology providers and breed societies. The Donor Company is subject to its own Statutory Funding Agreement with the Commonwealth. The operations of the Donor Company are integrated in MLA, and are the responsibility of the Client Innovation Services business unit.

ACN 134 251 004 Pty Ltd was formed in November 2008, as part of the structuring of NLIS Limited. NLIS Limited was formed in December 2008. The members of NLIS Limited are MLA Limited and ACN 134 251 004 Pty Ltd. The company was formed after broad consultation with industry and government stakeholders and in April 2009, the responsibility for managing the NLIS Database was transferred from MLA to NLIS Limited. The key driver for this change was to establish an appropriate separate entity to provide database services for species other than cattle, sheep and goats. The operations of NLIS Limited are integrated in MLA, and are the responsibility of the Industry Systems business Unit.

AUS-MEAT Limited is a joint venture between MLA and the Australian Meat Processor Corporation (AMPC). The objective of AUS-MEAT is to manage Industry Quality Standards in an integrated manner. During the period of the review, MLA transferred the functions of Meat Standards Australia (MSA) and Livestock Production Assurance (LPA) programs to AUS-MEAT.

4.2 ORGANISATION STRUCTURE

The company comprises of seven business units, with the General Manager of each group reporting to the Managing Director. The seven business units are:

- International Marketing and Economic Services;
- Domestic Marketing;
- Livestock Production Innovation;

- Client Innovation Services;
- Industry Systems;
- Corporate Communications; and
- Corporate Services.

The General Managers of each business unit and Managing Director form the company's Executive Committee, a key point of coordination for company activities. MLA's current organisation chart is provided in Appendix 4.

There have been a number of changes to the organisation structure since it was established. Key changes have been:

- decentralising live export responsibilities across business units;
- merging the International Marketing and Economic Planning and Market Services into one business unit;
- consolidating contracts staff from two business units to one within the Livestock Production Innovation team;
- establishing a Community Communications section within the Corporate Communications business unit. This section is responsible for communication of industry's production practices, animal welfare, environment and general sustainability to the Australian public;
- establishing an Environment, Sustainability & Climate Change section to provide technical expertise in climate change, livestock emissions and the environment; and
- establishing policy research capability within the International Marketing and Economic Services business unit. This capability will provide policy research to support policy making by Peak Councils and other institutions.

4.3 FINDINGS AND RECOMMENDATIONS - STRUCTURE

MLA has established comprehensive governance and reporting arrangements for subsidiary companies and the MLA Board has appropriate oversight of the activity of subsidiary companies.

MLA has taken active steps to transition long running industry programs from MLA to other industry structures. These steps have been taken in close consultation with Peak Councils and relevant government agencies. Some activities, such as the provision of database services for NLIS, are in the early stages of transition and are still fully integrated in MLA's operations. Strategies for industry programs

that articulate long term objectives and clearly identify MLA's ongoing role, would support decision making on the most appropriate structural arrangements for each initiative.

Stakeholders are positive to key changes in MLA's structure, and note that MLA has been responsive to industry requests for MLA to address key issues such as environment, climate change and community perceptions of the industry. Improved alignment and access to the breadth of MLA's expertise are cited as other benefits from structural changes.

5 CONSULTATION, LIAISON AND COLLABORATION

5.1 CONSULTATION WITH THE RED MEAT INDUSTRY

MLA places considerable focus on interacting with industry organisations, including the Peak Council members of the company. This effort is both formal and informal and spans the business from the Chair, Directors and Managing Director to Program Managers and other staff across the company.

Formal and structured interactions include:

- joint board meetings;
- attendance at board meetings of Peak Councils, industry companies (Livecorp, AMPC) and state farm organisations;
- invitations for Peak Councils and other industry stakeholders to attend MLA Board meetings;
- structured planning forums including the domestic and international marketing taskforces and R&D Forums (overall and sector specific); and
- program and project planning and implementation committees and panels.

Less structured interactions include MLA attendance at industry forums, open days and meetings to present information about MLA and its key initiatives and mix with industry representatives and levy payers. In 2008/09 directors attended an estimated 145 industry events. The MLA Chair, Directors and Executive Committee have regular informal interactions with industry stakeholders and individual levy payers at these industry events.

MLA supports the formal processes for consulting with industry when developing plans by providing comprehensive reporting and analysis to inform discussions. Peak Councils and other industry stakeholders perceive that their relationship and interactions with MLA are focused on detailed program and annual planning. They see opportunities to increase the focus of discussion and interaction on longer term strategic direction of MLA and its activities. There is an opportunity for MLA to explore with industry alternative processes for interaction and codifying joint expectations of key interactions to ensure common understanding.

In 2007, MLA conducted a survey of 71 stakeholders, of which 88% were industry stakeholders (Peak Councils, processors, feed lotters, producers and state farming organisations). The survey found that 93% of stakeholders were quite satisfied or very satisfied with communication and contact with MLA. The survey identified the following priorities for improving consultation and liaison with industry:

- MLA should take a more consultative, top-down approach with stakeholders and focus more on strategic planning rather than everyday details;
- MLA to work more closely with local peak industry bodies when co-ordinating events or programs in a region; and
- consultation should be done in a more timely manner (e.g. earlier on in the project / program planning process).

The majority of industry stakeholders consulted noted a positive shift in MLA's culture to be more open in their interactions with industry. MLA's Board and Executive Committee are perceived as open and accessible, and generally responsive to industry concerns and issues.

5.2 GOVERNMENT

MLA interacts with the Commonwealth Government for a number of purposes including:

- administration of the Statutory Funding Agreement;
- contributing to the collaborative management of technical issues such as animal health and welfare and food safety; and
- providing information and technical advice to support policy development on a broad range of issues including trade and climate change.

MLA has been meticulous in meeting the governance requirements of the Statutory Funding Agreement. MLA has worked proactively and diligently to deliver full information regarding the execution of this agreement to the Commonwealth Government.

MLA is perceived by government stakeholders as a valuable participant in government/industry technical groups. MLA staff are considered to be skilled contributors and relationships are regarded highly. MLA is generally considered organised and coordinated in its interactions with government stakeholders.

MLA Board and management are acutely aware of the company's service role in the industry and the requirement to not engage in agri-political activity. The company's policies, procedures and systems support this role.

MLA has a clear role to provide research and information to support the development of industry policy. There is an expectation from industry that MLA will increase its focus in this area in the future, and the company has been responsive to industry requests by providing dedicated resourcing. The development of a dedicated quality framework for policy research would assist MLA to ensure that the planning and delivery of this type of research is robust and comprehensive. At a minimum, a quality framework should establish the principles and processes for:

- involving stakeholders in the framing of research priorities and questions;
- ensuring research providers involve relevant stakeholders in the conduct of projects; and
- engaging appropriate and independent peer review.

Such a framework would provide stakeholders with confidence in MLA's independent role in informing policy development by both industry and government.

5.3 PARTNERS, COLLABORATORS AND SERVICE PROVIDERS

MLA has an extensive and wide ranging series of partners, collaborators and service providers. They are technically and geographically diverse and the relationships vary between programs. Examples of MLA's partners, collaborators and service providers include:

- Cooperative Research Centres;
- other rural research and development corporations (RDC);
- retail marketing partners (supermarkets, independent butchers);
- marketing service providers including agencies and market researchers;
- on-farm R&D partners such as CSIRO, universities, and state departments of primary industry; and
- off-farm R&D partners include processors, value-adders, breed societies, large pastoral companies and technology providers.

MLA is considered to be a 'good citizen' in the Rural RDC environment. MLA has taken a lead role in the development of the Council of Chairs of RDCs collective approach to measuring the impact of Rural R&D to demonstrate returns from the RDC Model. MLA managed the initial development of the approach and methodology, and has provided active guidance and mentoring of other RDCs in implementing the initiative.

MLA has an extensive portfolio of projects that demonstrate collaboration and co-investment with other RDCs and research providers. Some examples of these collaborations over the period of the review include:

- a comprehensive portfolio of research under the Australian Government's Reducing Emissions from Livestock program;
- a joint plant improvement program with the Future Farming Industries Cooperative Research Centre (FFI CRC);

- the Pastures Australia initiative with Australian Wool Innovation (AWI), the Grains Research & Development Corporation (GRDC), Dairy Australia (DA), and the Rural Research & Development Corporation (RIRDC);
- the EverGraze extension program with FFI CRC and AWI in the EverGraze;
- the Grain & Graze program, with AWI, GRDC and Land and Water Australia;
- the Making More From Sheep program with AWI;
- joint programs with both LiveCorp and AMPC;
- partnership in the Sheep Cooperative Research Centre, involving 21 partners across the sheep and wool industries in Australia; and
- partnership in the Beef Cooperative Research Centre, involving 9 partners from Australia and New Zealand.

In some cases, stakeholders perceive that MLA takes considerable time to reach decisions that affect partners. They cite examples of interactions with MLA staff where delegations of authority were either not established or not clearly communicated to enable decision making at a level appropriate for effective and efficient interaction with partners.

Many R&D partners and service providers recognise MLA's efforts in interaction, and note that the company is accessible and responsive particularly at a Board and Managing Director level. However, the opportunity for structured discussion over and above relationship building was identified as a consistent area where improvement could be made. This includes the identification and documentation of areas of common interest, and where coordination of effort is mutually beneficial.

MLA's marketing partners work closely with MLA on a campaign by campaign basis, and Domestic Marketing team members have close collaborative relationships with key marketing service providers.

5.4 FINDINGS AND RECOMMENDATIONS – CONSULTATION, LIAISON & COLLABORATION

MLA has the support of its Peak Councils and key industry stakeholders, and is viewed as a valuable contributor to the red meat industry. MLA Directors and staff are perceived highly by stakeholders as skilled professionals working for the benefit of industry. MLA places considerable importance on working closely with industry, and has developed a strong culture of service that is recognised by industry stakeholders. MLA's formalised and structured methods for consulting with industry, particularly in strategy setting, are focused on the Peak Councils and other industry organisations.

MLA is perceived by government stakeholders as a valuable participant in

government/industry technical groups. MLA staff are considered to be skilled contributors and relationships are regarded highly. MLA is generally considered organised and coordinated in its interactions with Government stakeholders.

MLA is almost universally viewed as a professional, proactive and well resourced organisation by partners, collaborators and service providers. MLA has good relationships with partners and service providers, though these relationships could be improved with deeper involvement in relevant MLA planning activities.

Stakeholders interviewed cited examples where confusion of MLA staff delegations or a lack of coordination between sections of MLA delayed discussions and decision making in government and partner forums.

There is an opportunity for MLA to build on the company's positive relationships with all stakeholders by adopting a more structured, strategic and obvious approach to key stakeholder relations.

It is recommended that MLA, in consultation with its stakeholders, consider a more strategic approach to stakeholder relations to ensure the company continues to improve the effectiveness and efficiency of the company's extensive efforts in liaising with industry, government and key partners and service providers.

Given the increasing expectation from industry for MLA to invest in policy research, it is recommended that MLA consider the value of a specific quality framework for these activities. A policy research quality framework would codify the processes for involving stakeholders in research planning and activity, and for peer review. Such a framework would provide stakeholders with confidence of MLA's independent role, and ensure policy research efforts are robust and comprehensive.

It is recommended that MLA consider mechanisms to improve within company communications to ensure that the contributions of various MLA sections and programs to government, technical and policy issues are aligned and coordinated and delegations are made explicit.

6 GOVERNANCE

6.1 BOARD POLICIES AND PROCESSES

MLA's Board has adopted a Board Charter and Corporate Governance Statement that set out the functions of the Board and the framework within which it operates. The MLA Board has also endorsed a Code of Conduct of Business Ethics which sets the expectation for the conduct of all MLA activity. The Charter, Corporate Governance Statement and Code of Conduct are made available to stakeholders on MLA's website.

MLA has a comprehensive policy for managing conflict of interest. The process is rigorous and declared as a standing item on every meeting agenda. The Board has a structured calendar that informs meeting agendas. This ensures that responsibilities for performance, compliance and governance matters are given appropriate focus.

The Board has formal policies and procedures which are embedded in the operation of the Board and its sub-committees. These policies are formally reviewed by the Board on an annual basis to ensure ongoing relevance. During the period of review, the Board had three sub-committees (Audit, Membership and Remuneration) that support the function of the Board. The Board conducts an annual review of composition to ensure knowledge, independence and skills on each committee.

The Board has a formal process for evaluating and improving its performance. This process involves peer review conducted as whole of board, individual directors and the Chair. The evaluation supports the identification of improvements in processes and behaviours, and training and development needs. This process is facilitated by an external governance consultant.

The Board has taken steps to increase its strategic focus and better articulate its information requirements. This has led to improvements in the quality of board papers, including the development of a common template for management reports and items for decision, and rigour in board deliberations.

6.2 DIRECTOR SELECTION

MLA's constitution establishes a Selection Committee for the purpose of reporting to the members of the company on the suitability of candidates for re-election or election to the office of director at general meetings.

The Selection Committee comprises of three individuals elected by Producers at the AGM, three appointed by Peak Councils (CCA, SCA, ALFA); and three directors (one

of whom is to be the Chair when the chair is not seeking re-election).

The Selection Committee utilises a structured process to identify the best candidates for ratification at the AGM. The Committee is supported by an external facilitator. This process is based on a skills matrix of identifying the desired board composition and gaps resulting from the retirement by rotation of directors. This matrix is reviewed annually by the whole board to ensure it is meeting the short and longer term objectives of the industry. The Selection Committee takes an active role to identify potential future candidates, encourage mentoring, and support succession planning at the board level.

At the company's 2005 Annual General Meeting, resolutions put forward to amend the constitution to enable the direct election of Directors was rejected by more than 75 per cent of the vote.

6.3 MEMBERSHIP

MLA's Statutory Funding Agreement requires the company to encourage levy payers to become members. MLA's constitution establishes two classes of members in the company: Peak Councils and producer members. Producer members are further classified as cattle producers, lot feeders, sheep producers and goat producers. MLA conducted an external review of membership issues in 2005. This review identified five key recommendations. In essence, these recommendations were:

- update the definition of membership to allow livestock traders to be eligible for membership;
- promote membership to levy payers;
- develop a new system to automate the issuing of voting entitlements;
- notify members of AGM resolutions prior to the return date for levy notices, to encourage participation in the AGM; and
- establish an independent audit of MLA's member register and vote allocation.

MLA has responded to each of these recommendations. These responses are outlined in detail below.

At the 2005 Annual General Meeting, the MLA Constitution was amended to change the definition of producer to include a person engaged in trading of livestock for production or for live export in addition to those engaged in the raising and finishing of livestock.

During the period of the Review, the MLA Board through a Membership Committee has taken an active role in overseeing the policies and systems in place for membership recruitment and management. Key producer member recruitment initiatives have been:

- direct mail and email campaigns to producers;
- advertisements in rural press, radio, regional television;
- information on membership and benefits in MLA’s publications, at events and on the website; and
- a coordinated membership drive to coincide with the Beef Levy Review in 2009.

MLA’s membership has grown from 33,391 in 2004/05 to 46,785 as at September 2009. A breakdown of MLA’s member by class is provided in Table 5.

Table 5 Membership by class

Member activity	2004/05	2005/06	2006/07	2007/08	2008/09
Cattle (grass fed)	27,871	33,001	36,442	37,878	39,062
Cattle (grain fed)	3,216	3,989	4,708	4,847	4,962
Sheep/prime lambs	12,440	14,505	16,488	16,777	17,030
Sheep only	7,599	8,907	10,250	10,183	10,074
Goats	1,602	1,862	2,126	2,217	2,248

Note: Some members fall into more than one sector

In accordance with the MLA constitution all MLA members automatically receive one vote. However, a member’s full voting entitlement is based on levies paid during the financial year and depends on the submission of a Levies Notice to MLA each year. Levies are paid by producers to the Australian Government and are then distributed to MLA (and others) in lump sum payments each month. MLA does not receive information from the Australian Government on levies paid by individuals.

MLA investigated the costs and benefits associated with the implementation of an automated system of issuing member voting entitlements. The estimated cost of establishing and running a new system was 2.5 times more than established levy collection costs. Given that MLA would have to divert these funds from marketing or R&D programs, a decision was made by the Board with the mandate of Industry Peak Councils to retain the voluntary levies notice system and provide members with ongoing support and information on how to participate. This includes providing detailed information on voting rights on MLA’s website, in company publications and the distribution of “Levies Packs” to members in July each year.

MLA’s constitution was amended in 2005 to reduce the notice of general meetings period from 28 days to 21 days which is consistent with the Corporations Act 2001.

This change would enable MLA to continue to provide the notice of meeting after it has notified the members that are being audited, and therefore ensure that any voting entitlement sent to these members is subject to the outcome of the audit. Also amended in 2005 was the period for members to respond to a levy audit, reduced from 28 days to 14 days.

MLA has taken steps to improve industry participation in MLA's AGM. A summary of member participation is shown in Table 6.

Table 6 Membership participation in AGM (in person or by proxy)

	2007	2008	2009
% MLA members registered for voting entitlements	23.8%	23.6%	21.5%
estimated % production covered by votes cast ¹	18%	19%	20%

¹ Estimate provided by MLA

Given that MLA's members comprise producers of all sizes, MLA's use of ABARE production data matched to MLA data is considered by the Review Team to be an appropriate indicator of industry participation in AGMs. Prior to 2003, MLA made transcripts of AGMs available to members who were unable to attend. This practice was reviewed by the company in light of legal risks associated with the publication of potentially defamatory member comments made during the meetings, the costs of preparing the transcripts and the very limited demand for transcripts from MLA's members. Key AGM information, including the addresses of the Chair and Managing Director are made available on MLA's website.

Since 2006, MLA has conducted periodic independent audits on the procedures and processes around the member register, the calculation of voting entitlements and voting process. The most recent independent audit was completed in 2009. MLA and their independent service provider Computershare, support external audits with their own internal quality assurance processes conducted each year.

MLA has taken active steps to consider an independent external review of membership issues. The company has responded appropriately, taking into account the legal and cost implications of the proposed recommendations.

6.4 THE BOARD'S ROLE IN SETTING STRATEGY AND MANAGING PERFORMANCE

The MLA Board has taken an increasingly active role in strategy setting in the past two years. The Board has applied more rigour to its participation in developing strategy and has a greater accountability for, and ownership of, the strategy setting process. The Board sets aside time at each meeting to focus on strategic topics and issues facing the industry, and on annual bases, dedicates time to strategic thinking and planning. The Board has tightened and refined the company's

strategic direction in the most recent annual revision of the Strategic Plan. There is an opportunity for the Board to demonstrate the company's performance over the longer term by setting quantified key performance indicators in the Strategic Plan.

At board meetings, the MLA Board dedicates time to "health checks", to inform strategy development and manage performance. Health Check topics include "The State of the Nation", R&D (off and on-farm), Human Resources, Consumer Trends and Industry. KPIs established in the annual operating plan are a key method of managing MLA's performance. Current and past directors identify the need to continually refine the performance framework for the company, particularly in relation to R&D programs.

Board members dedicate considerable time to interacting with key stakeholders at industry forums and events. These interactions provide opportunities for stakeholders to discuss industry trends, changes in the operating environment and overall strategic direction with board members. Directors have been responsive to industry and the external environment when adopting the overall strategic direction and priorities for the company.

6.5 RISK MANAGEMENT AND FRAUD CONTROL

MLA's current risk management plan was formally adopted by the Board in June 2008. This plan was based on a revision of an earlier plan adopted in 2006. To support the development and revision of risk management plans, the company appoints external advisors to conduct risk assessments of MLA's operations.

The Board is ultimately responsible for the approval, implementation and monitoring of the risk plan. The Audit Committee, in making recommendations to the Board, receives formal reports from the Managing Director on implementation, and conducts a review of the plan at least annually. The Managing Director is charged with the implementation of the Plan and members of the Executive Committee are identified as risk owners and responsible for the day to day implementation of the plan.

The Risk Management Plan includes a detailed business risk register. Each risk is described in terms of risk category & priority, risk description, principal risk management activities, risk owner, and assurance activities. Strategic risks identified include those relating to the:

- operating environment including market trends, trade and industry structure; and
- people and stakeholders.

Operational risks identified include those relating to the management of industry programs, marketing programs, members, finances, contracts, intellectual property, IT and cash flow.

MLA's current fraud control plan was adopted by the Board in June 2008. The fraud control plan documents: the company's principles for effective fraud control; assigns appropriate responsibilities to the Managing Director, General Managers and all employees; identifies six areas of core fraud risk and control strategies; and arrangements for plan implementation and review. The six areas of core fraud risk identified in the plan are:

- delegated authorities;
- procurement and tendering;
- personnel management procedures;
- ethical environment - code of conduct;
- information technology and information security; and
- financial and treasury management.

Fraud and risk plans are reviewed by the company at appropriate intervals. A review of Board and Audit Committee papers and discussions with directors indicates that the MLA Board has appropriate oversight of the implementations of these plans.

The company has an extensive suite of policies to support consistent communication of fraud and risk across the company. MLA systems and procedures support the implementation of policies. Importantly, the company culture, values and code of conduct align to provide a clear, comprehensive and structured approach to managing fraud and risk.

MLA's internal and external audit programs support the implementation of the company's fraud control and risks policies. The 2008 audit close report to the Audit Committee identified areas for improvements to internal controls. The 2009 audit close report concluded that there were no significant areas of fraud risk and no items with an impact to the yearend audit; and that internal control could be relied on.

The Review Team was advised by MLA that no known incidents of fraud had occurred during the 3 year period of operation of the current statutory funding agreement. Written statements to this effect from the Managing Director to the company's external auditors were sighted.

MLA meets the obligations of the SFA in regard to fraud and risk, and specific compliance policies and procedures are embedded in the company relating to Commonwealth matching payments of R&D.

6.6 INTELLECTUAL PROPERTY MANAGEMENT

MLA has an Intellectual Property Operations Manual which comprises an Intellectual Property Plan and an IP Management and Commercialisation Manual. These set the formal framework for managing the company's IP assets. The IP Plan was adopted by the Board in June 2008. The company is currently in the process of reviewing the IP Plan and updating the IP Management and Commercialisation Manual.

The IP Plan and IP and Commercialisation Manual cover patents, copyrights, moral rights, trade marks, designs, circuit layout rights, plant breeder's rights and trade secrets. The plan sets the aim and principles for the company's IP management. The aim is to maximise benefit to the Australian red meat industry. The IP plan identifies six key IP risk management strategies – contracting protocols, background and project IP mapping, IP Watch, IP assignment, due diligence and assessments of partner capabilities.

MLA has a comprehensive central register of IP assets. This register has restricted access to ensure integrity is maintained. MLA uses the expertise of external Patent Attorneys to manage patents.

The day to day implementation of MLA's IP Plan is the responsibility of two specialist teams – Contract Services and Commercialisation and Innovation Adoption. These teams are supported by the company's legal counsel. Both teams have staff embedded in the Client Innovation Services and Livestock Production Innovation, to ensure close interaction with the business units that heavily rely on these services. This interaction ensures early consideration of IP and commercialisation issues in project planning and application stages.

MLA has taken steps to improve IP reporting to the Board. Comprehensive 6-monthly reports are provided to the Board which concisely report register exceptions such as additions, expiries, challenges and claims to the company's IP assets.

6.7 GOVERNANCE OBLIGATIONS

In addition to its obligations under the Corporations Act 2001, MLA has governance obligations that are established by the company's constitution and the statutory funding agreement with the Commonwealth Government.

The Review Team sought evidence from MLA to enable the assessment of performance against each of these obligations. MLA provided the Review Team with comprehensive evidence to support detailed analysis of compliance with these obligations. This analysis is provided in Appendix 5.

6.8 FINDINGS AND RECOMMENDATIONS - GOVERNANCE

The MLA Board has the respect of the company's stakeholders, and is viewed with limited exception as open and transparent. The Board has been committed to improving governance at all levels over the last three years, and changes have been adopted to improve the efficiency and effectiveness of board function.

The MLA Board has increased its strategic focus, and role in strategy setting over the review period. The MLA Board papers have improved and become more strategic over the review period, and templates for papers have been refined over time.

While the MLA Board has increased strategic focus over the review period, the company's performance framework is based on key performance indicators in the annual operating plan and individual program and campaign plans. There is an opportunity for the Board to refine the performance framework by setting quantified key performance indicators in the Strategic Plan. Such an approach would enable the company to clearly demonstrate long term performance to stakeholders.

MLA's Selection Committee structure and robust process ensures that there is a transparent and accountable framework for the appointment of directors that are skills based. The Selection Committee has taken an active role to support succession planning at the board level. Succession at the board level was identified to this review by industry stakeholders as a key ongoing challenge for MLA.

MLA has been diligent and meticulous in meeting the requirements of both the company's constitution and the Statutory Funding Agreement with the Commonwealth. MLA has developed comprehensive risk management and fraud control plans, and these plans are reviewed by the company at appropriate intervals. The company has an extensive suite of policies, systems and procedures to support the implementation of these plans.

It is recommended that the MLA Board, together with the Selection Committee, give further consideration to succession planning within the board to ensure that loss of corporate knowledge and skill is managed, while balancing the need for renewal.

It is recommended the MLA Board give ongoing consideration to refining the quality of MLA Board Papers, to ensure that information needs are met with consistency and clarity to assist board deliberation and decision making.

It is recommended the MLA Board give consideration to establishing quantified key performance indicators to actively measure the performance of the company in delivering its strategic plan over the longer term.

7 COMPANY SYSTEMS AND SUPPORT

7.1 HUMAN RESOURCES

MLA has a Human Resources Strategic Plan. The HR Strategy identifies four key imperatives for the organisation:

- attract – Attract and recruit talented employees;
- engage and retain – Engage and retain employees to achieve MLA’s mission and objectives and in developing a deeper understanding of the red meat industry;
- develop – Support and enable the development of our people; and
- service – Ensure human resources services and systems support and enable efficient and effective people management across MLA.

MLA has a comprehensive suite of HR policies that span the employment lifecycle and the four imperatives of the HR strategy.

MLA undertakes a comprehensive employee survey every 2 years. This independent survey is actively used by the Executive Committee to identify areas of improvement. Areas identified for improvement are identified in General Managers’ individual performance plans. The most recent survey was conducted in 2008, when 192 employees (82%) responded. The surveys identify “hotspots” and provide MLA with clear recommendations. The last two surveys have concluded that the overall quality of MLA corporate environment is strong, and staff engagement and satisfaction is high.

MLA has actively responded to the recommendations arising from the staff survey, and this response is documented in the Immediate Priorities of the Human Resources Strategic Plan. A key HR initiative has been the development of a Succession and Talent Management Framework. The purpose of this framework is to identify ways to build talent in MLA and provide career development opportunities to ensure MLA can deliver its objectives. This framework has increased MLA’s focus on identifying opportunities for internal promotion.

Performance planning and management has been identified as a “hotspot” in the past two staff surveys. MLA continues to refine the links between the company and individual key performance indicators, to ensure expectations of staff performance are clearly linked to the overall objectives of the company. There is an opportunity for MLA to expand staff involvement and buy-in to strategic business planning activities to support an enhanced understanding of the links between

individual and company objectives. This will also aid the sharing of knowledge and experience within MLA and support staff development and succession objectives.

MLA has a formal Recruitment Guideline. This outlines the key steps in MLA's recruitment process. All MLA positions have a job description that articulate the objectives, accountabilities, key measures of the role, and the essential qualifications, knowledge and experience. These criteria, together with consideration of culture fit and future capability are the basis of assessment of candidate suitability for a position. MLA informed the Review Team that almost all positions are advertised both internally and externally. Past exceptions to this approach have been the repatriation of overseas based staff, and where an individual development program and succession plan for a specific position is in place.

The Remuneration Committee of the Board oversees the development of MLA's remuneration guidelines, with particular focus on the performance and reward framework for General Managers and the Managing Director. The company undertakes formalised salary benchmarking processes with like organisations. This research supports the development of remuneration guidelines.

7.2 FINANCE AND PROJECT MANAGEMENT SYSTEMS

MLA's SAP system provides the platform for finance and project management. This system has been integrated into MLA's operations and functions expanded since its adoption in 2006. SAP supports the implementation of the company's fraud plan, and other policies. SAP is structured to align with MLA's AOP, enabling strategic forecasting and reporting.

The systems have appropriate quality controls in place, including access and edit delegations and formal training is provided to staff on the use of systems. Systems are subject to third party audits.

MLA will need to ensure that company systems are able to support the company's efforts, particularly evaluation efforts, in the future. MLA has identified the limitations of historical systems, and a cross company initiative has been established to explore improvements. Ensuring a system that captures information on company activities and the outcomes achieved from investments will be critical to support future evaluation efforts.

7.3 CONTRACTS

MLA has a suite of standard contracts that underpin the delivery of the company's activities. The company has standard terms and conditions for contracting research projects, consultancies, commercialisation agreements and marketing service agreements.

The standard contracts support the implementation of MLA's IP plan, and the

contracting process supports the implementation of the company's financial delegations and the Operational Compliance and Procedures Framework for the Commonwealth matching payments for research and development.

The contract services function was consolidated into one team in the Livestock Production Innovation business unit in 2009. Members of the Contract Services team are embedded within both the Livestock Production Innovation and Client Innovation Services business units to support operations. This consolidation has resulted in the standardisation of contracting process and systems. The consolidation has also provided depth to the team, to enable better management workloads and a more consistent provision of service. There is close cooperation between the Legal, Contract Services and IP & Commercialisation teams.

MLA's contracting process is viewed by service providers as on par or ahead of other RDCs and MLA is an active participant in RDC harmonisation forums.

7.4 INFORMATION TECHNOLOGY

MLA's IT infrastructure supports the connectivity and accessibility required of a global company. A number of steps have been taken to improve the effectiveness and efficiency of this support function. The recent consolidation of servers to reduce risk and decrease maintenance costs is an example of this.

7.5 FINDINGS AND RECOMMENDATIONS – COMPANY SYSTEMS AND SUPPORT

MLA's company systems and support functions provide for the consistent implementation of the plans and policies. Systems support the company's plans for managing risk and fraud control. Systems are used by staff, and improvements have been made.

The MLA Executive Committee has placed considerable focus on strategic human resources issues including the development of company values and culture, refinement of individual training, development and performance management processes and the implementation of a talent identification / succession framework. MLA's recruitment guidelines are flexible, providing management discretion as to whether any role is required to be advertised.

MLA has centralised contracting processes that support the implementation of the company's policies, including financial delegations and Operational Compliance and Procedures Framework for the Commonwealth matching payments. Contract Services staff work closely with legal, IP & Commercialisation and the teams that use their services to ensure robust processes are in place.

MLA, through a cross company initiative, has commenced active consideration of improvements to the company's approach to knowledge management. This includes how information and knowledge can be captured and managed to

support reporting against key performance indicators and the evaluation of programs and projects over time.

It is recommended that MLA continue to monitor the balance between focus on internal talent development and promotion and the benefits of bringing new ideas and experience through the recruitment of external candidates.

It is recommended that MLA maintain focus on strategic human resources issues, to ensure that benefits of recent initiatives are not eroded over time, and that an appropriate focus on further organisation wide improvements is maintained.

It is recommended that MLA consider giving greater priority to the company's knowledge management initiatives, to ensure that evaluation and program improvement efforts are supported.

8 PERFORMANCE – DELIVERING VALUE TO LEVY PAYERS

8.1 PERFORMANCE FRAMEWORK

MLA's performance framework aligns with the company's planning activities, and it cascades from the strategic plan to individual performance agreements with all staff members. As shown in Table 7, MLA's strategic plan establishes desired outcomes for industry and levy payers. The annual operating plan is the key document that articulates quantified and measurable key performance indicators. These KPIs are established by the Executive Committee in consultation with key stakeholders during the development of the AOP, and approved by the MLA Board.

Table 7 Summary of performance framework

Plan	Performance measures
Strategic plan	Qualitative descriptions of intended "industry outcomes". Qualitative descriptions of MLA's "measures"
Annual operating plan	Quantified and measurable key performance indicators against each MLA objective
Individual performance agreements	Measurable key performance indicators linked to AOP

MLA has a comprehensive approach to managing individual performance (PAR). There is a clear process of cascading KPIs from company plans, business unit and program plans and individual KPIs. The PAR model has been refined and improved over time, and MLA is continuing to improve the way that KPIs cascade.

8.2 MEASURING AND REPORTING PERFORMANCE

In addition to the company's Annual Report, MLA publishes a report of its performance against the AOP. The AOP Final Report presents the results of established KPIs, and benefits to industry and levy payers. Supporting information of activities against key initiatives provides stakeholders with further detail. Performance against planned budget is also reported.

The Review Team has conducted an assessment of the quality of MLA's reporting against KPIs the company's AOP Final Reports. A summary of this analysis is provided in Table 8.

Table 8 MLA’s reported performance in meeting annual KPIs (2007/08, 2008/09)

Year	Number of KPIs	% Achieved	% Partially achieved ¹	% Not achieved	% Unable to assess
2007/08	114	49.1%	28.1%	7.9%	14.9%
2008/09	103	42.7%	29.1%	7.8%	20.4%

¹ partially achieved KPIs represent successful outcomes. In these instances, MLA went part-way to achieving the KPI established. In the main, the AOP Outcomes Report provided an explanation for the shortcomings.

The Review Team was unable to assess MLA’s performance in meeting 14.9% (17) KPIs in 2007/08 and 20.39% (21) KPIs in 2008/09. This was due to limitations in information presented in the outcome against each KPI in the AOP Report. These limitations include when the reported outcome had no obvious link to the KPI, or that the reported outcome was missing sufficient information to enable assessment. A summary of these limitations is provided in Table 9.

Table 9 Limitations in MLA’s reporting (2007/08, 2008/09)

Year	Reported outcome has no obvious link to KPI	Reported outcome is missing sufficient information to enable assessment	Total number of outcomes where Review Team is unable to assess performance
2007/08	12	5	17
2008/09	18	3	21

Reported activity against key initiatives provides additional supporting information of MLA’s progress, and the AOP Report transparently reports MLA’s efforts over the preceding 12 month period. The report is made available to stakeholders on MLA’s website.

However, this analysis shows that MLA could improve the quality of KPI reporting to ensure that KPIs are clearly defined, and outcome reporting is linked. Areas for improvement include:

- providing baselines when directional targets (such as “increase”, “improve”) are set;
- ensuring that the reported outcomes use the same measures as the established KPIs; and
- using terminology in KPIs and reported outcomes that can be understood by a broad audience.

MLA has taken steps to refine KPIs, and industry views the efforts as responsive.

8.3 EVALUATION PROCESS

Since 2005 MLA has systematically assessed the value of much of the work undertaken and has established a standardised approach. MLA dedicated resources to establish, implement and manage the process. Independent advisors were appointed to develop a systematic evaluation framework, and assist MLA in implementation. A rolling program of evaluations using the established framework has been in place since 2007.

The MLA Evaluation Framework uses program logic (based on an assessment of objectives, inputs, outputs, KPIs and outcomes) along with benefit cost analysis across the triple bottom line (market returns, environmental and social impacts). The MLA Evaluation Framework accommodates both a top down and a bottom up approach. This approach has been well suited to a process that encourages active engagement in evaluation processes. The MLA Evaluation Framework is consistent with accepted Council of Rural Research and Development Corporation Chairs Guidelines and evaluation practice.

Of the seventeen objectives in MLA's strategic plan, thirteen have been independently evaluated using the company's evaluation framework. The evaluation coverage across the MLA strategic plan portfolio is representative and when the current series is completed in June 2010 evaluation will have covered between 60% and 70% of program investment.

A summary of the results of these evaluations are provided in Table 10. These results show that benefit cost ratios from studies conducted are between 2.2 and 11.5, with an average of 6.3.

Table 10 Evaluation Results Summary

MLA Strategic Objective	Industry Benefits (Present Value \$ million)	Total Costs (Present Value \$ million)	Industry Benefit Cost Ratio
1.1 Enhancing product integrity	44.4	3.8	11.5
1.2 Maintaining and liberalising access to world markets	416.0	50.5	8.2
2.1 Improving eating quality ¹	1,083.0	125.0	8.7
2.2 Enhancing the human nutritional reputation of red meat	Break-even analysis only	40.3 But not reported as a PV.	NA
2.5 Aggressive promotion in the domestic market (sheep)	573.0	263.0	2.2

MLA Strategic Objective	Industry Benefits (Present Value \$ million)	Total Costs (Present Value \$ million)	Industry Benefit Cost Ratio
2.6 Aggressive promotion in export markets (lamb USA)	859.0	120.0	7.2
3.1 Increasing cost efficiency and productivity - on-farm (beef excluding feedlots)	307.0	90.0	3.4
3.1 Increasing cost efficiency and productivity - on-farm (lamb)	955.0	256.0	3.7
3.3 Improving industry and market information	255.0	45.2	5.6
3.4 Ensuring sustainability	Scoping analysis only	NA	NA

Source: MLA Evaluation Series Reports.

¹ The independent analysis excluded the costs of the Beef CRC's investment in MSA. When this is included, total costs were \$223 million, and the benefit cost ratio 5.1. This adjustment was published in a supporting brochure prepared by MLA.

The MLA Evaluation Framework has encouraged a focus on outcomes rather than outputs within MLA and has driven portfolio management changes at a program level. It provides the beginnings of a consistent and comprehensive framework for accountability and there is evidence of focusing effort such as an increased recognition that adoption is of critical importance in much of the company's R&D efforts.

In addition to the implementation of the company wide evaluation framework, the Livestock Production Innovation team commissioned evaluations of a random sample of 800 projects. Results from this random sample, using an alternative evaluation approach, are available on the MLA website.

The Client Innovation Services business unit has undertaken a number of independent commercial validations of the benefits of off-farm project outcomes. The results of these studies are being disseminated to the processing sector as part of the group's strategies to facilitate adoption.

MLA's Corporate Communications and Domestic Marketing business units have used various review and evaluation tools to guide program improvements. Examples of such tools include the tracking surveys, and consumer / user surveys that inform the refinement of tactics in communications and domestic marketing.

MLA is currently undertaking a review of the company's evaluation methodology. Key considerations in this review include the effectiveness and efficiency of the approach and enabling spillover benefits to be described and valued.

8.4 MEMBER AND STAKEHOLDER PERCEPTION OF PERFORMANCE

At least every two years, MLA contracts the services of an external market research company to conduct a comprehensive survey of MLA's members. The purpose of the survey is to track members: awareness and knowledge of MLA, perceived value of MLA, awareness of specific MLA programs and awareness and perceived usefulness of MLA publications.

In the most recent survey conducted in 2008, 764 MLA members were surveyed, with the sample chosen by random systematic selection from MLA's member database. The results of this survey (Table 11) show that 95% of respondents perceive they received value from MLA. Compared to surveys of previous years, there was an increase in the proportion of respondents who perceive they receive a lot or some value, when compared to the results of previous years.

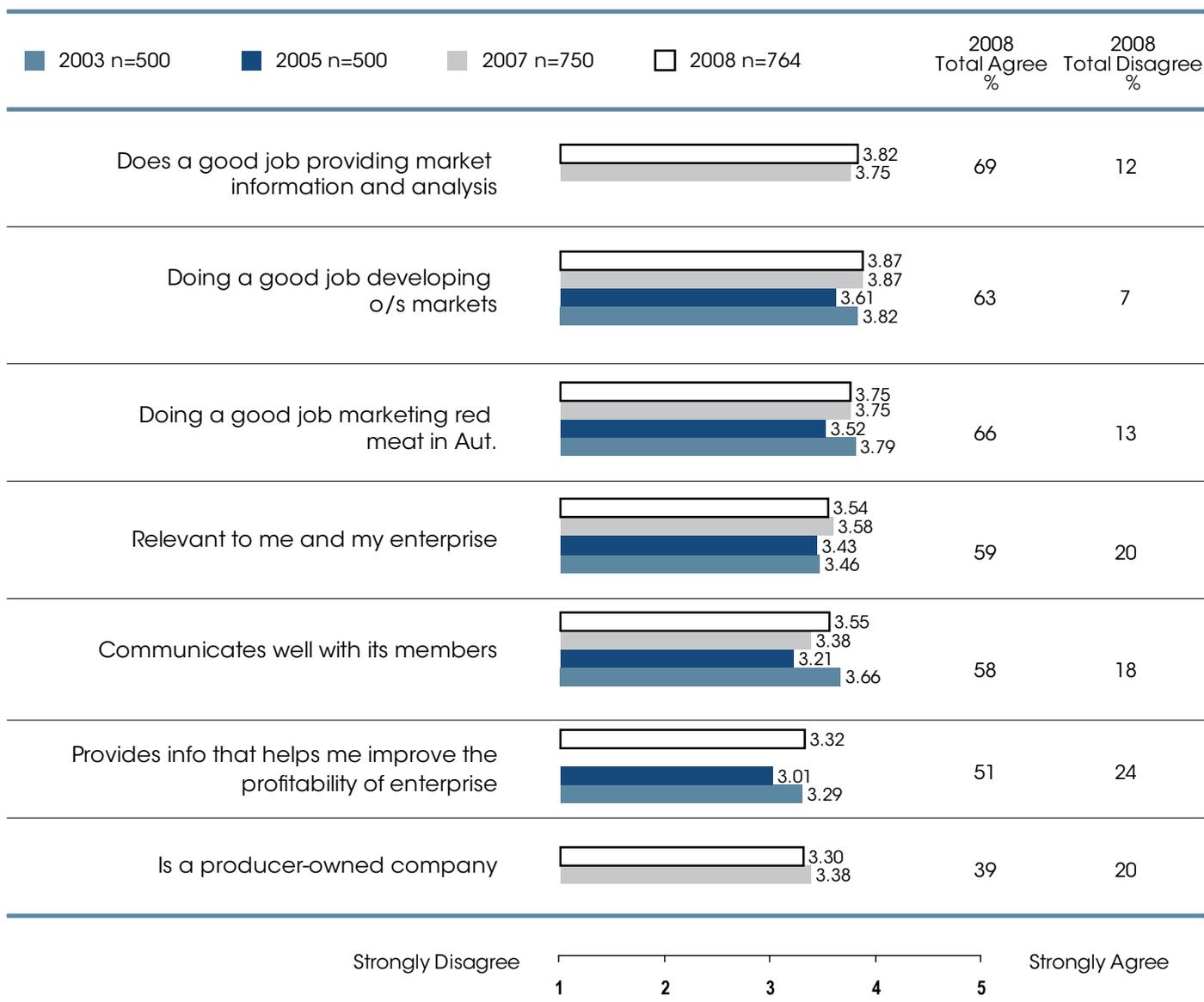
Table 11 Summary of member perception of overall value from MLA (% respondents)

Perceived value	2005 (n=500)	2007 (n=750)	2008 (n=2008)
A lot of value from MLA	10	12	13
Some value from MLA	62	60	63
A little value from MLA	22	23	19
Absolutely no value from MLA	6	5	5
TOTAL	100%	100%	100%

Source: Tavener Research (2008) 2008 Member Communications Survey.

Survey respondents were also asked to rate their perception of MLA's performance across the company's activities, by indicating their level of agreement with statements. Figure 4 shows that across market information, overseas marketing, domestic marketing, communication and providing information to support improved profitability, MLA members rated the company least three out of five.

Figure 4 Summary of member satisfaction with MLA's activities



Stakeholders consulted for this review perceive that MLA delivers value to the industry and to levy payers. Activities identified by industry stakeholders as key successes for MLA include:

- projects to improve animal welfare in the live export sector, during transportation and in receiving countries;
- lamb marketing, both in domestic and international markets;
- delivery of collaborative projects with off-farm sector;
- technical and policy research on climate change issues;
- communication with the broader community on the integrity of the industry;

- the provision of market information to the industry;
- publications and activities that support the extension of on-farm research; such as BreedPlan, Making More from Sheep and Meat Profit Days;
- genetics research;
- eating quality research to underpin the MSA; and
- improvements in the implementation of industry programs such as NLIS.

8.5 FINDINGS AND RECOMMENDATIONS - PERFORMANCE

MLA's activities align with strategies and key initiatives presented in the company's strategic and annual operating plans. MLA has taken steps to develop a structured and transparent approach to demonstrate performance against plans to stakeholders. This approach requires refinement to improve the quality of the KPIs, consistency across the business and greater clarity in reporting.

MLA has established a robust approach to evaluating past investments. The series of evaluations completed since 2007 reveal no program failures. While individual projects within these programs may have failed, the net program benefits have outweighed costs. An explicit examination of less successful projects was viewed by some industry stakeholders and the Review Team as a potentially useful activity to aid strategic consideration of issues facing the meat industry.

There is an opportunity for MLA to enhance the value of its investment in evaluation by improving links to strategy setting and program management and ensuring that the evaluations align with a consistent ex-ante analysis framework.

MLA's surveyed levy payers, and industry stakeholders consulted in this review perceive that MLA delivers value to levy payers and the industry as a whole. The Review Team can find with confidence that MLA has delivered value to the industry since its inception. This is based on MLA's robust approach to evaluation, and comprehensive process to assess and report performance.

It is recommended that MLA further refine its approach to setting key performance indicators and reporting outcomes to stakeholders. Improved clarity will further deliver on MLA's commitment to transparently communicate the company's performance in implementing plans and the benefits it provides levy payers and the industry.

It is recommended that MLA consider revising its evaluation approach to include a consistent ex-ante evaluation process that enables comparison of value to levy payers across programs.

9 REVIEW FINDINGS AND RECOMMENDATIONS

Based on consultation and extensive review of MLA documents, the review finds that MLA has:

- a structured approach to preparing the company's strategic and annual operating plans. The company has established and formalised approaches to involve stakeholders the development of the annual operating plan. MLA plans align with government research and development priorities and cascade from industry priorities established in the Meat Industry Strategic Plan, through MLA's strategic and annual operating plans to business unit and program plans.
- a structure that supports the delivery of the company's strategy, and that has changed over time in response to changes in strategy emphasis and industry requirements.
- the support of its Peak Councils and key stakeholders, and is viewed as a valuable contributor to the red meat industry. MLA directors and staff are perceived highly by stakeholders as skilled professionals working for the benefit of industry.
- a Board that is open and transparent. The Board has policies and procedures to guide its operations and has been committed to improving governance at all levels.
- been diligent and meticulous in meeting the requirements of the company's Statutory Funding Agreement with the Commonwealth.
- company systems and support functions that have improved over time, and clearly support the implementation of the company's strategy and policies, including those associated with fraud, risk and intellectual property management.
- a comprehensive approach to assessing value for money from past investments.

In summary, against the established terms of reference, the review concludes:

Terms of Reference One - An assessment of MLA's performance against its strategic and annual operating plans

- MLA's activities align with the strategies and key initiatives presented in the company's strategic and annual operating plans.
- MLA has met the majority of the detailed performance indicators set in the company's annual operating plans.

- MLA has taken steps to develop a structured and transparent approach to demonstrate performance against plans to stakeholders. This approach requires further improvement to ensure consistency across the business and greater clarity in reporting.
- The absence of quantified key performance indicators inhibits definitive assessment of MLA's performance against its strategic plan. However, the performance of company against its annual operating plans and assessments of value to levy payers give confidence that MLA has performed well over the lifetime of the current strategic plan.

Terms of Reference Two - The performance of MLA in meeting its obligations under the 2007 Deed

- MLA has been diligent and meticulous in meeting the requirements of both the company's constitution and the Statutory Funding Agreement with the Commonwealth.

Terms of Reference Three - MLA's development of its strategic, operating, risk management, fraud control and intellectual property plans

- MLA has a structured approach to preparing the company's Strategic and annual operating plans. The company has established and formalised approaches to involve stakeholders the development of the annual operating plan.
- MLA plans cascades from industry priorities established in the Meat Industry Strategic Plan, through MLA's strategic and annual operating plans to business unit and program plans.
- MLA has developed comprehensive risk management, fraud control plans and intellectual property plans, and these plans are reviewed by the company at appropriate intervals. The company has an extensive suite of policies, systems and procedures to support the implementation of these plans.

Terms of Reference Four - the delivery of benefits to the industry since inception in 1998.

- MLA has developed a robust approach to evaluation, and has comprehensive processes in place to assess performance and the delivery of benefits to industry and levy payers.
- The Review Team finds with confidence that MLA has delivered value to the industry and levy payers since its inception.

This review makes twenty two recommendations for MLA's consideration. Eighteen recommendations relating to specific areas of company activity are presented as detailed recommendations throughout the document. The four principal recommendations of the review, which relate to company-wide planning and operations, are outlined below.

MLA first introduced a company strategic plan at the commencement of the review period in response to a requirement of the statutory funding agreement. Consultation conducted as part of the review highlights an opportunity for MLA and its stakeholders to jointly reassess the role of future MLA strategic plans, and the contribution that stakeholders can be expected to make. The principle recommendations of the review are:

1. It is recommended that MLA, in consultation with its stakeholders, consider a more strategic and structured approach to stakeholder relationships. This will ensure the company continues to improve the effectiveness and efficiency of the company's extensive efforts in liaising with industry, government, key partners and service providers.
2. It is recommended that MLA consider the benefits of developing a consistent ex-ante evaluation process that enables comparison of value to levy payers across programs. Such an approach will encourage structured discussion of strategic alternatives and support decision making.
3. It is recommended that MLA consider establishing quantified key performance indicators, to enable active measurement of the performance of the company in delivering its strategic plan.
4. It is recommended that MLA refine its approach reporting outcomes to stakeholders to ensure clarity and consistency across business units. Such refinement will enhance the delivery of MLA's commitment to transparently communicate the company's performance in implementing plans and the benefits it provides levy payers.

APPENDIX 1 – REVIEW METHODOLOGY

The terms of reference for the review, as stipulated by the SFA, require an assessment of MLA's performance against its strategic and annual operating plans and take into account:

- the performance of MLA in meeting its obligations under the 2007 Deed;
- MLA's development of its strategic, operating, risk management, fraud control and intellectual property plans as required under the 2007 Deed; and
- the delivery of benefits to the industry foreshadowed by MLA's strategic and operating plans, since inception in 1998.

The funding deed, and this review, is set within the context of the:

- Australian Meat and Live-stock Industry Act (1997);
- the meat and livestock industry Memorandum of Understanding (MoU) (April 1998); and
- MLA's Constitution (Memorandum of Association).

Among other obligations, the funding deed requires MLA to:

- act as the industry marketing body and industry research body under the Australian Meat and Live-stock Industry Act; and
- do all things necessary to remain a party to the MoU and must comply with its roles, responsibilities and other obligations under the MoU.

On the basis of these requirements, the structure for the review was based on the following areas of investigation:

- MLA's position, role and responsibilities;
- Strategy development and implementation;
- Structure;
- Consultation, liaison and collaboration;
- Corporate governance; and
- Company operations.

The evaluation criteria for each of these elements were:

- alignment with the key objectives;
- progress towards or support for the achievement of objectives; and
- efficiency of this progress and any improvements made.

The review has been informed by extensive review of MLA documentation.

Assessment has relied heavily on systematic examination by the Review Team of each stated target and objective in personal interviews with MLA Board members, staff and stakeholders, and the evidence presented of compliance and performance in MLA publications and internal documentation.

APPENDIX 2 – CONSULTATION CONDUCTED TO INFORM THE REVIEW

In total, 79 people were consulted for this review at least once. A breakdown of stakeholders involved is provided in the table below.

Group	Number of people consulted
Staff	15
Directors & former directors	5
Peak Councils	11
Industry	18
Government	9
R&D Partners	12
Marketing Partners	6
Other	3
TOTAL	79

INDUSTRY STAKEHOLDERS

Stakeholders in this category include: Peak Councils; State Farming Organisations; industry organisations; representatives on MLA committees / working groups etc.

Area of review	Key areas of discussion
Strategy development and implementation	<ul style="list-style-type: none"> Your interactions with MLA in developing the company's strategic and operating plans Your views on MLA's approach to measuring and reporting value to levy payers Areas where you think MLA has done well over the review period, and areas where you think improvement is desirable

Area of review	Key areas of discussion
Structure	<ul style="list-style-type: none"> Your views on the steps taken to position MLA as a research, development and marketing service organisation for the industry Your views on MLA's performance in delivering the Meat Industry MoU (for parties to MoU only)
Consultation, liaison and collaboration	<ul style="list-style-type: none"> Your views on MLA's approaches to consulting and collaborating with your organisation
Corporate governance	<ul style="list-style-type: none"> Your views on MLA's transparency and methods of accountability with stakeholders

SERVICE PROVIDERS / PARTNERS

Stakeholders in this category include: Research & development partners; marketing partners.

Area of review	Key areas of discussion
Strategy development and implementation	<ul style="list-style-type: none"> Your interactions with MLA in developing the company's strategic and operating plans Your interactions with MLA in developing program / project plans Areas where you think MLA has done well over the 3 years, and areas where you think improvement is desirable
Consultation, liaison and collaboration	<ul style="list-style-type: none"> Your views on MLA's approaches to consulting and collaborating with your organisation
Company operations	<ul style="list-style-type: none"> Your views on MLA's approach to commercial negotiations and agreements

GOVERNMENT STAKEHOLDERS

Area of review	Key areas of discussion
Strategy development and implementation	<ul style="list-style-type: none"> • Your interactions with MLA in developing the company’s strategic and operating plans • Your interactions with MLA in developing program / project /issue plans • Your views on MLA approach to measuring and reporting value to government, levy payers and other stakeholders • Areas where you think MLA has done well over the 3 years, and areas where you think improvement is desirable
Structure	<ul style="list-style-type: none"> • Your views on MLA’s performance in delivering the Meat Industry MoU
Consultation, liaison and collaboration	<ul style="list-style-type: none"> • Your views on MLAs approaches to consulting and collaborating with your organisation on key issues (eg trade, environment, animal welfare)
Corporate governance	<ul style="list-style-type: none"> • MLA’s performance in complying with requirements stipulated in the statutory funding agreement

APPENDIX 3 – RESOURCE ALLOCATION AND ALIGNMENT WITH COMMONWEALTH R&D PRIORITIES

RESOURCE ALLOCATION AGAINST STRATEGIC IMPERATIVES AND STRATEGIES

	2008/09 (\$'000)		2009/10 (\$'000)	
	Budget	Actual	Budget	Forecast
1. Increasing Market Access	22,617	22,791	23,263	23,042
1.1 Enhancing product integrity	12,530	12,789	13,077	12,424
1.2 Maintaining and liberalising access to world markets	4,180	3,514	4,281	3,918
1.3 Maximising market options for producers and exporters in the livestock export trade	5,907	6,488	5,905	6,700
2. Growing Demand	57,394	56,717	66,552	66,507
2.1 improving eating quality	6,392	5,545	7,778	6,167
2.2 Enhancing nutritional value of red meat	7,816	7,769	7,814	7,814
2.3 Developing new products	1,590	1,368	1,563	1,321
2.4 Promoting Industry integrity	1,004	1,074	1,962	2,160
2.5 Aggressive promotion in the domestic market	15,046	15,775	16,792	17,753
2.6 (a) Aggressive promotion in export markets - beef	19,721	19,905	23,855	24,342
2.6 (b) Aggressive promotion in export markets - sheepmeat	5,825	5,281	6,788	6,950
3. Enhancing Competitiveness and Sustainability	30,127	29,580	38,684	34,993
3.1 increasing cost efficiency and productivity - on farm	7,905	7,678	12,243	10,520
3.3 Improving industry and market information	4,706	4,288	5,180	5,093
3.4 Ensuring Sustainability	6,749	7,559	13,084	13,362
3.5 Science for the future ¹	4,002	4,580		

	2008/09 (\$'000)		2009/10 (\$'000)	
	Budget	Actual	Budget	Forecast
4. Increasing Industry Capability	9,130	8,683	10,163	9,761
4.1 increasing adoption of R&D outcomes	5,670	5,817	6,505	6,414
4.2 Building world-class skills and innovation capability	3,460	2,866	3,658	3,347
Communicating with Stakeholders	3,859	3,772	3,858	3,859
Corporate Services ²	10,962	9,416	11,209	10,622
Ausmeat	650	650	575	575
R&D partnerships	16,012	15,232	17,800	20,774
TOTAL	150,750	146,841	172,104	170,133

¹ Investment in Science for the future strategy was incorporated into other strategies for the 2009/10 year

² Corporate Services included an exchange rate net gain in the actual result for 2008/09. Exchange rates gains/losses are not included in budgets. The forecast for 09/10 includes a \$250,000 gain which reflected the gain as at March 31.

ALIGNMENT OF MLA OBJECTIVES WITH COMMONWEALTH RURAL R&D PRIORITIES

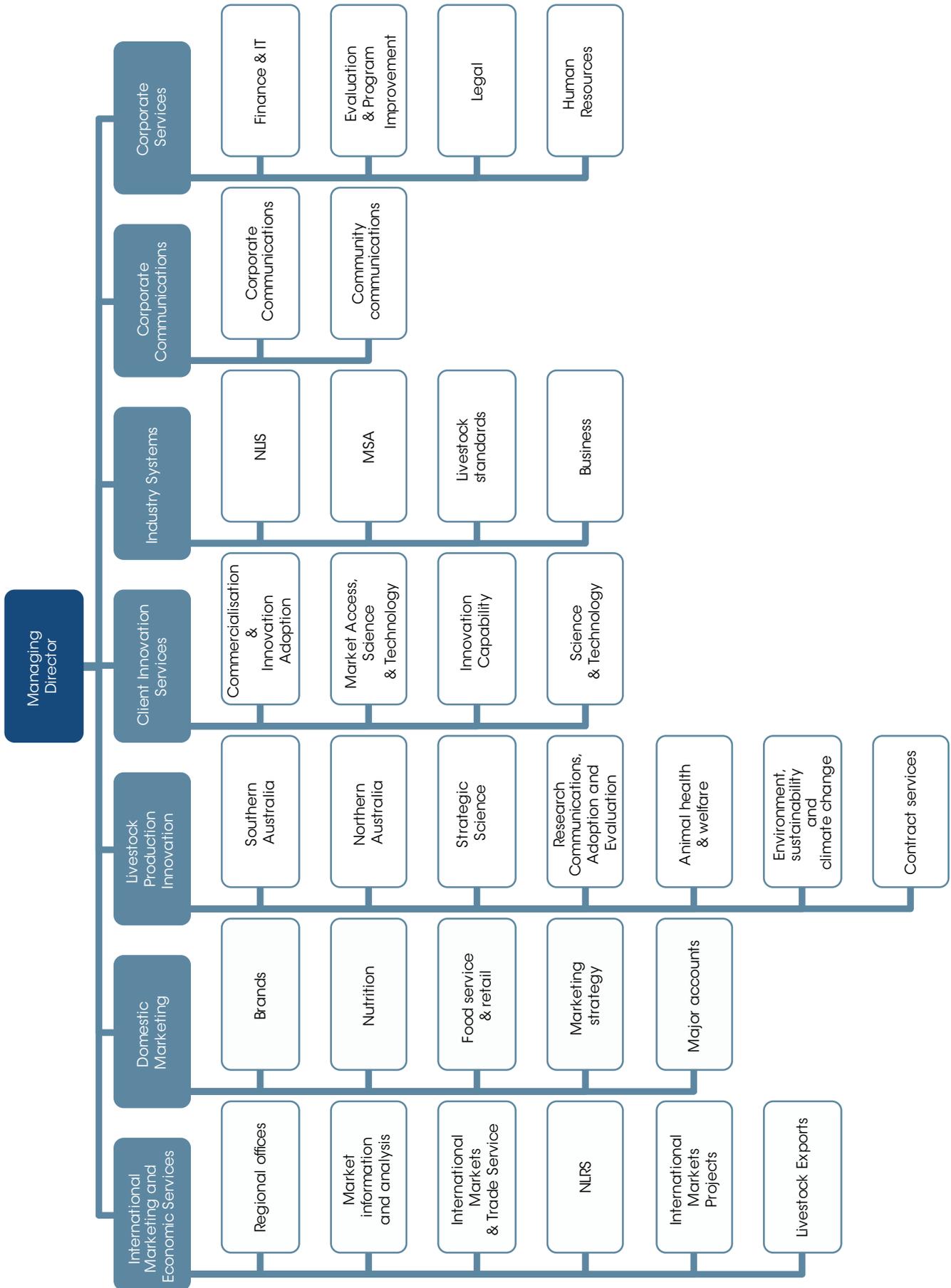
	Supply Chain and Markets	Productivity and Adding Value	Natural Resource Management	Climate Variability and Climate Change	Biosecurity	Innovation skills	Technology
1.1 Enhancing product integrity					√		
1.2 Maintaining and liberalising access to world markets	√	√					
1.3 Maximising market options for producers and exporters in the livestock export trade	√	√					
2.1 Improving eating quality	√	√					
2.2 Enhancing the nutritional value of red meat	√	√					
2.3 Developing new products	√	√					
2.4 Promoting industry integrity	√	√					
2.5 Aggressive promotion in the domestic market	√	√					
2.6 Aggressive promotion in export markets	√	√					
3.1 Increasing cost efficiency and productivity – on farm	√	√					
3.2 Increasing cost efficiency and productivity – off farm						√	√
3.3 Improving industry and market information	√	√					
3.4 Ensuring sustainability			√	√			
3.5 Science for the future						√	√
3.6 Improving biosecurity, animal health and welfare					√		
4.1 Increasing adoption of R&D outcomes						√	√
4.2 Building world-class skills and innovation capability						√	√

Source: MLA Annual Operating Plan, 2009/10

BUDGETED VERSUS ACTUAL EXPENDITURE ACROSS COMMONWEALTH R&D PRIORITIES

	2007/08 ('000)		2008/09 ('000)		09/10 ('000)
	Budget	Actual	Budget	Actual	Budget
Productivity & Adding Value	9,736	9,820	18,926	17,836	23,300
Supply Chain and Markets	10,933	9,717	10,159	9,126	10,800
Natural Resource Management	6,727	6,694	6,011	5,267	7,500
Climate variability & Climate Change	1,864	1,804	3,395	2,830	8,400
Biosecurity	3,004	2,809	8,005	6,632	8,500
Innovation Skills	18,238	16,894	7,646	6,880	9,700
Technology	22,805	21,284	15,397	14,100	14,500
Other			206	215	800
TOTAL	73,306	69,022	69,744	62,886	83,500

APPENDIX 4 - MLA ORGANISATION CHART



APPENDIX 5 - ASSESSMENT OF GOVERNANCE OBLIGATIONS

STATUTORY FUNDING AGREEMENT

Section reference	Matter	Review team observations & supporting evidence
3.1	<p>MLA's constitution and membership MLA must:</p> <ul style="list-style-type: none"> a) give the Minister a copy of each notice of a motion to modify the MLA Constitution, at the same time as it gives notice of the motion to members of MLA; and b) as soon as practicable after any modification of the MLA Constitution is made, give the Minister notice setting out the modification and explaining its effect 	<p>MLA Constitution was amended at the AGM on 19/11/2009. The review team sighted evidence correspondence to the Minister's delegate providing:</p> <ul style="list-style-type: none"> a) notice of meeting (dated 20/10/09); and b) the outcome of AGM resolution (dated 25/11/09)
3.3	<p>MLA's constitution and membership MLA must:</p> <ul style="list-style-type: none"> a) ensure that the MLA constitution entitles any person that is a producer of livestock and has paid levies or charges referred to in section 63 or 64 of the Act during the financial year in which the person applies for membership or either of the two preceding financial years to be a voting member of MLA; and b) establish suitable communications programs in MLA's corporate planning process to help ensure that persons that are entitled to, but are not members of MLA, are encouraged to become members of MLA 	<p>Article 2.3 of MLA's constitution meets the requirement of the Deed of Agreement.</p> <p>MLA's membership has grown from 33,391 in 2004/05 to 46,785 as at September 2009. In 2008, MLA estimated that 83% of the number of cattle producers estimated by ABARE were members of MLA. MLA informed the Review Team that it estimates that over 80% of the number of sheep producers estimated by ABARE were members of MLA.</p> <p>During the period of the review, the Membership Committee of the Board was responsible for overseeing the company's efforts to recruit members. MLA's efforts to encourage membership include advertisements in rural press, radio, regional television and in MLA publications and communications materials including the website. MLA conducted an active membership drive to coincide with the Beef Levy Review in 2009.</p>

Section reference	Matter	Review team observations & supporting evidence
6.1	<p>Management of funds MLA must establish accounting systems, processes and controls necessary to ensure:</p> <ul style="list-style-type: none"> a) funds are only used in accordance with the Act and this Deed b) all dealings with the Funds are properly authorised, conducted and accounted for; and c) an auditor is able to verify readily that the Funds have been used only in accordance with the Act and this deed. 	<p>MLA is required to prepare an audit report relating to its compliance with s6.1 of the deed.</p> <p>The review team sighted the audit reports for the years 2006/07, 2007/08 and 2008/09. These audit reports were unqualified.</p>
6.2	<p>Management of funds MLA must, on request, notify the Minister of the details of the systems, processes and controls established in accordance with Clause 6.1</p>	<p>No such request has been made.</p>
6.3	<p>MLA must keep complete and detailed accounts and records of receipt and expenditure of the funds and must do so separately in relation to Marketing Funds, Research and Development Funds and Commonwealth Matching Funds. The accounts and records must be kept in accordance with good accounting practice including all applicable Australian accounting standards</p>	<p>MLA is required to prepare an audit report relating to its compliance with s6.3 of the deed.</p> <p>The review team sighted the audit reports for the years 2006/07, 2007/08 and 2008/09. These audit reports were unqualified.</p>
7.1	<p>Application of Funds MLA must apply all funds only in accordance with sections 67 and 68 of the Act, including meeting the obligation to apply Commonwealth matching funds only in accordance with s 67(3) of the Act</p>	<p>MLA is required to prepare an audit report relating to its compliance with s7.1 of the deed.</p> <p>The review team sighted the audit reports for the years 2006/07, 2007/08 and 2008/09. These audit reports were unqualified.</p>
7.2	<p>Application of Funds MLA must spend Commonwealth Matching Funds only on Research and Development, and must comply with the obligations of Schedule 3 in relation to that expenditure</p>	<p>MLA is required to prepare an audit report relating to its compliance with s7.2 of the deed.</p> <p>The review team sighted the audit reports for the years 2006/07, 2007/08 and 2008/09. These audit reports were unqualified.</p>

Review team observations & supporting evidence	
Section reference	Matter
7.3	<p>Application of Funds MLA must spend the Funds in a manner that is consistent with :</p> <ul style="list-style-type: none"> a) the Corporate Plan; and b) The Annual Operating Plan; and c) The Guidelines (to the extent applicable to the type of expenditure concerned) <p>And must apply the Funds in a manner that is efficient, effective and ethical.</p>
7.5	<p>Application of funds MLA must not engage in or finance agri-political activity. To avoid doubt, agri-political activity does not include any of the following:</p> <ul style="list-style-type: none"> a) The board or an individual director from recommending a candidate for election; b) A candidate from funding his or her own campaign activities; c) Use by another person, for political purposes, of a report or other publication prepared or financed by MLA in accordance with this deed d) MLA making statements or providing information to the industry on matters related to its objects aim the proper performance of its functions and the proper furtherance of its objects.

MLA's financial and project management system is structured to the corporate and annual operating plan.

All contracts/projects are coded in such a way to reflect the cascading flow of the Strategic Plan/AOP (Imperative, Objective, Strategy Initiative). Each contract/project has then a funding stream allocated to it from Research, Marketing, by Species or external funds (AMPC/LiveCorp,) to ensure integrity and accountability of funds allocated.

MLA's code of business conduct and ethics formalises the company's expectations, including those for ethical behaviour. Directors and employees are required to actively acknowledge the code, and compliance with the code is a condition of employment.

MLA has developed an Operational Compliance & Procedures Framework for Commonwealth Matching Payments for R&D funds. The document is on the MLA intranet, accessible to all and is highlighted during the induction process.

MLA informed the review team that there had been no breaches of this clause during the review period.

MLA's code of business conduct and ethics explicitly states that no political contributions may be made by the Company. Directors and employees are required to actively acknowledge the code, and compliance with the code is a condition of employment. All employees were asked to sign off that they had read the Code in January 2007 and 2009. All new employees are given a copy of the Code in their starter packs and it is mentioned in the Induction Program.

Projects above \$50,000 must be approved by the General Manager of Corporate Services or the Legal Counsel. These positions have explicit responsibility in their role statements to ensure expenditure is not directed to agri-political activity.

Section reference	Matter	Review team observations & supporting evidence
7.6	<p>MLA may, at any time, seek consultations with the Secretary or his or her nominee in relation to any matter connected with this deed (including whether a proposed expenditure would amount to engaging in Agri-political activity.</p>	<p>MLA has not sought formal consultations. During regular meetings with DAF, the Managing Director has raised discussion points from time to time.</p>
10.1	<p>Access to records and use of information (in part) The Commonwealth, the Auditor-General and any duly authorised representative of either of them, may, for the purpose of monitoring compliance by MLA with this deed and the Act:</p> <ul style="list-style-type: none"> a) Have access to premises occupied by or under the control of MLA; b) Have access to data, records, accounts and other financial material, and any property of the Commonwealth in the possession or under the control of MLA; and c) To examine and copy MLA's accounts and records relating to this deed or the Act 	<p>No such requests have been made.</p>
10.2	<p>MLA must provide access to all its accounts and records relating to this deed and the Act and otherwise cooperate fully with the requests of the Commonwealth, the Auditor-General and any duly authorised representatives of either of them to enable those persons to exercise rights in connection with the operation of clause 10.1</p>	<p>No such requests have been made.</p>
11.1	<p>Corporate Plan MLA must, within 12 months after this deed commences, develop and adopt a 3 to 5 year Corporate Plan. MLA must review the Corporate Plan at least once each 12 months and must, within 28 days after the date the Directors pass a resolution to accept the Corporate Plan or an amendment of the Corporate Plan, provide the Minister with a copy of the Plan or amend the Plan.</p>	<p>MLA's Board resolved to endorse the MLA strategic plan for 2008-2012 on the 14th August 2008. The minutes for this meeting were sighted by the Review Team.</p> <p>Correspondence to the Department providing a copy of the plan, dated 1 September 2008, was sighted by the Review Team.</p>

Section reference	Matter	Review team observations & supporting evidence
11.2	<p>The corporate plan must cover matters such as:</p> <ul style="list-style-type: none"> a) MLA's vision or mission statement b) The objectives and priorities of MLA for the period covered by the plan c) An assessment of MLA's operating environment including its strengths, weaknesses, threats and opportunities, current and future trends and their implications d) MLA's interaction with key stakeholders and clients on relevant matters; e) A corporate governance statement including the directors' responsibilities in terms of planning and reporting f) The strategies MLA intends to adopt in order to achieve its objectives; g) The alignment of MLA's objectives with the Research and Development Priorities; h) Proposed corporate outcomes, outputs and strategies aligned with MLA's goals and objectives i) Performance indicators that enable progress to be made towards achieving planned outputs and outcomes to be monitored, reported upon and evaluated as part of the Performance Review processes under clause 16; j) Broad resource allocation including estimates of income and expenditure on research, development and marketing for the life of the corporate plan. 	<p>MLA's 5 Year Strategic Plan includes:</p> <ul style="list-style-type: none"> a) MLA's mission and values b) MLA's strategic imperatives, objectives and planned industry outcomes c) Analysis of the industry operating environment d) The process used to develop the plan, including consultation with industry e) Statements outlining the role and responsibilities of the board in planning & reporting f) Strategies to achieve strategic objectives g) Broad alignment with national rural research and development priorities h) A map outlining broad alignment of imperatives, MLA objectives and industry outcomes i) Proposed measures of the success of strategic objectives j) Estimates of revenue and expenditure on research, development and marketing

Section reference	Matter	Review team observations & supporting evidence
11.3	<p>In developing the Corporate Plan, MLA must:</p> <ul style="list-style-type: none"> a) Take into account its obligations under the MoU; and b) Take the Guidelines into account; and c) Consult the Minister and representatives of the Industry; and d) Take into account its reporting obligations under Schedule 2 	<p>The Review team sighted evidence of industry strategic planning activities in the development of the corporate plan.</p>

Section reference	Matter	Review team observations & supporting evidence
12.1	<p>Annual Operating Plan MLA must, prior to 1 September each year, provide to the Minister a copy of its Annual Operating Plan. The Annual Operating Plan must be clearly linked to the Corporate Plan and cover issues such as:</p> <ul style="list-style-type: none"> a) The intended operations of MLA for the current financial year; b) Research and development programs to be undertaken by MLA; c) Marketing or promotion activities to be undertaken by MLA; d) Alignment of research and development programs with the research and development priorities e) Performance indicators which enable the progress which is being made towards achieving the planned outputs and outcomes to be monitored and reported upon; f) Estimates of income and expenditure for the year by the broad grouping of research and development, marketing and indirect costs, and including an appropriate apportionment of indirect costs to the research and development and marketing programs to enable reporting on the full cost of each of the research and development and marketing programs; g) Any other matters that MLA considers should be set out in the Annual Operating Plan 	<p>MLA's Annual Operating Plan includes</p> <ul style="list-style-type: none"> a) The key initiatives proposed to guide operations b) The areas of investment for R&D programs c) A description of the marketing & promotion activities to be undertaken by the company d) Broad alignment with national rural research and development priorities, though budget allocations are not aligned e) Key performance indicators f) Estimates of forecast income and proposed expenditure against each key initiative

Section reference	Matter	Review team observations & supporting evidence
13.1	<p>Other Plans Within 12 months after this deed commences, MLA must develop, implement and provide the Minister with a copy of the following plans:</p> <ul style="list-style-type: none"> a) a Risk Management Plan b) a Fraud Control Plan; and c) an Intellectual Property Management Plan 	<ul style="list-style-type: none"> a) The risk management plan was adopted by the board on the 12th June 2008. Correspondence to the Department providing this plan is dated 17th June 2008. Minutes and correspondence were sighted by the review team. b) The fraud control plan was adopted by the board on the 12th June 2008. Correspondence to the Department providing this plan is dated 17th June 2008. Minutes and correspondence were sighted by the review team. c) The IP management plan was endorsed by the Board on the 17th April 2008. Correspondence to the Department providing this plan is dated 30th April 2008. Minutes and correspondence were sighted by the review team.
13.2	MLA must review each plan at intervals of no more than 3 years and must, within 28 days after the date its Directors pass a resolution to accept a plan or an amendment of a plan, provide the Minister with a copy of the plan or amended plan.	There has been no resolution by the Board to amend the risk, fraud or intellectual property plans. Management has made operational amendments to the schedules supporting these plans.
14.1	<p>Reports and meetings MLA must provide the Minister with an Annual Report prepared in accordance with Schedule 2 at the same time as the Corporations Act 2001 (Cth) requires and annual report to be given to members</p>	MLA provided the Minister with Annual Reports for 2006/07, 2007/08 and 2008/09. The review team sighted correspondence to this effect.
14.3	The Chairperson of MLA, or in his or her absence, his or her nominee must meet the Minister or, in his or her absence, the Minister's nominee at least once a year, and at any other time requested by the Minister...	MLA has held formal meetings with the Commonwealth at least on an annual basis. Agendas for such meetings were sighted by the review team.

Section reference	Matter	Review team observations & supporting evidence
15	<p>Additional reports In addition to the reports required under clause 14, MLA must give the Commonwealth, within such reasonable period as the Commonwealth specifies, any other report relating to expenditure of the funds that the Commonwealth requires.</p>	<p>MLA provided the Minister's Office with a full report on the outcome of the \$1.50 Beef Marketing Levy Vote.</p> <p>MLA corresponded with the Minister's Office in relation to the Beef Levy Review to provide updates of the process.</p> <p>This correspondence was sighted by the review team.</p>
16.1	<p>Performance Review MLA must complete a performance review by 30 June 2010. The following apply in relation to the Performance Review:</p> <ul style="list-style-type: none"> a) consistent with the Minister's approval on 8 September 2005 to increase the rate of levy for marketing, the Performance Review must specifically cover marketing expenditure and the outcomes achieved by the additional expenditure b) MLA must consult with the Secretary or his or her nominee in planning the Performance Review and developing the terms of reference of the Performance Review, including whether a separate review of the marketing expenditure is necessary or whether this can be undertaken as part of the wider Performance Review 	<p>Conduct of current review is evidence of compliance with this section.</p> <p>The review team sighted evidence of correspondence with the Department in relation to establishing the terms of reference for this review.</p>
17.1	<p>Audit and compliance reports MLA must give the Minister a copy of its audited financial report for the financial year at the same time as the Corporations Act 2001 requires the report to be given to members</p>	<p>MLA provided the Minister with the company's annual report, including the audited financial report for 2007/08 and 2008/09. Copies of relevant correspondence were sighted by the review team.</p>

Section reference	Matter	Review team observations & supporting evidence
17.2	<p>MLA must, within 5 months after the end of its financial year, give the Minister a report (Audit Compliance Report) prepared by MLA's auditor. An Audit compliance report must:</p> <ul style="list-style-type: none"> a) Be prepared in accordance with relevant Australian auditing and assurance standards; and b) State any qualifications to which the Audit compliance report is subject; and c) Subject to clause 17.3, include an opinion whether MLA has complied with its obligations under clauses 6 and 7 during the financial year d) Indicate whether qualification to the Audit Compliance Report, and any non-compliances that have come to the auditor's attention are material; and e) Include a statement that the Audit Compliance Report has been prepared for the Commonwealth for the purposes of this deed and an acknowledgement that the Audit Compliance Report will be relied upon by the Commonwealth 	<p>MLA provided the Minister with an Audit Compliance Report for 2007/08 and 2008/09. Correspondence with the Department conveying these reports, dated 29th October 2008 and 26th October 2009, were sighted by the review team.</p>
17.4	<p>MLA must, within 5 months after the end of its financial year, give the Minister a statement (Certification Report) signed by the chairperson of the Directors and the Managing Director of MLA:</p> <ul style="list-style-type: none"> a) Certifying whether MLA has complied with its obligations under the Act and this deed during the financial year; and b) Stating whether, in their opinion, any non-compliances are material; and c) If any non-compliances are, in their opinion, material, giving an explanation of the non-compliance 	<p>The Certification Reports for 2007/08 and 2008/09 were sighted by the Review Team.</p>

Section reference	Matter	Review team observations & supporting evidence
17.5	<p>If in the reasonable opinion of the Commonwealth, MLA is or may be in breach of this deed or the Act, the Commonwealth may request an audit report or opinion on any matter relevant to MLA's compliance with this deed</p>	<p>No such requests have been made.</p>
18	<p>Acknowledgement of funding Unless the Commonwealth otherwise agrees, MLA must ensure that all significant publications and publicity by MLA in relation to matters on which Commonwealth funds were expended, acknowledge the provision of Matching Funds</p>	<p>The review team sighted evidence of numerous MLA publications and communications materials acknowledging the provision of matching funds.</p>
19.2	<p>Conflict of interest If a conflict of interest or risk of conflict of interest arises in the performance of MLA's obligations under this deed, MLA must notify the Minister or his or her authorised representative of that conflict or risk and take steps acceptable to the Minister or authorised representative to resolve or avoid the conflict.</p>	<p>No such notice has been submitted</p>
25	<p>Assignment MLA must not assign this deed or any right under this deed unless it:</p> <ul style="list-style-type: none"> a) Is not in breach of this deed; and b) Obtains the prior written consent of the Commonwealth; and c) Ensures that the assignee agrees to be bound by all of MLA's obligations under this deed 	<p>No assignment of the Deed or any rights under the Deed has occurred.</p>

MLA'S CONSTITUTION

Section reference	Matter	Review team observations & supporting evidence
<p>2.5</p> <p>Rights of Producers A Producer has the following rights as a member of the company:</p> <p>(a) the right to receive notices of general meetings and all other documents sent to members in respect of general meetings;</p> <p>(b) the right to attend and to speak at general meetings;</p> <p>(c) the right, as a member of each class of Producers to which the Producer belongs, at a general meeting held after the First Return Date:</p> <p>(1) (except in the case of Goat Producers) to vote on the election of a member of the Selection Committee under article 5.2(b); and</p> <p>(2) to vote on a resolution referred to in article 3.7(b) proposed by the Peak Council representing producers of the class of livestock applicable to that class of Producers; and</p> <p>(d) the right to vote on all other matters arising under the Corporations Law or under these articles at a general meeting held after the First Return Date.</p>	<p>Notices of general meetings are forwarded by Computershare (manager of the share registry) to members. The Audit checks number sent versus number of members.</p> <p>Notice of general meetings meeting were dated:</p> <ul style="list-style-type: none"> • 22 October 2007 • 15 October 2008 • 1 October 2009 <p>Notice of general meetings were sighted by the review team.</p>	

Section reference	Matter	Review team observations & supporting evidence
2.6	<p>Producers Voting Rights (b) (1) the directors must fix a Return Date for each financial year beginning with the financial year ending on 30 June 1999</p> <p>(b) (2) the Return Date must not be earlier than 8 weeks after the end of the financial year;</p> <p>(b) (7) the amounts in the "Company Levies paid" column in article 2.6(b)(5) are to be adjusted every three years, with effect on a Return Date and commencing with the Return Date which is the third anniversary of the First Return Date, in accordance with the [following formula as established by the constitution]</p>	<p>Resolutions to fix the return date were sighted by the review team in board minutes for the following dates:</p> <ul style="list-style-type: none"> • 14 June 2007 • 12 June 2008 • 11 June 2009 <p>Evidence of process to adjust company levies paid was sighted by the review team.</p> <p>The proportion of MLA members (distinct from levy payers) that registered for voting rights was:</p> <ul style="list-style-type: none"> • 23.8 % in 2007 • 23.6% in 2008 • 21.5% in 2009.
2.9	<p>Rights of Peak Councils A Peak Council has the following rights as a member of the company:</p> <p>(a) the right to receive notices of general meetings and all other documents sent to members in respect of general meetings;</p>	<p>Advance Notice of MLA's AGM is published in The Australian newspaper each year on the following dates set out under item 3.2</p>

Section reference	Matter	Review team observations & supporting evidence
2.11	<p>Admission of members</p> <p>(a) a person may apply to be a member of the company by completing an Application Form and giving it to the company. Where persons applying to be a member comprise a partnership, an Application Form may be signed by one or more of those partners on behalf of the other partners. Where an Application Form is signed by a body corporate, it may be signed by an executive officer of the body corporate.</p> <p>(g) The company must enter in the register of members, in addition to the information required by Chapter 2C of the Corporations Law, the following information about each Producer:</p> <p>(1) that the Producer is one or more of a Cattle Producer, a Lot Feeder, a Sheep Producer and a Goat Producer; and</p> <p>(2) the total number of votes that the Producer is entitled to cast at a general meeting; and</p> <p>(3) where the Producer belongs to more than one class of Producers, the number of votes that the Producer is entitled to cast at a general meeting in its capacity as a member of each class of Producers.</p> <p>(h) The company must enter in the register of members, in addition to the information required by Chapter 2C of the Corporations Law, in respect of each Peak Council the class or classes of producers of livestock it represents.</p>	<p>MLA's member application form is available on the Company's website.</p> <p>The Review team sighted board minutes documenting consideration of membership applications.</p> <p>MLA's member register was sighted by the Review team.</p>

Section reference	Matter	Review team observations & supporting evidence
3.2	<p>Notice of General Meetings</p> <p>(a) Advance notice of a general meeting must be given by causing a notice of the meeting to be published in a newspaper circulating throughout Australia not less than 8 weeks before the day on which the meeting is to be held. The company may also:</p> <ol style="list-style-type: none"> (1) give copies of the advance notice to each Peak Council; and (2) cause the advance notice to be published in any newspaper the company thinks appropriate; and (3) cause particulars of the meeting to be made public in any other way and at any time the company thinks appropriate. <p>(b) Advance notice of a general meeting must:</p> <ol style="list-style-type: none"> (1) specify the day, time and place of the meeting; (2) state the general nature of the business to be transacted at the meeting; (3) state that the company's register of members will close for the purpose of the meeting and specify the date of closure; and (4) state that any person who is a Producer who is eligible to be but who is not a member of the company may apply to be a member of the company before the register is closed for the purpose of the meeting. 	<p>Advance notice for general meetings were published in newspapers on:</p> <ul style="list-style-type: none"> • 23 September 2007 • 13 September 2008 • 12 September 2009 <p>Evidence of publication of notice of meetings was sighted by the Review Team. Formal notification of MLA's AGM is circulated to peak councils and state farm organisations at the same time as notification is given to all MLA members as they are included in the MLA mailing list.</p> <p>Notices of general meeting were sighted by the review team, and they included the information required by the Company's constitution.</p>

Section reference	Matter	Review team observations & supporting evidence
3.2	<p>(d) A notice of a general meeting must:</p> <ul style="list-style-type: none"> (1) specify the place, date and time for the meeting; (2) except as provided in article 3.2(f), state the general nature of the meeting's business; (3) set out the terms of any special resolution to be passed at the meeting; and (4) set out the information required by the Corporations Law regarding the appointment or proxies. <p>(e) A notice of general meeting must set out the terms of any resolution proposed to be put to the vote of the meeting:</p> <ul style="list-style-type: none"> (1) to remove a director of the company; or (2) on the requisition of members under Division 4, Part 2G.2 of the Corporations Law; or (3) to endorse a recommendation that a Peak Council proposes to make to the Minister in relation to the making of regulations prescribing amounts for the purposes of: <ul style="list-style-type: none"> (A) paragraph 6(1)(a), 6(1)(b), 6(2)(a), 6(2)(b), 6(3)(a) or 6(3)(b) of schedule 3 of the Primary Industries (Excise) Levies Act 1999; (B) paragraph 3(1)(a), 3(1)(b), 3(2)(a) or 3(2)(b) of schedule 3 of the Primary Industries (Customs) Charges Act 1999. (C) paragraph 4(1)(a), 4(1)(b), 4(3)(a), 4(3)(b), 4(4)(a) or 4(4)(c) of schedule 18 of the Primary Industries (Excise) Levies Act 1999; or 	

Section reference		Matter	Review team observations & supporting evidence
3.2		<p>(D) paragraph 3(a), 3(b), 4(a), 4(b), 5(a) or 5(b) of schedule 12 of the Primary Industries (Customs) Charges Act 1999.</p> <p>and the terms of the resolution may not be altered or modified at the meeting.</p>	
4.6		<p>Powers and duties of directors</p> <p>(a) The directors are responsible for managing the business of the company in a manner which is consistent with the arrangements for the industry set out from time to time in the MOU and may exercise to the exclusion of the company in general meeting all the powers of the company which are not required, by the Corporations Law or by these articles, to be exercised by the company in general meeting.</p> <p>(b) The directors will consult regularly with the Peak Councils in the discharge of their responsibilities under article 4.6(a) to ensure that the company's activities are conducted consistently with the MOU.</p>	<p>MLA formally consults with Peak Councils. The review team sighted formal correspondence between MLA and Peak Councils acknowledging formal attendance at Peak Council meetings. The MLA Board Calendar includes invitations to peak council's to attend MLA Board meetings.</p>
5.1		<p>Role of selection committee</p> <p>There is to be a Selection Committee for the purpose of reporting to the members of the company on the suitability of candidates for re-election or election to the office of director at general meetings.</p>	<p>MLA has a Selection Committee. The Charter of the Selection Committee aligns with the role of the Committee outlined in the Constitution.</p>

Section reference	Matter	Review team observations & supporting evidence
	<p>Endorsement of candidates for election as directors</p> <p>(a) Within one month of each annual general meeting, the Selection Committee must fix the date by which:</p> <p>(1) the directors retiring from office under article 4.1(f) at the next annual general meeting must be determined; and</p> <p>(2) the persons who are candidates for re-election or election to the office of director at the next annual general meeting must serve notice of their intention to stand for re-election or of their candidacy or be nominated under article 4.1(o)(1).</p> <p>(e) The Selection Committee must not endorse more candidates than the number of vacancies to be filled at an annual general meeting.</p> <p>(f) An endorsement of a candidate must include a statement containing, in respect of the candidate, particulars of the person's qualifications and experience in the fields referred to in article 5.4(c) and other information relating to the person that is, in the Selection Committee's opinion, likely to help the members to decide whether to re-elect or elect the person to the office of director.</p>	<p>Minutes of Selection Committee meetings were viewed by the review team.</p> <p>Evidence of the fixing of dates was sighted by the Review team for 2007, 2008 and 2009.</p> <p>Minutes of the Selection Committee were sighted that contained the required number of endorsements. These minutes were of meetings dated:</p> <ul style="list-style-type: none"> • 11 September 2007 • 5 September 2008 • 7-8 September 2009 (noting that minutes are to be confirmed in May 2010)
9.1	<p>Minutes</p> <p>The directors must cause minutes of all proceedings of general meetings and of meetings of the directors and committees of the directors to be entered, within one month after the relevant meeting is held, in books kept for that purpose.</p>	<p>A record of minutes of General Meetings and Meetings of Directors was sighted by the Review Team.</p> <p>The minutes were bound in an appropriate book, and up to date.</p>

Section reference	Matter	Review team observations & supporting evidence
9.2	<p>Signing of minutes Except in the case of documents which are taken to be minutes under article 4.13(d), those minutes must be signed by the chairperson of the meeting at which the proceedings took place or by the chairperson of the next succeeding meeting.</p>	<p>A record of minutes of General Meetings and Meetings of Directors was sighted by the Review Team.</p> <p>The minutes were bound in an appropriate form, signed and up to date.</p>
11.2	<p>Indemnity The company may indemnify, on a full indemnity basis and to the full extent permitted by law, each person to whom this article 11.2 applies for all losses or liabilities incurred by the person as an officer of the company or of a related body corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred:</p> <p>(a) in defending proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted; or</p> <p>(b) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Law.</p>	<p>Relevant and current insurance policies for Directors & Officers liability were sighted by the review team.</p>
11.4	<p>Insurance The company may, to the extent permitted by law:</p> <p>(a) purchase and maintain insurance; or</p> <p>(b) pay or agree to pay a premium for insurance,</p> <p>for any person to whom this article 11.4 applies against any liability incurred by the person as an officer of the company or of a related body corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome.</p>	<p>Relevant and current insurance policies for Directors & Officers liability were sighted by the review team.</p>