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Chairman's Statement

A competitive, responsible and sustainable Australian pork industry

This plan has been prepared at a time of substantial change in the industry. It is also a plan that has been prepared after significant consultation with all stakeholders – producers, processors, retailers, government both state and federal.

This 2010–2015 Strategic Plan is built around five Core Objectives which are in turn underpinned by programs and projects designed to deliver the key outcomes for each objective.

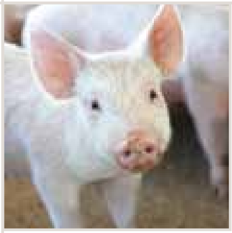
It recognises that we are participants in the food industry and as such are subject to the changing demands and expectations of consumers and the community.

- Increasing consumer demand for our products (particularly fresh pork) is critical to long term viability. Consistently good eating quality which delivers sound nutritional values and presented in an appetitising and convenient way are key.
- Reduced input costs coupled with continued investment in R&D to improve on farm productivity and competitiveness are essential to ensure that producers remain profitable and viable. In this regard facilitating the rapid uptake and adoption of new technology/research outcomes is paramount.
- Value is created or destroyed along the total supply chain. There is a need to improve its understanding, transparency and efficiency that will allow buyers and sellers to determine the right type of carcase that is required for a particular market, as well as ensuring a better flow of market signals between buyer and seller.
- The Australian community and government expect the pork industry to provide a safe food that is produced in a sustainable environment, whilst optimising the welfare and care of our animals. In addition it seeks assurances that the management of emissions is undertaken in a sustainable and responsible manner. The challenge for APL is to manage and balance the impact of changes in regulatory requirements on producers whilst continuing to increase consumer and public confidence in Australian pork.
- A well informed and connected industry which is actively engaged in managing the wide range of issues and concerns is essential to building confidence, cohesion and responsiveness.

The pork industry has faced and will continue to face significant challenges. The diversity of the industry in our products, in our production systems, in the size, competence and dedication of our producers are assets that we must leverage to their full value. The industry's unity around the thrust of this Strategic Plan 2010–2015, in its adoption and implementation will be a significant step in that direction.

Enzo Allara

Chairman, APL



APL Board and Executive Team

BOARD OF DIRECTORS

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Policy

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Research and Innovation

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General Manager
Communication

Christine Quick
General Manager
Finance and Administration

APL Values, Vision and Purpose

APL Company Values

1. **Passion and dedication to the cause of our farmers**

   Personal commitment to undertake any job, no matter how big or small, that will contribute to an improved and sustainable future for our pig farmers generally.

2. **Deliver what we promise, when we promised it**

   Meet or exceed expectations, accept responsibility and be accountable for outcomes and timeliness.

3. **Respect and support colleagues**

   Across roles and divisions, show consideration for others time and priorities; together we can achieve greater results than we can separately.

4. **Create the future our farmers need**

   By focusing on key objectives and executing with excellence, whilst using innovative thinking to lead the industry, we will create the future our farmers need, rather than only reacting to the current reality.

5. **Celebrate achievement**

   We celebrate outcomes, share learnings and recognise excellence in performance against Key Performance Indicators (KPI's) in both individuals and teams across APL.

APL VISION
A competitive, responsible and sustainable Australian pork industry

APL PURPOSE
Drive profitability and sustainability for pork producers through the provision of programs and services to the Australian pork industry

Pork Industry Business Environment

Those doing business in the pork industry understand the areas of "shifting ground" which will determine how the industry will look in years to come. Some of these areas of change are listed below.

Demand side change drivers:

- Increasing consumer value is being placed on product intangibles such as provenance and production systems:
  - "Where has this product been produced?"
  - "How has this product been produced?"
  - "What is its environmental footprint? What emissions resulted?"
  - "How were the animals treated and can you verify this?"
- Pork imports – over-production of pork in some parts of the globe is depressing world prices. This in turn leads to greater attractiveness of imports from cheap supplying countries than would otherwise be the case. This has happened in our domestic market resulting in a high market share of imported pork in processed product lines with a very low level of recognition from consumers.
- Domestic competition – the major competition to fresh pork in Australia is red meat and chicken. Market cycles in the red meat industry see their herds and flocks in a rebuilding phase leading to higher than average prices. Relative price is a key factor in meat consumption, especially in tougher economic times.
- The pork processing industry has gone through a significant consolidation in recent years hopefully adding to a greater level of sustainable profitability in that part of the supply chain and at the same time changing the key relationships with major retailers.
- Nutrition – as obesity becomes more and more of a recognised issue and the average age of the Australian population increases, the focus on a healthy diet grows with it. Consumers need to be assured that our product fits in their healthiness perceptions.
- Food safety, taste and quality are as always at or near the top of expressed consumer purchase criteria as non-negotiable.

Supply side change drivers:

- The grains industry is a key supplier to the pork industry. International grain trading arrangements and crop growing condition variability are just two of the factors relating to the grains industry which flow strongly onto pig producers – mainly through the impact on price of their major raw materials.
- Regulation – frequent changes to environmental law in some states and the legislation of the Model Code for the Welfare of Animals (Pigs) are driving changes in farm practices. Demonstration of compliance with key regulations at an industry level will be a challenge we need to face up to.
- Biosecurity remains a critical challenge for the industry, not only minimising the cost of maintaining the high herd health status of the nation, but also continuing to demonstrate the clean nature of our product to domestic and international markets.
- Labour supply, whilst shifting up and down in the short term, trends over the longer term in a downwards direction. Building career paths, education, training strategies and management programs are required to compensate for the overall trend.
- Technology uptake on-farm is a huge opportunity with many recently developed improved practices yet to be adopted by producers. Significant cost reduction and quality improvement opportunities await successful producer implementation.

Strategic Planning Context & Themes

The consultation process for this Strategic Plan included eight formal open-invitation producer meetings nationally, covering all states of Australia. Also conducted were workshops with various government departments, authorities and a multitude of individual meetings with supply chain players and other industry bodies.

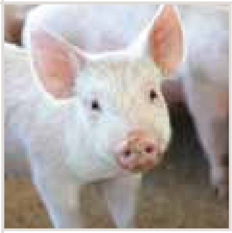
In addition, an "open door" policy taken on submissions or contributions – in particular from APL pig producer members was enacted, resulting in the further collection of information and industry opinions.

The careful collation of all of the ideas and proposals resulted in a list of themes which characterised how this Strategic Plan differs from its predecessor. These themes are as follows:

- APL believes that there is an increased need for a future focus on product quality. All of the impacts on quality need to be assessed and optimised, including genetics, feed, post slaughter impacts, presentation and processing;
- The importance of the supply chain role in the health of the overall industry is fully accepted;
- There exists a "no compromise" attitude to risk management around areas such as climate change, animal welfare and environmental sustainability;
- We need to put more efforts into promoting trust in our farmers, our industry and our products;
- APL was encouraged to take more leadership in creating networks, more regular communications and more feedback on their latest activities;
- International trade needs to be approached in a highly targeted manner with prospective commercial partners rather than broad efforts at increasing the Australian image generically; and
- Efforts at improving consumption should not completely ignore the processing sector since significant numbers of Australian pigs are still participating in this market.

Two areas in particular have not changed in their ongoing importance in contributing to a sustainable and profitable industry. These being:

- The continued importance of on-farm productivity improvements; and
- The creation of demand remaining a core focus.



The Core Objectives at a Glance

The process for development of the Strategic Plan led to the emergence of five Core Objectives for APL and the pork industry with specific Strategies contained under each. The table below shows these five Core Objectives and their associated Strategies, Stakeholders and Scope.

The annual planning process identifies the Programs, Projects and Activities required under each Strategy in order to meet the Core Objectives. "Core Objective Champions" ensure that the process of Strategy implementation is carried out effectively under each Core Objective, whilst not being individually responsible for the underlying Program and Project outcomes.

Core Objective	**Build Consumer Demand**	**Viable Productive farms**	**Efficient Value Chains**	**Leadership, Preparedness, Stewardship**	**Industry Cohesion & Responsiveness**
Objective Champion	General Manager Marketing	General Manager Research & Innovation	General Manager Research & Innovation	General Manager Policy	General Manager Communication
Key Stakeholder	Consumer	Producers	Supply Chain	Community, Producers, External Stakeholders	Industry People
Scope	Domestic & International meat, fresh & processed	Farm efficiency	Links between layers of the supply chain	Managing risks & capturing opportunities	Information, knowledge, communication, internal operations
Strategy 1	**Assuring eating quality**	**Reduce input costs**	**Create & capture value improvements**	**Address changing expectations & standards for food production**	**Engage & connect the industry**
Strategy 2	**Increasing frequency of use**	**Improve process efficiency**	**Enhance linkages between the value chain partners**	**Manage the impact of regulatory shifts**	**Facilitate rapid uptake of information & technology**
Strategy 3	**Improving the image of fresh pork**	**Build skills & capability**	**Optimise value chain efficiency & quality**	**Government policy & compliance requirements**	**Enhance the reputation & effectiveness of APL**
Strategy 4	**Promoting "Australian"**				

Core Objective 1
Build Consumer Demand

Rationale

Demand can be converted into either increased volume sales or increased pricing, both of which drive the revenue line of a business. In a profitable business, a one per cent increase in price improves profitability more powerfully than either a one per cent increase in volume or a one per cent decrease in cost. Consequently, APL will focus on building consumer demand in a way that builds the value of pork as well as the volume sold, in the most cost effective manner.

Industry Outcomes

- Increased sales in volume and value of Australian pork.
- Increasing per capita consumption of Australian pork.
- More frequent repeat purchase of fresh pork amongst consumers.
- Improved access to international markets.
- Maximising Australian pork's share of processed pork products.

Strategy 1 – Assuring Eating Quality

This strategy is about product improvement. Consumers buy products on the basis of their perceived value for money. One way to increase volume, value and repeat purchase frequency is to improve eating quality. The definition of increasing consumer demand is broad enough to encompass product quality and nutritional value. This strategy seeks to identify and improve the major points on the "Eating Quality Pathway" from birth to plate.

Strategy 2 – Increasing Frequency of Use

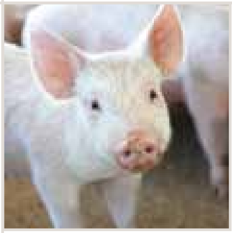
This strategy is about consumer behaviour. Whilst fresh pork enjoys a unique place in many consumer recipe repertoires, it is currently an "every week item" for relatively few consumers. Identifying specific "everyday Australian recipes" to which pork adds both quality and value and promoting these to consumers will increase sales every week and contribute to fresh pork being top of mind at seasonal peaks such as Christmas.

This strategy will focus on the products that are currently bought every week and in particular, those where pork currently underperforms. To do this will require a combination of consumer understanding, recipe promotion and the development of new products.

Strategy 3 – Improving the Image of Fresh Pork

This strategy is about consumer perceptions. Whilst many consumers have a high degree of familiarity and positive perceptions of pork, those that eat pork less often have a more variable perception of fresh pork. By improving the image of pork, consumers can be evolved into more frequent consumption behaviour.

Further improving pork's presence in restaurants and other "eating out" establishments as well as directly communicating with consumers will form the major thrusts of this strategy.



Strategy 4 – Promoting "Australian"

Over the last 6 years Australian pork has suffered a significant decline in its share of processed (ham, bacon, salami and small goods) products, due to increased imports. Exports have also declined. This has been a result of a combination of exchange rates, foreign government subsidies and the larger absolute size (and therefore a relative advantage in the cost base) of the pork industries in the US, Canada & Denmark (the major sources of imports).

This strategy seeks to ensure that:

- Australians understand that all fresh pork is Australian;
- Processed pork is CLEARLY labelled in a way that Australian consumers understand with the goal of carving a defensible position in this large and valuable market; and
- The Australian pork industry gain increased "level playing field" access to priority countries.

Core Objective 2
Viable Productive Farms

Rationale

A sustainable pork industry requires the Australia pork producer to be internationally competitive and profitable in an ever changing global food market. Australia has a relatively low on-farm cost of production, but is significantly disadvantaged in international competitiveness by domestic grain prices. Feed grain prices are likely to be under continued pressure resulting in a new global benchmark and rising costs of production for producers. More effective feed formulations, development and access to new feed grain varieties and the identification of new feed sources needs to be considered.

Pig diseases in Australia have a major impact on the cost of production of pork and there is significant scope to enhance the Australian pork industry's efficiency and competitiveness by better controlling the diseases that adversely affect pork production.

In addition, the use of innovative nutritional and management technologies will also play a major part in ensuring that the Australian pork industry continues to enhance its production efficiency and competitiveness.

Industry Outcomes

- Improved margin per pig.
- Consistent nutrient supply & cost.

Strategy 1 – Reduce Input Costs

The control and/or reduction of disease and mortality in pigs, as an addition or alternative to existing health control programs, is a key objective for pork industries globally including Australia. Despite the high herd health status of this country, pig diseases in Australia have a major impact on the cost of production of pork. Current disease management strategies need to be reviewed and new strategies such as new vaccine development and new management techniques need to be developed to minimise the impact of these diseases on the cost of production of Australian pork.

The diversification of our feed grain supply, through the development and promotion of pig-preferred grain varieties and alternatives for key production regions, coupled with increasing the efficiency with which the industry utilises feed resources is a key strategy in reducing on-farm input costs and enhancing the productivity and viability of pork farms in Australia.

Strategy 2 – Improve Process Efficiency

It is a commonly held view that variation in on-farm growth of pigs is inherent and managing variation at the point of sale, to meet different markets, is the only practical method to deal with it. However, there is still significant scope to utilise new management strategies and new technologies developed by APL and the Pork CRC to reduce variation within the pork production system and better target pork for specific markets.

Strategy 3 – Build Skills & Capability

Continued innovation and improvement in business practices are key to a profitable, competitive and sustainable pork industry. Increasing piggery size and multi-site production adds complexity to management and increases the need for staff training and development. The pork industry is becoming more technologically complex with more use made of specialised instruments and procedures. This has made increasing demands on the training and extension components of the subprojects. It is important that the latest information is transferred to industry and not only reaches but is easily understood by industry employees. Difficulty in attracting and retaining skilled staff is becoming a crucial impediment to growth in many rural industries. High staff turnover on piggeries adds significantly to costs and inefficiencies.

Core Objective 3
Efficient Value Chains

Rationale

It is imperative that the Australian pork industry be consumer focussed and this can only occur if all segments of the pork supply chain are intrinsically linked to enable the flow of market signals. The use of a systems management approach that co-ordinates and integrates key consumer focused initiatives will facilitate the flow of objective market signals. Such systems are aimed at improving cost-efficiency and value, carcase and eating quality and ensuring integrity of pork. The quantification and demonstration of costs and benefits arising from their implementation will allow the pork supply chains to evolve a "pull through" mentality from consumers to producers for the Australian pork industry.

Industry Outcomes

- Stronger relationships.
- Informed & innovative supply chain.
- Transparent market signal flow.

Strategy 1 – Create & Capture Value Improvements

The "Lean Thinking" experience from the UK involves improving efficiency in meat supply chains and provides an opportunity to further encourage transparency and supply chain integration. Better communication between supplier and buyer will also ultimately mean a greater understanding of what contributes to the right type of carcase for the buyer's needs and better life cycle planning through the life of the pigs produced. Implementation of such a systems approach will enhance product quality, the buyer/seller relationships and the flow of market signals in the industry with the ultimate objective to provide a more efficient supply chain with better links between value and quality.

Strategy 2 – Enhance Linkages between the Value Chain Partners

The Australian pork industry must be consumer focussed and to enable this, all segments of the pork supply chain must be effectively linked to allow effective market signal communication up and down the value chain. Establishing these supply chain linkages will enable the pork industry to better quantify some of the value created by better meeting the consumer's needs.

Strategy 3 – Optimise Value Chain Efficiency & Quality

The implementation of quantification tools will enable the Australian pork industry to move beyond a supply/demand focus to one where supply chain relationships and opportunities between value and volume are better understood and can be used for planning purposes to ensure broad industry profitability and sustainability. Whilst the focus will still remain on a more economically efficient pig, it is imperative that the Australian pork industry continues to utilise new technologies and strategies to ensure that the quality of the pork is not compromised.

Core Objective 4
Leadership, Preparedness, Stewardship

Rationale

In today's fast changing environment with shifting expectations and standards for food production, the Australian community and government look to the Australian pork industry to provide leadership, preparedness and stewardship to deliver a safe food that is produced in a sustainable environment and which optimises the welfare of our animals. Our ability to prepare, rapidly respond and recover from crises and emergencies with minimal disruption to trade is fundamental to this end.

APL seeks to manage and balance the impact of regulatory shifts as well as changes to government policy and the compliance requirements of our markets so as to secure consumer and public confidence in Australian pork while ensuring our producers and the industry remain internationally competitive, profitable and sustainable.

Industry Outcomes

- Optimum pig welfare & care.
- Enhanced biosecurity & animal health preparedness.
- Safe food.
- Enhanced livestock traceability.
- Industry preparedness, rapid response & effective recovery.
- Minimal disruption to trade.
- Environmentally sustainable and carbon neutral industry.
- Reputation for responsible practices & resource efficiency.

Strategy 1 – Address Changing Expectations & Standards for Food Production

Our industry remains challenged to be receptive to the standards that the community expects in producing our products, particularly in relation to the care and welfare of our animals. We must improve the image of our industry – through education, changing practices and shaping the regulatory environment – to assure the confidence of consumers, government, our markets and the Australian public that our ethical standards as an industry are of a very high level.

The Beale Report (2008) has set the stage for a major overhaul of Australia's quarantine and biosecurity system; a working partnership between industry and government(s). It is a shared responsibility that promotes a seamless biosecurity system rather than the narrower concept of "quarantine". Enhanced biosecurity and quarantine are critical in order to safeguard the health status and competitive advantage of the Australian pig herd.

Strategy 2 – Manage the Impact of Regulatory Shifts

Community expectations, market access requirements and the impact of policy and regulatory shifts resulting from food safety concerns must be managed to minimise the growing costs of compliance while also providing a safe product. It is important that the development of future standards is practical, cost effective and meets the requirements of our markets.

Strategy 3 – Government Policy & Compliance Requirements

With the increasing focus on climate change coupled with rising government and community concern both here and internationally, environmental sustainability has become a critical priority for the industry. The Australian government has announced its intention to reduce the amount of greenhouse gases produced in Australia each year, principally through an emissions trading scheme (a carbon pollution reduction scheme). While agriculture is currently excluded from a CPRS, there will be an impact on the costs of energy and energy-dependant farm inputs from a CPRS and therefore an increase in production costs on farm.

Effective issues and emergency management are critical to our ability to instil confidence in the Australian pork industry and our product, to safeguard our markets and competitiveness and shape our standing in the community and with government. Preparedness, planning and recovery both at farm and industry level are integral to the successful management of emerging issues, crises and emergencies.

Core Objective 5
Industry Cohesion & Responsiveness

Rationale

The intent of this Core Objective is to ensure communication and information flow. This is targeted along the entire supply chain to, amongst other things, minimise the industry's exposure to risk. This is especially important in the areas relating to disease outbreaks, welfare concerns, consumer issues, climate change, effective uptake and adoption of new technologies, strategic planning, public relations and general APL member requirements.

APL, as the peak industry representative body for pork producers in Australia, is expected by its members and the industry to be the proactive driver of the activities relating to the delivery of this Objective.

Industry Outcomes

- Stronger positive recognition of the Australian pork industry.
- A shared industry vision.
- A well informed industry.
- Successfully adopted technologies.
- Effective APL capabilities.

Strategy 1 – Engage & Connect the Industry

The speed at which the industry communicates will impact on its ability to respond effectively and efficiently to any and all issues. However, APL should not lose sight of the need to balance its remote communication activities with face to face contact as an effective way of conveying messages to the various stakeholders the organisation deals with. This allows open and frank dialogue and exchange of views, ideas and principles. A balance between these two forms of communication will underpin APL's reputation as a worthy representative body for the Australian pork industry over the next five years.

Strategy 2 – Facilitate Rapid Uptake of Information & Technology

This strategy is a major driver for the facilitation and rapid adoption of information and technology from key APL and Pork CRC projects. It will ensure that the positive work being done in the programs are communicated to industry and where applicable adopted on farm to ensure maximum efficiency gains are achieved by the industry. The capacity for the industry to achieve rapid and effective uptake of new technologies will certainly underpin the ability to prosper and become more competitive and profitable by 2015.

Strategy 3 – Enhance the Reputation & Effectiveness of APL

This strategy is about identification and delivery of the key messages and actions that will demonstrate to industry stakeholders (levy payers) the value of APL to the Australian pork industry. Under this strategy the projects are designed to ensure APL's image is associated with; good corporate governance; a safe and fair work place; an organisation that promotes sound environmental, animal health and welfare practices; is publicly known as the symbol of a modern, wholesome, healthy, nutritious food product that is proudly recognised as Australian grown.

Australian Pork Industry "Health Check"

A good strategy needs built in measurement mechanisms to check on progress. The measures and targets shown in the table below are put forward as the aspirations APL places alongside the Strategic Objectives, demonstrating value created by the implementation of the strategy to the industry and producers.

Each of the measures is briefly described in the table and has a formalised methodology around it as to how it is ultimately measured and at what regularity.

Indicator		Measure 1	Measure 2	2010		2011		2012		2013		2014		2015	
1	Fresh Pork Consumption	$/capita/ annum	kg/capita/ annum	$57.30	8.10	$61.59	8.45	$66.88	8.80	$70.72	9.15	$75.61	9.50	$82.88	10.10
2	Production Efficiency	kg feed/kg/ HSCW	Pigs sold/ sow/yr	3.8	20	3.8	21	3.7	21	3.7	22	3.6	22	3.6	22.5
3	Industry Profit Pool & Share	Net margin as proportion of income on-farm (%)	total value growth of industry to consumer level (% YOY)	19%	4%	18%	4%	16%	5%	14%	6%	13%	6%	13%	5%
4	QA Uptake & Performance	% production APIQ covered		82%		87%		90%		92%		93%		93%	
5	Industry Gross Value of Production	$/kg HSCW ex farm gate price x production volume ($ bill)		0.989		0.975		0.970		0.982		1.000		1.038	
6	Membership Uptake	% production covered	% producers covered (as per ABS Agricultural Commodities Report)	93%	75%	95%	76%	97%	77%	97%	80%	97%	80%	97%	80%

* HSCW – Hot Standard Carcase Weight

Industry Assumptions – 2009/10 – 2014/15

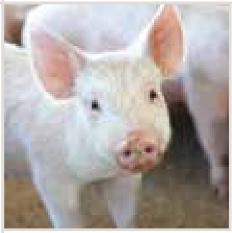
The table below outlines the assumptions around the key industry parameters over the next five years. There is only one certainty when forecasts like this are developed – that to a large extent they will be for the most part wrong. Nevertheless, it was thought worthwhile that the assumptions underpinning the Core Objectives and including the impact of the implementation of the Strategies be documented.

In words, the table demonstrates the following:

- A slow increase in slaughter numbers towards previous highs in the 2005–2007 period;
- A small correction in farm gate prices driven by increasing supply;
- Relative stability in exports, regaining some more share with increasing supply;
- Continuing pressure from global market dynamics for pig meat, resulting in some increase in import volumes;
- Increasing consumption of fresh pork driven by improved quality and targeted promotion to increase frequency of consumption in present consumers; and
- Relatively stable consumption of processed pork products, but challenges to hold the share of Australian pigs in this segment.

Year Ending 30 June		2010	2011	2012	2013	2014	2015
Slaughter Numbers	million	4.60	4.70	4.85	5.00	5.10	5.20
Average Weight	HSCW kg's	71.7	71.7	71.4	71.4	71.3	71.3
Total Available	HSCW tonnes 000's	329.82	336.05	346.29	357.00	363.63	370.76
Farm Gate Price	Average $/kg HSCW	3.00	2.90	2.80	2.75	2.75	2.80
Industry Gross Value of Production	$ million	989.5	974.5	969.6	981.8	1000.0	1038.1
Exports	HSCW equiv. tonnes 000's	50.00	51.25	53.75	53.75	56.25	56.25
Imports	HSCW equiv. tonnes 000's	241.07	250.00	250.00	258.93	258.93	267.86
Total Available Domestic	HSCW tonnes 000's	520.89	534.80	542.54	562.18	566.31	582.37
Domestic Consumption Fresh	HSCW kg/capita/annum	8.10	8.45	8.80	9.15	9.50	10.10
Domestic Consumption Processed	HSCW kg/capita/annum	15.96	16.00	15.76	16.05	15.64	15.49
Domestic Consumption Total	HSCW kg/capita/annum	24.06	24.45	24.56	25.20	25.14	25.59
Total Fresh	HSCW tonnes 000's	175.37	184.80	194.39	204.14	214.04	229.88
Total Processed	HSCW tonnes 000's	345.53	350.00	348.15	358.04	352.27	352.49
Total Australian Processed	HSCW tonnes 000's	104.46	100.00	98.15	99.11	93.34	84.63
Australian Processed Share	%	30%	29%	28%	28%	26%	24%

* HSCW – Hot Standard Carcase Weight



APL Forecast Profit & Loss Statement – 2009/2010 – 2014/2015

The following table shows the expected financial position of APL over the next five years. The income and expenditure are consistent with the industry assumptions and the resources required to be allocated to the five core objectives over this time period.

In addition to this, note the following separate assumptions:

- APL income jumps in 2013 due to an assumed increase in slaughter levies from $2.35 to $3.10/slaughter. This proposal will be put before levy payers for a decision in the next two years or so. The pig industry slaughter levy has not increased since 1994 and has been severely eroded since then by inflation to the extent that the efficiency with which present resources can be spent on the industry's behalf is starting to be compromised; and
- Voluntary contributions from independent interests can be collected by APL from 2012–2013 with the possibility of matching them with government contributions where they are used for R&D purposes.

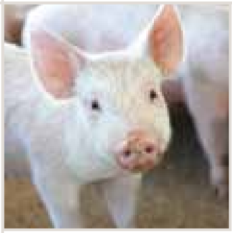
Year ending 30 June		2010	2011	2012	2013	2014	2015
Levies	$	10,810,000	11,045,000	11,397,500	15,500,000	15,810,000	16,120,000
Government matching contributions	$	4,255,000	4,344,642	4,041,028	5,375,415	5,358,259	5,517,297
Voluntary contributions	$	0	0	100,000	125,000	125,000	125,000
Grants	$	505,000	200,000	100,000	100,000	100,000	100,000
Other revenue	$	430,000	300,000	300,000	300,000	300,000	300,000
Total Income	$	16,000,000	15,889,642	15,938,528	21,400,415	21,693,259	22,162,297
Core Objective 1 – Build Consumer Demand	$	5,541,436	5,358,364	4,911,414	6,961,523	7,506,300	7,880,723
Core Objective 2 – Productive Viable Farms	$	1,946,261	1,698,242	1,604,988	2,152,140	2,163,601	2,235,510
Core Objective 3 – Efficient Value Chains	$	319,448	259,648	286,783	700,856	705,441	694,204
Core Objective 4 – Leadership, Preparedness, Stewardship	$	1,945,281	2,358,190	2,227,153	3,214,857	2,458,743	2,540,420
Core Objective 5 – Industry Cohesion & Responsiveness	$	1,162,000	1,186,018	982,626	1,111,089	1,816,381	1,799,606
Total Direct Project Costs	$	10,914,426	10,860,462	10,012,964	14,140,466	14,650,466	15,150,464
Total Allocated Project Costs	$	5,721,439	5,750,046	5,778,796	5,807,690	5,836,729	5,865,912
Total Unallocated Costs	$	563,094	565,910	568,739	571,583	574,441	577,313
Profit/Loss	$	-1,198,959	-1,286,776	-421,972	880,676	631,624	568,609
Reserves	$	4,518,771	3,231,995	2,810,023	3,690,699	4,322,323	4,890,931

Research & Development Priorities & Public Benefit Statements

The Australian Government provides matching contributions to APL for eligible R&D expenditure to a limit of 0.5 per cent of the industry's gross value of production, cumulative up to the R&D levy collected by the Government. The substantial support provided by the Commonwealth enables APL to significantly leverage producer levies and their investment into research.

APL's strategies and plans are consistent with the Australian Government's Rural R&D Funding Priorities and the new National Research Priorities and reflect the dynamic nature of the global market. APL as an RDC has also developed and refined its R&D process to implement key investment evaluation and reporting frameworks to demonstrate its alignment with both industry productivity and government rural R&D priorities and provide robust and objective information on the overall economic, social (public good) and environmental returns produced by APL's R&D portfolio.

APL is committed to ensuring a pork industry focused on: enhanced productivity and product value; effective supply chain management and the need to establish new and emerging pork markets; enhanced natural resource management that is economical and environmentally sustainable; adapting to and mitigate the effects of climate change and protect Australia's community, primary industries and environment from biosecurity threats.



Compliance Statements

Consultation with members and levy payers, government and industry stakeholders

APL will maintain close liaison and an ongoing dialogue with its members, delegates, levy payers, the Australian Government, the pork industry generally and other key stakeholders in the future development and review of its strategic plan. While this is an APL, not an industry development plan, the company's strategies are designed, nevertheless, to actively support the needs and aspirations of both the industry and the Australian community.

Business best practice

APL has adopted best business practice, including adherence with relevant Australian standards and leading organisational management models.

Key aspects include:

- Measurement of organisational performance against specified outcomes and objectives;
- Adoption of best practice in managing compliance with legislative and regulatory requirements; and
- Development of internal policies and procedures in key areas such as: Equal Employment Opportunities (EEO); Occupational Health and Safety (OH&S); Maternity Leave; and Privacy.

Corporate Governance

Role of the board

The APL board sets strategic direction within the requirements of the company's constitution, the Commonwealth Funding Agreement and the *Corporations Act 2001*. The board delegates responsibility to the Chief Executive Officer for the effective management of the company.

The board is responsible for ensuring company funds are used to best advantage for the long-term benefit of Australian levy-paying pork producers and the industry more broadly. It strives to create member value by constructively engaging with management to ensure the appropriate development, execution and monitoring of the company's agreed strategies.

The board's functions include:

- Setting company policies;
- Appointment of the CEO and providing direction on the appointment, remuneration and evaluation of senior management;
- Approving major strategies, plans and budgets;
- Assessing and reviewing company performance;
- Responding to management recommendations on major initiatives;
- Approving significant capital expenditure; and
- Ensuring the company acts legally and responsibly on all matters and that the highest ethical standards are maintained.

The board carries out its functions in line with the Australian Institute of Company Directors Code of Conduct.

Composition of the Board

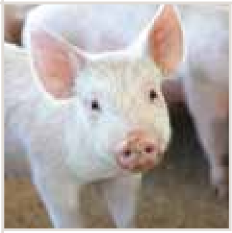
Producers who pay pig slaughter levies are entitled to register as members and their voting entitlements are proportional to the amount of levies paid. Groups of members may also nominate, on an annual basis, a delegate to represent their collective interests. APL delegates elect five producer directors to the APL board. In turn, the board recruits four specialist directors to ensure a balance of skills and expertise in accordance with criteria set out in the company's constitution and the Commonwealth Funding Agreement.

Board remuneration

Total board remuneration has been set in the company's constitution at a maximum of $360,000 per annum. This amount was set on advice from an independent consultant and through board consideration of similar industry organisation benchmarks. Aggregate board remuneration can only be increased with the consent of the company's members. The company's constitution also provides for individual directors to be paid additional remuneration where they perform services outside the scope of the ordinary duties of a director.

Board meetings

The board meets at least bi-monthly and requires a quorum of a majority of directors eligible to vote (i.e. at least five directors). In order to meet operational needs, the board may convene special meetings or use electronic methods to agree or respond to specific issues.



Board committees

As the need arises, the board can establish specific committees, each of which will have its own charter and agreed membership. The following committees have been established and their terms of reference approved by the Board:

- **Audit, Risk and Corporate Governance Committee** – The committee is chaired by a Director and includes two other Directors. The committee's role is to advise the Board on corporate governance, internal and external financial audit issues and adequacy of accounting procedures, systems, controls and financial reporting. It also reviews risk management and fraud control management, intellectual property management, qualification of research and development and matching expenditure in compliance with major contracts.
- **Human Resources and Remuneration Committee** – The committee is chaired by a Director and includes two other nominated Board members. The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management.
- **Pan Pacific Pork Expo Management Committee** – The Pan Pacific Pork Expo management committee is chaired by a Director and meets as required. The committee is responsible for the overall planning, implementation and evaluation for the industry's biannual Expo.
- **Animal Welfare Committee** – The Animal Welfare Committee is chaired by a Director and provides input and guidance to the APL Board into the development of policy and strategic communications on emerging or specific animal welfare issues that have potential to significantly impact on producers' future sustainability.
- **Market Development Committee** – Directors with marketing experience are part of the market development committee which also includes industry stakeholders from the supply chain. The committee reviews possible marketing developments for the domestic and export markets and advises the Board, through management, on appropriate strategies.
- **Research and Development Advisory Committee** – The committee is chaired by a Director and gives direction to activities around the development, management, performance and outcomes of APL's research and associated activities.
- **Quality Assurance Committee** – The committee is chaired by a Director and provides input and guidance to APL Management and Board into the development of policy, issues management and strategic communications on Quality Assurance and the APIQ program.
- **Strategic Planning Committee** – The committee is chaired by a Director and provides input and guidance and gives direction to the overall strategic planning process, particularly at key milestone points, of the five year strategic plan.

Board development and performance

The Board is accountable to Members and their Delegates as set out in the company's constitution. The Board will review its performance in the following areas on a regular basis:

- roles and responsibilities;
- timeliness of advice and direction to management;
- effectiveness of Board meetings;
- interaction with management; and
- contribution to the ongoing performance of the company.

Board assessment was carried out by an independent consultant in early 2007 with very positive results around the Board and the Board processes. Particular mention was made of the support received from APL management, the quality of discussion, range of views and the value of having an independent chairman.

An orientation program is provided for new members of the Board to meet the company's senior managers and to gain an understanding of the company's operations and the industry more broadly.

Resources are provided where appropriate and approved by the Board to enable directors to update their professional skills and knowledge as company directors.

Board policies

The Board has developed and monitors top-level company policies that form the basis for management to implement the strategic direction determined by the Board.

Business approach

The Board has put in place appropriate systems and controls to ensure that APL acts within the law at all times, avoids conflict of interest and acts honestly and ethically in all business activities. APL has in place key corporate controls including: risk management; fraud control; and intellectual property management.

Conflict of interest

The Board has in place a process whereby relevant interests of all directors are disclosed on appointment, reviewed on an annual basis and notified, as and when they arise, in relation to a particular issue. The Board and individual directors, by request through the Chairman, may obtain independent advice on matters of importance.

Corporate Social Responsibility

Managing risks for sustainability is a core activity of APL and sustainable actions are encouraged within the organisation. APL also places a lot of importance on working towards a positive regulatory environment by assisting industry with important social issues, in particular food safety, product integrity and animal welfare.

These endeavours towards sustainability and corporate consciousness are reported below:

Maintaining ethical and responsible marketplace practices:

- Nutrition programs in particular diet, education, public health and food safety;
- Consumer research;
- Improved consumer preference including lifestyle and environmentally friendly packaging and labelling;
- Maintaining food safety and product integrity in the marketplace.

Respecting and engaging staff:

- APL 'Code of Conduct', behavioural standards regarding harassment and conflict of interest;
- Ethical behaviour by employees monitored and reported;
- Improved workplace culture by example across the whole work force;
- Performance management, reward and recognition processes;

- Training and development plan and study assistance;
- Reclassification and promotion when appropriate;
- Succession planning and career management;
- Employee engagement with the Board;
- OH&S policy and procedures;
- Anti discrimination policy;
- Internal communication committee;
- Social club;
- Flexible working arrangements; and
- Recycling program.

Taking care of the environment in which the company operates:

- Implementation of the environmentally sustainable piggeries program;
- Research of issues of importance within the National Environmental Guidelines;
- Safeguarding animal health through exotic disease prevention and preparedness;
- Model Code of Practice for Welfare of Pigs;
- Australian pork industry animal care strategy and implementation plan; and
- Animal welfare research projects.

Strengthening the company's place within the community:

- National centre for pig industry training and education;
- Multi media educational program for primary schools;
- Postgraduate scholarships;
- Cadetships for level five management training;
- Training and provision of training manuals for piggery staff;
- Travel awards;
- Promoting awareness publications;
- Consumer survey – animal care and community sensitive issues;
- Reputation management strategy;
- Uptake;
- Porksafe program, trade and agricultural shows and sponsorship;
- Focus groups;
- Producer innovation awards;
- Provision of Christmas hams and pork to charity; and
- Communications to members and industry.

Independent advice

The Board and individual directors, by request through the chairman, may obtain independent advice on matters of importance.

AUSTRALIAN Pork™