

AUSTRALIAN PORK LIMITED

# Annual Operating Plan Summary

2014/2015



## Message from the CEO

It is my pleasure to present the 2014/15 Annual Operating Plan for Australian Pork Limited (APL).

This Plan outlines the activities and associated resources envisaged to meet the objectives contained within the APL Strategic Plan 2015–2020, a plan only recently finalised.

The APL Strategic Plan 2015–2020 has been developed over the last year in consultation with our key stakeholders – levy paying Australian pork producers and the Australian Government. Additionally, discussions and consultations were conducted with other stakeholders such as the pork supply chain and other relevant and significant industry bodies.

This year, 2014–15, is the first year where the second tranche of our levy increase applies. It will add \$0.30 per slaughter pig to APL's revenue for spending in areas outside Research and Development (R&D) (the “non R&D” levy thus moving to \$1.95). The R&D component remains covered by a separate levy of \$1.00 per slaughter pig. With an expected total slaughter number for 2014–15 of around 4.8 million, this will take our total income to the highest it has been for some years, approaching \$20 million.

Activities for this year as dictated through our new Strategic Plan and are a mix of: continuing those that have been shown to be successful in adding value to pig producers' business; and beginning to investigate some new areas of activity where we think we need to move for a successful future.

The domestic marketing focus remains firmly on our four key initiatives, the first being the “Get Some Pork On Your Fork” advertising campaign. This campaign is evolving from a purely pork awareness objective to promoting some key traits of our product – at first in the area of nutrition and health.

The PorkMark campaign, highlighting country of origin choice, in particular the differences Australian pork has to offer in comparison to our import competition, will continue to be appropriately resourced. This campaign is one of those integral to an over-riding theme through our future strategy around differentiating our product, considering that we will never consistently be the world's lowest cost producers.

PorkFest is the annual April activity, mainly directed through the trade, to support demand at a time traditionally when pork supply kicks upward. A number of factors have resulted in smoother and more consistent pig prices throughout the year, giving producers more financial certainty and PorkFest is part of the mix.

The PorkStar campaign continues to promote pork through the food service sector and its success over the years cements its continuation largely without significant changes.

One of the significant differences with our new Strategic Plan is that we are planning to substantially increase our efforts in building our international business, based on a premium Australian pork model. A major premium long term target is China, where we will be continuing to seek market access,

China is not a market that you easily enter without developing the appropriate relationships. APL is developing these relationships so we can sell our story for this lucrative market to be opened to us. A rolling presence has already started, with several trips to China undertaken in the previous financial year.

Parallel efforts through our trade experts in conjunction with the Department of Foreign Affairs and Trade, the Department of Agriculture, Austrade and free trade negotiations all need to be working towards the one end game.

Other interesting markets in South East Asia that are focused on cities that fit our particular product criteria will also be developed.

The new Strategic Plan envisages only modest growth in per capita pork production in Australia, dictating that a major part of the outcomes of APL activities in the marketing areas will result in higher prices rather than higher consumption.

The pork industry's dual approach to research and development continues, with the high integrity Australian Pork CRC performing much of the required work in the animal welfare, disease control, novel nutrition, emissions management and eating quality area. APL in this coming year continues to focus on productivity R&D and supporting a strong extension and technology adoption effort.

Progress will continue this year in designing a strong post CRC R&D model for the whole industry. The aim is to retain those core research providers through our base funding model and bring in interested collaborators to give overall support to a strong resource base to drive the industry's ongoing innovation.

The continuous evolution of the quality assurance system, APIQ✓<sup>®</sup>, has created an industry asset of considerable value. Around 90% of the production volume is now covered by APIQ✓<sup>®</sup> certification, with optional modules available around free range, outdoor bred, gestation stall free and even a customer specification module for Coles' suppliers.

The big target policy and regulatory issues remain to pursue, around animal welfare, biosecurity, trade and environmental impact.

The industry's "Shaping Our Future" initiative to phase out the use of sow stalls by 2017 remains on track, with around two thirds of the industry now complying with the "gestation stall free" standard, meaning that pregnant sows are unconfined individually for at least 90 per cent of the pregnancy. The challenge continues alongside this initiative to convert the resulting differentiated Australian pork into greater value for those producers with the "gestation stall free" certification.

Biosecurity remains a central issue for our industry, both from the perspective of protecting the asset we have as an industry with our herd health status and being more proactive in telling potential future markets about the contribution this makes to Australian pork being clean and safe. The recent relaxation of import protocols for pork into New Zealand has bolstered the confidence of some pork trading nations to have a go at breaking down our import protocols and we will continue to defend these with all resources necessary.

APL's strategic and operational planning is built on the recognition that working with other bodies is often in our interests to get the most effective outcome from resource investment. Examples include our involvement with the various cross sectoral R,D&E strategies for animal welfare (where APL has a leading role), animal biosecurity, climate change and nutrition. We continue to host the Council for Rural Research and Development Corporations and we are in discussions with other RDC's about the potential for sharing services in the performance of back office functions such as finance and administration.

All of these activities are consistent with our industry's position and reputation as a global leader amongst pork industries and a national leader amongst Australia's rural industries; that is being market and consumer focussed, operating in step with the expectations of the community to which we belong and directly or indirectly targeting everything we do towards the betterment of our pig production businesses.

A handwritten signature in black ink, appearing to read 'A. Spencer', with a stylized flourish underneath.

Andrew Spencer  
Chief Executive Officer

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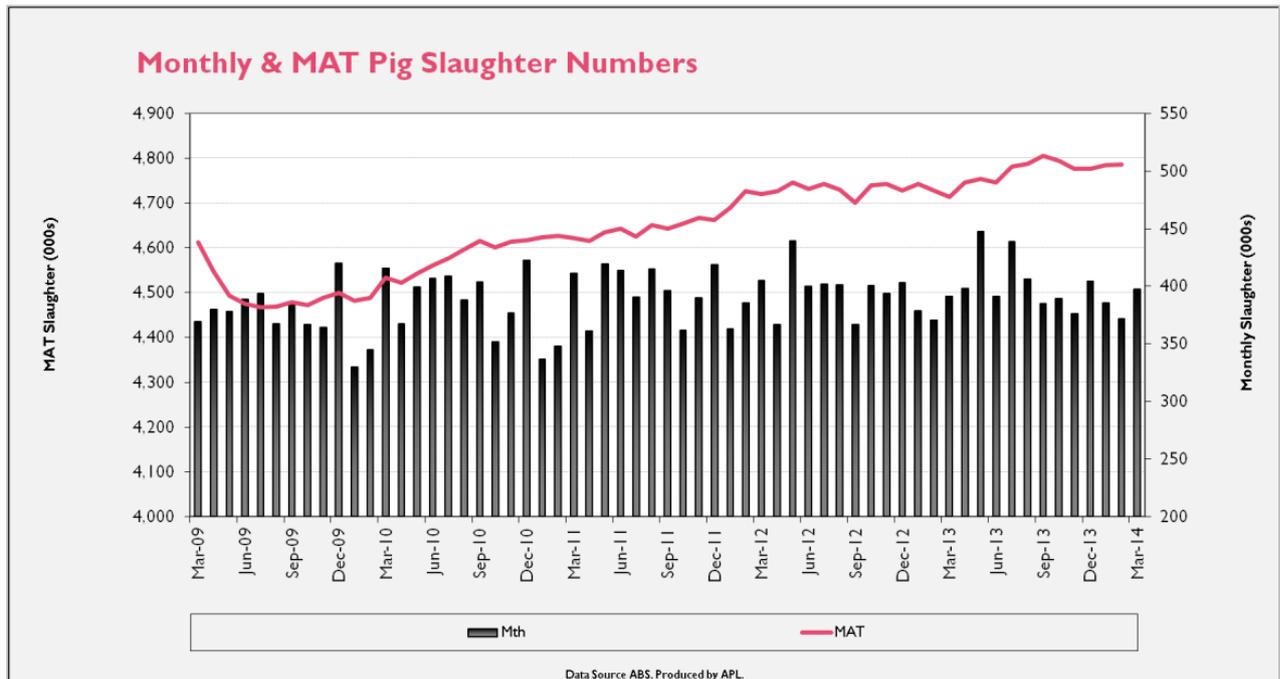
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# The Competitive Environment

## Domestic Market

Pig production volumes over the past four or five years have been increasing at a slow but consistent rate, driven by demand for higher fresh pork consumption domestically and greater population. This trend is forecast to continue, and with demand expected to continue to grow faster than production volumes, higher prices are targeted for pigs at the farm gate.



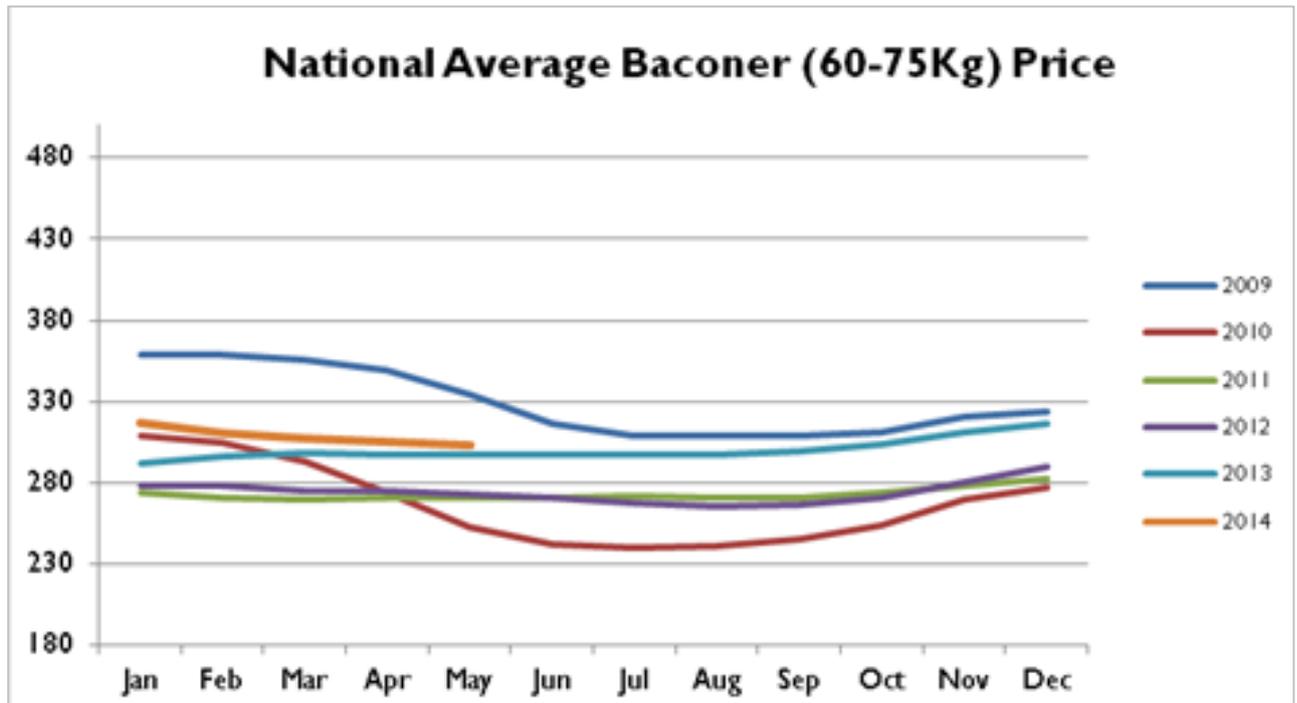
Graph I: Monthly and Moving Annual Total Pig Slaughter Numbers in Australia 2009–2014

Pig prices continue to move in a positive direction as they have over the past couple of years (both in absolute terms and consistency across all months of the year). Profitability for the industry however has not necessarily followed pig prices as production costs (driven by higher grain prices mainly) have eroded the extra net income.

The maturity of the new production systems compliant with the “gestation stall free” standard is probably also contributing to slowly increasing production numbers as the knowledge around how to manage these systems is improving, resulting in higher farrowing rates. We now believe that Australian pig producers are amongst the world’s best in understanding and managing the “gestation stall free” systems we have committed to.

The assumptions in the Strategic Plan 2015–2020 which underpin the activities in this operating plan do not include the possibility of large increases in sow numbers over the next five years. This however hides the dynamics behind this prediction, which includes an ongoing assumption that less efficient and also older producers will continue to leave the industry and their production volumes will likely be replaced through increased production capacity by more efficient and/or younger producers. Thus the productivity of the industry will be increasing both through an exit by less productive producers alongside continuous improvement of those producers who remain in the industry.

The graph below highlights a significant change in pig pricing patterns over the last several years whereby the low prices through the middle of the year have largely disappeared. We believe that this is a structural and thus sustainable shift due to changes in business arrangements between buyers and sellers, rather than a short term anomaly.



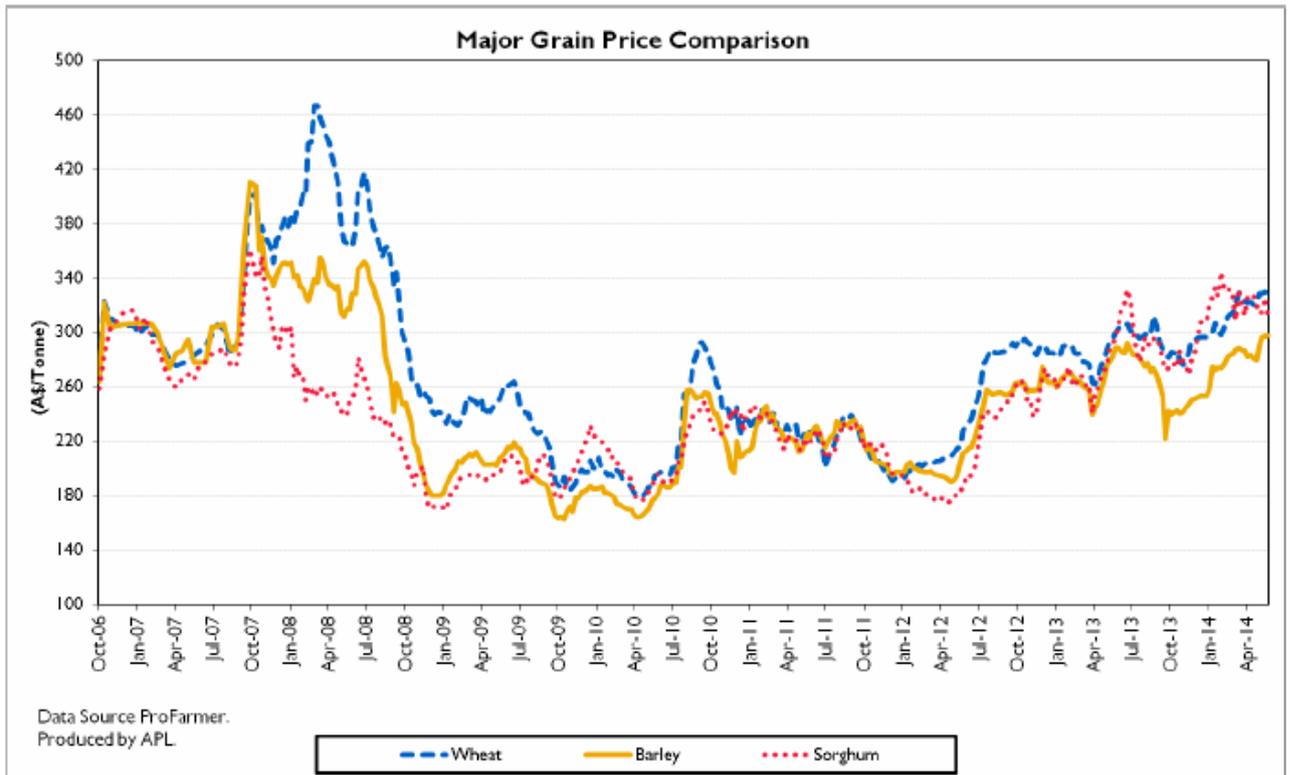
Graph 2: Average Australian National Baconer Prices Surveyed by APL 2009–2014

## Grain Prices

Grain prices have moved and stayed high for some time due to a combination of factors, including:

- A slightly lower value of the Australian dollar over the last twelve months;
- Persistent drought in some parts of Australia, particularly in the north;
- Demand for grain sorghum in northern Australia for export to China for beer production;
- The Ukraine crisis underpinning uncertainty in global markets; and
- Less than optimal conditions for US crops.

Overall, a slowly improving global economy does seem to be supporting better demand for export grain. Improving cropping conditions around the world have not yet seen significant easing of global grain prices under this demand environment. This includes an excellent start to the eastern Australian winter cropping season this year.



Graph 3: Monthly Major Grain Price Trends 2006–2014

## Beef

The drought in northern Australia over the past year or more has led to increased numbers of cattle being sent for sale and lower rates of mating and weaning. This has resulted in lower prices at saleyards due to higher than normal supply.

There is significant chance of this turning around with some improvement in the northern Australia weather situation, which will immediately slow the flow of cattle to saleyards. The lower calving rates also support a future potential supply shortage.

Good demand through traditional and newer markets (e.g. China) under these circumstances could see a large improvement in cattle prices that would likely find their way through to the retail shelf for consumers.

## Sheep Meats

Coming out of a record supply year in 2013, there is a prediction that slaughter numbers will pull back with improvements in weather conditions across the east of the continent and restocking efforts. Export demand for lamb in particular remains very good and will be competing with supplies required for satisfying the domestic market, supporting continued high prices.

## Chicken

The chicken meat industry continues to be characterised by a close linkage between supply and demand through the limited number of volume players and a relative lack of volatility.

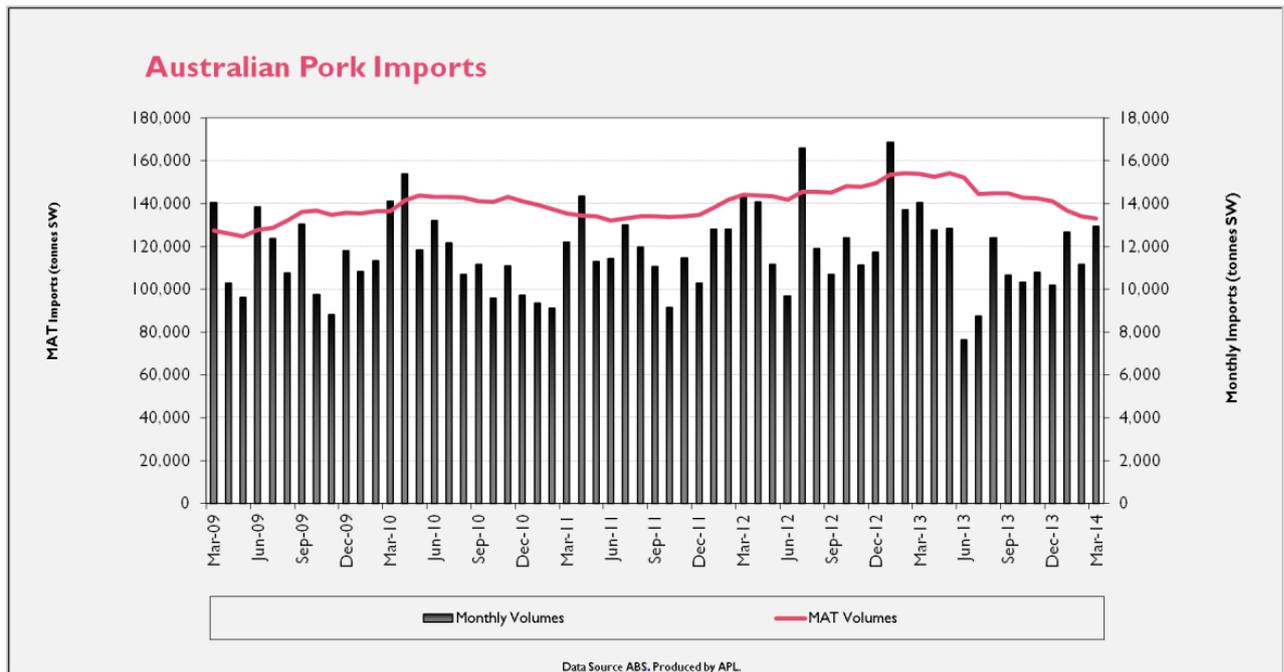
## Pork

Marginal pork production volume increases should remain slightly behind demand increases (same price basis) supporting wholesale and farm gate price levels.

Shorter term trends towards reducing imports and increasing exports are very possibly not related to sustainable structural changes in the market but more around volatility in stock levels.

## Pork Imports

Pork import volumes over the past year have reduced by more than 20,000 tonnes to slightly above 130,000 tonnes – shipped weight basis.

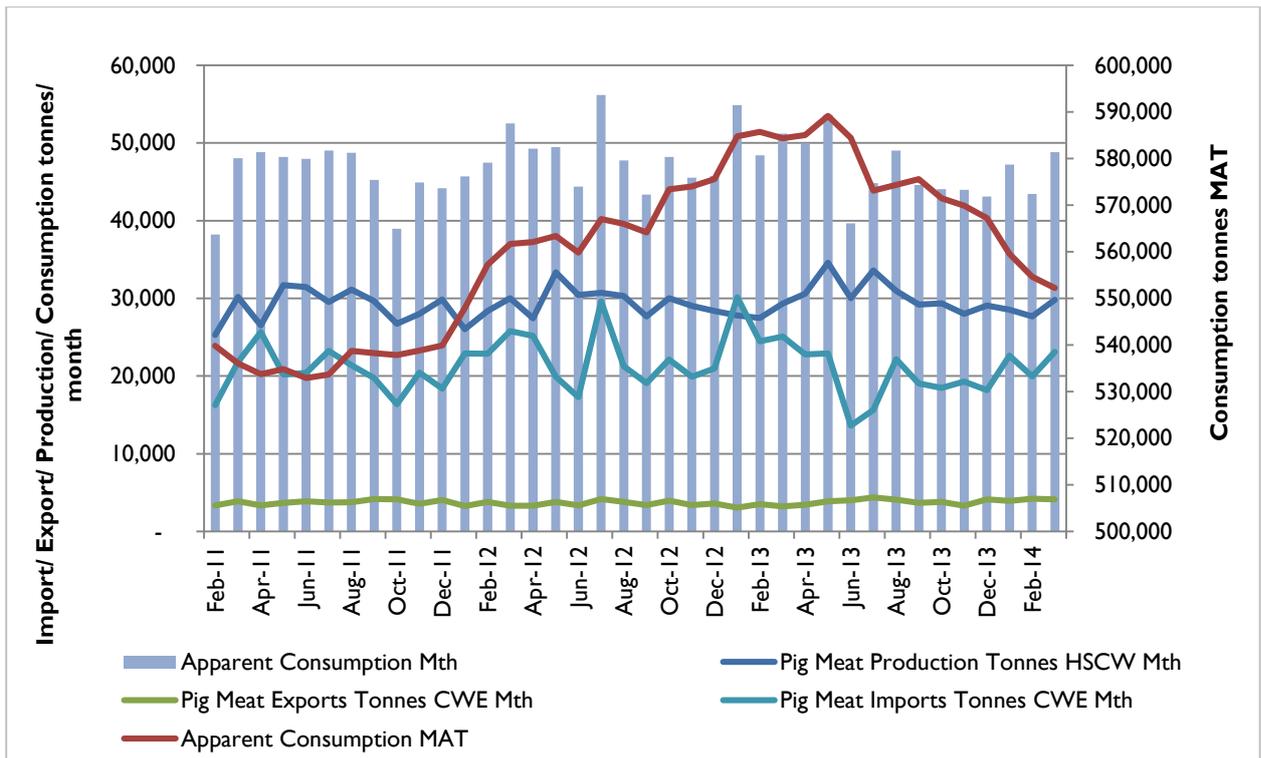


Graph 4: Australian Pork Import Volumes – Monthly and Moving Annual Total 2009–2014

This reduction is likely to be more influenced by a shift in the stockholdings of imported pork over this time, rather than any major change in demand profiles over domestic versus imported product. This reduction was predicted based on the seeming disconnect between real and apparent consumption patterns.

This position is supported in Graph 5 showing that apparent consumption (domestic production minus exports plus imports) has markedly reduced since the middle of 2013, despite there being no sign that actual consumption has decreased at all.

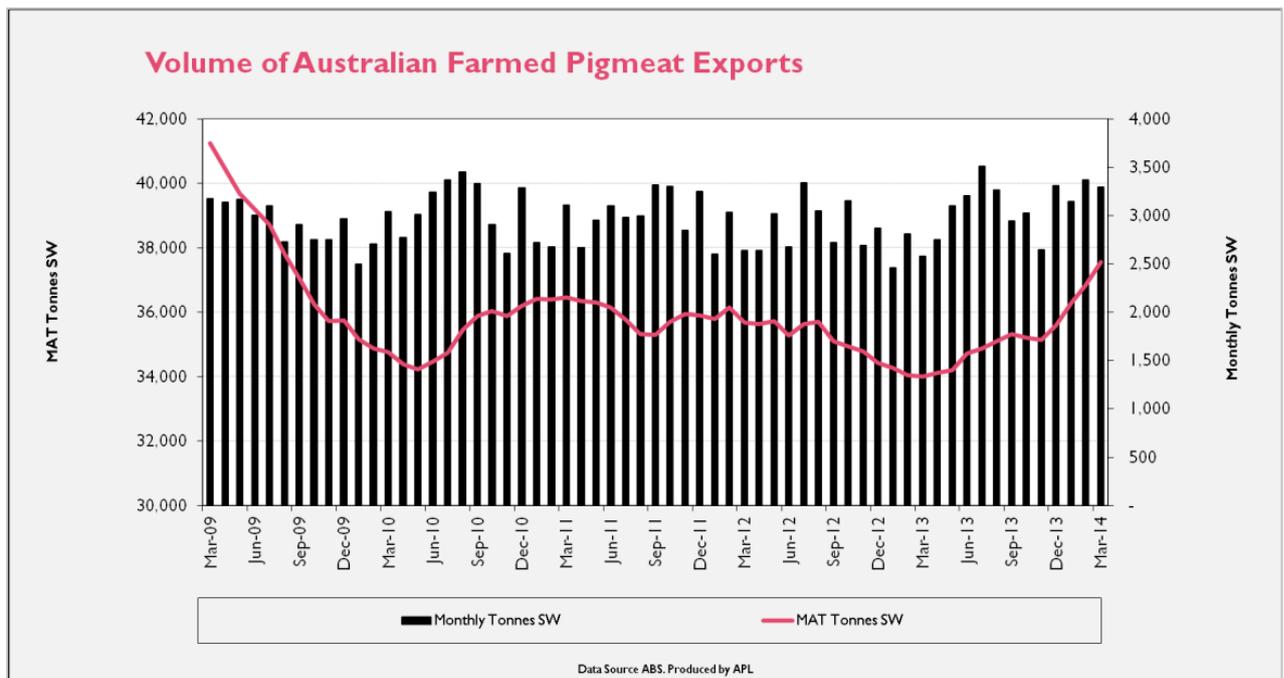
This trend is now expected to level out (or in fact imports may again increase) as lower stock levels make further reductions less likely.



Graph 5: Australian Pork Production, Imports, Exports and Apparent Consumption 2011–2014

## Export Market

Export volumes are showing a pleasing kick upwards but this trend is not replicated in our more strategic or higher value markets.



Graph 6: Australian Pork Export Volumes – Monthly and Moving Annual Total 2009–2014

Export volumes into Singapore are down on a year on year basis, and many of the markets supporting the overall volume increase are not high value – Papua New Guinea and the Philippines for example. Nevertheless, potentially higher red meat prices in some markets (PNG mentioned above) is making pork a more attractive option, and possible supply shortages coming out of North America (due to the outbreak of Porcine Epidemic Diarrhoea virus there) may build a platform for both higher export volumes from Australia in 2014–15 as well as higher global pig prices.

# Strategic Objective I – Growing Consumer Appeal

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## Industry Outcomes

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The Strategic Plan outcome statement is “Making Australian pork more uniquely valuable to consumers and increasingly a part of their eating pleasure, resulting in repeated choice.”

This year is focussed on measuring the quality of consumer experiences combined with increased differentiation of Australian pork versus other species and sources of pork.

The targeted outcomes of these programs have a synergistic effect where improved perception, differentiation and experience all combine to create demand ready for conversion.

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## Program 1: Better Pork

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This program has a focus on measuring changes in the most important outcome in fresh meat: the moment when Australians (or anyone else) eat Australian pork they have cooked at home.

Several changes have been made by various supply chains in the last year. The purpose of this program is to identify the net impact of those changes on the consumer experience.

In addition, one of the outcomes of advertising will be increased “health” perceptions, particularly of pork fillet.

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## Program 2: Pork Made More Popular

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Popularity in the case of this program is focussed on the consumer. APL has been gradually raising awareness of Australian pork as an everyday option for some time via continuous advertising.

Popularity is in part determined by whether the product is thought of at all, and the anticipated pleasure and/or benefit a consumer will get from consuming that product.

There are two projects in this program - one is on-going fresh pork advertising that is used to make pork thought of more frequently. The other incorporates yearly events in which pork is traditionally strong and seeks to extend those strengths. There exist a significant opportunity to increase consumer confidence and therefore the appeal of Australian pork. This will be trialled in a limited geography or media type before a roll-out decision (or not) is made.

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## Program 3: Increasingly Different

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Program 3 is currently focussed on those consumers and supply chains that sell Australian pork in processed ham, bacon and potentially salami.

Australian's claim they generally prefer to buy Australian pork. This is largely to support Australian farmers, in part because they believe Australian is higher quality and in part because they know that Australia has world class farming and safety standards. The types of people that are most motivated by these beliefs have recently been identified.

Building on the last Strategic Plan, the Australian PorkMark is now well recognised and increasingly nationally available. This program seeks to highlight with the target consumers the benefits of buying Australian rather than imported ham and bacon.

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## Risks & Opportunities

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- Risk – lack of support through supply chains in actioning the outcomes of the Better Pork measuring program. This is planned to be mitigated by pre-commitments and business cases.
- Risk – the experience APL has in these programs may lead us to be too conservative and lose some relevance. We plan to mitigate this by being aware of the obstacle and thus taking action to avoid it.
- Opportunity – all of these programs are evolutions of existing programs that make the next progressive step.
- Opportunity – all of these programs are executed by teams that are both experienced in their execution and have at least two APL team members capable of running each of the projects in this Strategic Objective area.
- Opportunity – two of the tests incorporated in this year's plan, if successful, promise the potential of a structural change in demand.

## Strategic Objective 2: Building Markets

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### Industry Outcomes

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The Strategic Plan outcome statement is *“Using insights to develop markets that offer attractive demand for our products, our producers and our value chain collaborators.”*

Within APL, an insight is defined as “a new understanding or idea that is or can be highly valuable in any of the “triple bottom line” senses”. The projects in this Strategic Objective are largely based around sales outcomes. However, ultimately sales are the result of a “relentless pursuit of delivering on the truth”. This sees information from multiple areas and sources within and outside APL being combined in order to understand the totality of consumers’ experience.

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### Program 1: Market Insights

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This program involves a specialist team that is skilled at identifying information needs, acquiring information of the necessary reliability and combining data sources in order to create insights.

In this particular program year, there are two projects.

One is market data on sales, supply, prices and trends at every level of the supply chain. This is used primarily to identify what’s happening in markets and to measure and manage performance and resource allocation.

The second project is qualitative and quantitative information to explain why what’s happening is happening, and in some relatively rare cases to validate that a particular solution will be effective. This project incorporates brand, advertising, competitor and community tracking.

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### Program 2: Domestic Market Development

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This program is relatively well practiced by the APL team now. The identification of insights with particular relevance to sales outlets be they restaurants, supermarkets, butcher shops or delicatessens, is the primary activity.

For confidentiality reasons, we have an insights specialist allocated to each major chain or channel. This enables the on-going comparison of APL data with other value chain data to validate insights and collaborate on their execution and the returns that flow from those activities.

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### Program 3: International Market Development

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While Australian pork producers have serviced international markets for many years, it has not been a particular focus over the last five years. The industry is in better financial shape and exchange rates appear to be slowly moderating. International marketing has been elevated in the current APL Strategic Plan.

Given the recent increase in focus, APL’s approach will be one of “hypothesise-test-learn-hypothesise...” in order to make sure levies are used effectively and to ensure that this area is adequately but not over-

resourced. Over-resourcing this area would neglect the existing supply chains that are generating current volume, value and price growth.

Alongside APL's market development, efforts will also be centred on seeking official market access through ongoing involvement in Free Trade Agreement (FTA) negotiations, and specifically seeking market access to China. It is acknowledged that this will take several years and involve multi-disciplinary approach to market access, including resolving the technical barriers to opening trade to China.

There is a particular business model that is planned to be trialled in the 2014-15 year. This will ideally include increased levels of collaboration, more particular product specification and consistent delivery as well as a different type of shopper and consumer. This change of mind-set, being new, is another reason APL will adopt a learning model.

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## Risks & Opportunities

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- Risk – most years APL conducts one large study in order to maintain a constant flow of insight on which our value chain and consumer relationships are based. This year we have chosen to “deep dive” into our existing data to make new connections rather than rely on new research. The risk is not considered high.
- Risk – spending too much time and money on new international business and not enough on the existing growth generators. This will be managed in part by restricting the team members involved in international and in part by requiring those supply chains that are collaborating with APL to contribute time and money to international business development.
- Opportunity – APL staff longevity and past performance have helped build strong retailer relationships which over time have built trust to a point where conversations can be openly fact based rather than overly diplomatic. This gets all parties to the truth faster.

# Strategic Objective 3: Driving Value Chain Integrity

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## Industry Outcomes

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The Strategic Plan outcome statement is “Secured confidence in Australian pork products in terms of their source, the compliance with expected standards and aligning on-farm product with consumer expectations.”

The focus of this year is seeking to deliver and demonstrate high level performance against industry and government standards to maintain consumer and community confidence and trust in Australian pork products.

These initiatives will be delivered via a partnership approach with government, producers and supply chain partners.

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## Program 1: Trust in Pork Provenance

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The need for greater transparency and traceability in the pork value chain are pivotal to achieving trust in Australian pork domestically, as well as in export markets, and across a range of pork products.

This program will seek to encourage both adoption and implementation of programs that enhance consumer trust in the provenance of Australian pork in domestic and export markets.

There are two projects in this program. The first is the Physi-Trace traceability project and involves implementation and adoption of the traceability initiatives by industry and the update of the trace-elemental database. The second is a key component of APL’s Trust in Australian Pork Quality Standards Program and encompasses compliance verification for a number of product and program descriptors and claims.

Key outcomes from this program will be a more robust and industry wide traceability system and compliance verification assessments for a number of product and program descriptors and claims.

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## Program 2: Pork Quality Assured

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The Australian Pork Industry Quality Program, APIQ<sup>✓</sup>®, is an on-farm quality assurance system and is based on managing on-farm risks by following good agricultural practices, using the principles of Hazard Analysis and managing Critical Control Points (HACCP). In addition, APL undertakes a number of activities to underpin the Pork - Australian Export Meat Inspection System (Pork-AEMIS) and address food safety issues to enable the Australian pork industry to maintain market access, assure community and consumer trust in the safety of Australian pork and pork products.

This program will look to expand the APIQ<sup>✓</sup>® program to underpin the quality, integrity and traceability of Australian pork products in both domestic and overseas markets.

There are two projects in this program. The first is the APIQ<sup>✓</sup>® major review of the standards, systems and administration of this industry QA program. The second project (over two years) encompasses all the food safety R&D with a specific focus on abattoir process control for the Pork-AEMIS.

Key outcomes from this program will be a set of revised APIQ<sup>✓</sup>® standards for all production systems, and updated systems management and administration. The food safety data outcomes will be used to update and implement a science based meat inspection, verification and export certification system for pork Pork-AEMIS version 2.

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## Program 3: Fairness in Risk and Reward

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The sectors within the pork value chain need to be consumer focused and must be better linked to enable the effective flow of market signals. In addition, it is imperative that a more efficient supply chain with better links between product value, quality and integrity enables value generated through the supply chain, including on farm, to be rewarded at the appropriate point in the supply chain.

This program will look to implement technologies and systems that provide a better understanding of what contributes to the right type of pig production and carcass to better match the buyers' needs.

There is one project within this program and relates to the industry developed carcass classification system, PorkScan, for pigs and the patenting of the system for use in Australia and New Zealand.

Key outcome will be the commercial opportunities to market the PorkScan Pty Ltd system in overseas markets.

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## Risks & Opportunities

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- Risk – the potential to uncover non-compliance against agreed standards that may antagonise supply chain stakeholders – this will be mitigated by the development of agreed business rules to negate any issues in the event of any non-conformance identification.
- Risk – the potential for supply chain partners to not engage and look to prevent reward to flow to appropriate points within the supply chain – whilst APL cannot ever claim to mitigate this risk, closer engagement with partners will strengthen relationships along the value chain that may allow reward to flow to appropriate value chain partners.
- Opportunity – ability for pig industry to demonstrate market compliance against agreed standards
- Opportunity – ability for Australian pork to demonstrate higher product integrity against imported pork and pork products
- Opportunity - improve the already high regard for and adoption of the Australian Pork Industry Quality Program, APIQ<sup>✓</sup>®, by producers, retailers, and regulators.

## Strategic Objective 4: Leading Sustainability

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### Industry Outcomes

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The Strategic Plan outcome statement for this objective is “Remaining in step with society by reflecting community values in our ethics, our healthy herds, and operating our industry responsibly and profitably”.

The focus this year will be to deliver a suite of targeted projects under programs that will address societal expectations, deliver healthy herds and farms and improved productivity. Projects that will build on our demonstrated societal leadership cover areas such as environmental management, animal welfare, improved traceability systems, disease incursion capability, exotic disease and biosecurity management. Moreover, the focus on improved reproductive outcomes and reducing reproductive waste will be critical to improved productivity required for profitable pork businesses.

Critical to the success of this strategic objective are our contributions to plans such as Shaping our Future, the Pork R,D&E Strategy and the Climate Change Strategy for Primary Industries, and our partners, including the Pork CRC, Animal Health Australia, SAFEMEAT and NLIS Ltd.

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### Program 1: Addressing Societal Needs

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A better informed and educated community about how pork is produced in Australia can only continue to grow and foster community loyalty, trust and support. The Australian pork industry has demonstrated global leadership in programs such as “Shaping our Future” which aims to phase out gestation stalls by 2017. Societal expectations for leadership and sustainability will focus a broad suite of programs covering regulatory, policy and community areas, with a focus on improving the image of our industry to maintain the confidence of consumers, government, our markets and the Australian public.

This program will seek to implement activities that will recognise and address societal needs for the ethical and sustainable production of pork that will underpin whole of community trust.

Projects in this program will look at collaborative activities, with organisations such as Climate Change Strategy for Primary Industries (CCRSPI), Animal Health Australia, the Pork CRC and SafeMeat. Others will enhance the Aussie Pig Farmers website, seek improvements to animal welfare, and continue APL’s leadership in environmental management such as through BMP and mitigation of greenhouse gases.

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### Program 2: Healthy Herds and Farms

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To remain profitable, producers must safeguard the health and wellbeing of the pig herd, while reducing input costs and improving productivity. While the Australian pig herd has a high health status, the risks as a consequence of a global trading environment are ever present. Australia’s science based biosecurity protocols mean that we are one of the few countries in the world that still enjoy a high disease free status, which protects our reputation for quality and safety.

This program will look to implement technologies, systems and management strategies that underpin the biosecurity systems within the supply chain to ensure healthy herds and farms. A major project for 2014-15 will be implementing the new pork NLIS traceability requirements to enhance disease preparedness and traceability.

This program consists of a number of non-R&D and R&D projects. The R&D project relates to exotic disease and biosecurity research activities including risk profiling of a number of exotic diseases.

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## Program 3: Continuous Productivity Growth

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The Australian pig industry has a 'closed genetic herd' status that prevents the importation of new genetic lines with higher productivity to preserve our high pig herd status. As a consequence, Australia's on-farm productivity does lag behind a number of pig production systems in North America and the EU. Nonetheless, the Australian pork industry's investment in continuous productivity growth is important to close the productivity gap.

This program will adopt and implement programs that underpin continuous productivity growth for the pork industry by focusing on improving reproductive performance of the Australian pig breeding herd and enhancing the viability of the progeny.

There are three projects seeking to improve the productivity of the Australian pig herd. The reproductive performance project includes activities to improve the pigs born per sow per year, and also investigate technologies to deliver more female pigs within each litter to avoid issues with boar taint. The second project will focus on the growth performance of the gilt progeny in particular given the high productivity losses associated with this group. The third project relates to the base-funding of key research, development and extension (RD&E) facilities as part of the National Pork RD&E Strategy.

Key outcome will be continuous productivity growth for the pork industry as seen by improved reproductive performance of the Australian pig breeding herd and enhancing the viability of the progeny.

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## Risks & Opportunities

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- Risk – the potential for activist campaigns to erode industry leadership and societal expectations, and the impacts this may have on pig producer support for APL.
- Risk – that non-compliance with traceability and biosecurity may inadvertently allow exotic and endemic disease incursions to occur.
- Risk – that productivity and profitability improvements may be eroded by other factors outside of the industry's control.
- Risk – uncertainty in the legislative arrangements that underpin industry environmental management may erode continued leadership.
- Opportunity – ability for pig industry to demonstrate societal and global leadership in animal health and welfare.
- Opportunity – improve the productivity and profitability of pork producers and the industry.
- Opportunity – through traceability and on farm and at border biosecurity measures, ensure Australia remains free of exotic diseases currently decimating pig herds across the world.
- Opportunity – to continue agricultural industry leadership in environmental management.

## Strategic Objective 5: Improving Capability

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### Industry Outcomes

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Using the Strategic Plan outcome statement as a guide “The Australian pork industry and APL leading the way in innovation, accountability and expertise,” there is an expectation this year for greater uptake of on-farm technologies coming from a more expansive, better informed stakeholder base. The expectation and ultimate outcome is for delivery of on farm efficiencies that will enable Australian pork producers to grow their ability to compete globally.

The further expansion of Australian pork on domestic and international markets relies on ensuring the positive image of the industry is intact. Over the next twelve months projects and related activities will ensure a positive reputation engenders accountability, trust which will in turn drive reputation and market growth. Coupled with this will be the ongoing efforts by the business to strive for efficiencies that make APL a leader in the agricultural corporate sector whilst at the same time demonstrating to key levy paying stakeholders (industry and government) value for money.

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### Program 1: Applied Learnings

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Industry stakeholders, both across the value chain and within segments, vary in the way they access information. Research outcomes will need to be disseminated through a range of channels to suit this breadth of audience. Increasingly, this dissemination will utilise modern IT solutions and social media in addition to traditional face to face stakeholder engagement.

This program will facilitate the most effective way to enhance the transfer and adoption of technologies developed both short and long term.

This program has two projects relating to enhancing the transfer and adoption of technologies by the pork industry by bringing key influencers together and IT solutions that facilitate the effective technology awareness and uptake. The remaining two projects in this program relate to enhancing the capacity and capability of the industry and research providers to implement technologies on farm and develop technologies and solutions across a range of the supply chain disciplines.

The key outcome will be a shorter lag time between the development and adoption of technologies and solutions by the pork industry resulting in improved productivity across the supply chain.

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### Program 2: Building Industry Image and Reputation

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This program is about expanding the reach and impact of the outcomes of the work done by APL on behalf of its levy paying producers. Activities carried out under this program will allow open and frank dialogue and exchange of views, ideas and principles with and to audiences such as key state and federal government stakeholders, educational institutions, research and development organisations, scientific forums, supply chain and producer groups, as well as state and federal agricultural representative organisations and the general community.

This program will provide proactive outreach via specifically handpicked activities that will support and promote the industry's reputation as a global leader in effective and responsible pork production.

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## Program 3: Operational Effectiveness

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APL, as a member organisation, continues to strive for business efficiencies and ways to improve business practices, with its members as well as its key stakeholders. The projects are designed to ensure APL is viewed as an organisation of good corporate governance, which goes above and beyond its obligations to meet its statutory requirements as well as being viewed as a safe and fair work place. Membership services committed to organisations like the National Farmers Federation (NFF) and the Council of Rural Research and Development Corporations (CRRDCs) are also included under this program.

The projects under this program are dedicated to delivering ongoing business efficiencies and business best practices that demonstrate to APL members the value and worth of their national representative body.

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## Risks & Opportunities

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- Risk – further loss of global competitiveness through lack of adoption of new on-farm technologies which drive business efficiencies.
- Risk – loss of key stakeholder confidence (levy payers, government, and community).
- Risk – damaged reputation and image leads to erosion of consumer confidence and drop in pork consumption.
- Risk – loss of business reputation as an accountable, fair and honest work environment.
- Opportunities – increased awareness and growing popularity of Australian pork leads to increased market share.
- Opportunities – greater uptake of on farm technologies drives down production costs and lift business returns.
- Opportunities – greater confidence in APL's role to protect the interest of the industry leads to more pork producers taking up APL membership.
- Opportunities – APL's positive corporate reputation ensures key stakeholder confidence and a sought after place of employment.

# Government Research Priorities Attributed to R&D Program

	National Priorities	An Environmentally Sustainable Australia		Promoting & Maintaining Good Health		Frontier Technologies for Building & Transforming Australian Industries		Safeguarding Australia	Other research
	Rural Research & Development Priorities	Natural Resource Management	Climate Variability & Climate Change	Productivity & Adding Value	Supply Chain & Markets	Innovative Skills	Technology	Biosecurity	
<b>Strategic Objectives</b>	<b>AOP Projects</b>								
1	Eating quality tracking								
2	Continuous data and insights								
2	International market research								
3	Product claim integrity								
3	PSCIP/Physi-Trace								
3	APIQ								
3	Food safety R&D								
3	PorkScan								
4	Collaborative activities R&I								
4	Communication and society								
4	Animal welfare								
4	Environmental management								
4	Pork CRC								
4	PorkSafe								
4	Exotic disease and biosecurity R&D								
4	Reproduction R&D								
4	Growth & development R&D								
4	Pork RD&E strategy								
5	Bringing influencers together								
5	Facilitating technology transfer and adoption								
5	Fostering new capability								
5	Building technical capacity								
5	Communication and industry promotions								
5	Stakeholder survey management								
5	Industry engagements and events								
5	OmniPig project management system								
5	Specialist groups/RDAC activities								
5	AGM and annual conference								
5	CRRDC activities								
5	Benefit cost analyses								
5	ICT								
5	Human resource management								

## Strategic Objective Expenditure by National Research Priorities

Rural Research & Dev Priorities	AOP Budget	National Research Priorities							
		An Environmentally Sustainable Australia		Promoting & Maintaining Good Health		Frontier Technologies for Building & Transforming		Safeguarding Australia	Other Research
		Natural Resource Management	Climate variability and climate change	Productivity and Adding Value	Supply Chain and Markets	Innovative Skills	Technology	Biosecurity	
<b>Objective 1. Growing Consumer Appeal</b>	\$154,027	\$0	\$0	\$0	\$154,027	\$0	\$0	\$0	\$0
	2%	0%	0%	0%	2%	0%	0%	0%	0%
<b>Objective 2. Building Markets</b>	\$1,151,643	\$0	\$0	\$40,000	\$1,111,643	\$0	\$0	\$0	\$0
	12.2%	0.0%	0.0%	0.4%	11.8%	0.0%	0.0%	0.0%	0.0%
<b>Objective 3. Driving Value Chain Integrity</b>	\$1,076,223	\$20,000	\$0	\$346,347	\$389,160	\$125,000	\$34,470	\$161,247	\$0
	11.4%	0.2%	0.0%	3.7%	4.1%	1.3%	0.4%	1.7%	0.0%
<b>Objective 4. Leading Sustainability</b>	\$4,930,395	\$562,277	\$370,000	\$1,920,000	\$322,149	\$370,563	\$933,571	\$451,836	\$0
	52%	6%	4%	20%	3%	4%	10%	5%	0%
<b>Objective 5. Improving Capability</b>	\$1,923,674	\$125,000	\$92,134	\$270,000	\$438,011	\$135,171	\$50,000	\$50,000	\$762,358
	20.4%	1.3%	1.0%	2.9%	4.6%	1.4%	0.5%	0.5%	8.1%
<b>Unallocated</b>	\$207,870	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$207,870
	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%
<b>Totals *</b>	<b>\$9,443,832</b>	<b>\$707,277</b>	<b>\$462,134</b>	<b>\$2,576,347</b>	<b>\$2,414,990</b>	<b>\$630,734</b>	<b>\$1,018,041</b>	<b>\$663,083</b>	<b>\$970,228</b>
<b>Percentage</b>	100%	7%	5%	27%	26%	7%	11%	7%	10%

* Direct Project	\$6,382,047
Allocated Project	\$3,061,785
<b>Total</b>	<b>\$9,443,832</b>

## Financial Budget – 2014/2015

	CEO/ Board	Finance/ Admin	Communication	Marketing	Res. & Innov.	Policy	Total
Revenue - Levies	\$13,980,000						\$13,980,000
Revenue - R&D Matching funds	\$4,800,000						\$4,800,000
Revenue - Other	\$279,000						\$279,000
<b>Total Revenue</b>	<b>\$19,059,000</b>						<b>\$19,059,000</b>
Strategic Objective 1- Projects	\$0	\$0	\$0	\$4,561,188	\$0	\$45,000	\$4,606,188
Strategic Objective 1- Allocated Project Costs	\$0	\$0	\$0	\$856,844	\$0	\$117,383	\$974,228
Strategic Objective 1 - Total	\$0	\$0	\$0	\$5,418,032	\$0	\$162,383	\$5,580,416
Strategic Objective 2 - Projects	\$0	\$0	\$0	\$1,803,542	\$0	\$50,000	\$1,853,542
Strategic Objective 2 - Allocated Project Costs	\$0	\$0	\$0	\$1,797,724	\$0	\$171,931	\$1,969,654
Strategic Objective 2 - Total	\$0	\$0	\$0	\$3,601,266	\$0	\$221,931	\$3,823,196
Strategic Objective 3 - Projects	\$0	\$0	\$0	\$75,000	\$726,724	\$0	\$801,724
Strategic Objective 3 - Allocated Project Costs	\$0	\$0	\$0	\$63,965	\$805,145	\$0	\$869,109
Strategic Objective 3 - Total	\$0	\$0	\$0	\$138,965	\$1,531,869	\$0	\$1,670,833
Strategic Objective 4 - Projects	\$0	\$0	\$140,000	\$0	\$3,930,130	\$429,273	\$4,499,403
Strategic Objective 4 - Allocated Project Costs	\$0	\$0	\$7,492	\$0	\$902,924	\$324,898	\$1,235,314
Strategic Objective 4 - Total	\$0	\$0	\$147,492	\$0	\$4,833,054	\$754,171	\$5,734,717
Strategic Objective 5 - Projects	\$125,000	\$290,000	\$170,000	\$0	\$741,193	\$50,000	\$1,376,193
Strategic Objective 5 - Allocated Project Costs	\$88,901	\$75,762	\$76,384	\$0	\$755,741	\$17,525	\$1,014,313
Strategic Objective 5 - Total	\$213,901	\$365,762	\$246,384	\$0	\$1,496,934	\$67,525	\$2,390,506
<b>Total Direct Project Costs</b>	<b>\$125,000</b>	<b>\$290,000</b>	<b>\$310,000</b>	<b>\$6,439,730</b>	<b>\$5,398,047</b>	<b>\$574,273</b>	<b>\$13,137,050</b>
<b>Total Allocated Project Costs</b>	<b>\$88,901</b>	<b>\$75,762</b>	<b>\$83,876</b>	<b>\$2,718,533</b>	<b>\$2,463,810</b>	<b>\$631,737</b>	<b>\$6,062,619</b>
<b>Total Unallocated Costs</b>							<b>\$345,231</b>
<b>Total Corporate Costs</b>	<b>\$88,901</b>	<b>\$75,762</b>	<b>\$83,876</b>	<b>\$2,718,533</b>	<b>\$2,463,810</b>	<b>\$631,737</b>	<b>\$6,407,850</b>
<b>Total Expenditure</b>	<b>\$213,901</b>	<b>\$365,762</b>	<b>\$393,876</b>	<b>\$9,158,263</b>	<b>\$7,861,857</b>	<b>\$1,206,010</b>	<b>\$19,544,900</b>
<b>Surplus/ Deficit</b>							<b>-\$485,900</b>

## Financial Budget – Project Spend Breakdown 2014/2015

Strategic Objective	Description	Direct Project Costs		Allocated Project Costs		Total APL Cost
		Non R&D	R&D	Non R&D	R&D	
1	Growing Consumer Appeal	\$4,531,188	\$75,000	\$895,441	\$78,787	\$5,580,416
2	Building Markets	\$1,222,542	\$631,000	\$1,450,594	\$519,060	\$3,823,196
3	Driving Value Chain Integrity	\$165,500	\$636,224	\$430,719	\$438,390	\$1,670,833
4	Leading Sustainability	\$505,273	\$3,994,130	\$302,499	\$932,816	\$5,734,717
5	Improving Capability	\$330,500	\$1,045,693	\$139,530	\$874,782	\$2,390,506
				\$138,073	\$207,158	\$345,231
<b>Grand Total</b>		<b>\$6,755,003</b>	<b>\$6,382,047</b>	<b>\$3,356,857</b>	<b>\$3,050,993</b>	<b>\$19,544,900</b>

Total R&D	\$9,433,040
Total Non R&D	\$10,111,860
<b>Total APL Cost</b>	<b>\$19,544,900</b>

## Definitions of Financial Terminology

<b>Direct project costs:</b>	Specific costs attributable solely to one project on an R&D or non R&D basis, often through third party suppliers.
<b>Allocated project costs:</b>	Corporate cost identified to resource a project.

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