



AUSTRALIAN PORK LIMITED
Annual Operating Plan
2018/2019



Message from the CEO

It is my pleasure to present the 2018-19 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. It is the fifth Annual Operating Plan operating under this Strategic Plan.

The APL Strategic Plan 2015-2020 was developed in 2014 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 members of the pork supply chain and other industry bodies. Since February 2016, a review of the APL strategy has been undertaken, which has resulted in some fine-tuning of our strategic options where greater emphasis has been given to

- (1) demand creation, given that industry production growth is resulting in high numbers of pigs coming through the supply chain at present,
- (2) continued focus on export market development into Asia, also to provide an outlet for these increased production volumes, and
- (3) a quantum leap or disruptive approach to reducing pig production costs in Australia giving greater flexibility and protection for our industry.

APL budgeted income outlined in this plan has increased due to the significant growth in production volumes over the past two years. The associated levy income alongside the Government's investment in our industry through the matching funding for research and development (R&D) activities (adding more than \$5.5 million to income) bring our total income for the year to close to \$23.5 million.

The dominant feature of the business environment for the industry at present is the collapse in pig prices since Christmas in 2016. In more recent months, the profitability problems of many pig farmers have increased even further as the supply glut grows greater and grain price rises push up costs of production.

In a bit more detail:

- Supply – Annual pork production to the end of April 2018 is 6.5 per cent higher than at the same time the previous year, as a result of higher sow numbers, improved productivity conditions and larger carcasses. The same figure in April 2017 was 4.3 per cent, showing that production growth has actually increased over the past 12 months despite prices being negatively affected this time last year as well.
- Imports – To the end of March 2018, imports over the past year are around 6 per cent lower than they were for the comparable period one year earlier. This points towards our supply issues as being purely domestically based.
- Grain prices – In the past year, average grain prices across the country have risen from around \$250/tonne to nearly \$350/tonne and worse in some geographies. A threatening drought – especially over the east coast – looks like ensuring that price relief is not going to happen soon.

The present difficulties that producers are facing in the industry are influencing our choices about how to use company resources in the best way possible to provide as much relief as we can. We are focussed on continuing with our demand creation activities, which we believe are delivering strong returns on investment to our producers for their levies. A recent third party independent study on the impacts of our advertising campaigns – radio and TV – concluded that our returns were above benchmark levels and that producers were benefitting by more than \$2 for every \$1 spent in terms of gross margin.

The state of the industry also obligates us to look closely at our reserves levels and ensure that we are putting as many resources as we can today into initiatives that can have a positive impact on the industry overall. The budgeted expenditure is planned in such a way as to result in a very low level of reserves at the end of June 2019. This will be achieved through a planned but managed deficit for 2018/ 19 of \$600,000. Reserves will remain at or above the minimum required level.

The positive story for our industry remains at the consumer end, where over the past five or six years, per capita consumption of fresh pork in Australia has moved from around 8.5kg per annum to now more than 11.5kg. This figure has increased by more than 1kg in the past 12 months. We are seeing growth in our export volumes (partly price driven in the present environment), our food service (restaurants, catering, institutions) volumes and – most importantly – our retail sales volumes and values.

A balancing act that we need to carefully manage given the industry's present issues, is to continue to implement the objectives expressed in the APL Strategic Plan 2015-2020 without missing opportunities for shorter term relief from our present profitability crunch. In the short term, we will attend State Farming Organisation meetings to discuss the relief options available to producers and will continue to provide producers with information on market conditions and the industry outlook as well as on financial and wellbeing assistance programs. It is important to continue to support longer term initiatives that are showing progress and significant benefits for the future. One such initiative is opening more markets for our products into Asia, in particular, China. There has been some progress in government-to-government negotiations with Chinese authorities on protocol negotiation but it is clear there is still a long way to go. APL recently signed a Memorandum of Understanding with the China Inspection and Quarantine Association relating to knowledge sharing, cooperation and support around events, which is another small but important step in securing Chinese support for pork trade with Australia.

The core activities around the Standards and Guidelines Review for pig welfare will commence this financial year, being a very important milestone in setting expectations as to the basic production standards expected for the next decade.

As is the case every year, biosecurity and maintaining the high health status of our herd continues to be a critical part of our daily attention. This industry asset will be protected by APL with our greatest efforts, including the maintenance of our important science based import protocols, which restricts the import and use of fresh pork products.

Our research and development efforts continue to focus on

- (1) improving the outcomes of our demand creation activities
- (2) reducing the risks to the industry around welfare and environmental regulation and

(3) improving the quality and competitiveness of our product.

As mentioned, our present high cost of production is a risk to the industry in that it opens the door to new competitors taking share of our important markets. We are also going to conduct a review into how we go about “doing R&D” and whether in today’s ever more hi-tech world, there are other alternatives that need to be in our investment mix.

The Australasian Pork Research Institute Ltd (APRIL) is now up and running, with APL as the single biggest investor. APRIL has made and commissioned its first call of project proposals and will transition from the Pork CRC as this entity winds up by the end of the period.

As always, we design our operational plans with outcomes for our pig producers and the Australian Government as our major investors in mind, but understanding that ultimately, the consumer (or the tax payer) will be the beneficiary of our labours. Maximising the benefits with our limited resources is our focus.

Andrew Spencer
Chief Executive Officer

CONTENTS

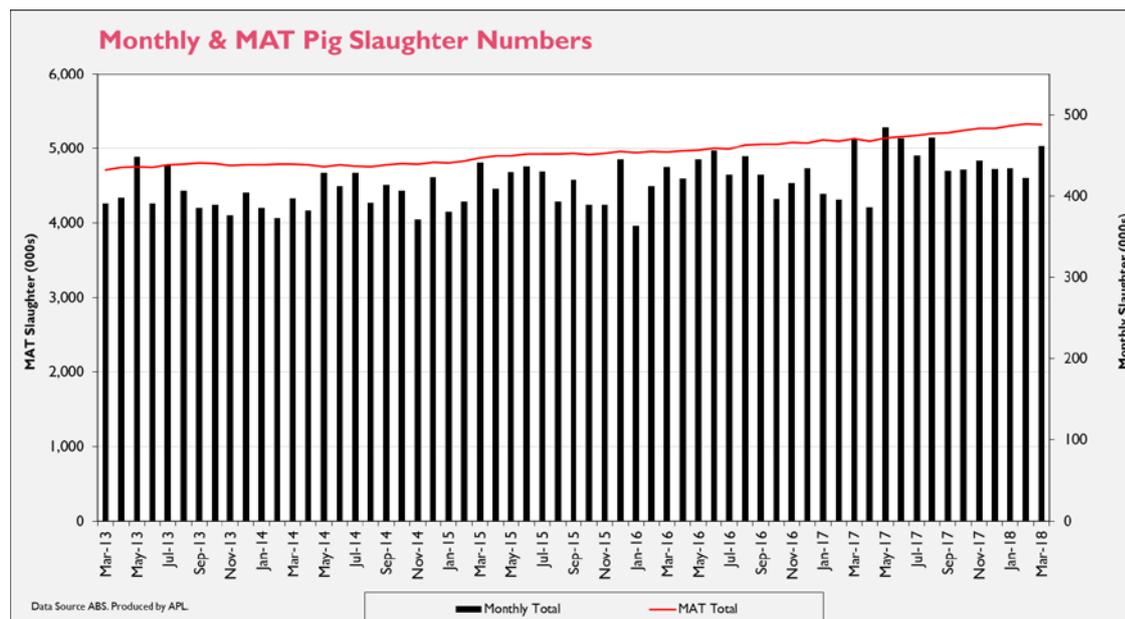
The Competitive Environment	6
Domestic Market	6
<i>Grain Prices</i>	7
<i>Beef</i>	8
<i>Sheep Meats</i>	8
<i>Chicken</i>	9
<i>Pork</i>	9
<i>Pork Imports</i>	9
Export Market	10
Operational Planning Principles	11
Activity Hierarchy	11
Key Performance Indicators and Result Areas	12
Strategic Objective 1 – Growing Consumer Appeal	13
Industry Outcomes	13
Programme 1: Better Pork	13
Programme 2: Pork Made More Popular	13
Programme 3: Increasingly Different	13
Risks & Opportunities	14
Strategic Objective 2: Building Markets	15
Industry Outcomes	15
Programme 1: Market Insights	15
Programme 2: Domestic Market Development	16
Programme 3: International Market Development	16
Risks & Opportunities	16
Strategic Objective 3: Driving Value Chain Integrity	17
Industry Outcomes	17
Programme 1: Trust in Pork Provenance	17
Programme 2: Pork Quality Assured	18
Programme 3: Fairness in Risk and Reward	18
Risks & Opportunities	19

Strategic Objective 4: Leading Sustainability	20
<hr/>	
Industry Outcomes	20
Programme 1: Addressing Societal Needs	20
Programme 2: Healthy Herds and Farms	21
Programme 3: Continuous Productivity Growth	21
Risks & Opportunities	22
Strategic Objective 5: Improving Capability	23
<hr/>	
Industry Outcomes	23
Programme 1: Applied Learnings	23
Programme 2: Building Industry Image and Reputation	24
Programme 3: Operational Effectiveness	24
Risks & Opportunities	24
Government Research Priorities Attributed to R&D Programme	26
Strategic Objective – R&D Expenditure by National Research Priorities	27
Financial Budget – 2018/2019	28
Financial Budget – Project Spend Breakdown 2018/2019	29
Definitions of Financial Terminology	29
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The Competitive Environment

Domestic Market

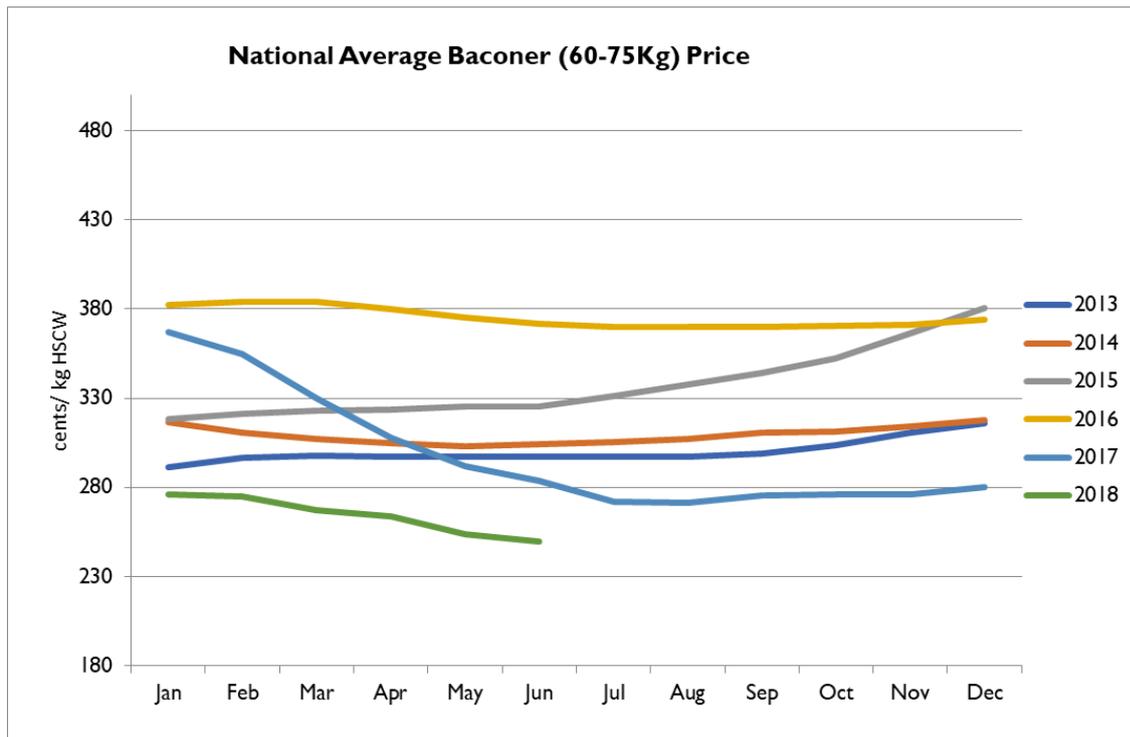
Pig slaughter and pork volume growth has accelerated even further over the past 12 months (to end April 2018), with slaughters up year-on-year by 5.1 per cent and by volume, 6.5 per cent. We predicted in the Annual Operating Plan last year that slaughter numbers would hit 5.35 million by the end of June 2018. Slaughter numbers have actually hit 5.37 million by the end of April 2018.



Graph 1: Monthly and Moving Annual Total Pig Slaughter Numbers in Australia 2013–2018

Our producer surveying is indicating that at least in terms of pig numbers, no respite to the supply issues can be seen to the end of the forecast period in October 2018. There is a remaining open question as to how long producers are prepared to suffer the consequences of today’s losses before significant decisions are taken that will have an impact on future supply. To date, our information anecdotally is that there are few piggeries that have reduced or ceased mating due to market conditions.

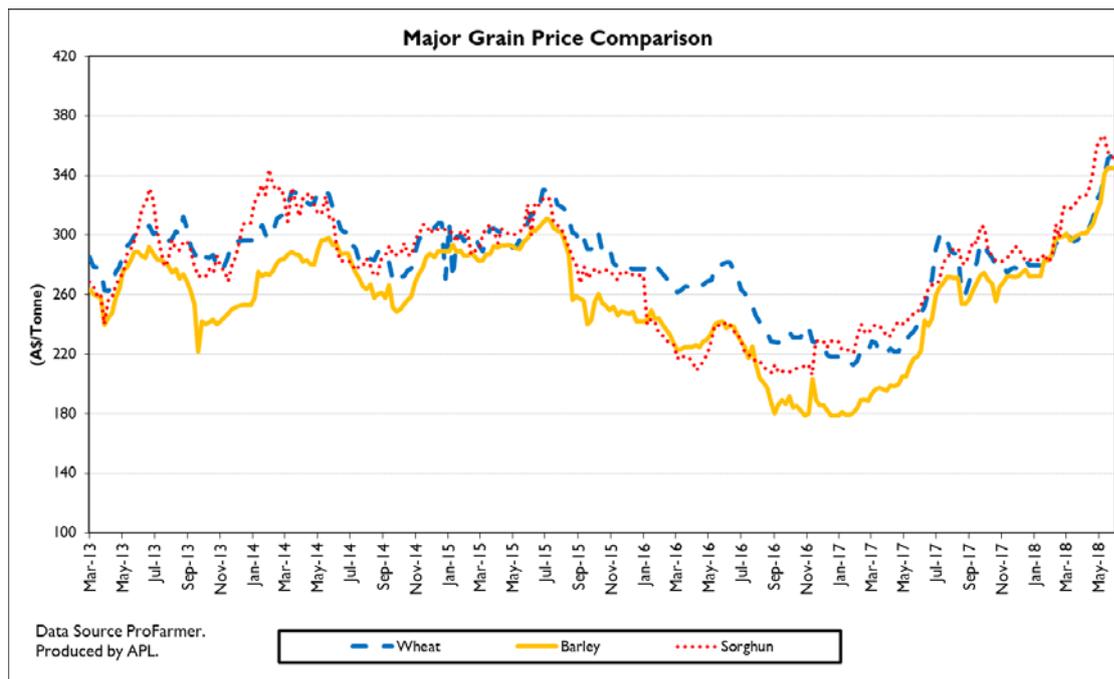
Given the supply outlook, an increase in pig prices does not look to be on the horizon and some commentators are predicting no moves of this kind until the second half of 2019.



Graph 2: Average Australian National Baconer Prices Surveyed by APL 2013–2018

Grain Prices

Unlike this time last year, grain prices in Australia are now moving sharply upwards mainly as a result of threatening general drought conditions across a large chunk of the grain belt. This has the potential to have an even greater impact on producer decisions around their short or longer term future in the industry. The impact of handing over large amounts of cash to purchase grain for feed is immediate and strong.



Graph 3: Monthly Major Grain Price Trends 2013–2018

Beef

Meat and Livestock Australia released the following projections for the beef industry in April 2018:

“Rebuilding efforts were challenged at the start of 2018 with poor rainfall across many cattle regions. The first quarter has seen both male and female slaughter running above 2017 levels and, combined with a largely neutral weather outlook, has led to a slight upward revision in the annual slaughter forecasts. The Eastern Young Cattle Indicator (EYCI) has responded to the larger flow of cattle and challenging conditions for many restockers, dipping below 500¢/kg carcass weight (cwt) for the first time since mid-2015 when the herd rebuild began in earnest. A strong start to the year for carcass weights, combined with an increase in expected slaughter has seen 2018 beef production revised slightly higher and export volumes to follow suit. A close eye will need to be kept on production and consumption levels in the US, with a significant lift in fed cattle kills expected in coming months, which is likely to flow through to increased competition in our key export markets.”

Cattle price expectations for the medium term are therefore somewhat weather dependent and could be expected to rise with good general rainfall.

Sheep Meats

Meat and Livestock Australia also released the following projections for the sheep industry in May 2017:

“A dry start to 2018 across most of Australia has limited many producers' ability to expand flocks, despite both wool and sheepmeat prices remaining near historical highs. The lack of rainfall has led to increased lamb and mutton slaughter across the country which, combined with a fairly neutral rainfall outlook, has led to 2018 slaughter forecasts being revised higher. Despite increased slaughter, the Eastern States Trade Lamb Indicator (ESTLI) remains above the five-year average, albeit below the levels seen at the beginning of the

year. Looking forward to supply and prices for the remainder of the year, winter rainfall will be pivotal. Parts of Victoria received some decent falls in late autumn, while conditions across key growing regions elsewhere continue to deteriorate – particularly in NSW.”

Lamb prices will be influenced by future weather conditions but demand would still support reasonable prices under most conditions.

Chicken

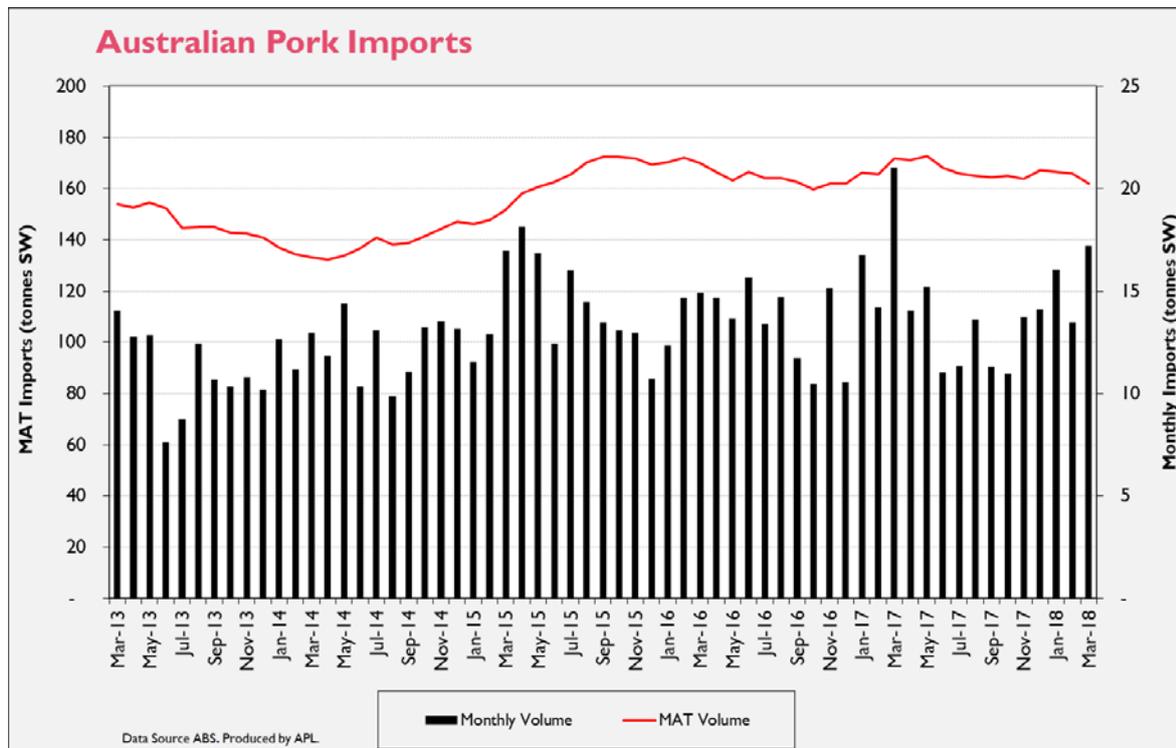
Whilst chicken continues to be the “price” buy at retail, significantly cheaper than other protein options, consumption is flat at retail over the past year.

Pork

Strong consumer demand continues for fresh pork, having increased by more than 10 per cent over the past year per capita. Lower prices have seen some volumes also picking up share from imports in the processing sector.

Pork Imports

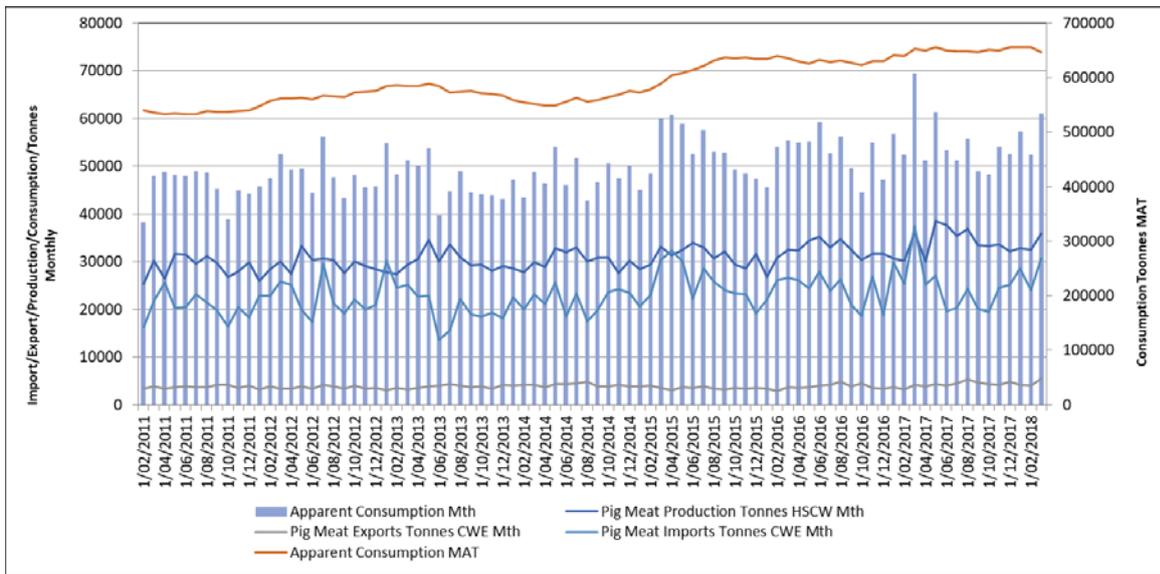
There’s not much to see in pork imports over the past year with volumes having reduced by close to 6 per cent. This may be due to some greater volumes of domestic product making its way into the processing sector due to the oversupply situation and associated lower prices.



Graph 4: Australian Pork Import Volumes – Monthly and Moving Annual Total 2013–2018

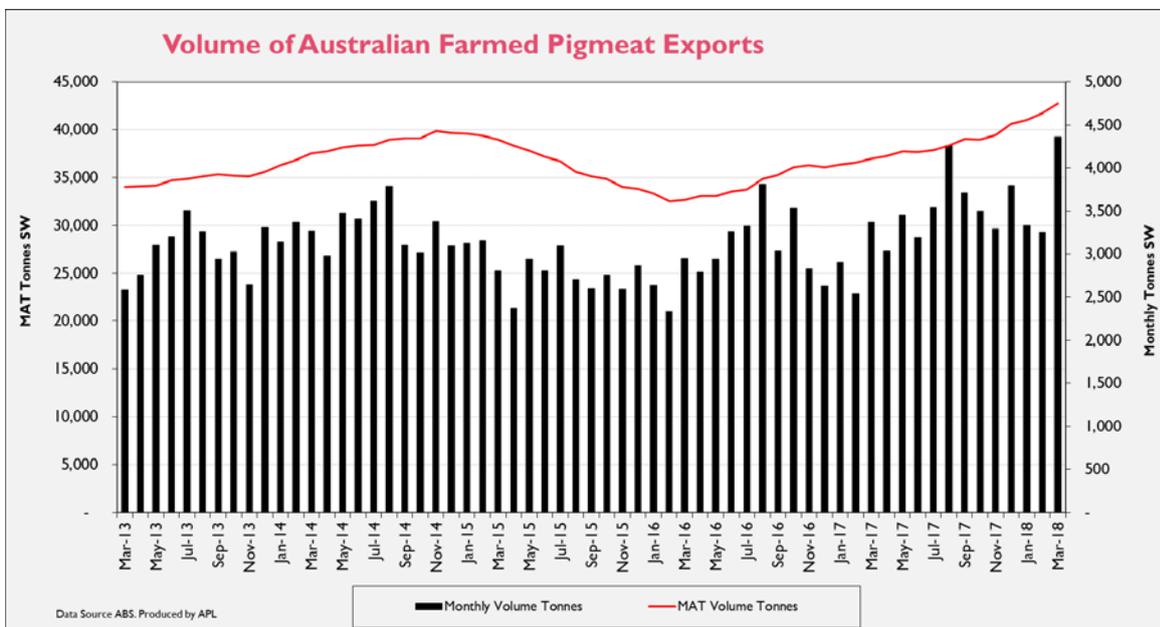
Pork prices are low in North America but have improved markedly over the past few months due to new processing capacity coming on line. European prices are similarly improving with industry restructuring there reducing production and in China, the evolution of the industry towards

industrialised production and away from backyards has meant disruptions to supply and higher prices.



Graph 5: Australian Pork Production, Imports, Exports and Apparent Consumption 2011–2018

Export Market



Graph 6: Australian Pork Export Volumes – Monthly and Moving Annual Total 2013–2018

Export volumes remain healthy driven by strong business into Singapore and improving business into the Philippines, New Zealand, Hong Kong, and Papua New Guinea. Higher volumes are not matched in prices which have eroded over the past 12 months due to higher competition for business both between domestic exporters and with other export markets.

Operational Planning Principles

This section of the Annual Operating Plan outlines some of the working principles in structuring our plans to enable a better understanding of the links between the APL Strategic Plan 2015–2020 and the content of this document.

Activity Hierarchy

The APL Strategic Plan 2015–2020 was developed in association with our key stakeholders and others with an interest in our industry.

In this Annual Operating Plan, every activity is designed to contribute to the achievement of the Strategic Plan, directly or indirectly. This discipline is formalised through the hierarchy of activities back to the strategic objectives of the Strategic Plan according to the following order:

Level 1 – *Strategic Objective* (five Strategic Objectives for the full term of the Strategic Plan)

Level 2 – *Programme* (three per strategic objective for the full term of the Strategic Plan)

Level 3 – *Project* (may change from year to year)

Level 4 – *Activity* (may or may not exist under a project)

The table below is an overview of the structure of the Strategic Plan. The table includes the five Strategic Objectives, their relevant outcome statements and the responsible strategy champion.

Strategic Objectives Programs	Outcome Statement	Strategy Champion
Growing Consumer Appeal Better Pork Pork Made More Popular Increasingly Different	"Making Australian pork more uniquely valuable to consumers and increasingly a part of their eating pleasure, resulting in repeated choice."	General Manager Marketing
Building Markets Market Insights Domestic Market Development International Market Development	"Using insights to develop markets that offer attractive demand for our products, our producers and our value chain collaborators."	General Manager Marketing
Driving Value Chain Integrity Trust in Pork Provenance Pork Quality Assured Fairness in Risk and Reward	"Secured confidence in Australian pork products in their source, the compliance with expected standards and aligning on-farm product with consumer expectations."	General Manager Research and Innovation
Leading Sustainability Addressing Societal Needs Healthy Herds and Farms Continuous Productivity Growth	"Remaining in step with society by reflecting community values in our ethics, our healthy herds and operating our industry responsibly and profitably."	General Manager Policy
Improving Capability Applied Learnings Building Industry Image & Reputation Operational Effectiveness	"The Australian pork industry and APL leading the way in innovation, accountability and unity."	General Manager Corporate Services

Key Performance Indicators and Result Areas

The APL Strategic Plan 2015–2020 includes aspirations for industry achievements. The activities of APL are designed to positively contribute to achievement of these aspirations. These aspirations are described as “Key Result Areas” and include measures such as the consumption of pork, the value of the industry at the farm gate, industry productivity measures and shifts in production systems.

While APL does not have control achievement of these industry aspirations, it is clearly that we have some influence.

Using a mixture of internally focussed Key Performance Indicator measurements in conjunction with the externally focussed Key Result Area measures, APL can develop an informed objective view about the wellbeing of the industry and the scale of APL’s contribution to it.

Previous performance reviews of APL have queried the relevance of measuring the performance of APL through the industry’s success in achieving these externally focussed Key Result Areas. We have a strong belief that our performance culture is one that can discriminate between what we can fully control and what we can only partially impact and that partial impact is not a reason to avoid making a positive contribution.

Strategic Objective I – Growing Consumer Appeal

Industry Outcomes

The Strategic Plan outcome statement is “Making Australian pork uniquely valuable to consumers and increasingly a part of their eating pleasure, resulting in repeated choice.” The continued demand creation combined with increased production has accelerated per capita consumption of pork but at lower prices to producers.

This objective is the main pillar of demand creation, and the combination of consistent activity and implementing the outcomes of both consumer “touch-point” research and an external review of marketing effectiveness are both designed to be catalysts for further improvements. It is planned that this will accelerate the growth of both consumer enjoyment and repeated purchase.

Programme 1: Better Pork

This programme, whilst funded from the continuous data and advertising tracking budget, rather than needing its own separate budget, will seek to create a system to better monitor and improve consumer eating quality. In addition, the latest pork quality improvement experiments complete in 2017/18 are planned to be built on in 2018/19.

This programme overlaps with SO2 in that both domestically and internationally there are opportunities for improved quality pork products.

Programme 2: Pork Made More Popular

Continued pig price decreases in 2017/18 is a result of industry investment leading to greater than anticipated increases in volume of Australian pork produced. However, the 2017 review of demand has demonstrated that not only is fresh pork a story of growth but also suggests that advertising activity (2012–2017) provides a positive return on investment for producers. Awareness and positive associations of Australian pork have been built by continuous advertising over the 2010–2017 period. The effectiveness of the outcomes to date justify continued investment in this strategy. Both recent and on-going reviews suggest that further improvements are achievable.

High levels of investment in the versatility, nutritional value and ease of cooking pork will continue at elevated levels, helping Australians increase both their anticipated and actual eating pleasure from Australian pork.

Programme 3: Increasingly Different

This programme is expanding its focus from those consumers and supply chains that eat and sell Australian pork in ham, bacon and salami to all influential consumers and ambassadors of pork. The 2018/19 year will see the new “Country of Origin Labelling” system become mandatory. The first

part of this year will focus on how well Australians understand these new labels, with several contingencies prepared, in case consumer understanding around pork's origin is worthy of producer investment.

Whilst this vigilance is occurring, there will also be consumer research conducted to connect meanings to the well-recognised pink square PorkMark.

Most Australians prefer to buy Australian grown pork both to support farmers and because they believe that Australia's farming standards are high, resulting in great products. This programme seeks to reinforce and validate those beliefs through the enhanced promotion of the PorkMark.

Risks & Opportunities

- Risk – lack of support through supply chains of the planned eating experience initiatives. Mitigation plans include intense business performance monitoring and communication seeking additional collaboration.
- Opportunity – The initiatives that are planned are continuations of activities already undertaken; as such there are opportunities to improve in-market execution and synergy, two of which are new learnings and quantified information on campaign returns on investment.
- Opportunity – Australian pork sales currently have accelerating growth momentum. Growth in itself has a propensity to attract additional opportunities. This may take the form of innovative new products, more attention from supply chains and retailers and increased media exposure.

Strategic Objective 2: Building Markets

Industry Outcomes

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

The projects in this Strategic Objective 2 effectively bookend Strategic Objective 1 - “Growing Consumer Appeal”.

In “Building Markets” Programme 1 seeks to uncover demand and commercial opportunities as well as measuring demand performance against objectives. Consequently, whilst Strategic Objective 1 invests most of the “in-market activity” money, Strategic Objective 2 is where many of the marketing team do most of their work. We use consumer, shopper and value chain insights to drive all of the activities in-market. This is also an area of market information service to other divisions within APL, as required.

During the past year, this focus has increased due to the acquisition of new and exciting data from the foodservice arena, which has resulted in increased investment.

Programmes 2 & 3 essentially take the appeal created in Strategic Objective 1 and help convert consumer appeal into attractive outcomes for producers and all Australians.

Programme 1: Market Insights

This programme is responsible for the identification, quality control, validation and interpretation of qualitative and quantitative data into market insights.

Whilst the quantitative information collected will continue to measure performance and outcomes, the insight’s specialists who review and report the data spend most of their time in exploratory mode, seeking to build new hypotheses about the future of demand and supply conditions.

This year particularly includes the interrogation and interpretation of qualitative and quantitative research to further improve conversion of demand into revenue by applying learnings. This is not just about younger food buyers, but also about how the technological change in the media environment affects how consumers choose what they want for lunch or dinner today. This is a key driver of how they shop for meat to be consumed both in-home and out-of-home.

We have found the focussed integration of data sources enables us to explore market leading thoughts with value chains and retailers. This is planned to be enhanced this year by the introduction of “outside-in thinking” (i.e. focussing on those elements of marketing that have historically been deprioritised) as the market environment particularly amongst younger consumers evolves quickly.

Programme 2: Domestic Market Development

This programme seeks to identify and transfer insights about consumer and shopper behaviour to butchers, restaurants, supermarkets, caterers and other consumer service businesses to help them help APL improve Australian pork sales.

For confidentiality reasons, we have insights specialists allocated to each major chain or channel. This aids trust and collaboration in combining APL data with other data sources to guide initiative selection and execution.

Programme 3: International Market Development

International markets have been given an increasing focus for the Australian pork industry in the recent strategy update. Initial investigations have determined that a sustainable model can exist at the higher end (rather than commodity end) of international markets. In 2018/19, more detailed investigations into two existing (but currently small export markets) are planned to be completed.

APL is also actively pursuing supply chains that are interested in taking additional advantage of recent free trade agreements to expand Australian pork exports in the shorter term.

While Australian pork enjoys access to many export markets, some remain a challenge. Work will continue in 2018/19 on new market access and the protocol development processes required to make this happen, along with collating current knowledge about our trading environment and barriers to expanding market access.

Risks & Opportunities

- Risk – The expanded consumer and channel research may stretch APL’s capacity to execute the research to the usual high quality standards expected. New information is a currency that is a requirement for fast moving retailers in particular. This risk has largely already been mitigated through the development of internal experts and a back-up network of tested consumer research specialists and firms.
- Opportunity – APL staff are well practiced and with many collaborators have broad and deep relationships. This increasingly gives us access to greater quantities of data, enabling additional insight and understanding, hopefully resulting in improved activities and outcomes.

Strategic Objective 3: Driving Value Chain Integrity

Industry Outcomes

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 to commercialise the systems that have been developed by APL that will differentiate Australian pork in terms of its provenance and quality to maintain consumer and community confidence and trust in Australian pork products.

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

Programme I: Trust in Pork Provenance

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

This programme is focussed on both the ongoing implementation by industry and commercialisation of the Physi-Trace system to assure customer and consumer trust in the provenance of Australian pork in domestic and export markets and across a range of pork products.

The key projects are:

- (i) Physi-Trace traceability –to drive industry implementation of Physi-Trace through optimising the system’s cost, accuracy/robustness and timeliness, such that processor coverage extends to 90 per cent of production by June 2019 and identify and execute a commercialisation model to enable Physi-Trace to become a viable, industry accepted traceability tool;
- (ii) Trust in Australian Pork Quality Standards Programme – will demonstrate compliance verification for fresh pork, ham and bacon to industry stakeholders, supported by the development of software programmes for data interpretation and reporting.

Key outcomes from this programme will be the development and implementation of a commercialisation model for Physi-Trace and verification of provenance and label claims to gain stakeholder confidence in the industry’s traceability system. This programme is supported by the APIQ[✓]® programme and PigPass to underpin the quality, integrity and traceability of Australian pork products in both domestic and overseas markets.

Programme 2: Pork Quality Assured

The Australian Pork Industry Quality programme, APIQ[✓]®, 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) that address food safety issues (primarily related to microbial hazards) to assist the development of risk-based systems to protect public health while minimising technical market access risks and assure community and consumer trust.

The key focuses in this programme are:

- (i) manage the APIQ[✓]® standards, systems, training and administration, including relationships with the provider of third party auditing services; and
- (ii) food safety R&D activities with a specific focus on the developing predictive models for shelf life of pork; implementation of alternate inspection procedures and disposition judgements for pork in export and domestic establishments; and development of national standards, recording and reporting frameworks to enable consistencies in the reporting, recording and analysis of peri-mortem information to producers, veterinarians and other key stakeholders to be achieved. Supply chain benefits arising from reporting of consistent peri-mortem information by pork processors and reporting of this data to pig producers will be measured.

Key outcomes from this programme will be ongoing adoption of APIQ[✓]® standards by producers and recognition of the APIQ[✓]® programme by regulators, retailers and supply chain partners.

The science-based outcomes from the food safety programme will be used to support continuing reforms of the export meat inspection, verification and certification system to reflect the needs of the pork industry in its current and future markets.

The peri-mortem projects will provide timely information concerning overall carcass quality, prevalence and severity of disease/pathological conditions identified by meat inspectors to producers to inform the overall health status within the herd and stock management decisions.

In addition, these projects provide for the ongoing engagement with specific groups of stakeholders, particularly with the Pork Processor Referral Group (PPRG) and specialist pig veterinarians.

Programme 3: Fairness in Risk and Reward

The sectors within the pork value chain need to be customer-focused and better linked to enable the effective flow of market signals. With the development of a predictive eating quality model for pork, based on data generated within the Pork CRC, industry systems to support the rollout of an eating quality pathway programme to supply consistently high quality pork to consumers will be established in collaboration with supply chain partners. The use of various objective measurement technologies to predict eating quality will also be evaluated.

It is also 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 programme will look to refine cost-effective technologies that provide a better understanding of what contributes to the right type of pig production and carcase to better match the buyers' needs.

Risks & Opportunities

- Risk – the use of the Physi-Trace technology by the pork industry could be limited by the system's design and the impact this has on its cost, reliability/robustness and timeliness of delivery of traceback results. This will be mitigated by the development of software programmes to improve timeliness of delivery of trace back results and reduce those costs associated with data analysis to enable the use of this technology by the Australian pork industry to support – or not – provenance and Australian claims.
- 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 via projects including those addressing eating quality and the PorkScan carcase classification system 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 higher market compliance against agreed standards.
- Opportunity – ability for Australian pork to demonstrate its product integrity claims against imported pork and pork products.
- Opportunity – improve the already high regard for and adoption of the Australian Pork Industry Quality programme, APIQ[✓]®, by producers, retailers, and regulators.
- Opportunity – provision of an additional information to producers that inform on-farm health status of pigs and general stock management.

Strategic Objective 4: Leading Sustainability

Industry Outcomes

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 continues to deliver a suite of targeted projects under programmes that will address community attitudes towards pig farming, deliver healthy herds and farms, whilst continuing to improve productivity, particularly reproductive performance and feed conversion.

Projects that will build on our demonstrated societal leadership cover areas such as environmental management, animal welfare, disease incursion capability, exotic disease risks and biosecurity management. Moreover, the focus on improved reproductive outcomes and reducing reproductive challenges will be critical to the improved productivity required for profitable pork businesses.

Critical to the success of this strategic objective are our contributions to the Pork R,D&E Strategy, the Feed Grain Partnership, National Animal Welfare R,D&E Strategy and the Climate Research Strategy for Primary Industries, and our partners, including the Australasian Pork Research Institute Limited (APRIL), Animal Health Australia, and SAFEMEAT.

Programme I: Addressing Societal Needs

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 programmes such as “Shaping our Future”, which sought a voluntary phase out of the industry’s use of gestation stalls by 2017. Societal expectations for leadership and sustainability will focus a broad suite of programmes 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 programme 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. Ongoing projects in this programme will look at collaborative activities with organisations such as Climate Research Strategy for Primary Industries (CCRSPI), APRIL, and SAFEMEAT.

Others will seek continuing improvements of our high animal welfare standards, options for selling pigs as sale yards decline, and outreach around the planning framework that governs development applications. Continuing APL’s leadership in environmental management is demonstrated through the provision of best management practice (BMP) information, investigation of new and emerging technologies (such as novel fertilisers and feeds and water purification technologies), on farm greenhouse gas abatement and validation of industry data such as odour emission rates.

Programme 2: Healthy Herds and Farms

To remain profitable, producers must safeguard the health and wellbeing of the pig herd, while reducing input costs and improving productivity. Risks from the global trading environment, including the movement of people and goods, are ever present. Australia's science-based biosecurity protocols mean that we are one of the few countries in the world that has a pig herd with a high health status. This is a highly valued asset, which underpins, supports and protects our reputation for pork quality and safety. Also included is PigPass, the industry's traceability system for live pig movements. PigPass is necessary to trace pigs in the event of a disease outbreak. A new project this year will seek to review options for pig tags, given the significant concerns expressed by industry.

This programme will provide knowledge covering a number of exotic pathogens to both inform and underpin robust biosecurity protocols for both individual enterprises and industry to ensure that the Australian pork industry remains free of the exotic pig pathogens that have devastating impacts on pork industries in other countries. Ongoing projects include comprehensive and critical reviews of the scientific literature antimicrobial resistance including awareness and stewardship, and the ongoing engagement with specific groups of stakeholders, especially with specialist pig veterinarians and smallholder producers.

Other critical programmes involve APL collaborating with Animal Health Australia and the National Livestock Identification System (NLIS), our emergency plan, PorkSAFE, and the review of the Model Code of Practice for the Welfare of Animal: Pigs (now known as Standards and Guidelines for Animal Welfare: Pigs).

Programme 3: Continuous Productivity Growth

Along with fresh pork, Australia's pork biosecurity protocols also prohibits the importation of genetic material and live pigs, including new genetic lines with higher productivity. As a result, the Australian pig herd is a 'closed herd', which has consequential impacts on Australia's on-farm productivity. Key measures such as the cost of production and the number of pigs sold per sow per year lag significantly behind North America and the EU countries. Nonetheless, the Australian pork industry's investment in continuous productivity growth is important to close the productivity gap.

This programme will consolidate its approach on the adoption and implementation of programmes that underpin continuous productivity growth for the pork industry by focusing on optimising production efficiencies through the use of feed additive technologies, demonstration of commercially available precision livestock farming technologies suitable for Australian pig production systems and enhancing the viability and efficacy of vaccines used for respiratory diseases.

The key outcome will be continuous productivity growth for the pork industry as seen by an improved margin over feed cost (MOFC) through a decreased cost of production and an increase in the number of pigs sold per sow per year.

APL is also collaborating in a number of Rural Research & Development For Profit (RRnD4P) projects covering virtual herding, managing climate change impacts.

Risks & Opportunities

- Risk – current industry profitability crunch will impact uptake of completed projects
- Risk – attenuation or loss of government and societal support through major animal welfare incidents
- Risk – that non-compliance with traceability and biosecurity may inadvertently allow exotic and endemic disease incursions to occur
- Risk – 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 and live pig traceability (PigPass) may erode continued leadership
- Opportunity – industry ongoing demonstration of societal and global leadership in environmental management and animal health and welfare
- 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 and antimicrobial stewardship.
- Opportunity – investing in projects that identify unknown pig producers, which are identified by governments as significant biosecurity risks to the pork industry
- Opportunity – animal management practices of stock persons and herd health are enhanced through the incorporation of precision farming technologies on-farm.

Strategic Objective 5: Improving Capability

Industry Outcomes

The Strategic Plan outcome statement for this objective is “The Australian pork industry and APL leading the way in innovation, accountability and unity.”

The 2018/19 operational year will focus on encouraging industry adoption of available technologies. The increasing availability of mobile phone, iPad and tablet applications, together with an incremental improvement in connectivity will support the increasingly better informed and connected stakeholder base. The 15 Rural Research and Development Corporations contributed to a report which evaluated the current state of digital agriculture in Australia, modelled the potential future economic benefits and made recommendations to realise these potential economic gains at the farm gate. . Achieving efficiencies using technology throughout the entire pork supply chain supports the industry’s capacity to compete on cost and to identify production and market opportunities.

Australian pork has an image of being safe, nutritious and an affordable protein. These attributes, in concert with the continuing improvements to animal welfare, are positive communication platforms from which the industry continues to build better connections between community and farmers and support our social licence to farm.

Openly and transparently communicating where pork comes from and how farmers care for their pigs leads to increased trust and continued community support for the Australian pork industry.

APL continually strives for business efficiencies that reflect the organisations leadership amongst the fifteen Rural Research and Development Corporations, demonstrating value for the industry for levies paid by pork producers and R&D matching funds from the Australian Government.

Programme I: Applied Learnings

Stakeholders are increasingly accessing and pushing information through a range of communication channels that specifically suit their needs. Modern IT solutions, social media and traditional face-to-face engagement are the predominant communication channels.

This programme will focus on refining our IT platforms to improve our reach to better enable our transfer and adoption of technologies developed. Our programmes will also continue to utilise the valuable network channels that key influencer groups provide to more effectively disseminate our messages to increase their awareness of new technologies and the expected benefits resulting from the adoption of these technologies, especially on-farm by producers.

APL continues to work toward enhancing the capacity and capability of students, industry and research providers to implement technologies on farm, develop solutions across a range of the supply chain disciplines as well as develop a course for young industry leaders to strengthen their skills, capability and vision for the future of the Australian pork industry. The key outcome will be a shorter lag time between the development and adoption of technologies, which ultimately results in improved productivity across the whole supply chain.

APL will develop further capability in understanding production metrics with the APL benchmarking programme. The benchmarking programme will provide insights to key production efficiency and effectiveness opportunities. Identification of these opportunities will influence R&D spending in the future.

Programme 2: Building Industry Image and Reputation

APL engaged with a sample of producers to understand producer preference for communication content and delivery. This has resulted in a trial communication with various delivery methods, the outcome is a trial of a new communication: the APL Update.

APL engages in dialogue and exchanges of views and ideas with key external stakeholders on behalf of its levy paying producers. These stakeholders include state and federal governments, 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.

APL will progressively build its industry intelligence capability. The capability will enable data from multiple sources to be used to provide industry level insights. In time, industry insights will be available to APL members.

Finding new ways to improve social licence will continue to be an action for APL.

Programme 3: Operational Effectiveness

As a matter of best practice, APL continually seeks business efficiency improvement opportunities. The primary beneficiaries of efficiency gains are members and key stakeholders (levy payers and the Australian Government). Operational effectiveness projects are designed to ensure APL is an organisation with a corporate governance culture that exceeds its obligations as well as being a safe and fair work place.

Commitment to organisations like the National Farmers Federation (NFF) and the Council of Rural Research and Development Corporations (CRRDCs) are also included under this programme.

The projects under this programme support delivery of effective programmes as well as ongoing business efficiencies and best business practices. Appropriate programmes deliver value to APL members, stakeholders and the agricultural industry and supply chain more broadly. This is our value proposition for members of APL as their national representative body.

Risks & Opportunities

- Risk – Deterioration of global competitiveness through lack of adoption on on-farm technologies
- Risk – Loss of confidence by the community in Australia's pork farmers
- Risk – Key stakeholders challenge Australian Government funding of APL programmes

- Risk – Loss of business reputation as a progressive, accountable, fair and honest work environment
- Opportunity – Improving communication with members
- Opportunity – Develop capability to improve our understanding of industry and to communicate industry level insights
- Opportunity – Increase Australian pork's share of the domestic market
- Opportunity – APL's positive reputation ensures key stakeholder confidence
- Opportunity – APL's capacity to protect industry interests leads to growth in the Australian pork industry.

Government Research Priorities Attributed to R&D Programme

	National Research Priorities								
	Advanced Manufacturing	Soil and Water	Transport	Cybersecurity	Health	Resources	Food	Energy	Environmental Change
Rural RD&E Priorities	Advanced technology	Biosecurity	Soil, water and managing natural resources			Adoption of R&D		Other Research	
Transformational Market Growth									
Premium Pork									
Differentiation									
Continuous Data and Advertising Tracking									
Trust in Pork Provenance									
Advanced Livestock Measurement									
Food Safety									
CCRSPI									
Animal Welfare Initiatives									
Environmental Management									
APRIL									
Breeding Females									
Environment and Health									
PigPass									
Exotic Disease and Biosecurity									
Reproduction									
Growth and Development									
Pork RD&E Strategy									
Fostering New Capability									
Bringing Influencers Together									
Adoption									
Building Technical Capacity									
Industry Economic Analysis									
Annual Survey									
Industry Engagement and Events									
Communication and Society									
Communication and Industry Promotions									
Issues Management and Support									
Omnipig									
Specialist Groups/RDAC meetings									
AGM & Conference									
CRRDC Activities									
Benefit Cost Analysis									
ICT									
Human Resource Management									

Strategic Objective – R&D Expenditure by National Research Priorities

	AOP Budget	National Research Priorities								Other Research
		Advanced Manufacturing	Soil and Water	Transport	Cybersecurity	Environmental Change	Resources	Food	Energy	
Rural Research & Dev Priorities		Advanced technology		Biosecurity		Soil, water and managing natural resources		Adoption of R&D		
Objective 1. Growing Consumer Appeal	\$668,356		\$72,954		\$0		\$0		\$0	\$595,402
	6%		0.6%		0.0%		0.0%		0.0%	5.3%
Objective 2. Building Markets	\$1,875,173		\$0		\$0		\$0		\$234,743	\$1,640,430
	16.7%		0.0%		0.0%		0.0%		2.1%	14.6%
Objective 3. Driving Value Chain Integrity	\$1,031,605		\$251,076		\$306,573		\$0		\$473,957	\$0
	9.2%		2.2%		2.7%		0.0%		4.2%	0.0%
Objective 4. Leading Sustainability	\$5,330,871		\$991,562		\$613,574		\$693,979		\$3,031,756	\$0
	47%		8.8%		5.5%		6.2%		27.0%	0.0%
Objective 5. Improving Capability	\$2,049,016		\$122,053		\$81,369		\$68,349		\$931,314	\$845,930.54
	18.2%		1.1%		0.7%		0.6%		8.3%	7.5%
Unallocated	\$284,979		\$0		\$0		\$0		\$0	\$284,979
	2.5%		0.0%		0.0%		0.0%		0%	2.5%
Totals *	\$11,240,000		\$1,437,645		\$1,001,515		\$762,328		\$4,671,770	\$3,366,742
Percentage	100%		12.8%		8.9%		6.8%		41.6%	30.0%

* Direct Project	\$7,646,633
Allocated Project	\$3,593,367
Total	\$11,240,000

Financial Budget – 2018/2019

(\$)	CEO/ Board	Finance/ Admin	Marketing	Res. & Innov.	Policy	Total
Revenue - Levies			\$17,452,500			\$17,452,500
Revenue - R&D Matching funds			\$5,620,000			\$5,620,000
Revenue - Other			\$417,000			\$417,000
Total Revenue			\$23,489,500			\$23,489,500
Strategic Objective 1 - Projects	\$0	\$0	\$6,307,944	\$63,750	\$0	\$6,371,694
Strategic Objective 1 - Allocated Project Costs	\$0	\$0	\$1,202,859	\$9,204	\$0	\$1,212,063
Strategic Objective 1 - Total	\$0	\$0	\$7,510,803	\$72,954	\$0	\$7,583,757
Strategic Objective 2 - Projects	\$0	\$0	\$1,985,425	\$0	\$100,000	\$2,085,425
Strategic Objective 2 - Allocated Project Costs	\$0	\$0	\$2,342,138	\$0	\$78,689	\$2,420,827
Strategic Objective 2 - Total	\$0	\$0	\$4,327,563	\$0	\$178,689	\$4,506,252
Strategic Objective 3 - Projects	\$0	\$0	\$0	\$830,000	\$0	\$830,000
Strategic Objective 3 - Allocated Project Costs	\$0	\$0	\$0	\$682,189	\$0	\$682,189
Strategic Objective 3 - Total	\$0	\$0	\$0	\$1,512,189	\$0	\$1,512,189
Strategic Objective 4 - Projects	\$0	\$0	\$0	\$4,377,901	\$448,876	\$4,826,777
Strategic Objective 4 - Allocated Project Costs	\$0	\$0	\$0	\$872,988	\$357,230	\$1,230,218
Strategic Objective 4 - Total	\$0	\$0	\$0	\$5,250,889	\$806,106	\$6,056,995
Strategic Objective 5 - Projects	\$125,000	\$678,689	\$0	\$1,584,895	\$380,000	\$2,768,584
Strategic Objective 5 - Allocated Project Costs	\$96,295	\$162,821	\$0	\$682,854	\$117,460	\$1,059,430
Strategic Objective 5 - Total	\$221,295	\$841,510	\$0	\$2,267,749	\$497,460	\$3,828,014
Total Direct Project Costs	\$125,000	\$678,689	\$8,293,369	\$6,856,546	\$928,876	\$16,882,480
Total Allocated Project Costs	\$96,295	\$162,821	\$3,544,997	\$2,247,235	\$553,379	\$6,604,727
Total Unallocated Costs						\$602,293
Total Corporate Costs	\$96,295	\$162,821	\$3,544,997	\$2,247,235	\$553,379	\$7,207,020
Total Expenditure	\$221,295	\$841,510	\$11,838,366	\$9,103,781	\$1,482,255	\$24,089,500
Surplus/ Deficit						-\$600,000

Financial Budget – Project Spend Breakdown 2018/2019

Strategic Objective	Description	Direct Project Costs		Allocated Project Costs		Total APL Costs
		Non R&D	R&D	Non R&D	R&D	
1	Growing Consumer Appeal	5,887,944	483,750	1,027,457	184,606	7,583,757
2	Building Markets	1,304,000	781,425	1,327,079	1,093,748	4,506,252
3	Driving Value Chain Integrity	115,000	715,000	365,584	316,605	1,512,189
4	Leading Sustainability	398,876	4,427,901	327,248	902,970	6,056,995
5	Improving Capability	1,530,027	1,238,557	248,971	810,459	3,828,014
Other				317,312	284,979	602,291
	Total	9,235,847	7,646,633	3,613,651	3,593,367	24,089,500

Total Non R&D	12,849,498
Total R&D	11,240,000
Total APL Costs	24,089,498

Definitions of Financial Terminology

Direct project costs:

Specific costs attributable solely to one project on an R&D or non R&D basis, often through third party suppliers.

Allocated project costs:

Corporate cost identified to resource a project.



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