



# AUSTRALIAN PORK LIMITED

Annual Operating Plan  
2019-20



## Message from the CEO

It is my pleasure to present the 2019-20 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 sixth and final Annual Operating Plan operating under this Strategic Plan.

A small part of the resources that you will see in the pages following concern the development of a new APL Strategic Plan 2020-2025, as a consequence of our regular strategy cycle. It is APL's intention that the once in five years opportunity is taken to develop a bold position on how to shape the industry's and company's future, by working closely in particular with our most important stakeholders being Australia's pig producers. Additionally, government – as a significant investor in APL and the industry – will be consulted on their objectives that our industry can have an impact upon.

Over the past couple of years, the industry has seen some rapid growth in processed pig numbers and pork volumes which have put significant pressure on pig prices at the farm gate. This pressure has unfortunately seen some producers withdraw from the industry as their financial status was severely affected, as well as other producers reduce their level of production in an effort to regain an appropriate balance between supply and demand.

The positive side of the increase in production was an impressive increase also in consumption, in particular of fresh pork domestically. Demand volume growth is now limited by the reduced supply numbers, still coming through the pork production pipeline.

The other key issue impacting on the industry globally is the outbreak of African Swine Fever (ASF) in China and other parts of the world.

The domestic production and global disease issues have impacted on the shape of our resource allocation for the 2019-20 year.

With a more limited supply of pork in the coming year, we can work on a maintenance strategy for demand rather than the growth strategy which has driven our marketing efforts for the best part of the last decade. A maintenance strategy, with the reduced resources required, opens up our abilities to focus more on building our international presence (considering the reduced supply issues developing in Asia working in our direction) as well as testing new concepts around participating in the domestic ham and bacon markets at a higher level than recent history (also supported by a likely international price increase for pork driven by the disease issues).

The expected reduced numbers of pigs to be produced in the 2019-20 year (down from 5.4 million in the year to end February 2019 to an expected 4.9 million in the year to end June 2020) will have a proportionate impact on the income of APL; reduced in the vicinity of 10 per cent year on year. This will bring with it even greater pressure to ensure that we are investing in the most attractive initiatives for the future success of the industry.

A number of reviews of APL's performance were undertaken in 2018-19, including of the marketing area, the R&D and innovation area and a general performance review routinely conducted in the prelude to re-negotiating APL's funding agreement with government.

These reviews have also impacted on how we intend to invest for the industry in the coming year, including through:

- In marketing, increasing the areas of operation from domestic fresh to domestic fresh, domestic differentiation and international differentiation
- In the innovation area, reducing the number of activities that we are performing in the interests of a stronger focus on critical strategic intents for a greater impact on the industry, alongside building the skills internally that we will need to carry this forward
- In the general performance area, getting better at evaluating the benefit of what we do on behalf of industry, as well as structuring ourselves to better represent communication and membership relationships as a critical part of what we do. The review also recommended a few paths to follow in our strategic plan elaboration that could add value.

Considering the predicted impact of ASF globally, of course our intentions around keeping our pigs safe from this and other diseases remains top of the list of priorities. Our ongoing interest in the biosecurity space is reflected in a plethora of activities designed to minimise the risk of new diseases in our herd – through technical projects, working with the relevant government authorities and communicating frequently with industry. The Australian pig herd hasn't seen a risk of emergency disease such as we now face in my 14 years in the CEO role.

The financial plans resulting from our intended resource allocations for the coming year result in a planned deficit of \$623,000. This deficit fits into the longer-term planning around our reserves levels, the policies for which pick a pathway between having some sufficient funds to cover unexpected issues if necessary but not holding lavish levels of funds not working for industry good. Thus, reserves will remain at or above the minimum required level. As always, we have designed this operational plan to deliver at the highest possible level to our investors – Australian pig farmers and the Australian Government. We know that to achieve this, we need to continually make our product more desirable, our industry more transparent and our animals healthier, more productive and more content.

Andrew Spencer  
Chief Executive Officer

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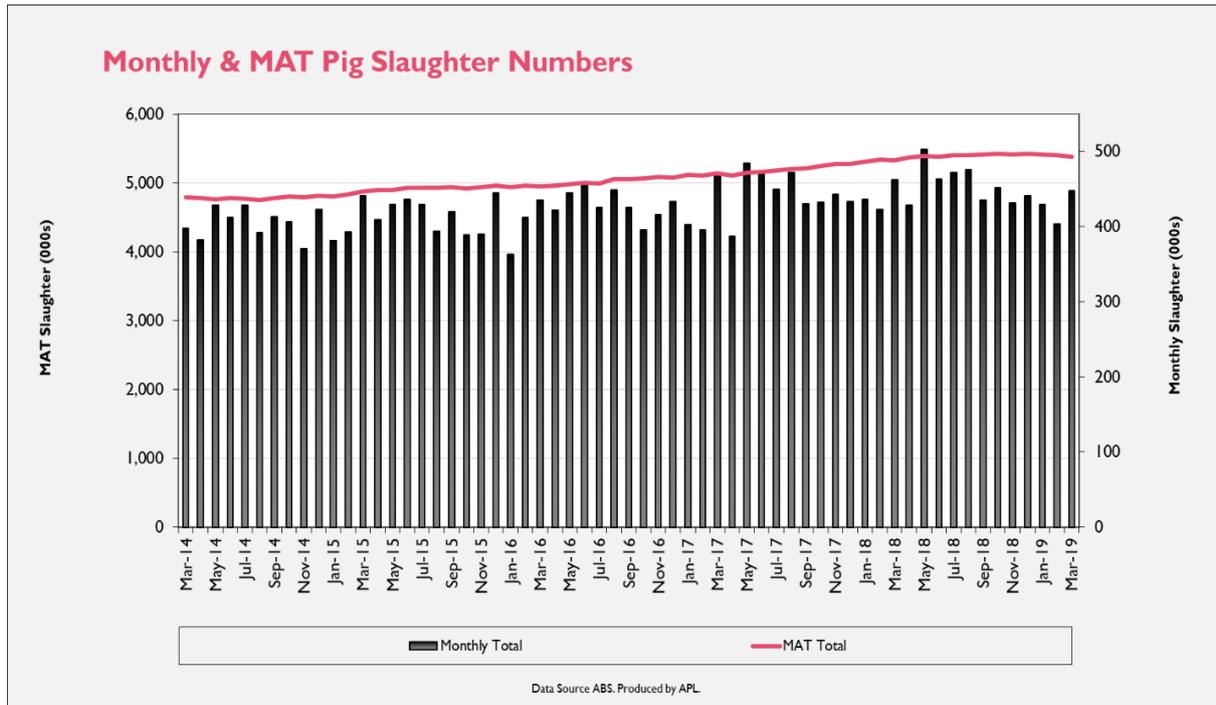
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# The Competitive Environment

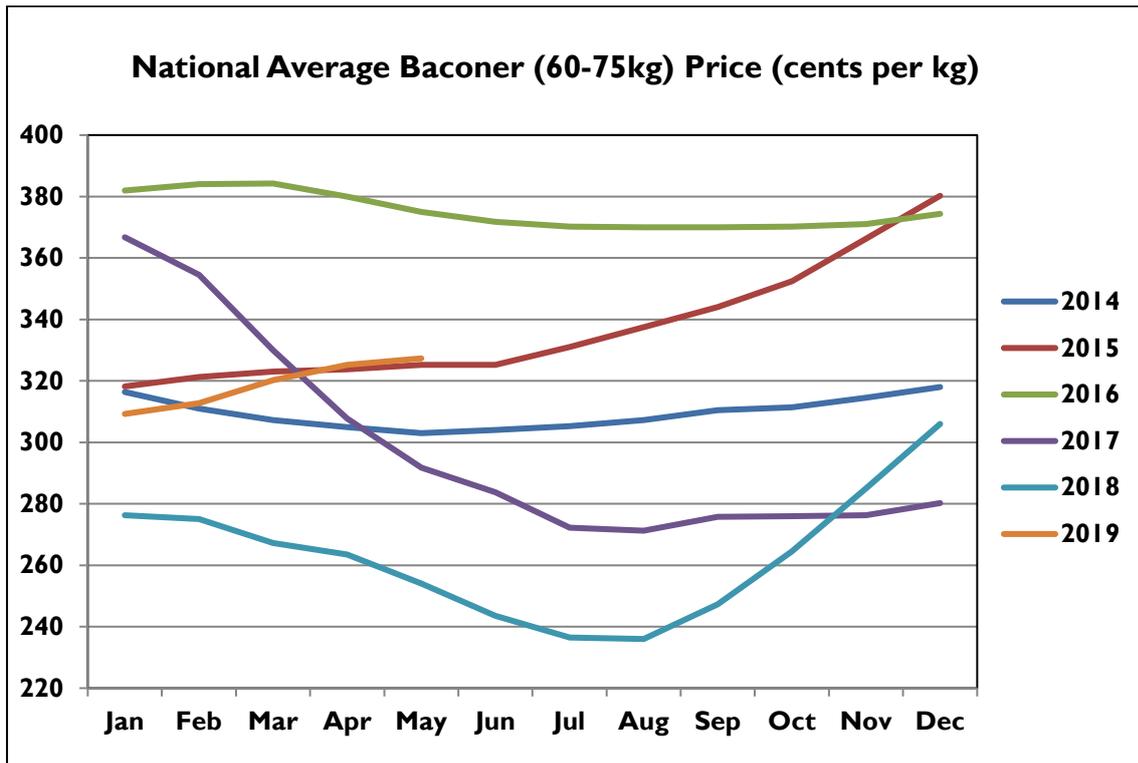
## Domestic Market

The latest data that we have from the Australian Bureau of Statistics tells us that around 5.38 million pigs have been processed in the twelve months to the end of March 2019. This figure is month by month diminishing and is expected to bottom out at somewhere between 4.9 million and 5.1 million by mid-2020.



Graph 1: Monthly and Moving Annual Total Pig Slaughter Numbers in Australia 2014–2019

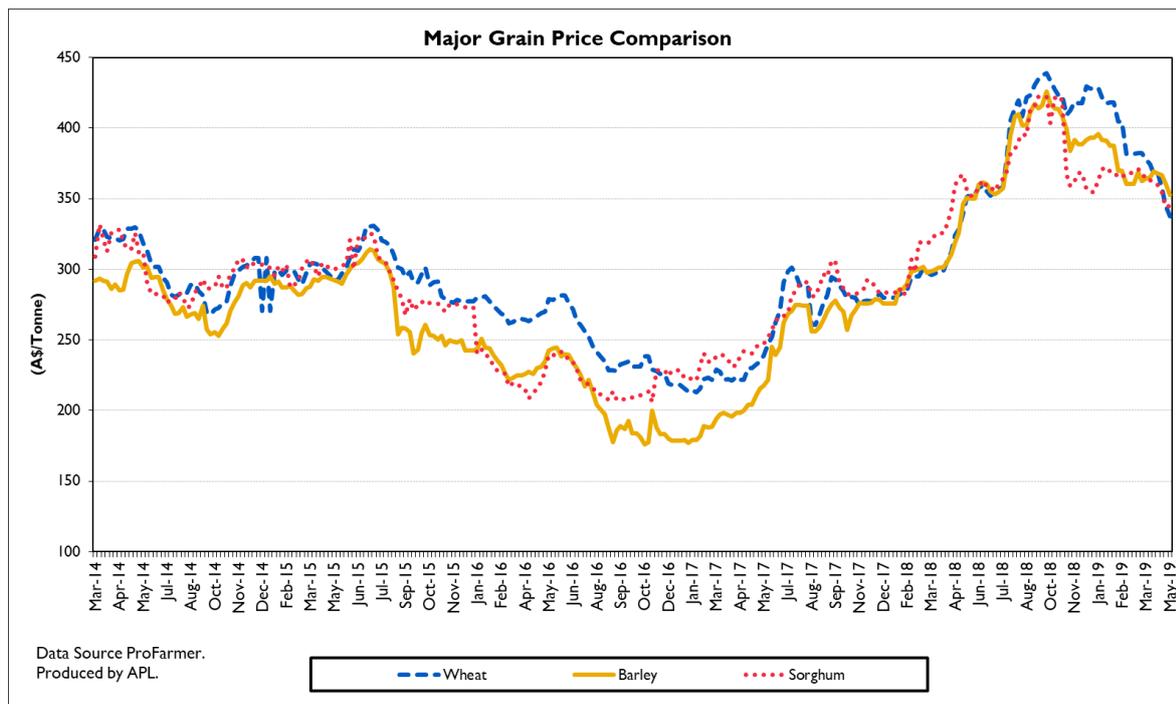
Pig slaughters hit a high on a moving annual total basis to the end of October 2018 at 5.427 million and have declined in the five months since. The majority of the expected dip in production is predicted to happen (according to production survey responses) in the second half of calendar 2019. Given that pig prices are relatively healthy at present (although grain prices remain high), there is no strong longer-term pressure to reduce numbers; just the opposite in fact due to the global African Swine Fever problems, particularly in China.



Graph 2: Average Australian National Baconer Prices Surveyed by APL 2014–2019

### Grain Prices

High grain prices are the biggest factor in producer profitability presently in Australia’s pork industry, given that pig prices have returned to positive levels in 2019. There is a significant domestic premium over global grain prices in Australia which can only be corrected with a sharp improvement in the prospects for the 2019 winter grain crop (particularly in the east of the country) or a sharp increase in grain imports (which is unlikely due to biosecurity requirements).



Graph 3: Monthly Major Grain Price Trends 2014–2019

## Beef

Meat and Livestock Australia released projections for the beef industry in April 2019 which can be accessed [on the MLA website](#).

In general, the projections reflect significant natural turmoil across Australia including floods in Queensland and drought across much of the rest of the nation. Forced herd liquidation and stock losses have led to the largest drop on the national herd for decades.

At 7.7 million head, the forecast adult slaughter numbers for 2019 are less than those already low in 2018. The reduced slaughter and lower carcass weights due to difficult conditions will lead to a three per cent decline in production to 2.2 million tonnes.

*“Looking ahead, the significant depletion of the herd will result in lower slaughter rates and fierce rebuilding competition once there is a widespread break in the weather.”*

Like last year, 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 released projections for the sheep industry in 2019 which can be accessed [on the MLA website](#).

Lamb slaughter in 2019 is expected to be the lowest since 2012 at 21.2 million head (seven per cent decline year on year), producing 475,000 tonnes of product. Mutton production will see an even greater drop in production of 16 per cent to 188,000 tonnes.

Key reasons for the decline continue to be the ongoing drought across many regions and the linked high cost of feed.

“Longer term, high prices across both sheepmeat and wool provide a strong incentive for producers to rebuild their heavily depleted breeding flocks once conditions allow.”

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

### Chicken

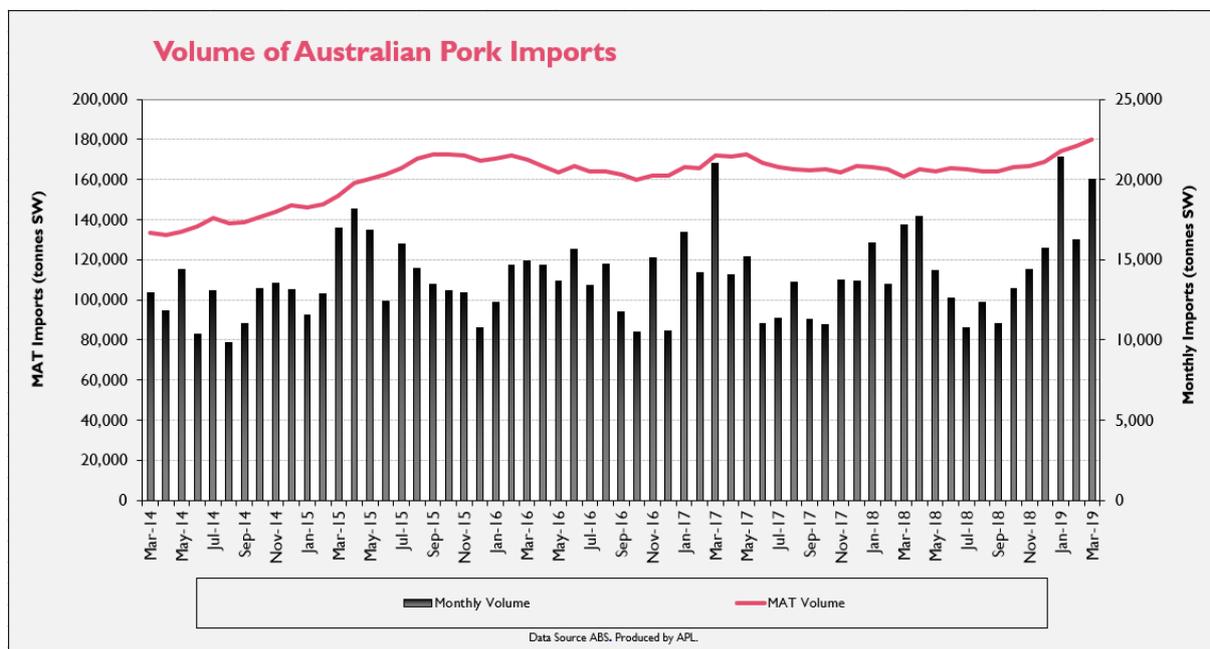
Chicken continues to be the “price” buy at retail, significantly cheaper than other protein options, and this will likely drive consumption growth - alongside competitor supply issues - at retail over the next year.

### Pork

Consumer demand continues for fresh pork, but supply issues will limit volume consumption growth going forward. Stronger global prices may put some pressure on bacon and ham processors and their import purchasing plans due to the global African Swine Fever epidemic.

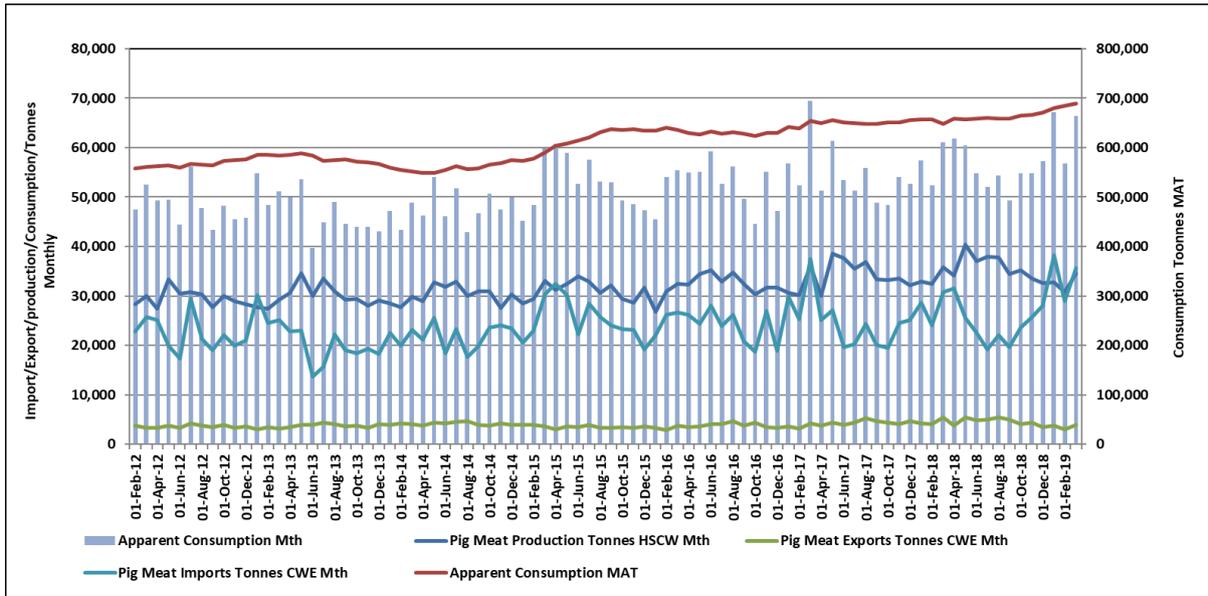
### Pork Imports

Import volumes have not been moving until earlier in 2019 when larger than expected volumes entered in January and March (anecdotally due to some special deals coming out of the US). There may have also been some forward buying considering the pressure to come onto global volumes in months ahead.



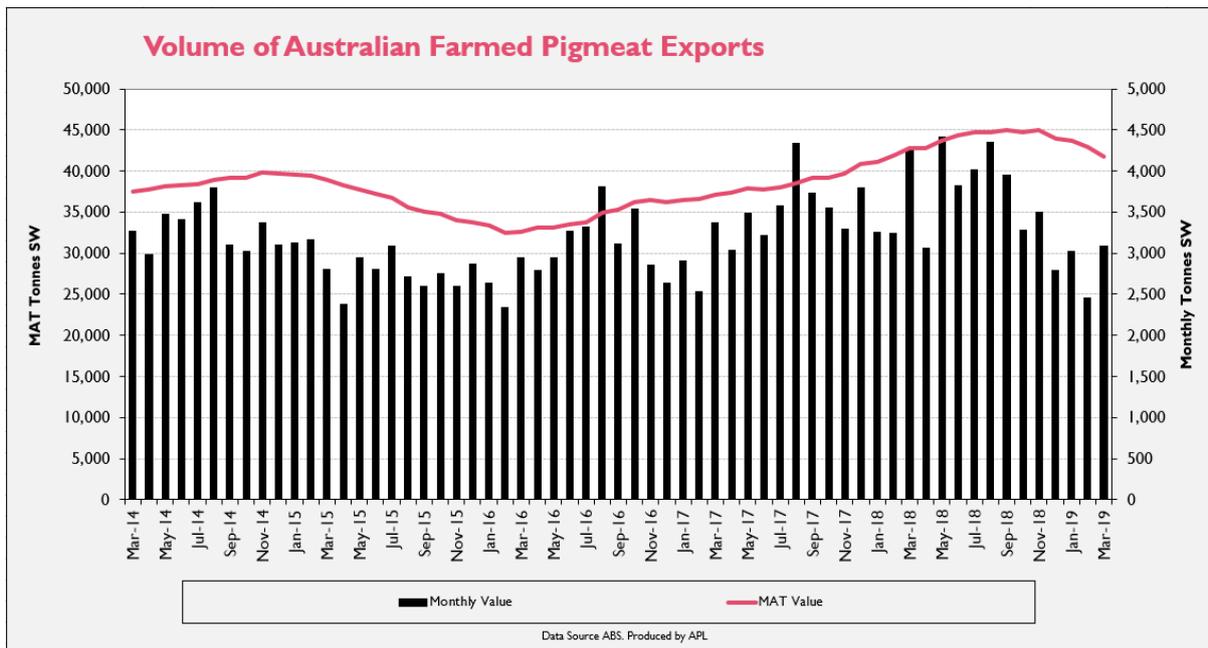
Graph 4: Australian Pork Import Volumes – Monthly and Moving Annual Total 2014–2019

Commentators are predicting a shortfall in pork production in China over the next couple of years of up to 18 million tonnes, which is completely impossible to replace by increased production in other parts of the world. At best, only three to four million tonnes of extra Chinese imports are possible and even this will place great stress on pork demand globally.



Graph 5: Australian Pork Production, Imports, Exports and Apparent Consumption 2012–2019

## Export Market



Graph 6: Australian Pork Export Volumes – Monthly and Moving Annual Total 2014–2019

Export volumes have come off as domestic pig prices have improved over the past year, leading to a growing unwillingness to continue supplying very cheap overseas markets. Strategic markets such as Singapore continue to provide a strong volume outlet and dynamics look good for increasing global prices with ASF induced production challenges.

## 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 Amended Strategic Plan 2015–2020 and the content of this document.

### Activity Hierarchy

The APL Amended 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
<b>Growing Consumer Appeal</b> 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
<b>Building Markets</b> 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
<b>Driving Value Chain Integrity</b> 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
<b>Leading Sustainability</b> 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
<b>Improving Capability</b> 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

As outlined in the “Message from the CEO”, the 2019-20 year is a year of transition in our approach to strategic planning. This transition had as its catalyst the R&D review which highlighted the opportunity for APL to become more strategically focussed, with a tighter, more impactful portfolio of activities.

The R&D Innovation Review recommended that APL establish a new model for APL’s investments, with this model to be known as Industry Solutions and Horizons. The recommendations were endorsed by the APL Board in February 2019. The model builds on the strengths of APL’s current RD&E model (namely that it was robust, accountable and appropriately governed) and will be more agile and strategic in addressing industry needs. It will also be more diverse in investment approaches, commissioning pathways and partnership options. This new governance and engagement approach will replace the existing 18-month call-commission-commercialise funding cycle, with the two streams of investment – Industry Solutions and Horizons – enabled by new processes.

The Solutions portfolio will focus on responding to the immediate needs of industry, will be open for proposals year-round and will have streamlined management and approvals. The Horizons portfolio will focus investment through the development of a small number of Strategic Intentions that will focus on delivering outcomes, over a longer period (3–5 years), that support transformative improvements to industry and lead to increased industry competitiveness through substantial reductions in cost, increased revenue and new options for risk management.

Strategic Intent fund areas will be developed and prioritized through a process of stakeholder consultation, as part of the development of the 2020–2025 Strategic Plan. These engagement activities will be externally facilitated.

This model has application and relevance to APL’s investments in RD&E activities as well as in non R&D. This investment model is planned to be applied across all APL initiatives, both R&D and non R&D. It is envisaged that whilst consultation takes place, two initiatives that have been presented and approved by the APL Board and presented and agreed to by the APL Delegates Forum (International Business Development and Eating Quality Improvement) are used to create examples of “Strategic Intentions”.

The actions required to implement the new model will be summarised following stakeholder engagement.

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## Key Performance Indicators and Result Areas

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The APL Amended 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 over achievement of these industry aspirations, it is clear 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.

This year it is worth overtly highlighting that some of the Strategic Objective 1 and Strategic Objective 2 Key Performance Indicators and Key Result Areas show declines. This is a consequence of two factors. Firstly, slaughters are budgeted to decline from 5.3 million to 4.9 million which reduces both meat available and funding available. Secondly, there has been a change in emphasis in the 2019-20 year which increases allocations to domestic differentiation marketing and international marketing. Both of these reduce allocation in this plan to fresh pork domestic marketing which will slow long term progress for this particular year.

# 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 uniquely valuable to consumers and increasingly a part of their eating pleasure, resulting in repeated choice”. Whilst pork’s popularity has increased in recent years, the 2019-20 period is likely to see less Australian pork consumed but at higher prices to producers as production volume is forecast to decline.

This objective remains the main pillar of demand creation and will leverage consistent activity and consumer learnings to match demand with supply. It is planned that this will maintain demand for both consumer enjoyment and good value for money.

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## Programme 1: Better Pork

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This programme is an increasing focus across APL. This programme seeks to leverage new APL eating quality research published in 2018-19. This represents a significant investment in time, expertise and project costs to collaborate across value chains to extend the latest APL research into commercialisation. In addition, further pork quality improvement experiments are planned to be conducted during 2019-20.

This programme overlaps with SO2 and SO3 in that both domestically and internationally there are opportunities for improved quality pork products throughout the value chains.

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## Programme 2: Pork Made More Popular

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Lack of industry profitability in 2018-19 has caused some production decreases, meaning there will be less Australian pork available in 2019-20 compared to the previous year. Despite this, consumer awareness and positive associations will continue to be maintained and converted into shoppers being prepared to pay more for pork than in the previous year. The effectiveness of the outcomes to date justify continued investment as we move from a growth strategy in an oversupply situation in 2018 to a maintenance strategy whilst supply is subdued in 2019-20.

Investment in communicating the “versatility” and “ease of cooking” pork messages pillars will continue at maintenance levels.

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## Programme 3: Increasingly Different

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This programme was previously focused on parts of the supply chain using Australian pork in ham and bacon, via activity around the PorkMark. This year sees the programme expand to more mainstream supply chains and influential consumers and ambassadors of pork.

During 2018-19 APL invested in detailed consumer investigations to understand what would motivate people to choose Australian over imported pork, and their level of understanding of the new CoOL system. Most Australians prefer to buy Australian grown pork both (subject to price and availability) 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, via education around the amount of imported pork in the market and driving quality messaging with those consumers prepared to pay a premium.

To begin to build a deeper understanding of Australian vs imported pork, a significant trial is planned in 2019-20 to test whether people who say they prefer to buy Australian, will actually do so. This represents an increase in investment to find ways to effectively compete with other sources of pork and measure any consequential changes in outcomes.

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## Risks & Opportunities

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- Opportunity – the planned eating experience initiatives have a science-based approach and there is a desire amongst many supply chain marketers in the commercial arena to make a real difference.
- Risk – Moving from a ‘Fresh Pork’ growth strategy to maintenance strategy risks decreasing investment too much, resulting in a demand decline. In addition to monitoring historical performance using identical messages, some agreed “trigger points” have been pre-set to act as prompts to action as we continually monitor market results.
- Opportunity – The Differentiation trial provides an opportunity to learn how we can motivate Australians to buy ham and bacon made using Australian pork. Collaborating with the major supply chains seeks to ensure we learn how we can help all stages in the value chain add value to the categories.
- Risk – Most Australians believe they are already buying ham and bacon made from Australian pork. Asking them to change from imported product to actively look for Australian may disappoint some shoppers when they realise that they had not been aware of this, potentially reducing overall sales of ham and bacon. This risk is the reason a limited trial is planned.

## Key Performance Indicators

PROGRAMME	Better Pork	Pork Made More Popular	Increasingly Different
<b>Industry Key Result Area</b>	Eating Quality Pathways Performance	Quantity of Regular Consumers	Increased purchases of ham and bacon made with Australian pork
<b>Unit</b>	5 supply chains actively engaged in executing an Australian Pork Eating Quality improvement programme	% of households eating fresh pork more than a given number of times per year	Sales value and volume
<b>Target</b>	A timeline for each supply chain that has a 2020 implementation target date	26 or more times per year – 3.7% 13 or more times per year – 16.9%	10% increase in both
<b>Latest Measure</b>	0	3.70% 17.90%	No current direct measure
<b>Level of Control</b>	Moderate	Low	Medium
<b>Level of Impact</b>	High	High	High
<b>Reporting Period</b>	Monthly	Quarterly	Two Monthly
<b>Source/Comments</b>	Direct from supply chain participants	Nielsen HomeScan® reported quarterly	Data from within trial-targeted stores

Note: The “Pork Made More Popular” Key Results Area decreases because volume produced is budgeted to reduce by over 9% and resource has been re-allocated from domestic fresh pork marketing to ham and bacon test-marketing and international marketing.

PROGRAMME	Better Pork	Pork Made Popular	Increasingly Different
<b>APL Operational KPI</b>	Pork Image Attributes	Advertising recall	Message recall
<b>Unit</b>	Percentage agreement with “Pork is low in fat” and “Australian Pork is a valuable source of iron” Easy to cook Pork is versatile	% of Australians recalling pork advertising	% of Australians aware of main message
<b>Target</b>	15% 48% 50%	68%	40%
<b>Latest Measure</b>	16% 49% 50%	76%	0%
<b>Level of Control</b>	Moderate	Moderate	Moderate
<b>Level of Impact</b>	Moderate	High	Moderate
<b>Reporting Period</b>	Quarterly	Quarterly	Quarterly
<b>Source/Comments</b>	Thrive advertising tracking latest measure	Thrive advertising tracking, latest measure	Thrive advertising tracking, latest measure

Note: The “Better Pork” and “Pork Made More Popular” Key Performance Indicators decrease because resource has been re-allocated from domestic fresh pork marketing to ham and bacon test-marketing and international marketing.

## 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, producers and our value chain collaborators”.

“Building Markets” Programme 1 seeks to uncover demand and commercial opportunities as well as measuring demand performance against objectives. We use consumer, shopper and value chain insights to drive all the activities in-market and improve the overall category offer and experience for consumers. This is also an area of market information service to other divisions within APL, as required.

Programme 2 involves working with retailers and supply chains to improve product and purchase experience to increase conversion to purchase for pork, an attractive outcome for producers and for all Australians. It also supports key APL initiatives through retail channels including driving quality perceptions, cooking methods/instructions, inspirational meal solutions and new product development.

Programme 3 plans for increased investment as part of striving to increasingly effectively compete with other sources of pork in overseas markets.

### Programme 1: Market Insights

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This programme is responsible for the identification, quality control, validation and interpretation of qualitative and quantitative data into market insights. This covers trade markets such as pig sale volumes, prices and forecasts as well as consumer market, retail and foodservice sales domestically.

Whilst the quantitative information collected will continue to measure performance and outcomes, the insights 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 completion, interrogation and interpretation of qualitative and quantitative shopper research. This will focus on overall category understanding within context of shopping touchpoints for fresh pork, or main dinner occasion, purchases.

Insights often come from comparing different sets of data. There is management time allocated to transferring data sources to a data-warehouse to enable improved, comparison, storage, access, accuracy, security and timely reporting of information to stakeholders.

### Programme 2: Domestic Market Development

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This programme benefits from increased investment, particularly in management time, which will be invested collaborating more intensely with supply chains and retailers, on agreed priorities. It seeks to identify and share by dialogue, insights about consumer and shopper behaviour with butchers, restaurants, supermarkets, caterers and other consumer service businesses to help them improve their businesses and Australian pork sales.

To improve collaboration, we have expertise in category management, eating quality programme management, retail account collaboration as well as expertise in foodservice, independent supermarkets and butchers.

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## Programme 3: International Market Development

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International markets have been given an increasing focus for the Australian pork industry in the recent strategy update. In addition to the long-term goal of agreeing export protocols to enable trade with China, six markets have been selected to intensify our presence in and search for new business opportunities.

There is a significant increase in management time and project investment to accelerate our international marketing programme as it becomes an increasingly important part of the Australian pork industry. The programme is guided by major exporters in collaboration with APL. This is based on the principle that any opportunities discovered need to be realised and commercially viable for industry partners.

Whilst finding premium niche markets remains a challenging goal, recent industry history suggests that growth will be better managed with an increased number of sources of demand.

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## Risks & Opportunities

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- 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.
- Risk – APL does not have as much experience in international market development as is the case for domestic market development. In order to mitigate this risk, we will appoint in-country experts to complete projects on market opportunities in the the selected six markets.
- Opportunity – Increased time and focus with many collaborators in Australian and overseas, gives us access to greater quantities of data, enabling additional insight and understanding, hopefully resulting in improved activities and outcomes.

## Key Performance Indicators

PROGRAMME	Market Insights	Domestic Market Development	International Market Development
<b>Industry Key Result Area</b>		Pig Prices	International Pork Sales Value
<b>Unit</b>		\$/kg HSCW farm gate average YTD All Pigs Baconer (latest week)	Million \$ pork export value Price per kg new markets
<b>Target</b>		\$3.62 \$3.70	\$168.0 million \$4.00
<b>Latest Measure</b>		\$3.22 \$3.29	\$135.5 million \$3.27 all product
<b>Level of Control</b>		Low	Low
<b>Level of Impact</b>		High	High
<b>Reporting Period</b>		Quarterly	Quarterly
<b>Source/comments</b>		APL latest measure mid-point between sellers and buyers price tracking. Latest data	ABS export data

<b>PROGRAMME</b>	<b>Market Insights</b>	<b>Domestic Market Development</b>	<b>International Market Development</b>
<b>APL Operational KPI</b>	Programme Effectiveness through Insights	Fresh Pork Consumption	International Premium Business
<b>Unit</b>	Number of significant learnings identified	CWE kg fresh pork per person per annum	Additional 5,000 tonnes at \$4.40/kg HSCW
<b>Target</b>	4	10.5	Yes
<b>Latest Measure</b>	0	11.54 (10.4% share)	No current direct measure
<b>Level of Control</b>	High	Low	Moderate
<b>Level of Impact</b>	Moderate	High	Moderate
<b>Reporting Period</b>	Quarterly	Quarterly	Quarterly
<b>Source/Comments</b>	“Significant” defined as 10% improvement in efficiency or a value to industry above \$5m in producer profit	ABARES per capita consumption trend multiplied by Nielsen retail volume share of fresh pork of total meats (MAT)	Proof of shipment

Note: The “Domestic Market Development” Key Performance Indicator decreases because volume produced is budgeted to reduce by over 9% and resource has been re-allocated from domestic fresh pork marketing to ham and bacon test-marketing and international marketing.

## 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”.

Obviously, this strategic objective will undergo a transition year in 2019-20 as APL transitions to the “Industry Solutions and Horizons model” outlined earlier in this document.

The focus of this year is to maintain the systems that have been developed by APL that will differentiate Australian pork in terms of its provenance and engage in the commercialisation of eating-experience research completed and published in the 2018-19 year. Taken together, these will maintain consumer and community confidence and trust in Australian pork products in a year where there will be significant media coverage of pig diseases overseas.

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

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### Programme 1: Trust in Pork Provenance

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The need for greater transparency and traceability in the pork value chain is pivotal to maintaining trust in Australian pork domestically. It is also critical to build export markets across the full range of Australian pork products. The commercial value of the Physi-Trace™ system – so that it is regarded by industry as a viable, industry accepted traceability tool that can reliably and cost-effectively demonstrate the provenance of Australian pork and across a range of pork products – is still to be recognised.

The key project aims to identify and validate system design and data analysis improvements to underpin the commercialisation of the Physi-Trace.

Key outcomes from this programme will be the maintenance of Physi-Trace and verification of provenance and label claims to gain stakeholder confidence in the industry’s traceability system. It is likely that this may be leveraged overseas, particularly where the sources of pigs have become increasingly important due to the spread of African swine fever. 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.

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### Programme 2: Pork Quality Assured

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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).

During 2018-19, the APIQ<sup>✓</sup>® system was “pressure tested” from a legal perspective. Combined with an annual review of APIQ<sup>✓</sup>®, this will result in some improvements to help the system become more enforceable in the case of illegal activities.

In addition, APL undertakes a number of activities to underpin the Pork - Australian Export Meat Inspection System (Pork-AEMIS) that address food safety issues 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) management of the APIQ<sup>✓</sup>® standards, systems, training and administration, including relationships with the provider of third-party auditing services;
- (ii) food safety R&D activities with a specific focus on standardising methodology used for shelf life assessment and the development of national standards and recording frameworks to enable consistencies in peri-mortem information provided to producers, veterinarians and other key stakeholders by processors to be achieved. Supply chain benefits arising from this activity together with those resulting from the revised Australian Standard 4696 (once finalised) to implement the alternate inspection procedures and disposition judgements for pork will be measured; and
- (iii) the recruitment of new producers and facilities into the APIQ<sup>✓</sup>® fold.

Key outcomes from this programme will be ongoing adoption of APIQ<sup>✓</sup>® standards by producers and recognition of the APIQ<sup>✓</sup>® 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.

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.

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### Programme 3: Fairness in Risk and Reward

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The sectors within the pork value chain need to be customer-focused and better linked to enable the effective flow of market signals. The predictive eating quality model for pork, based on data generated within the Pork CRC, needs further population and collaboration and integration with industry systems to facilitate the rollout of an eating quality pathway programme to supply consistently high quality pork to consumers. This may be the subject of a “Strategic Intent Business Plan” in 2019.

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## Risks & Opportunities

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- 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 is being 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 strengthens its 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 products made from imported pork.
- Opportunity – improve the already high regard for and adoption of the Australian Pork Industry Quality programme, APIQ✓<sup>®</sup>, by producers, retailers, and regulators.
- Opportunity – provision of additional information to producers that informs on-farm health status of pigs and general stock management.
- Opportunity – increased agility and response to serious breaches of the APIQ✓<sup>®</sup> standards to build confidence in, and drive uptake of, the APIQ✓<sup>®</sup> program by producers and downstream stakeholders, including retailers.
- Risk – not agile when dealing with critical breaches of the APIQ✓<sup>®</sup> standards resulting in reputational damage to APIQ✓<sup>®</sup> and producer withdrawal from accreditation.
- Opportunity – reinforce APIQ✓<sup>®</sup>’s independence to assure stakeholders of its objectivity.
- Opportunity – utilise APIQ✓<sup>®</sup> to support new export market opportunities by demonstrating that Australia produces high integrity pork in terms of food safety, animal welfare, biosecurity and environmental management practices.

## Key Performance Indicators

PROGRAMME	Trust in Pork provenance	Pork Quality Assured	Pork Quality Assured
<b>Industry Key Result Area</b>	Physi-Trace system commercialisation	APIQ <sup>✓</sup> ® Uptake	Food Safety R&D
<b>Unit</b>	Commercialisation model developed	Percentage certified APIQ <sup>✓</sup> ® sows of Australian sow herd	Number of export pork processors adopting standardised language for peri-mortem reporting of diseases/conditions
<b>Target</b>	Commercialisation model agreed and implemented	91%	3
<b>Latest Measure</b>	No current direct measure	88.9%	0
<b>Level of Control</b>	Moderate	Moderate	Moderate
<b>Level of Impact</b>	Moderate	Moderate	Moderate
<b>Reporting Period</b>	Annual	Annual	Annual
<b>Source/Comments</b>	Industry support for Physi-Trace's inclusion into pork's traceability system	APIQ <sup>✓</sup> ® certifications as recorded through CRM	R&D project outcomes

PROGRAMME	Trust in Pork Provenance	Pork Quality Assured	Pork Quality Assured
<b>APL Operational KPI</b>	Physi-Trace commercialisation	APIQ <sup>✓</sup> ® Annual Systems Audit	Eating quality system uptake
<b>Unit</b>	System operation meets operational targets for processor coverage (% of production), trace back costs, accuracy and timeliness. (both raw and processed)	Number of non-conformances and observations	Number of supply chains implementing eating quality model
<b>Target</b>	90% of production; \$5-7K per fresh pork traceback (with information); 100% accuracy; Results delivered 7 days from date samples received by laboratory	≤ 1 non-conformance ≤ 5 observations	5
<b>Latest Measure</b>	70% of production; <\$15K per fresh pork traceback (with information); 95% accuracy; Results delivered 6 days from date samples received by laboratory	1 non-conformance 6 observations	0
<b>Level of Control</b>	High	High	Moderate
<b>Level of Impact</b>	Moderate	Moderate	Moderate
<b>Reporting Period</b>	Annual	Annual	Annual
<b>Source/Comments</b>	Trace-back reporting as recorded through CRM	APIQ <sup>✓</sup> ® Annual Systems Audit report	Licensee agreements with APL

## 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 continues to deliver a suite of targeted projects under programmes that will address community attitudes towards pig farming and 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, biosecurity and reproductive health.

Critical to the success of this strategic objective are our contributions to the Pork RD&E Strategy, the Feed Grain Partnership, National Animal Welfare RD&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.

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### Programme 1: Addressing Societal Needs

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A community which is better informed and educated 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 and 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, on farm greenhouse gas abatement and validation of industry data such as odour emission rates.

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### Programme 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. 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.

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 antimicrobial resistance 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).

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### Programme 3: Continuous Productivity Growth

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Along with fresh pork, Australia's pork biosecurity protocols also prohibit 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 and managing climate change impacts.

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### Risks & Opportunities

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- 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.

## Key Performance Indicators

PROGRAMME	Addressing Societal Needs	Healthy Herds and Farms		Continuous Productivity Growth
<b>Industry KPI Result Area</b>	Movement Reporting Within Two Days	African swine fever remains an exotic disease to Australia	Antimicrobial Stewardship (AMS) enterprise plan uptake	Pork Produced Per Sow
<b>Unit</b>	% closed PPNVDs reported within two days	Australia remains free of ASF	Percentage of production implementing AMS	Percentage increase in kg pork/sow/year
<b>Target</b>	90%	No incursion	50%	3%
<b>Latest Measure</b>	69.7%	No incursion	60%	2.3%
<b>Level of Control</b>	Low	Low	Medium	Low
<b>Level of Impact</b>	Medium	High	Medium	High
<b>Reporting Period</b>	Annual	Annual	Annual	Annual
<b>Source/Comments</b>	PigPass database	OIE's World Animal Health Information System	APL Industry Survey 2018	APL/ABS data

Note: improvement in the percentage of PPNVDs closed within two days is dependent on the state and territory governments introducing mandatory legislation. At the time of AOP completion, only NSW and SA had completed the necessary legislative changes and were implementing compliance activities.

PROGRAMME	Addressing Societal Needs	Healthy Herds and Farms		Continuous Productivity Growth
<b>APL Operational KPI</b>	GSF Uptake – APIQ <sup>✓</sup> <sup>®</sup>	ASF Preparedness Plan	Internal biosecurity preparedness	Reducing pre-weaning mortality
<b>Unit</b>	Percentage of industry sows housed under APIQ <sup>✓</sup> <sup>®</sup> GSF definition	An ASF preparedness plan is developed	Percentage of commercial producers who have updated their biosecurity plan over the past 12 months	Percentage reduction in pre-weaning mortality
<b>Target</b>	80%	1 plan	90%	3%
<b>Latest Measure</b>	78%	0	No current direct measure	No current direct measure
<b>Level of Control</b>	Moderate	Moderate	Moderate	Low
<b>Level of Impact</b>	High	Low	High	High
<b>Reporting Period</b>	Annual	Annual	Annual	Annual
<b>Source/Comments</b>	CRM/APIQ <sup>✓</sup> <sup>®</sup> audits: 8+ sows only	APL	APL Industry Survey	APL Research Reports

# Strategic Objective 5: Improving Capability

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## Industry Outcomes

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

It is a requirement of APL’s Funding Agreement with government that APL undertakes a performance review. During the last financial year, APL engaged a consultant to undertake the performance review in accordance with the requirements of APL’s Funding Agreement. While the consultant described APL as an organisation which is ‘... *highly collaborative, working with other supply chain participants, RDCs, semi-government bodies and others*’, there are always opportunities to improve operational capability.

APL will adopt the recommendations of the consultant generally. Some of the key recommendations include:

- ‘... ensure a more strategic and co-ordinated approach to APL’s engagement with growers and other stakeholders ...’
- ‘Upgrade the evaluation framework, in association with the development of the next strategic plan...’
- ‘... publishing short summaries of key documents ... to enhance the company’s transparency in planning and reporting...’
- ‘... including annual impact assessment results in the annual report and in a short annual performance evaluation report ...’

APL will strive to action the recommendations from the performance review and some planned actions are described within Strategic Objective 5.

The 2019-20 operational year will see continued 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. Achieving efficiencies using technology and adopting technology solutions as a business as usual tool throughout the entire pork supply chain continues to be an APL priority as improved connectivity and availability of relevant online tools supports the industry’s capacity to compete on cost and to identify production and market opportunities.

APL continually strives for business efficiencies that reflect the organisation’s 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.

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## Programme I: Applied Learnings

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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.

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## Programme 2: Building Industry Image and Reputation

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APL has sought to increase its engagement with industry. This has been achieved by trialling a new APL publication, the APL Update, and by supporting a variety of producers to attend the bi-annual Delegates' Forums.

The APL Update focuses on pushing producer influenced content through the media channels requested by producers. The feedback from the trial publication has been positive and the APL Update is now a permanent feature of APL's regular communications.

During the last year, APL supported small and young producers and producers nominated by State Farming organisations to attend and participate in the bi-annual Delegates' Forums. This trial has seen APL communicate with a broader range of Australian pork producers than we have been able to reach through other communication channels. This year will see a continuation of that support.

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## Programme 3: Operational Effectiveness

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While as a matter of best practice, APL continually seeks business efficiency improvement opportunities, the Board and APL team are demonstrating a willingness to challenge and improve the way operational things are done. 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.

APL has commenced building internal industry intelligence capability. APL now has capability to electronically capture data from multiple sources. Capturing and processing data electronically is proving to be a secure way to collect, store and process data in a timely manner. The data insights are already being used internally for decision making. APL continues to have an aspiration to progressively make more industry insights available to APL members.

Commitment to organisations like the National Farmers Federation (NFF) and the Council of Rural Research and Development Corporations (CRRDCs) is 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.

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## Risks & Opportunities

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- 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 – Continuous development capability to improve our understanding of industry and to communicate industry level insights
- Opportunity – Progressively make improved industry insights available to our members
- 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.

## Key Performance Indicators

PROGRAMME	Applied Learnings		Building Industry Image and Reputation	Operational Effectiveness
<b>Industry Key Result Area</b>	<b>Technology Adoption</b>	<b>Industry Certificate Three Penetration</b>	<b>APL Membership</b>	
<b>Unit</b>	Percentage of APL-invested subset of technologies adopted after two years of project completion	Percentage of staff with Certificate 3	Number of APL producer members	
<b>Target</b>	70%	70%	300	
<b>Latest Measure</b>	64%	65%	257	
<b>Level of Control</b>	Low	Low	Medium	
<b>Level of Impact</b>	High	High	High	
<b>Reporting Period</b>	Annual	Annual	Annual	
<b>Source/Comments</b>	The Monitoring and Evaluation Survey showed that 64% of respondents had made or were planning to make practice changes, or further research a topic, as a result of APL products and services.	Annual APL Survey 2018-19, results weighted by production	CRM Members database	

PROGRAMME	Applied Learnings	Building Industry Image and Reputation		Operational Effectiveness	
<b>APL Operational KPI</b>	<b>Technology Awareness</b>	<b>Level of Membership</b>	<b>APL Positive Image</b>	<b>Staff Turnover</b>	<b>Corporate Cost Control</b>
<b>Unit</b>	Percentage of eligible production aware of subsample of APL-invested technologies within two years of project completion	Membership levy as a % of total levies	Members satisfied with APL membership services	Percentage of staff resigning during past year	Corporate cost increase per annum (% of CPI)
<b>Target</b>	95%	>95%	>80%	14%	CPI less 0.5%
<b>Latest Measure</b>	>90%	93.56%	78%	9.52%	CPI plus 4%
<b>Level of Control</b>	High	High	Medium	Medium	High
<b>Level of Impact</b>	Medium	Medium		Medium	Medium
<b>Reporting Period</b>	Annual	As required		Annual	As required
<b>Source/ Comments</b>	The Monitoring and Evaluation Survey results showed that resources/publications are reaching respondents responsible for >90% of the total sow herd.	Members levy as a % of total Pig Slaughter Levy (12 months levy recognised to reporting date)	Annual APL Survey 2018-19	Resignations as % of average staff numbers for the 12 months to reporting date.	CPI per ABS. Actual costs for the 12 months to reporting date compared to the actual costs for the previous corresponding 12-month period.

# 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				
Advanced measurement technology									
Continuous Data and Advertising Tracking									
Eating quality commercialisation									
Trust in Pork Provenance									
Food Safety									
Planning reports									
Commercialisation									
CRSPI									
Animal Welfare Interventions									
Environmental Management									
APRIL									
Supply chain traceability									
Breeding Females									
Showground insight									
Exotic Disease and Biosecurity									
Environment and Health									
Pork RD&E Strategy									
Virtual herding									
Transforming production efficiencies									
Forewarned is forearmed									
Improving herd conversion									
Growth and Development									
Fostering New Capability									
Bringing Influencers Together									
Adoption									
Building Technical Capacity									
Innovation Review									
Industry Economic Analysis									
Annual Survey									
Industry Engagement and Events									
Communication and Society									
Issues Management and Support									
Building our social licence									
Investment Committee/Stakeholder Engagement meetings									
AGM & Conference									
CRRDC Activities									
Benefit Cost Analysis									
ICT									
Human Resource Management									

## 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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