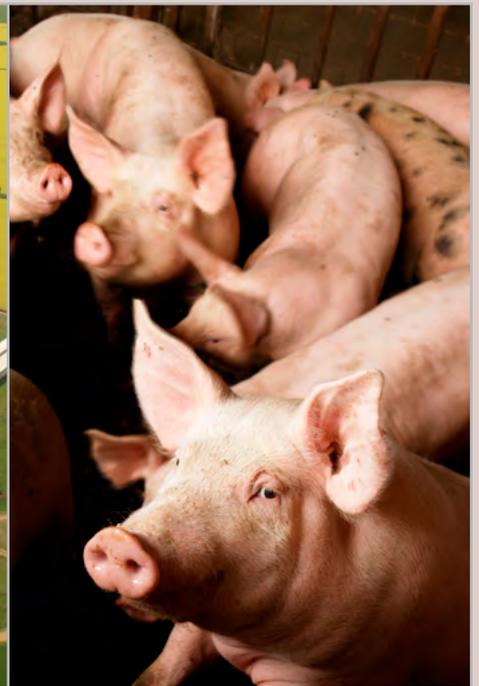




AUSTRALIAN PORK LIMITED
Strategic Plan – Amended Version
2015–2020 – Amended July 2018



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A Comment about the Amended Strategic Plan 2015-2020

APL does a routine review of its strategy on an annual basis. Due to a number of industry and company factors, a more comprehensive interim APL Strategic Plan 2015-2020 review was conducted between February 2016 and November 2017.

The results of this strategy review have been contained within this document. The way in which this has been done:

- Maintains all ongoing valid information including background and strategies which have not changed in essence
- Attempts to highlight in particular those areas which have changed as a result of the review
- Meaning that the draft remains a complete document elaborating the total APL strategy but in a way that highlights the impact of changes and differences in the new operating environment.



Chairman's Statement

The Australian pork industry made great progress in the 2010–15 period. Pig producer balance sheets were rebuilt after the profitability crisis of 2007–2008. We saw the proactive and progressive change on the voluntary removal of sow stalls, the acceptance and adoption of a world class industry quality assurance system and our recognition as leaders in Australian rural research, development and extension strategies. This was done in a way that resulted in more predictable returns and outcomes to pig producers and Australian society more broadly.

As a consequence of this progress, our vision evolved to:

“Australian Pork – A uniquely contemporary part of our food industry”

The central tenet of the 2015–2020 Strategic Plan was anticipating and responding to emerging consumer opportunities and community expectations whilst significantly contributing to the improvement and certainty of pig producer revenues. The content and direction of this Plan was prepared following significant consultation with producers, processors, retailers, governments – both state and federal, as well as aligned key industry stakeholders.

There have been significant changes to the operating environment since the first drafting of this Strategic Plan, including:

- Major increases in pork consumption, demand and prices, leading to an expansion of the industry production base
- A greater than expected recruitment of smaller pig producers, in many cases in peri-urban environments, with very different business aspirations and biosecurity risks compared to the typical commercial pig producers
- The speed of technological advancement and technology convergence, providing opportunities to farm pigs differently and re-design how we perform pork research and development
- The advent of the importation of low priced cooked products (with and without bone).

This plan has as a core strategic focus the goal of maintaining the momentum of profitable and sustainable growth in existing markets. An additional area of focus continues to be building robust foundations to expand new business opportunities in new markets, both internationally and domestically.

Given the changing operating environment, the APL Board decided to undertake a more comprehensive review of the strategy in 2016–17 than in previous years which has resulted in this amended Strategic Plan 2015–2020. The key points contained within it are in response to the above changes:



- A greater emphasis on growth in demand creation, given the increased availability of meat resulting from higher sow numbers and better productivity
- A re-calibrated approach to research and development around pork cost of production, which is an inherent weakness of our industry competitiveness and requires further focussed attention
- Continued strong engagement with the community in areas that they see as important, including animal welfare and environmental impact, as well as increasing the transparency of pork production in Australia. Importantly, the plan recognises our ambitions of completing the phasing out of sow stalls and including the relevant voluntary standards as mandatory into an updated set of welfare standards and guidelines for the industry
- Maintaining the high health status of our pig herd through vigilance on biosecurity and disease prevention issues as well as maintenance of the current pork import protocols
- Persisting in our efforts to open up access for pork into the growing markets in Asia including China, and creating product offerings that suit those markets.

There continues to be five strategic objectives underpinning the achievement of this growth and expansion.

- **Growing Consumer Appeal** aims to improve consumer experiences with Australian pork and its image and popularity through better understanding of how to prepare it and what makes it different.
- **Building Markets** focuses on converting that consumer appeal into better value for producers and other participants in the value chain through a deep understanding of customer needs in chosen segments, including key Asian markets. With the increased availability of fresh meat coupled with the impact of imported cooked products, this remains a high priority.
- **Driving Value Chain Integrity** refers to building on Australia's clean and safe image both at home and abroad whilst strengthening the already high degree of trust for Australian pork through industry integrity systems. It also recognises the enormous value of Australia's biosecurity systems and status.
- **Leading Sustainability** highlights our priorities to be proactive as an industry in fostering the delivery of viable and sustainable farming practices and a healthy and profitable industry, with a significantly improved cost of production.
- **Improving Capability** continues the focus on rapid and complete uptake and adoption of information and technologies that will improve the productivity and reputation of the total pork value chain. It also looks to optimise operational effectiveness to maximise the return on producer levies and Federal Government funding.



As one of our most important investors the Australian taxpayer, represented by the Federal Government, should feel comfort in the knowledge that this Strategic Plan maintains the positive benefits for not only our industry but for the community at large. Australians can feel proud of their pork industry as one which operates responsibly and ethically in the production of nutritious and affordable food.

One demonstration of the clarity and focus of this Strategic Plan is that the major objectives, programs, outcomes and key results measures have been refined to such an extent that they can be articulated in two tables included later in this document.

We look forward to the continued implementation of this Strategic Plan as providing a uniting and catalytic influence on the Australian pork industry.



Enzo Allara AM
Chairman, APL



Executive Summary

Australian Pork Limited (APL) is the services body for Australian pig producers, performing marketing activities to improve the demand for Australian pork, research and development to make the industry more competitive and industry representation ensuring government and regulators have all of the necessary information for successful policy outcomes readily available.

APL operates on a five year strategic planning cycle. This document outlines APL's Strategic Plan 2015–2020, as amended in July 2018. The plan was originally put together as the result of a comprehensive consultation process commencing early in the financial year of 2013–2014, involving Australian pig producers, APL Delegates, directors and management, government representatives, the Australian pork supply chain and other important industry stakeholders. The plan has been amended in 2018 to reflect greater success than anticipated in performance of some of our KPI's, particularly around Australian pork consumption and changes to our operating environment as elaborated in the Chairman's Statement previous.

There are a number of key outcomes from the strategy review process that underpin the strategies and programs outlined in this document. They are outlined below:

- Industry reinvestment – higher profitability has resulted in industry reinvestment which consequentially leads to higher production volumes. Demand growth needs to match this supply shift to enable reasonable pork prices for our producers;
- Cost of production emphasis – the nature of the Australian pig producer's business environment is unlikely to allow for us to be amongst the world's lowest cost producers. We can however do better than we are doing now, which is necessary as a risk management measure for potentially more difficult times ahead with increased pork import pressures or shifted pork domestic supply-demand dynamics;
- International marketing – ninety per cent of Australian pork is consumed domestically, vulnerable to the price volatilities of the local market. To our north are international markets which consume enormous amounts of pork but sometimes have issues with the integrity of their own food production systems. Australia meanwhile is seen as a producer of safe, natural and healthy food. Greater resources will be directed towards medium and long term aspirations of business in international markets in Asia, including China; and
- Management of risks and opportunities – some critical issues for management by the industry do not change in five year strategy cycles. We will continue to leverage the nimble and compact nature of our industry to manage risks and opportunities around biosecurity and our herd health; animal welfare regulation, practices and progress; and systems for product integrity and food safety.



Our strategy contained within this document is built around five objectives, with Key Result Area targets for monitoring over the duration of this plan. These Strategic Objectives are:

- Growing Consumer Appeal
- Building Markets
- Driving Value Chain Integrity
- Leading Sustainability
- Improving Capability.

The document outlines the programs deemed necessary to support these objectives. Annual Operating Plans separately elaborate the annual levels of investment in projects designed to build the program results to the required outcomes.



APL Board and Executive Team



Mr Enzo Allara AM
Chairman and
Specialist Director



Mr Andrew Baxter
Specialist Director



Mrs Edwina Beveridge
Elected Director



Mrs Kathy Grigg
Specialist Director



Mr Rod Hamann
Elected Director



Mr Andrew Johnson
Elected Director



Dr Brian Luxford
Elected Director



Mr David Plant
Elected Director



Mr Geoffrey Starr
Specialist Director



Andrew Spencer
Chief Executive Officer



Deb Kerr
General Manager, Policy



Dr Heather Channon
General Manager, Research
and Innovation



Peter Haydon
General Manager, Marketing



Damien Howse
General Manager,
Corporate Services

APL Values, Vision and Purpose

APL Vision

Australian Pork – a uniquely contemporary part of our food industry

APL Purpose

APL – the catalyst for viable, progressive and market driven Australian pork businesses

APL Company Values

Passion and dedication to the cause of our farmers

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

Deliver what we promise, when we promised it

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

Respect and support colleagues

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

Create the future our farmers need

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

Celebrate achievement

We celebrate outcomes, share learning's and recognise excellence in performance against KPI's in both individuals and teams across APL.



Pork Industry Operating Environment

The Australian pork industry has demonstrated an ability to be nimble and proactive, in some cases leading the world. This will become an increasingly valuable capability as the rate of change in food markets continues to accelerate.

There has been significant progress in producers tailoring their products for specific customers and markets. This tailoring and deepening understanding of their customers' needs has helped many producers develop longer term business arrangements, contributing to greater industry stability and lower levels of market seasonality.

The primary changes envisioned over the course of this strategic planning period are listed below.

Demand change drivers:

- The combination of technology and increasing public interest in food will cause consumer groups to fragment into an increasing number of smaller and smaller segments. This will make provenance, production systems and product ranges more important and increasingly diverse;
- Much of the pork used in ham and bacon sold in Australia is imported. Whilst there will be short term fluctuations, this is likely to continue whilst the current Northern Hemisphere trade arrangements remain unchanged;
- Domestic competition for fresh pork from poultry and red meat has not been able to stop Australian pork from consistently growing its per capita consumption over the past several years. Strong international demand for red meat and recovery in stock numbers from drought has put upward pressure on domestic red meat prices over the past couple of years, making Australian pork more competitive on the retail shelf. Limitations in pork supply had led to strong farm gate pig prices until early 2017;
- Domestic retailing continues to be primarily driven by shopper convenience. This manifests itself in increasing per capita expenditure on food prepared out-of-home, stronger sales of value-added product as well as the growth of chain meat retailers. These trends are consistent with global trends and are likely to continue.

Supply change drivers:

- The pork industry's single biggest supplier is the grains industry. Grain prices are likely to remain unpredictable, due to the vagaries of weather and international trade; prices are also affected by other issues such as increasing demand due to global wealth generation, biofuels uses, financial speculation and an increasing global population but relatively fixed amounts of arable land;
- The Australian pork industry remains committed to actively engaging in policy and regulatory development as well as compliance with existing laws and regulations;
- Biosecurity remains critical to both our domestic and international position as a high health source of safe, clean and well managed premium food production;
- Building career paths, education and training strategies will all continue to impact the Australian pork industry's labour supply. These programs need to turn around the historic trend of decline; and

- The creation of adequate returns to justify future investment in the industry seems to have overcome a potential supply constraint. This has been further enhanced by the top performing producers that continue to improve productivity. Assuming they replicate their performance through the rest of the industry, this should improve overall industry performance.

APL's unique structure incorporating marketing, policy, research and innovation enables the rapid integration of all operational resources. This cross-divisional collaboration enables better and faster elaboration of solutions for industry.





Strategic Planning Context and Themes

A feature of the Australian pork industry is its relative concentration at the larger end and consequent ability to make decisions quickly. Whilst production is dominated by a reasonably small number of larger producers, the industry also has a large number of very small producers as shown in the table below.

Table 1. Classification of piggeries by size, measured by the number of sows as of early 2017

Farm Size (Number of Sows)	Classification	Number of Producers	Total Number of Sows
<8	Pig keeper	2,239	4,331
8–50	Small holder or small producer	475	9,465
51–150	Small commercial	160	15,905
150–500	Medium commercial	142	43,282
501–1000 (single site)	Large commercial	59	42,058
1000+	Very large commercial	75	168,884
0 sows	Grow out only	205	0
Total Producers		3,355	283,925

This industry structure was taken into account when designing the original Consultation Plan for the development of APL's 2015–2020 Strategy. The internal pig producer database was utilised to directly communicate with the whole industry regardless of membership, size or classification.

The consultation process for this amended Strategic Plan included discussion at Delegates Forums, and input from the Department of Agriculture & Water Resources, the Australian Food and Grocery Council and the Australian Farm Institute.

APL held a Delegate Forum in May 2017. At this forum, Delegates were briefed on the shifts represented in the amended strategy and took the opportunity to have input into its fine tuning.

The major areas that are the focus for industry changes are:

- Increased differentiation of Australian pork from other Australian meats and other sources of pork by harnessing Australian pork's increasing popularity amongst food opinion leaders, based on the industry's progressive attitude to quality, welfare (including herd health as well as production factors) and versatility;
- Increased activity in the creation of viable long term international business in collaboration with commercial supply chain partners;

- 
- Higher demand (leveraging domestic relative price advantages, successful differentiation and new international business) underpinning attractive pig producer returns;
 - A new focus on improved cost of production as insurance for harder times which are always a possibility; and
 - Understanding the threat of imported cooked products whilst devising strategies to limit their impact.



The Strategic Objectives at a Glance

Industry consultation resulted in five Strategic Objectives that will govern the specific programs under each of those objectives for APL and the wider pork industry in order to deliver against the targeted outcome statements. These are outlined in the table below and will be supplemented with an Annual Operating Plan. The Annual Operating Plan is implemented through a multi-disciplinary and cross divisional approach designed to maximise internal and external collaboration.

Table 2. Strategic Objectives and Outcomes Statements

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

Each Strategic Objective has an internal APL Champion to ensure that the process of strategy implementation is carried out in an integrated manner. This is a co-ordination role with the responsibility for program and project outcomes residing with the individual program or project leader.

Strategic Objective I

Growing Consumer Appeal

Rationale

Australian pork is consumed by around 80 per cent of Australian households each year. Approximately half of these households consume Australian pork every two weeks or so, the other half consume Australian pork much less frequently. The progress of the last five years has been driven by increased use amongst frequent users. Whilst this momentum will be maintained, the industry agreed levy increases are being used to address less frequent consumer needs providing them with a relevant ending to the statement “I chose Australian pork because...” Increasing consumer appeal will make Australian pork, as an umbrella brand, more valuable to consumers and therefore increase the total worth of Australian pork’s value chain outputs.

This strategy becomes all the more important as relatively high profitability through the industry during 2015 & 2016 has led to increasing production of slaughter pigs, creating some imbalance between supply and demand with its resultant impact on producer returns.

Outcome Statement

“Making Australian pork more uniquely valuable to consumers and increasingly a part of their eating pleasure.”





Program 1 – Better Pork

Product quality improvement is a continuous part of all successful food production industries. Consumer expectations are high and will reach greater heights over time. This program will seek to build product quality through greater consistency and absolute quality, broadening both perceptions of eating quality and increasing the incidence of delighted consumers while decreasing any incidence of disappointment.

This program requires evolution in Australian pork production systems, product preparation, presentation and the delivery of consumption pleasure.

Program 2 – Pork Made More Popular

Australian pork has gained in popularity with opinion leaders represented through, for example, celebrity chefs and television food programs. This has been converted to increasing popularity amongst those who are already familiar with pork. This program will continue to inspire existing frequent users whilst also enticing less frequent users to try simple and tasty Australian pork meal solutions.

This program seeks to continue and extend Australian pork's growth in consumer popularity both before and after product purchase.

Program 3 – Increasingly Different

Every successful product and brand offers a unique combination of attributes, benefits and experiences that make it different and better than its potential substitutes. At least some people in some circumstances require that it be uniquely the best choice. Best choice can be either one or more of the rational driving forces such as quality, convenience and value for money or an emotional trigger such as "pleasing my loved ones", a great eating experience, supporting Australia's iconic farmers or being a sustainable choice.

This program will look to build Australian pork's unique combination of benefits into an increasingly compelling, clearly differentiated proposition to each targeted group of consumers.

Strategic Objective 2

Building Markets

Rationale

In order to translate consumer appeal into consumer demand, action by players in the value chain is required. An evidence based understanding of what motivates consumers, retailers, production companies and producers has proven to be a consistently effective way of motivating commercial interests. In some circumstances this is as simple as “following the money” and in others it can be a much more subtle blend of the rational, the subjective and relationship considerations.

This program targets the conversion of consumer appeal into demand by identifying and sharing with value chain partners and collaborators, insights, business cases and activities that build viable market presence in ways that benefit each link in the value chain from producer to consumer.

Outcome Statement

“Using insights to develop markets that offer attractive demand for our products, our producers and our value chain collaborators.”





Program 1 – Market Insights

Increasingly retailers and pork processors are focusing on consumer and shopper insights to better understand market requirements. A deep understanding of consumers, shoppers and markets can help predict where, when and how consumers make food decisions. Deepening our pool of facts and enriching this knowledge with market testing, not only makes anticipated results more credible but also makes them more accurate. The conversion of consumer motivations into understanding of and implications for retail, wholesale and livestock markets are critical to business decision making throughout the value chain. Moreover, APL intends to act as a catalyst for new experiences generated through new product innovation. In addition, a thorough understanding of the dynamics for major industry supply inputs, such as grain, is of equal importance to producer business decision making.

This program identifies and prioritises market research acquisition requirements in order to facilitate fact based decision making throughout the value chain.

Program 2 – Domestic Market Development

The Australian pork industry distributes products through multiple retailing channels from supermarkets and butchers to cafes, restaurants and other venues. Sharing information, ideas and collaborating on in-market activity enables the Australian pork industry to leverage market intelligence and help industry present Australian pork to shoppers in the most appealing and motivating way. These interactions add to industry understanding of channel needs and help to deal with the evolutionary trends of retailing over time.

This program will look to expand the influence of Australian pork products in Australian markets, while contributing to the growth of Australian pork product sales.

Program 3 – International Market Development

Globally around 7.35 million tonnes of pork were exported in 2012. That is approximately twenty one times Australia's current production of pork. Australia has exported around 35,000 tonnes per annum, giving Australian pork a 0.5 per cent share of international pork trade in 2012. It is anticipated that international trade in meat will grow up to and beyond 2020. This represents a significant opportunity for our pork industry through this demand growth in selected markets.

This program will seek to expand sustainable and viable international businesses where market access is already available, while seeking new market access for targeted countries, with Asia and specifically China being a priority over the life of this Strategic Plan. The program combines efforts to access attractive markets for the future whilst in parallel, getting to understand consumer and market demands and designing products to fit them.

Strategic Objective 3

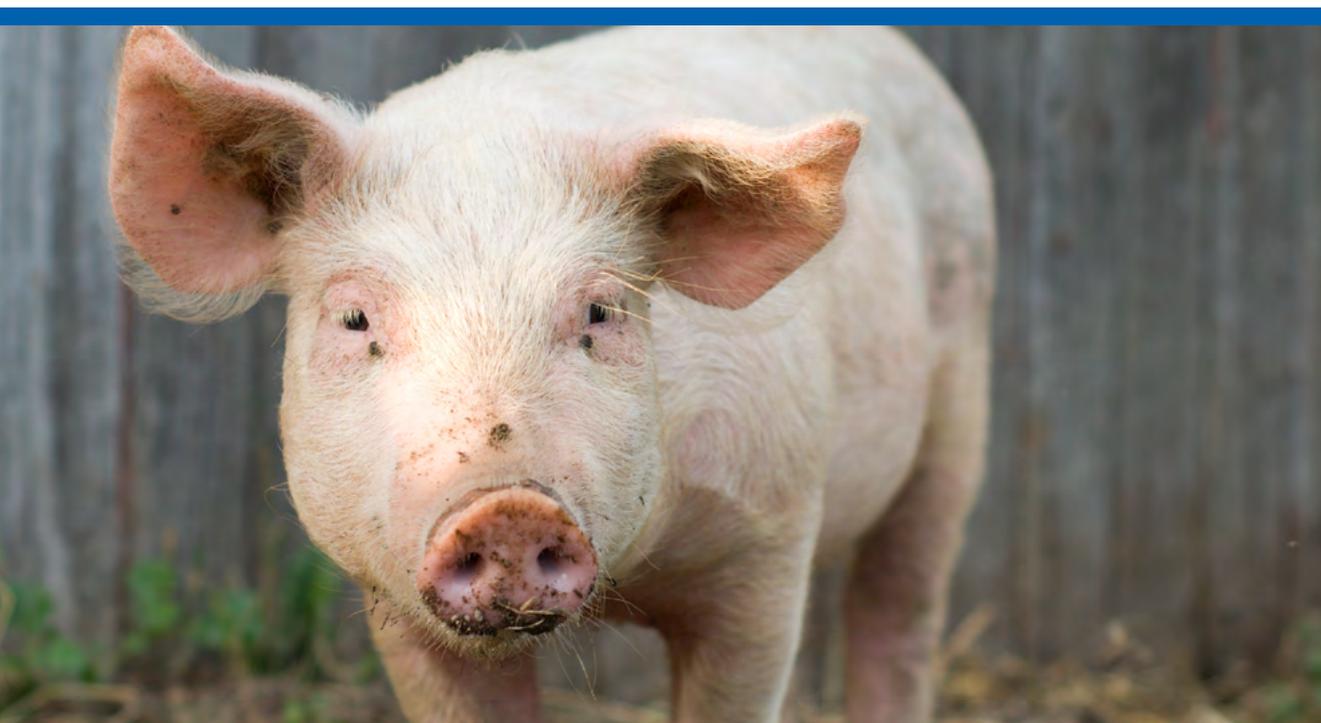
Driving Value Chain Integrity

Rationale

Australian and international consumer interest in the origin and integrity of food continues to rise. Australian food industries have demonstrated their 'Australian, clean and green' credentials and have been rewarded with international recognition of these attributes. The pork industry plans to continue to be a leader with innovative and cost-effective demonstrations of high level performance against industry and government standards. The industry aims to build consumer and community confidence and trust in Australian pork products by enhanced compliance with our higher standards. These initiatives will be delivered via a partnership approach with government, producers and value chain partners.

Outcome Statement

“Secured confidence in Australian pork products in terms of their source, the compliance with expected standards and aligning on-farm practices with consumer expectations.”





Program 1 – Trust in Pork Provenance

Today's food value chain is considerably more diverse and complicated than it was a few years ago. Equally, today's consumer is increasingly interested in and concerned about the provenance of their food. The Australian pork industry continuously strives to enhance consumer and community trust differentiating Australian pork from imported pork, the latter of which is quite often produced to standards lower than those met by the Australian pork industry. The need for greater transparency and traceability in the pork value chain are pivotal to achieving trust in Australian pork domestically, as well as in export markets and across a range of pork products.

This program will seek to encourage both adoption and implementation of programs that further build consumer trust in the provenance of Australian pork in domestic and international markets. Product integrity attributes can be a driver for new market penetration in Asia where trust in domestic food systems is, in many cases, low.

Program 2 – Pork Quality Assured

Australian Pork Industry Quality Program, 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). APIQ[✓][®] provides the framework and standards by which Australian pig producers can demonstrate care for their animals, the environment and their customers. This will be achieved by following safe and sustainable production practices underpinned by compliance verification across Australian pork production systems. It will also be extended selectively across high value subsets of the entire pork value chain.

This program will look to expand the APIQ[✓][®] program to further underpin the quality, integrity and traceability of Australian pork products in both domestic and international markets.

Program 3 – Fairness in Risk and Reward

All sectors within the pork value chain need to be consumer focused and must be better linked to enable the effective flow of market signals. Pork value chain businesses will have to develop systems and implement programs that better match their product to their customers' needs and the end consumers' needs. It is also imperative that value generated through the chain, including on farm, results in reward at the appropriate point in the chain.

Such an approach is absolutely crucial if the pork industry is to better meet the domestic and export consumer's needs in a timely manner.

This program seeks to provide a more efficient value chain with better links and understandings between product value, quality and integrity, leading to the production sector being properly rewarded for pigs that best match market expectations for pork.

Strategic Objective 4

Leading Sustainability

Rationale

Today's communities are placing increasingly high expectations on our industry to apply sustainable practices and standards to the way in which pork is produced. The Australian pork industry has demonstrated a willingness to walk the leadership talk. This progressive approach has been applied to facets of sustainability such as ethical production, food safety and nutrition. Continuing the progressive approach needs to incorporate societal foresight, industry preparedness and commercial outcomes for our producers. The Australian pork industry seeks to position itself as the global leader in contemporary sustainability with a focus on outcomes that reflect an ethical, responsible and profitable industry, delivering quality pork to the consumer.

Outcome Statement

“Remaining in step with society by reflecting community values in our ethics, our healthy herds and operating our industry responsibly and profitably.”





Program 1 – Addressing Societal Needs

The Australian pork industry has led the way globally through initiatives such as the “Shaping our Future” program, which aims to phase out gestation stalls by 2017. Societal expectations for leadership and sustainability will focus a broad suite of programs covering regulatory and policy areas, with a focus on improving the image of our industry to maintain the confidence of consumers, government, our markets and the Australian public. A more volatile political environment in Australia and globally means taking a stronger position in managing the risks associated with community engagement and perceptions of responsible production methods.

This program will identify and seek to implement programs that address societal needs for the sustainable production of pork that will underpin consumer trust.

Program 2 – Healthy Herds and Farms

The Australian pork industry must be productive in the face of domestic and international competition. To remain profitable, producers must safeguard the health and wellbeing of the pig herd, while reducing input costs and improving productivity. The Australian pig herd has a high health status. The absence of pig diseases not only contributes to the profitability of the farm business, it also improves the welfare of the animals. Industry will need to focus on disease prevention and preparedness for business sustainability.

In the global trading environment, Australian pork is a premium product, based on the clean and safe environment in which Australian pigs are raised. Critical to the Australian pig herd is biosecurity – it is the way in which we protect the health and wellbeing of our pigs. Australia’s science based biosecurity protocols mean that we are one of the few countries in the world that still enjoys a high disease free status, which protects our reputation for quality and safety. Our research shows that the Australian public are proud of our disease free status and overwhelmingly support scientifically based biosecurity protocols.

Maintaining the health status of our herds is our number one priority, through persisting with our science based import protocols and being prepared for emergency disease outbreaks.

This program will look to implement technologies, systems and management strategies that underpin and deliver healthy herds and farms.

Program 3 – Continuous Productivity Growth

On-farm productivity and minimising cost of production are challenges for Australian pork farms, especially in comparison with pork producing countries such as USA, Canada and Denmark. Much of this disadvantage relates to the ‘closed genetic herd’ status that prevents the importation of new genetic lines with higher productivity. These protocols are absolutely critical if Australia is to maintain its high biosecurity standards to prevent the outbreak of exotic diseases. Nonetheless, the Australian pork industry’s investment in continuous productivity growth is important to close the productivity gap. Continuous productivity growth relates to the quantity and quality of pork produced over time in relation to inputs required.

Strategic Objective 5

Improving Capability

Rationale

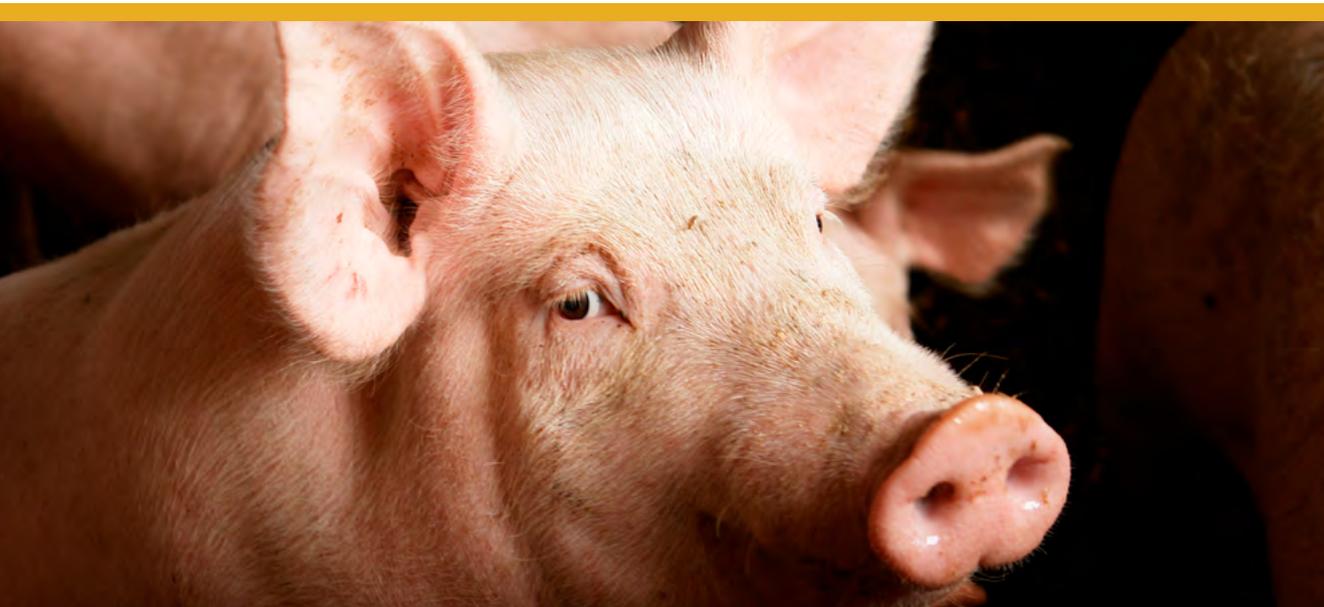
Australia has some structural cost disadvantages in labour availability, volume scale and pig carcass weight that makes the Australian pork industry unlikely to achieve a lowest cost producer status. Conversely it has some advantages in herd health, high production standards and food safety. Australian pork producers need to continuously improve their production, differentiation, and customer focus capabilities to offset their cost disadvantages.

As the national organisation representing Australian pork producers, APL is constantly seeking to enhance its operational effectiveness to maximise the return on producer levies and Federal Government matching monies for optimal payback to the industry. An ongoing challenge is serving our producers and membership at an optimal level as the diversity and polarisation of our membership profile trends towards both the large production ends and the smaller or niche production end. APL must adapt its membership proposition to be able to offer perceived value to all types of levy payers meeting their diverse requirements.

The industry's wider image and reputation as an exemplary citizen in the areas of environmental management, animal health and welfare leadership also acts to underpin consumer confidence in Australian pork both at home and in international markets.

Outcome Statement

“The Australian pork industry and APL leading the way in innovation, accountability and expertise.”





Program 1 – Applied Learnings

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

Program 2 – Building Industry Image and Reputation

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

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

Program 3 – Operational Effectiveness

Under this program APL, as a member organisation, continues to invest producer levies and government matching funds in an efficient and cost effective manner to deliver the Strategic Plan outcomes. In addition, the projects are designed to ensure APL is also viewed as an organisation of good corporate governance, which goes above and beyond its obligations to meet its statutory obligations, as well as a safe and fair work place. Membership of organisations such as the National Farmers Federation (NFF) and the Council of Rural Research and Development Corporations (CRRDCs) are also included under this program.

The reputation and community support for our industry becomes even more important in an environment of increased social media activism and difficult state and federal policy implementation.

This program is dedicated to delivering ongoing business efficiencies and business best practices that demonstrate to APL members the value of membership of their national representative body.

Australian Pork Industry Performance Tracker

Any strategy seeks to move a competitive position from the current one to a new, more attractive one. The measures and targets outlined below are aspirations APL has for each Strategic Objective. For the historical reference of prior targets, please refer to the Annual Operating Plan for the relevant year.

Each measure, although summarised here has a formalised methodology of reporting to ensure it is measured in a consistent manner with a defined regularity.

Table 3. Australian Pork Industry Key Results Areas

Strategic Objective	Key Result Area	Measure/ Units	Results achieved (by financial year)			Target (by financial year)		
			2015	2016	2017	2018	2019	2020
Growing Consumer Appeal	Australian Processed Pork Share	% volume of consumption	28.4%	27.7%	27.8%	24.7%	21.8%	19.1%
	PorkMark Awareness	% of Australians aware of PorkMark	57.0%	59.0%	55.0%	66%	68%	70%
Building Markets	Australian Fresh Pork Consumption	HSCW kg per capita annual consumption	9.79	9.71	10.81	11.10	11.60	12.00
	International Marketing	China Trade Protocols and Establishment Certification						Achieved
Driving Value Chain Integrity	APIQ [✓] Uptake	% production APIQ [✓] certified	91.4%	91.5%	90.2%	91.0%	91.0%	92.0%
	Residue Compliance	% compliance total tests	99.5%	99.4%	99.2%	100.0%	100.0%	100.0%
Leading Sustainability	Reproductive Performance	Pigs sold/sow/year	18.6	18.1	19	19.3	19.6	19.9
	Production Cost	%age premium in production cost over average of the USA	n/a	n/a	40%	40%	30%	30%
	Gestation Stall Free (GSF) Uptake	% sows GSF per industry definition	70%	76%	83%	100%	100%	100%
Improving Capability	Industry Certificate Three Penetration	% staff with Certificate 3	n/a	n/a	65%	46%	48%	50%
	Technology Adoption	Average % of production adopting new technologies	74%	74%	48%	>50%	>50%	>50%

HSCW = Hot Standard Carcase Weight



Industry Assumptions 2015–2020

The table below outlines the assumptions around the key industry parameters over the term of the Strategic Plan.

The parameters demonstrate:

- A steady increase in the volume of Australian pork produced, which grows ahead of population over the planning period, increasing Australian per capita consumption of fresh pork;
- Production increases are driven by improvements in pigs sold per sow per year and increased sow numbers;
- Broadly stable Australian share of processed pork products;
- Growth in Australian pork exports;
- Pig price increases ahead of the average food inflation rate for the last five years; and
- Imports rise to fill increases in population not serviceable from Australia.

Table 4. Projections for Industry Development to 2020¹

Year Ending June 30	2015	2016	2017	2018	2019	2020
Slaughter Numbers	mill. 4.92	5.00	5.15	5.35	5.40	5.45
Average Weight	HSCW kg 75.40	75.50	76.70	77.20	77.70	78.20
Total Domestic Produced	HSCW tonnes 000's 371.27	377.50	395.01	413.02	419.58	426.19
Industry Gross Value of Product	\$ mill. 1191.8	1355.2	1244.3	1239.1	1321.7	1406.4
Exports – meat only	HSCW equiv. tonnes 000's 36.44	34.78	35.94	38.69	41.44	44.19
Imports	HSCW equiv. tonnes 000's 290.5	297.41	308.57	303.57	303.57	303.57
Total Available Domestic	HSCW tonnes 000's 625.32	640.13	667.64	677.90	681.71	685.57
Domestic Consumption Fresh	HSCW kg/capita/annum 9.7	9.71	10.51	11.10	11.60	12.00
Domestic Consumption Processed	HSCW kg/capita/annum 16.52	16.73	16.68	16.01	16.01	16.01
Domestic Consumption Total	HSCW kg/capita/annum 26.22	26.44	27.18	27.21	26.97	26.73
Total Fresh	HSCW tonnes 000's 231.35	235.09	257.90	276.59	293.24	307.75
Total Processed	HSCW tonnes 000's 393.97	405.04	409.74	398.82	404.60	410.47
Total Australian Processed	HSCW tonnes 000's 103.47	107.63	101.17	97.74	84.90	74.25
Australian Processed Share	% 26.3%	26.6%	24.0%	24.5%	21.0%	18.1%

¹ Sources include the Australian Bureau of Statistics, APL Producer Surveys and Nielsen



Financial Performance 2015–2020

The assumptions in the previous section have been used to forecast the financial performance of APL for the remaining period of the 2015–2020 Strategic Plan, including the resources required to deliver against the Strategic Objectives. It should be noted that the actual fiscal allocations for each Strategic Objective will be determined by the Board annually and outlined in each corresponding Annual Operating Plan.

The key assumptions used to ascertain the forecast financial performance are:

- Apart from the final marketing levy increase which took effect from 1 July 2016, there is no further APL levy change included in the financial forecast;
- The continuation of the Export Market Development Grant (EMDG) system that is currently in place; and
- The continuation of the R&D matching system in its current form and at its current levels.



Table 5. APL financial income and expenditure planning through to 2020

Year ending 30 June \$ '000	Actual				Budget				Forecast			
	2015		2016		2017		2018		2019		2020	
	R&D	Marketing	R&D	Marketing	R&D	Marketing	R&D	Marketing	R&D	Marketing	R&D	Marketing
Levy	\$ 5,178	9,886	4,978	9,710	5,106	11,488	5,320	11,970	5,370	12,083	5,480	12,330
Government R&D Matching Contributions	\$ 4,870	0	5,310	0	5,096	0	5,265	0	5,620	0	5,480	0
Government R&D Matched Voluntary Contributions	\$ 0	0	0	0	0	0	0	0	0	0	0	0
Industry Contributions	\$ 0	0	0	0	0	0	0	0	0	0	0	0
Grants (EMDG)	\$ 0	0	0	0	0	87	0	100	0	100	0	100
Other Revenue	\$ 0	419	0	991	0	925	0	223	0	317	0	300
Total Income	\$ 10,048	10,305	10,288	10,701	10,202	12,501	10,585	12,293	10,990	12,500	10,960	12,730
Strategic Objective 1 Growing Consumer Appeal	\$ 118	4,874	0	6,339	897	7,775	521	5,845	668	7,653	667	7,375
Strategic Objective 2 Building Markets	\$ 1,435	2,232	1,732	2,383	1,517	3,290	1,593	2,877	1,875	2,631	1,870	2,680
Strategic Objective 3 Driving Value Chain Integrity	\$ 1,330	578	1,198	441	1,079	808	1,120	614	1,032	481	1,029	489
Strategic Objective 4 Leading Sustainability	\$ 4,633	568	4,923	1,049	4,384	702	4,747	1,305	5,331	726	5,316	740
Strategic Objective 5 Improving Capability	\$ 1,971	453	2,059	647	2,162	670	2,294	924	2,049	1,041	1,813	1,060
Other Expenditure	\$ 281	183	186	152	153	115	255	297	265	338	264	344
Total Expenditure by Category	\$ 9,768	8,888	10,089	11,011	10,192	13,360	10,530	11,862	11,220	12,870	10,960	12,687
Total Expenditure	\$ 18,656		21,100	(111)	23,552	22,392	24,090					
Surplus/Deficit	\$ 1,697		(111)	(850)	486	(600)	43					

National and Rural Research and Development Priorities

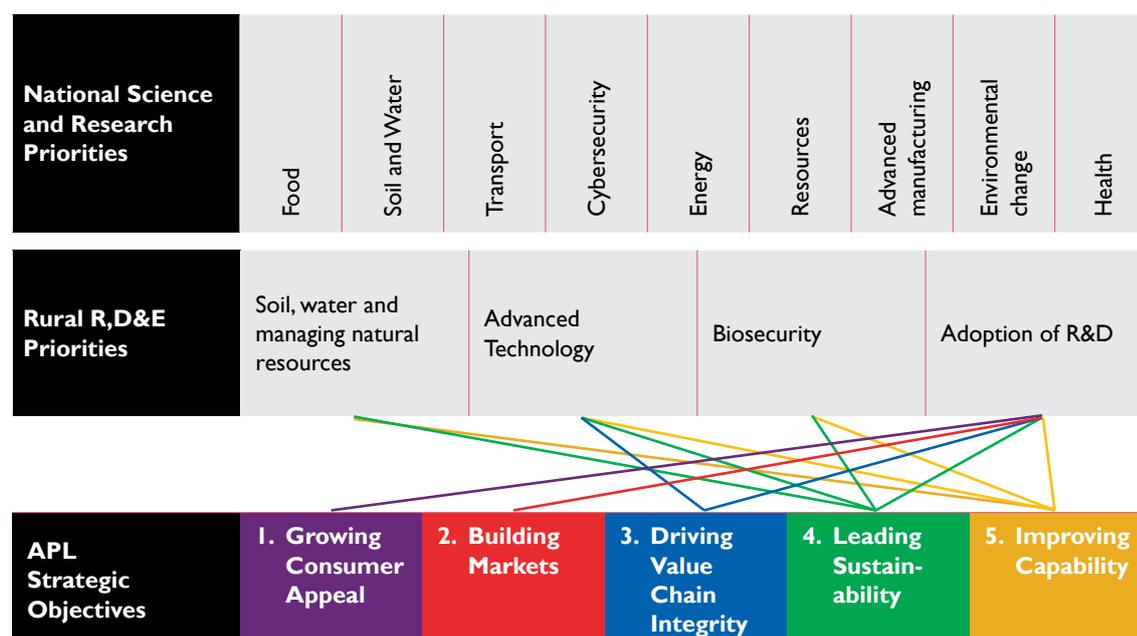
The Australian Government provides matching contributions to APL for eligible R&D expenditure to a limit of 0.5 per cent of the industry's gross value of production, cumulative up to the R&D levy collected by the Government. The substantial support provided by the Commonwealth enables APL to significantly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

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

APL is committed to ensuring a sustainable and competitive Australian pork industry focused on:

- The implementation of new and advanced technologies and RD&E outcomes by producers and key industry stakeholders that enhance soil, water and natural resource management that is economical and environmentally sustainable;
- Protecting Australia's community, primary industries and environment from biosecurity threats; and
- Enhancing productivity

The table below shows how the Australian Government's National Science and Research Priorities and Rural RD&E Priorities are aligned to the five Strategic Objectives for R,D&E investment for the years 2015–2020. Planned financial resource allocations will be provided on an annual basis in the Annual Operating Plan.





Collaboration

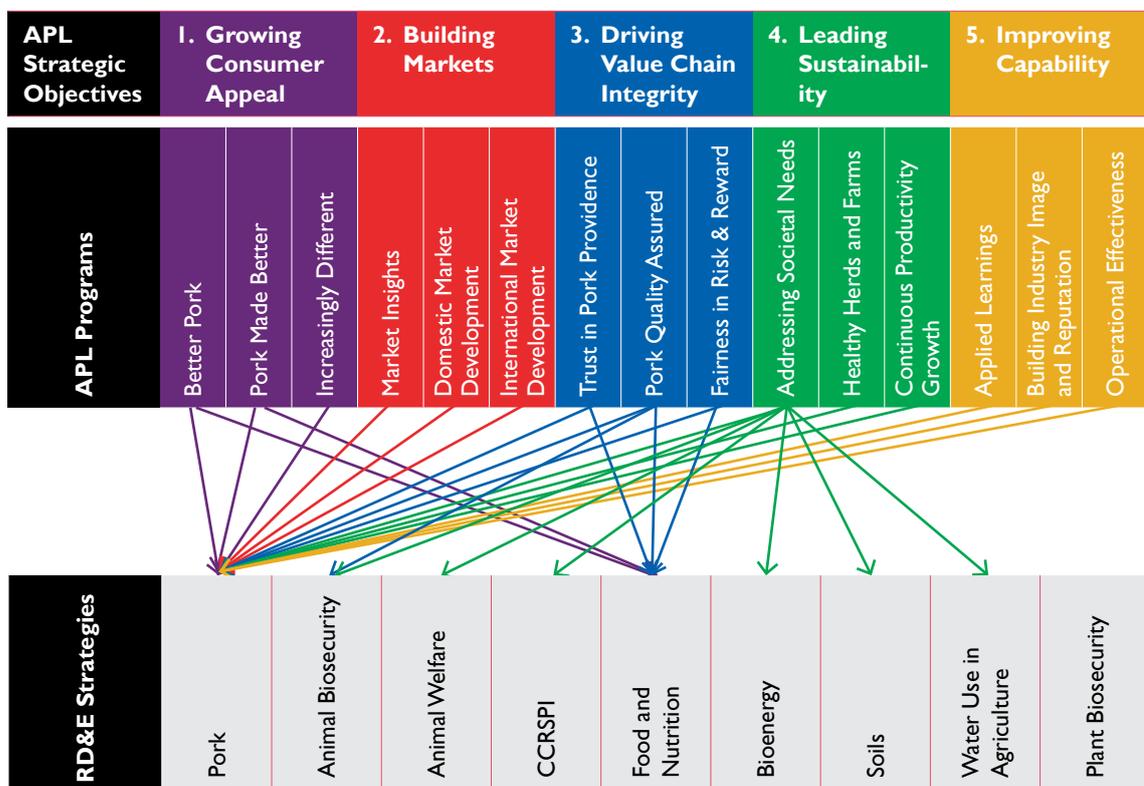
APL is a leader when it comes to collaboration within and across the agricultural research and development corporation (RDC) environment. Outlined below are key highlights of this collaborative effort.

National Primary Industries Research Development and Extension Framework

The Australian, State and Territory governments, Rural R&D Corporations, CSIRO, and universities are jointly developing the National Primary Industries Research, Development and Extension (RD&E) Framework to encourage greater collaboration and promote continuous improvement in the investment of RD&E resources nationally. The identified outcome will be a more coordinated and collaborative approach to rural RD&E, and national research capability will be focused, used efficiently and effectively to achieve the best outcome and uptake by primary industries.

The Framework includes 14 sectoral strategies (including pork) and eight cross sectoral strategies². APL is also the lead RDC on the Animal Welfare cross sectoral strategy.

Specifically, the APL Strategic Plan aligns a number of programs to the pork sector and cross sectoral strategies under the National Primary Industries RD&E Framework as shown below, and elaborated on, over the page:



² The cross sectoral strategies of most relevance to the pork industry are animal welfare, climate change, animal biosecurity, food and nutrition, and soils. The remaining cross sectoral strategies are water use in Australian agriculture and plant biosecurity.



National Pork R,D&E Strategy: APL and the Pork CRC have worked in collaboration to ensure that pork RD&E is focused, efficient and delivers outcomes in a timely manner so that the Australian pork industry is competitive, productive and sustainable. This collaboration between APL and the Pork CRC has ensured that there is no duplication in R,D&E effort. To ensure the increased alignment and coordination of the various pork R,D&E programs, APL and the Pork CRC, in conjunction with the various governments, university and industry R,D&E stakeholders, have developed a comprehensive Pork R,D&E Strategy that comprises a number of important components:

Pork RD&E facilities:

- Focusing resources into fewer but better-funded experimental-ready facilities that are critical to meeting the current and future needs of the industry; and
- Providing certainty for these facilities by base funding them on a rolling two-year basis.

Pork RD&E programs:

- Moving from a project-by-project basis to a coordinated national program approach; and
- Enhancing the development and retention of appropriate human resources and skills of RD&E programs and activities.

The base funding of core RD&E facilities includes a mix of state government ‘discovery’ sites and commercial RD&E facilities. The cost efficiencies as a result of base funding of core RD&E facilities are very significant. The funding of core RD&E facilities has also meant that these key facilities are used to their full potential. This also ensures that scientists will be able to focus on delivering the research programs that will enhance the sustainability of the pork industry rather than having to constantly worry about securing funding for their key technical staff. Scientists currently not linked to a pork RD&E facility have been able to conduct their research at an appropriate site. The timeliness of research conducted has also been enhanced. The pork R,D&E Strategy is in its third two-year implementation phase.

In addition, the pork industry is implementing a new RD&E funding model to ensure current industry co-investment levels are sustained beyond the current Pork CRC. The Australasian Pork Research Institute Limited, of which APL is a member, will be an operational research entity in 2018/19. This new RD&E funding model will continue to underpin the National Pork RD&E Strategy.

For an RDC like APL, the cross sectoral R,D&E strategies have enabled the pork industry to increase its collaboration and leverage of its R,D&E funding in a number of areas. These include:

Climate Change Research Strategy for Primary Industries (CCRSPI): includes all of the rural R&D corporations, as well as the state Departments of Primary Industries, the CSIRO and key universities doing research in the field of agriculture and climate change. The revised CCRSPI structure and its implementation strategy have enabled APL to participate in a large body of research and be heard on many issues that would otherwise be beyond its research budget or policy influence. APL is a CCRSPI Steering Committee member.



Cross Sectoral R,D&E Strategies and Projects: APL continues to be actively involved with the development and implementation of a number of other cross sectoral RD&E strategies, including the Animal Welfare RD&E Strategy (Champion status, Steering committee member, and project management coordinator), the Animal Biosecurity RD&E strategy (Steering Committee member) and the Food and Nutrition RD&E Strategy. APL is also leading three DAWR funded projects as part of the Rural Research and Development for Profit program (as at July 2017 across the three funded rounds to date) and involved as a collaborator in eight others.

NAMMP: APL successfully led a manure management research consortium known as the National Agricultural Manure Management Program (NAMMP). NAMMP was developed and supported by the intensive livestock rural R&D Corporations (RDCs) and included Meat & Livestock Australia (MLA), Australian Egg Corporation Ltd (AECL), Rural Industries Research & Development Corporation (RIRDC), Chicken Meat Council and Dairy Australia (DA). The funding for NAMMP was sourced from Department of Agriculture's Filling the Research Gap program and RDCs. The program's focus is on greenhouse gas mitigation from alternative and improved manure management systems with the aim of developing Carbon Farming Initiative (CFI) methodologies and subsequent carbon credit opportunities for producers.

Feed Grain R&D Partnership: APL is a key member of the cross-sectoral Feed Grain R&D Partnership, which also includes the Grains Research & Development Corporation (GRDC), DA, MLA, AECL and the Pork CRC, to ensure feed grain R&D continues to be a focus for both the GRDC and grain growers, and that the group identifies and addresses key feed grain R&D priorities. The Feed Grain Partnership continues its role as a focal mechanism for the major organisations and companies in the feed grain industry, to provide whole of supply chain guidance to the different agencies.

In addition, APL is also involved in a number of collaborative R,D&E projects with other RDCs including food safety – MLA, Australian Meat Processor Corporation (AMPC); animal welfare – AMPC; and environment – MLA.

Council of Rural Research and Development Corporations (CRRDC): APL is also a sharer of collaborative services including the hosting of the Council of Rural Research and Development Corporations (CRRDC), as well as sharing of office premises with Horticulture Australia Limited (HAL) in Melbourne and Sydney. APL continues to proactively seek opportunities for collaboration with other RDCs on projects and shared services.



Corporate Governance Statement

Role of the Board

The APL Board sets strategic direction within the requirements of the company's constitution, the Commonwealth Funding Agreement and the *Corporations Act 2001*. When strategic direction is developed, the views of members are considered through consultation with member's delegates.

The Board delegates responsibility for effective management of the company and delivery of strategic direction to the Chief Executive Officer.

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

The Board's functions include:

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

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

Composition of the Board

APL Delegates elect five producer directors to the APL Board. In turn, the Board recruits four specialist directors to ensure a balance of skills and expertise which is in accordance with criteria set out in the company's constitution and the Funding Agreement with the Commonwealth.

Board remuneration

Total Board remuneration had been set in the company's Constitution at a maximum of \$360,000 per annum. This remuneration level was increased at the 2009 AGM in line with constitutional requirements to \$380,000 per annum adjusted annually for Consumer Price Index (CPI) increases from 31 March 2009. This amount was set on advice from an independent consultant and through Board consideration of similar industry organisation benchmarks. Aggregate Board remuneration can only be increased with the consent of the company's members. The company's Constitution



also provides for individual directors to be paid additional remuneration where they perform services outside the scope of the ordinary duties of a director.

Board meetings

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

Board committees

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

Audit, Risk and Corporate Governance Committee

- The committee is chaired by an APL director and includes at least two other nominated directors. While some responsibilities have been delegated to the Committee, the Committee is an advisory committee. The primary responsibilities of the Committee are in respect of corporate governance, internal and external auditing, adequacy of accounting procedures, systems, controls and financial reporting. It also reviews risk management and fraud control management, intellectual property management, and qualification of research and development and matching expenditure in compliance with major contracts.

Human Resources and Remuneration Committee

- The committee is chaired by an APL director and includes two other nominated Board members. The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management.

Market Development Committee

- Directors with marketing experience are members of the Market Development Committee, which also includes industry stakeholders (by invitation) from the supply chain. The committee reviews the market environment and marketing developments for the domestic and export markets and advises the Board, through management, on appropriate strategies.

Quality Assurance and Animal Welfare Committee

- The Animal Welfare/Quality Assurance Committee is chaired by a director and provides input guidance to the APL Board for the development of policy and strategic communications on emerging or specific animal welfare and quality assurance issues that have potential to significantly impact producers' future sustainability.

Research and Development Advisory Committee (RDAC)

- The committee is chaired by an APL director and provides recommendations for direction toward activities around the development, management, performance and outcomes of APL's research and associated activities. In addition to the Chair, the Committee includes two further APL directors; four specialist groups and a Technology Adoption and Industry Capability group. The Chairs of each of the specialist groups are appointed by the Committee.



Board development and performance

The Board is accountable to Members and their Delegates as described in the company's Constitution. The Board reviews its performance in the following areas on a regular basis:

- Roles and responsibilities;
- Timeliness of advice and direction to management;
- Effectiveness of board meetings;
- Interaction with management; and
- Contribution to the ongoing performance of the company.

An assessment of Board and Committee performance is carried out at least bi-annually. Every alternate review is performed by an independent consultant. External assessment of the Board was last performed by an independent consultant in 2017.

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

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

Board policies

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

Business approach

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

Conflict of interest

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

Corporate social responsibility

APL encourages sustainable actions within the organisation and places a lot of importance on working towards a positive regulatory environment by assisting industry with important social issues, in particular food safety, product integrity and animal welfare.

These endeavours towards sustainability and corporate consciousness are mentioned below with some examples reported:



Maintaining Ethical and Responsible Marketplace Practices:

- Nutrition programs, in particular diet education, public health and food safety
- Improved product labelling to assist Australians more clearly identify country of origin and welfare standards through the PorkMark, Outdoor Bred and Free Range logos (underpinned by APIQ[✓]®).

Respecting and Engaging Staff:

- Respect and support colleagues as a core value
- A cultural value of continuous workplace improvement
- Training and development plan and study assistance.

Taking Care of the Environment in which the Company Operates:

- Research on issues of importance within the National Environmental Guidelines for Piggeries (NEGP)
- Voluntary phase out of the use of sow stalls by industry by 2017.

Strengthening the Company's Place within the Community:

- Multi-media educational program for primary schools
- Provision of Christmas hams and pork to charity.



Compliance Statements

Consultation with members and levy payers, Government and industry Stakeholders

APL regularly engages and consults with its key stakeholders about the operating environment, priorities and desired outcomes for the industry. The company's strategies are designed to actively support the needs and aspirations of both the industry and the Australian community.

Business best practice

APL adopts best business practices, including adherence with relevant Australian Standards and leading organisational management models including:

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



Alignment with Guidelines

The following compliance table provides the link between the requirements under the Funding Agreement and the disclosure of the requirements in this Strategic Plan.

Table 6. Alignment of Strategic Plan with Statutory Funding Agreement obligations

Funding Agreement 2016–19 ~ Clause 12.10 Strategic Plans	Strategic Plan page no.
a) The Company's vision or mission statement	8
b) An assessment of APL's operating environment including its strengths, weaknesses, opportunities and threats, and including current and future trends and implications	11
c) Collaboration with other RDCs on priority Research and Development issues	30
d) A broad overview of the priorities and outcomes from stakeholder consultation, as more fully described in the stakeholder consultation plan required under clause 12.11	28
e) An explanation of the extent to which the priorities of Levy Payers are reflected in the Strategic Plan	From 13
f) A broad investment plan and funding model for Industry Research and Development Activities and marketing Activities	27
g) Key investment priorities and outcomes planned for the period of the Strategic Plan	13
h) The Research and Development and Marketing Activities that APL intends to fund to achieve the planned outcomes	From 14
i) Key deliverables which contribute to achieving the planned outcomes	13
j) Performance indicators that enable progress being made towards achieving planned outcomes to be monitored and reported upon	24
k) How the Research and Development and Marketing Activities to be funded, align with, and give effect to, the Guidelines	28
l) How APL addresses extension, technology transfer, and commercialisation of Research and Development, and demonstrate that extension and adoption are incorporated into planning and approval processes	29
m) Estimates of income and expenditure, including broad estimates of expenditure separately for each of the key Research and Development and Marketing Activities, for the life of the Strategic Plan	27
n) An explanatory statement of APL's approach to ensuring a Balanced Portfolio appropriate to the Industry	40
o) A corporate governance statement noting the Commonwealth's expectation that APL implement good corporate governance practice in managing and investing the Funds; and	From 32
p) APL's roles and responsibilities as the declared Industry Services Body under the Act including APL's: <ul style="list-style-type: none"> i) mutual obligations as partner with the Commonwealth in delivering services to members and Levy Payers; and ii) responsibilities for the custody and investment of the Funds. 	From 2



Program and Evaluation Framework

Purpose

This Evaluation Framework supports APL's Program Framework; a requirement of the Funding Agreement 2015-19 between the Commonwealth of Australia represented by the Department of Agriculture and Water Resources and Australian Pork Limited (APL). APL consulted with the Commonwealth in preparing the Evaluation Framework.

The Evaluation Framework describes the process of undertaking rigorous and regular evaluation of Research and Development activities and Marketing activities. Outputs and performance impacts of APL's Program investments are systematically evaluated through APL's Evaluation Framework and summarised in APL's Annual Report.

Strategies, objectives, and KPIs are set out in APL's Strategic Plan and the Annual Operating Plan which outline activity plans by Program. The Evaluation Framework covers:

- Evaluation of possible projects in the Program
- On-going evaluation of projects through the life of the Program
- Evaluation of projects at the end of the life of the Program and dissemination of outcomes.

Evaluation of possible projects in the Program

The decision to invest in a project is made following evaluation of the:

- Alignment of the project with the Strategic and Annual Operating Plan. The Strategic Plan is reviewed annually
- Alignment with APL's Governance Framework and Corporate Social Responsibility policies
- Likely economic, societal and environmental impacts with particular consideration given to the national rural R&D priorities and providing outcomes for Australian pork producers and the Australian pig industry as a whole
- Value for money and Program budget. During the evaluation stage the expected beneficial financial impact for Australian pork production is undertaken using a whole of production discounted cash flow model. The potential and likely contribution of non-financial impacts are also considered in conjunction with APL's Strategic Plan
- Pathway to adoption, uptake and commercialisation opportunities, where relevant
- Risks associated with the project.

The R&D and non-R&D costs of each project being evaluated is reported separately and in aggregate.

On-going evaluation of projects through the life of the Program

Projects are classified into programs. The impact of programs on the industry as a whole are measured using Key Result Areas (KRAs). APL's performance in efficiently and effectively delivering programs are measured using organisation Key Performance Indicators (KPIs). APL's KRAs and KPIs are published in APL's Annual Operating Plan which is available on APL's website.



Projects are measured and evaluated through their life as milestones are assessed, to ensure further investment continues to be relevant. The measured KRAs and KPIs for each program are reported to the APL Board at least twice per annum and in some case more often. The measured outcomes are reported in APL's Annual Report which is available on APL's website. The Annual Report describes inter alia how the programs advance the objective outcomes of the Annual Operating Plan and the Strategic Plan.

Evaluation of projects at the end of the life of the Program

All programs are evaluated by the Executive Team and the Board at the end of the life of the program. Selected Programs incorporate a budget for ex post evaluation of projects to be performed by external independent consultants. These post-project evaluations apply the evaluation guidelines for the assessment of performance impacts developed by the Council of Rural Research and Development Corporations. APL also participates in the Council's process for aggregation of performance impact evaluations undertaken across the RDCs.

Typical ex-post reports performed by external independent consultants include:

- Industry Economic Impact Reports (whole of industry)
- Ex-Post Economic Analysis (programs and projects)
- Ex-Post Benefit Cost Analysis (projects)

Research and Development findings are published and disseminated through APL's various communication channels unless there is a cogent reason why publication is not appropriate such as when APL is pursuing a commercialisation opportunity.

Program Framework

APL's Evaluation Framework supports the following Program Framework.

APL has an established structure which facilitates planning, guides investment selection, monitors performance and reports on progress/achievements resulting from the investment activities.

The Program Framework has the following elements:

- The Australian Pork Limited Strategic Plan 2015-20 which describes the objectives, outcome statements and key performance indicators to direct investment of levy payer funds and Commonwealth Matching Payments
- Delivery of the strategic objectives are supported by Annual Operating Plans (AOPs). The AOPs are annual investment plans that describe how programs are funded to achieve the agreed five year strategic outcomes. Each program in an AOP is comprised of a number of projects and each project may be comprised of one or more activities
- The annual report brings together performance related information generated by the Program Framework and summarises the AOP outputs and impact of investments
- The performance review under the Funding Agreement will include information on the extent to which planned services and deliverables were met and the outcomes of evaluations completed.



A balanced R&D portfolio

APL invests in new, developing, maturing and established industry programs. These investments compliment several national and cross-sectoral programs and initiatives.

Investment is allocated to achieve a balanced, financially responsible investment of both industry and Commonwealth Matching funds.

Our investments integrate the triple bottom line objectives of economic, environmental and social responsibility. The majority of investment is aligned with short to medium-term outcomes with the remainder contributing to long-term strategic objectives.

APL's systems enable the portfolio of investments to be classified by various dimensions including:

- government research priorities
- program objectives
- project length
- levels of risk, return and leverage.

The Board has established a number of committees to assist in identifying and advising on specific investment priorities. Elected Delegates representing Australian pork producers communicate the contemporary views of the Australian pork production industry to APL at least twice per annum.

Each committee is comprised of members of the APL Board as well as representatives from the whole of industry and meet at least twice per annum. Elected Delegates are appointed to represent the Australian pork producers for three year tenures.

Extension and adoption statement

Australian Pork Limited (APL) and the Pork CRC have worked in collaboration to ensure that pork research, development and extension (RD&E) is focussed, efficient and delivers outcomes in a timely manner to ensure that the Australian pork industry is competitive, productive and sustainable. This collaboration between APL and the Pork CRC has ensured that there is no duplication of RD&E programs and activities by the two entities.

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