

AUSTRALIAN
Pork[™]

AUSTRALIAN PORK LIMITED
Annual Report
2009-2010



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Chairman's Message 2009-10

As Chairman, I present to you on behalf of the Australian Pork Ltd (APL) Board, the company's 2009-10 Annual Report.

This was the first year of our new Strategic Plan and despite some changes to the assumptions around the external environment, the key objectives and strategies remain valid. Good progress has been made in the first year to deliver on these.

The 2009-10 financial year resulted in a planned deficit for the second consecutive year. The APL Board agreed this deficit in line with APL's Reserves Policy which aims to ensure that APL can address emerging or emergency issues. The Reserves Policy also enables 'smoothing' of project expenditure over a period of years when a short-term decrease in forecasted levy revenue is expected and provides a balance between funding security and flexibility in recognition of the long term nature of certain R&D contracted commitments. As the level of reserves held by APL was in excess of the minimum level required, the Board agreed to the use of \$1,440,102 of reserves in 2009-10 to supplement funding. The level of reserves held as at 30 June 2010 remains above the minimum level required.

Overall, production volumes for the past year showed a slight increase over 2008-09 but are still about 10 per cent below the pre crisis levels of 2007-08. Despite this, selling prices have fluctuated in response to seasonal variations in supply and demand. Imports continue to grow and erode the domestic share of the processed market. Margins, however, remained at acceptable levels thanks to the lower grain prices.

Consumption of fresh pork, on a per capita basis, has shown some growth and the use and visibility of the Australian Pork 'pink logo' continues to grow. This is being underpinned by the PorkStar events as well as the newly launched Ham Week and Bacon Week. The return of the punchy advertising slogan 'Get Some Pork on Your Fork' will help to remind consumers to buy more pork. Even though we are seeing an increase by major retailers in the use of "Australian Pork" on fresh pork, the issue of meaningful labelling on processed pork remains an area of continuing activity and concern.

Research activity from both APL and the Pork CRC continues to deliver a range of tangible outcomes and benefits and these are critical to increasing on farm productivity and competitiveness. Understanding what research outcomes are available and how they might be applicable to individual producers is always a challenge, and a much more structured approach has been developed by APL and the CRC to transfer these technologies to producers.

Ethical production of food seems to be a growing community and consumer concern and, as a result, some of the traditional farming practices that have been successfully used over many years are being questioned. The prime area of concern for the pork industry seems to be around the future use of gestation stalls even though the best science currently available indicates that a sow's early pregnancy is best managed through the use of stalls. Unfortunately these concerns do not always revolve around science and are heavily influenced by community perceptions. APL began the process of raising awareness of this issue earlier in the year and is now in the process of a significant consultation process with all producers and members to determine what action will be taken by industry. This process continues until the Annual General Meeting (AGM) in November.

To conclude, I would like to thank the Board, management and staff for their continued commitment to the Australian pork industry. There are challenges, but I am sure that the hard work and dedication of all those involved will allow us to face these challenges with confidence.

Enzo Allara
Chairman, APL

Report from the Chief Executive Officer 2009-10

Like every other year, 2009-10 has been a busy one for Australian Pork Limited (APL) management and staff. Internal and external issues to the industry, with short and long-term impacts, continued to challenge us in making a positive difference to pig producers' lives and livelihoods.

Dynamics of the Market

After 2008-09 had seen some stability return to pork markets, due to higher prices and reduced costs of grain, 2009-10 saw the commencement of pig prices returning to levels closer to longer term trends. Surprisingly, this was probably more to do with continually growing volumes of imported pig meat than it was to do with increasing number of domestic pig slaughters. The year ending in June 2009 saw some 4.5 million pigs slaughtered in Australia and by the end of June in 2010, this figure had only risen to around 4.6 million pigs slaughtered. Despite the relatively flat slaughter numbers, pig prices began to significantly fade post Christmas 2010, as the high volumes of imports led to some levels of oversupply in the market. Fortunately, grain prices continued to remain low which supported ongoing profitability for most producers, albeit at lower levels than had been seen for the 2008-09 year.

Internationally, a reduction in pig production in the United States (US) during the year saw the prospects for pig prices there improve significantly. The considerable volume of exports coming out of the US means that this is good news for global pig prices, but the strong A\$ means that our ability to benefit from these dynamics is very limited.

Since the end of the 2009-10 financial year, we have seen a sudden and steep rise in global grain prices, due mainly to drought in Russia. The persistence and end levels for these prices is still unsure, but this can't be good news for profitability levels in the pork industry.

New Australian Pork Limited Strategic Plan

This is the first year of working to the new APL Strategic Plan 2010-2015. As you will see in the performance reports in this document, the new Strategic Plan is made up of five core objectives, being:

- Build Consumer Demand
- Viable Productive Farms
- Efficient Value Chains
- Leadership, Preparedness, Stewardship
- Industry Cohesion and Responsiveness

The new APL Strategic Plan 2010-2015 was launched at a function at Parliament House in Canberra in September 2009. We believe that it gives a clear focus for the highest priority activities of APL for the next five years.

HINI – Industry Goes into Damage Control

Late in the previous financial year, we had to contend with the unfortunately named 'Swine Flu' pandemic. This crisis completely hijacked the calendars of many of us in the Canberra APL offices, having to devote our full-time attention to the topic for a significant period into 2009-10. The major objective of our efforts was to minimise any disruption to pork consumption by perceptions of catching the disease by eating pork. Additionally, we wanted to minimise any negative impacts on the health of the Australian pig herd and its workers.

APL's efforts in this regard have been broadly praised as having been highly effective. Whilst consumption did diminish for a time, it was only over a short period and was even managed when the disease showed up for the first time on an Australian piggery.

Report from the Chief Executive Officer 2009-10



There are lots of lessons to learn from an experience like this one. Our PorkSAFE crisis management system has enabled their collection, in case we need to draw on them again at some point in the future. Let's hope not.

Pork Industry R,D&E Strategy

During the past financial year, APL, in conjunction with the Pork CRC and the state and federal government primary industries agencies developed the Pork Research, Development and Extension (R, D&E) Strategy. All rural industries are developing their own similar strategies under the umbrella of what is known as the R,D&E Framework, managed through the Primary Industries Standing Committee (PISC) and Primary Industries Ministerial Council (PIMC). The pork industry strategy was the first completed of all the rural industries and truly represents a 'change document' designed to gather and correctly size all of the R,D&E assets of the industry, nationwide, for the most efficient and effective system.

The implementation of the strategy is well underway through the recognition of core R&D suppliers, categorised through the type of R&D required. These suppliers are a cross section of different types of public and private bodies including universities, government agricultural departments and private pig production operators. The result for the industry will be better research at lower cost.

The Return of 'Get Some Pork on Your Fork'

The marketing team has been busy in the past year with a new punchy television advertising campaign which re-introduces the line 'Get Some Pork on Your Fork'. Voluntary recall of this advertising slogan has remained very strong over time since it was last used many years ago. It seemed like an obvious choice to leverage that recall for our new pork messages.

We have also been trying out some new events in 2010 – Bacon Week and Ham Week. Both gave us a platform in the media to celebrate Australian processed pork products, as well as highlight to consumers the large proportion of these products produced from imported pig meat. The reaction from the media was really encouraging and builds new momentum for our Australian PorkMark licensing program, which at the time of writing, has more than 200 licensees. This program is slowly building momentum and remains an area we continually reassess to determine the correct level of resources to apply.

Focus on Animal Care Issues

A couple of cruelty cases involving pigs in 2009 led to some media focus on pig welfare issues over the past year. This is a subject involving continued management in terms of both technical research and improvement and consumer perceptions.

Specifically around the use of gestation stalls, June 2010 saw the launch of the 'Shaping our Future' industry consultation process. This process continues until the Annual General Meeting of APL in Melbourne in November of 2010. It looks specifically at whether we believe there is an opportunity for the industry to create a differentiator for Australian pork by voluntarily ceasing the use of gestation stalls at some point in the future. The issue is not one of better managing welfare, but better managing consumer perceptions and welfare at the same time.

Increasing interest by the community and retailers in issues around animal welfare is resulting in greater attention on different pork production systems. During 2009-10, APL engaged with extensive pig producers to refine the definition of 'free range' pig production – a definition that the key retailers are also interested in. The possibility exists that other descriptors will also be defined through APL consultation processes over time if the market is calling for it and it works in the interests of the industry to do so.

Productivity Commission Inquiry

In December 2009, the announcement of a Productivity Commission Inquiry into the Rural Research and Development Corporations (RDCs) was made. This Inquiry is looking into the return on public monies through investments made into rural R&D and if rural R&D is a good investment for the taxpayer in comparison with the other competing areas for investment.

APL and most of the other RDCs have submitted that taxpayers do get a good return on their investment into agricultural R&D. Spillover benefits in the areas of environmental management, animal welfare improvements, human health innovation and greater security of an abundance of healthy food are just some of the returns that taxpayers get from a government supporting role in rural R&D. The first report from the Productivity Commission is due in September 2010 and will probably be available by the time this document is published. The final report is not due until 2011.

Significant Industry Events

The reporting period saw another very successful Pan Pacific Pork Expo (PPPE) held on the Gold Coast in mid June. PPPE's primary aim was to showcase and encourage Australian producers to discuss, debate, and where suitable, adopt new technologies and innovations developed by Australian Pork Limited and the Pork CRC. This year's event was titled 'Next Generation Pork – Finding the Balance' and attracted a record number of registrations; 493 delegates, including 42 exhibitors and sponsors, 24 speakers and four celebrity chefs.

The assistance by the Australian Federal Government, under the Promoting Australian Produce (Major Event) program certainly assisted in the overall success of the event. After six years as PPPE Chairman, Dr Robert van Barneveld announced his retirement from the position and handed the baton over to fellow APL Director, John Coward. Robert's tireless dedication and enthusiasm has certainly been a great contribution to the success of this major biennial industry event.

APL Operations

The nuts and bolts of the work being done on behalf of producers by APL in Canberra, and through our state offices is well hidden from our members. This is a pity in some ways, as they don't have the opportunity to see the enormous effort that staff put in to ensure better outcomes for their businesses and the industry in general. I'm very proud to work with the APL teams who, despite ever diminishing resources, continue to produce great returns on levies and government funding to give our industry the best chance of continuing success into the future.

My sincere thanks goes to the APL management and staff who continue to deliver, irrespective of the stresses placed on them. My thanks also goes to the APL Board who are a rock of balance, wisdom and support in a sometimes chaotic business environment.



Andrew Spencer
Chief Executive Officer, APL



Partnership for a Growing, Competitive and Sustainable Industry

Operating Framework

APL is a company limited by guarantee. It is a unique rural industry service body for the Australian pork industry—a single producer-owned company to deliver integrated services that enhance the viability of producers. The framework for APL was established under the *Pig Industry Act 2001*. Operating and reporting guidelines are provided for in the Statutory Funding Agreement with the Commonwealth of Australia.

APL's primary funding is derived from statutory pig slaughter levies collected under the *Primary Industry (Excise) Levies Act 1999*. The levy amounts to \$2.525 cents per carcase levy at slaughter, of which APL receives \$2.35, consisting of \$1.65 for marketing activities and 70 cents for research and development, until the 31 December 2009. A regulatory amendment which took effect from 1 January 2010 changed this split to \$1.35 for marketing activities and \$1.00 for research and development. The remaining 17.5 cents is for the Pig Monitoring Residue Program, which is received and managed by the National Residue Survey (NRS). Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture, Fisheries and Forestry.

Role and Functions

APL is responsible for enhancing opportunities for the sustainable growth of the Australian pork industry by delivering integrated marketing, innovation and policy services through the pork industry supply chain.

APL works in close association with key industry and government stakeholders and pursues opportunities for the industry at both the domestic and international level. In order to achieve these objectives, APL operates in an efficient and effective manner, with highly motivated and professional staff delivering key services.

Core Values

APL's core values are the organisation's essential and enduring guiding principles that are not to be compromised for financial gain or short-term expediency. These goals are:

1. Passion and dedication to the cause of our farmers
2. Deliver what we promise, when we promised it
3. Respect and support colleagues
4. Creating the future our farmers need
5. Celebrate achievement.

These core values are the cornerstones of our organisation and shape the culture of APL and support the growth of the industry. They are the guiding principles for interactions of the APL Board, management and business units with each other, members, industry stakeholders and the community.

Partnership for a Growing, Competitive and Sustainable Industry

Business Best Practice

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

- Compliance with all relevant Australian accounting standards
- Development and implementation of a risk management plan in accordance with Australian standards
- Development and implementation of a fraud control plan
- Development of an intellectual property management plan
- Measurement of organisational performance against specified outcomes and objectives
- Adoption of best practice in human resource management and diversity management
- Adoption of best practice in managing compliance with legislative and regulatory requirements
- Establishment of internal policies and procedures in key areas such as equal employment opportunities (EEO), occupational health and safety (OH&S) and privacy.

Members

Australian pork producers who pay pig slaughter levies are entitled to membership of APL and receive all benefits. These benefits include:

- Influencing APL direction by attending, speaking and voting at general meetings
- Voting on changes to APL constitution
- Nominating delegates to represent members' concerns directly to APL Board and management
- Preferential registration to APL convened meetings, workshops and conferences aimed at improving their business
- The option to receive up-to-date industry information on major industry initiatives
- More opportunities for networking with industry experts and other groups
- Early access to the results of research projects.

Members also automatically receive weekly and monthly market reports, the monthly newsletter *Pork-it-Up*, technical notes, exclusive member access to the APL corporate website and other timely and relevant information, including APL's progress on:

- Environmental initiatives
- Animal welfare initiatives
- Animal health
- Feed grain security and supply
- Regulatory changes
- New trends in industry research and technology
- Eating quality
- Domestic and export markets.

Partnership for a Growing, Competitive and Sustainable Industry



Members are entitled to nominate a delegate to represent their interests more directly to APL through the well-structured Delegate Communication Program. In the reporting period for 2009-2010 delegate numbers again fell to 29, down from the previous year of 31. This drop in delegate numbers is directly linked to a decline in levy income. This decline has resulted from shrinkage in pig herds due to drought, the impact imports have had in depressing domestic prices for pork and the exiting of pork producers from the industry.

Material Changes to Membership

- APL's membership base has remained fairly stable with membership for the 2009-2010 period slightly increasing to 461 full members, a rise of nine new members from the corresponding period. In the other two membership categories; Associate Producer members increased by one, to a total of 10 members, and Associate Corporate members remained the same, at two members, for the 2009-2010 reporting period.
- In continuing to assist APL meet members' needs and grow its membership base, consultation with members and delegates continues through the delegates' forum, surveys, as well as a monthly newsletter and several media campaigns. These measures will continue and feedback from producers and supply chain participants will be used to measure performance in future years.

Other Stakeholders

In addition to APL's primary audience of levy-paying pork producers, there are a number of other groups who are considered stakeholders of APL, including:

- The Australian Government, state and local governments and their agencies
- Processors and exporters
- Wholesalers, distributors and retailers
- Other agricultural industry associations
- Consumers and the community
- The finance and business community
- APL staff and suppliers
- Industry employees and suppliers
- Research institutions and providers.

Organisational Structure

APL Senior Management



Andrew Spencer, Chief Executive Officer

The Board delegates responsibility to the Chief Executive Officer for the effective management of the company.

Policy Division



Kathleen Plowman, General Manager, Policy

The division is responsible for strategic policy development across a wide variety of policy issues that impact on the industry and producers' viability. As a key point of contact with the industry's various stakeholders, including the Australian Government and state governments, the division seeks to manage and balance the impact of regulatory shifts, as well as changes to government policy and the compliance requirements in our markets, while ensuring the industry remains competitive and sustainable. The division addresses issues relating to animal health and welfare, climate change and environmental sustainability, food safety and product integrity, quality assurance, biotechnology, feed security, emergency and issues management, trade and market access, labour, and biosecurity and quarantine.

Research & Innovation Division



Darryl D'Souza, General Manager, Research and Innovation

The division is responsible for investing and managing producer levies, matching government research and development funds in projects across a wide range of disciplines and for promoting and facilitating adoption of research outcomes or products by the industry. In addition, training initiatives for the industry, as well as scholarship programs for undergraduate and postgraduate students are also managed by the division.

Marketing Division



Peter Haydon, General Manager, Marketing

The division has responsibility for domestic and international marketing initiatives, as well as the ongoing development of a strong and growing demand for Australian pork products, both fresh and processed. The division facilitates interactions between Australian producers, processors, retailers and most importantly, consumers. The target is to achieve core objective one of 'Building consumer demand' by the effective implementation of the marketing strategy in domestic and overseas markets.

Organisational Structure



Finance and Administration Division



Christine Quick, General Manager, Finance and Administration

The division's purpose is to provide a strong organisational capability that supports APL's operational areas. It provides services in the areas of financial, human resources, internal policies and procedures, administrative management and information and communication technology. Company secretarial, risk management and corporate governance services are also provided by this division, as are secretariat services to the Council of Rural Research and Development Corporations and company secretarial support to PorkScan Pty Limited.

Communication Division



Emily Mackintosh, General Manager, Communication

The division's purpose is to provide a strong link to members, the pig producing industry, industry stakeholders as well as media and public affairs, publications, website management, events and conference coordination.

Staff

As at 30 June 2009, APL employed 31 full-time staff and 10 part-time staff.

The Board of Directors

The Board is responsible for ensuring company funds are used to the best advantage for the long-term benefit of Australian levy-paying pork producers and their industry more broadly.

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.

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 is represented in accordance with the Statutory Funding Agreement criteria. Directors retire in rotation and retiring elected directors are eligible for re-election. Mr Kenneth Cameron resigned when his term came up for rotation and Mr John Coward was elected following a ballot by delegates.

Operational Overview

Developing the Strategic Directions

The current 2010-2015 Strategic Plan was put together after consultation with all stakeholders during 2009. This Strategic Plan took effect from the 1st July, 2009 and is reported against in this 2009-10 Annual Report.

There are five key core objectives making up the Strategic Plan 2010–2015:

1. Build Consumer Demand
2. Viable Productive Farms
3. Efficient Value Chains
4. Leadership, Preparedness, Stewardship
5. Industry Cohesion and Responsiveness

Developing the Operational Framework

APL's operational activities are designed for consistency with the Strategic Plan, and to improve our chances of success with respect to the strategic objectives. For each core objective, APL has a number of identified industry outcomes it is targeting, as follows:

1. Build Consumer Demand

- Increased frequency of purchase for fresh pork (excluding relative price variations) in Australia
- Improved differentiation for ham, bacon and deli meats made from Australian pork
- Stabilised international business
- More consistent pork to consumers.

2. Viable Productive Farms

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

3. Efficient Value Chains

- Stronger understanding between value chain layers/components/partners
- More informed and focused value chain
- Maintain focus on producer benefit/value on-farm.

4. Leadership, Preparedness, Stewardship

- Optimum pig welfare and care
- Enhanced livestock traceability, biosecurity and animal health preparedness
- Safe food
- Robust quality assurance builds customer and regulatory confidence
- Minimal disruption to market access
- Industry preparedness for rapid response to, and effective recovery from, crises
- Environmentally sustainable and carbon neutral industry
- Industry leadership enhances reputation for responsible practices and resource efficiency.

Operational Overview



5. Industry Cohesion and Responsiveness

- Stronger positive recognition of the Australian pork industry
- Shared vision
- Informed industry
- Adopted technologies
- Effective APL capability.

Operationally, all of the activities of APL are directly or indirectly focused on achieving the objectives of the Strategic Plan.

Evaluating APL's Performance

From the desired industry outcomes that have been identified, APL has established targets, according to key performance indicators, to measure the success in meeting the objectives set. The success of these targets for key performance indicators are measured through a number of mechanisms including:

- The meeting of project milestones
- Results of statistical surveys of members, industry and stakeholders
- Cost benefit analyses
- Publicly and privately generated consumer and industry information.

Reporting Obligations

APL's funding agreement with the Commonwealth of Australia imposes a number of strategic development and reporting obligations on the company. The following statements are provided to expand on these requirements.

Consultation with Members, Levy Payers and Stakeholders

APL will continue to give high priority to consultation with its members, levy-paying pork producers and the pork industry, more generally, in further developing the directions of the company. During the year, wide consultation occurred with all stakeholders regarding strategic issues. The company's strategies will continue to actively support the needs and aspirations of the industry and the Australian community.

APL has continued to consult with its delegates to build consensus and fine-tune the strategic directions, with the members and delegates approving the core objectives and strategies contained in the new plan. A wide variety of communication tools are used to inform and seek feedback from stakeholders.

APL Organisational Capability

APL's organisational capabilities need to be consistent with the aims contained within the Strategic Plan. Each of the five core objectives contained within this plan are allocated a 'strategy steward' from one of the APL general managers who oversee the strategy implementation and evolution.

APL also needs to be able to consistently demonstrate its representative status for the bulk of the industry in order that the strategies are supported by industry. Whilst this can be measured through membership

Operational Overview

numbers, it is more accurately defined through weighting membership through production volumes. Presently, we estimate the national pig production is covered by more than 92 per cent through the APL membership. APL continues to see both membership numbers and production representation as indices to maximise.

During the 2009-10 year, APL finalised development of the 2010 - 2015 Strategic Plan. This involved a steady timetable of consultation with important industry stakeholders, the most important being pig producers themselves.

Material Variations to Budgets

Major budget to actual expenditure variations and explanations are outlined in *Appendix A*.

Subsidiaries and Joint Ventures

During 2009-10, APL did not create any subsidiary companies. APL continued its participation in the Carcase Measurement Consortium – a grouping of APL and pork processors who developed new carcase measurement technologies, with government support. PorkScan Pty Limited is the company set up to commercialise this technology and APL has two directors on this board.

Agreements Entered into by the Company

The agreements entered into by the company are, in most cases, subject to commercial non-disclosure clauses. The majority of research and innovation activities are established under agreements, as are the major marketing activities. The financial impact of these agreements and the future commitments arising are disclosed in *Note 16* to the financial statements.

Funds Spent on Each Significant Research, Development, Innovation Activity and Matching Australian Government Payments

Funds spent on each significant research and development and innovation activity, and the calculation of the total Australian Government matchable expenditure, is listed in *Appendix B*.

Funds Spent on Each Marketing and Significant Policy Development Activity as well as Other Industry Issues

Funds spent on each marketing and significant policy development activity, as well as other industry issues, is listed in *Appendix C*.



Alignment with the Australian Government's Rural Research and Development Priorities

The Department of Agriculture Fisheries and Forestry's (DAFF) Rural Research and Development Priorities are consistent with, and reflect, the Government's National Research Priorities, which are:

1. An environmentally sustainable Australia
2. Promoting and maintaining good health
3. Safeguarding Australia.

Productivity and Adding Value

APL's response is to enhance the productivity and profitability of the pork industry.

Progress in 2009–10

Most of the APL R&D program within this area is undertaken by the Pork Co-operative Research Centre (Pork CRC).

The Pork CRC focuses on developing new and alternative feed grain varieties, and alternatives for key production regions. In 2009–10, the research continued to find additional cultivars with particular nutritional value for pigs. These new varieties will result in the development of commercial quantities of cereals and pulses that grow close to pig producing regions, and that have a high yield, cost effective agronomy and acceptable nutritional characteristics for pigs. Also, the use of Near Infrared (NIR) measurements, to evaluate the real nutritional value of grains, was expanding beyond research personnel into the grain trading, feed-milling and pig production sectors.

Improving herd feed conversion (HFC) reduces feed/grain usage and has the same effect on cost of production as reducing diet costs. Improvements in HFC will be achieved by optimising efficiency through improved health, metabolic efficiency and reproductive capacity. The Pork CRC released the new intranasal vaccine APP-Alive against *Actinobacillus pleuropneumoniae* (APP). The vaccine is more effective and easier to administer than the current injectable vaccines, and has enabled Australian users to markedly reduce the cost of controlling the disease. In the reporting period, some one million doses of the vaccine have been sold. The new vaccine has been reported to improve profitability by \$8 to \$15 per pig.

Cross-sectoral facilitation of feed grain R&D initiative allowed APL to continue to work and engage with the key cross-sectoral Feed Grain Partnership initiative members, including Grains Research & Development Corporation (GRDC), Dairy Australia, Meat and Livestock Australia (MLA), Australian Egg Corporation Limited (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 identify and address key feed grain R&D priorities.

Supply Chain and Markets

APL's response is to work with members in key supply chains to identify, commission, and help implement the results of research that will improve competitiveness, product quality and returns to levy payers.

Alignment with the Australian Government's Rural Research and Development Priorities

Progress in 2009–10

Following the development of the PorkScan carcass measurement system and the establishment of a private company, PorkScan Pty Ltd, in 2008-09, to commercialise the PorkScan system for the benefit of the Australian pork industry, there has been a period of consolidation in 2009-10. The PorkScan P2 system is operational in four abattoirs. The service and maintenance agreements to provide technical support for the PorkScan P2 system to licensees was finalised, and alternative providers of hardware were also identified to assist with competitive positioning of the system for the Australian pork industry. In 2010-11, additional external funding will be sought to assist with commercialisation of the light striping system. An international patent corporation treaty application was also filed in June 2010 for the light striping component. This was managed by Australian Pork Limited, as owner of the intellectual property associated with PorkScan.

A project was also undertaken to initiate pork 'value chains' concepts and strategies within existing commercial supply chains. The Stage 1 'Value Chain Study' was undertaken with a commercial supply chain, as part of a broader project to identify issues and opportunities within the supply chain, and at the point of linkage for each sector/ activity group within the value chain. The Stage 1 study involved development of an overview map of the pork value chain highlighting the different chain sectors/activities and linkage points. The Stage 1 project also identified inputs and outputs of each sector/activity group specifying things such as product types, product flows and target markets of each sector/activity group. The Stage 2 project in 2010-11 will build on the Stage 1 outcomes and will explore opportunities for improving overall value chain profitability by implementing a number of 'value chain' initiatives.

Natural Resource Management

APL's response is to develop and promote good agricultural practices that enable pork producers to better protect Australia's natural resources.

Progress in 2009–10

The key challenges in the area of natural resource management were identified as:

- Managing odour and accumulated sludge from effluent lagoons
- Optimising management of nutrients to maximise beneficial re-use of the nutrient and organic content
- Mitigation and utilisation of biogas.

In response to these challenges, APL initiated a targeted Research, Development and Extension program that in 2009-10 included:

- Developing the 2nd edition of *National Guidelines for Piggeries* to incorporate new technologies and best management practices
- Updated Envirocheck program to reflect the new national guidelines
- Validation of PigBal for estimating the VS loads from piggeries
- Sludge management projects, such as evaporation bays for a covered lagoon system and the Queensland SEPS (sedimentation and evaporation pond system) trial
- Caring for our Country funded *Sustainable reuse of Piggery Effluent-Nutrient Management Plan project*.

Climate Variability and Climate Change

APL's response is to build resilience to climate variability and enable the pork industry to adapt to and mitigate the effects of climate change.

Alignment with the Australian Government's Rural Research and Development Priorities



Progress in 2009-10

The key challenges in the area of climate variability and climate change were identified as:

- Identifying the major sources of greenhouse gas emissions from the various pork supply chains
- Minimising greenhouse gas emissions per kilogram of pork produced.

In response to these challenges, APL initiated a targeted Research, Development and Extension program that in 2009-10 included:

- Life cycle assessment of production and waste management options across two pork supply chains
- Exploration of opportunities for anaerobic digestion – Australian and international perspectives
- APL supported a PhD student working on modelling anaerobic digestion of agricultural wastes
- Low-cost methane capture and biogas data collection from covered pond systems
- Exploration of low-cost options for reducing methane from piggery ponds
- Review of greenhouse gas emissions from Australian piggeries—investigation of emissions measurement techniques
- Bioengineering of microbial communities to maximise biogas production
- Collaborative partnerships formed with New Zealand to investigate low-cost technology transfer for biogas utilisation.

Biosecurity

APL's response is to work with government agencies and other stakeholders responsible for biosecurity to ensure the pig industry's needs are addressed.

Progress in 2009-10

APL was a core participant in the Australian Biosecurity Cooperative Research Centre (AB-CRC) for Emerging Infectious Disease. The investment in the AB-CRC provided in better diagnostic tools for the Australian pig industry, as well as identifying knowledge gaps associated with current biosecurity protocols for the industry as a whole. The AB-CRC completed its funding term under the Australian Government's Cooperative Research Centres Program on 30 June 2010.

APL has identified defined areas within the pork value chain where biosecurity research investment is likely to have the greatest impact on the Australian pork industry. These include:

- FMD (foot and mouth disease) Vulnerability Project (a five year project)
- Industry Liaison Officer Training for exotic disease early detection
- Transportation of pigs—risk mitigation options
- Exotic disease training and disease identification.

The FMD Vulnerability Project is a package of research activities that need to be completed to better prepare Australian livestock industries for an outbreak of foot and mouth disease. FMD continues to be one of the greatest threats to Australian livestock industries. A range of key vulnerabilities in our preparedness and response capability to FMD, related to diagnostic challenges arising from the ever-changing nature of FMD viruses, have been identified. The FMD Risk Management Project is due to commence on 1 July 2010. The project is jointly funded by the MLA Donor Company and the FMD affected AHA (Animal Health Australia) industry members, which includes APL. Completing these activities will also enable Australia to optimise its joint industry/government investment in the FMD antigen bank held in the United Kingdom.

Alignment with the Australian Government's Rural Research and Development Priorities

Industry Liaison Officer (ILO) training for exotic disease early detection—training of targeted industry people to allow them to be able to serve as ILOs during a PorkSAFE response. An *Introduction to Emergency Animal Disease (EAD) Response for the Australian Pork Industry* training course was held in Melbourne from 24 – 25 March 2010. The Introduction to EAD Response for the Australian Pork Industry training course was divided into two parts; the first involved the online completion of the EAD *Foundation* module. The second was the two-day workshop. On successful completion of all assessment activities, workshop participants were issued with Statements of Attainment from Tocal College (DPI NSW's Registered Training Organisation) for three units of competency:

1. RTE3410A—Work effectively in an emergency disease response
2. PSPGOV307B—Organise workplace information
3. PUACOM001B—Communicate in the workplace

Transportation of pigs—risk mitigation options. This project includes the management of pigs with endemic disease, and benchmarks pig flows to determine the practicality of "compartmentalisation of industry in an exotic disease response.

Exotic disease training and identification has been introduced, especially with respect to Classical Swine Fever and FMD. This project consisted of the consolidation of existing materials into an extension training package for vets and stock-people. This topic was listed as a priority by Specialist Group 6 (SG6) and funding became available after funds were returned by a research institution. Allocation was earmarked for a Victorian DPI (Department of Primary Industries) initiative, run in conjunction with the VFF (Victorian Farmers Federation) Pig Group. This initiative encompasses two important topics— *Exotic Disease ID Training*, and *Disease Surveillance of the Victorian Pig Herd*.

APL's proposal was to become a partner in this program and assist the Animal Health Operations Branch (AHOB) Victoria in its endeavours, with the aim of taking this program nation-wide. APL is ideally situated to be the catalyst for such a program. A nation-wide pig surveillance program will, at the very least, be able to confirm or refute the presence of certain pathogens and the incidence of certain endemic diseases. But at its most useful, it would provide the industry with an early warning system.

In addition, APL is also involved in addressing the cross-sectoral biosecurity issues through the National R, D&E animal biosecurity strategy.

Innovation Skills

APL's response is to maintain a viable scholarship program to attract new professionals to the pork industry, and provide training opportunities for industry consultants, piggery managers and their staff to reduce staff turnover and promote innovation.

Progress in 2009–10

The national Pork Industry R,D&E Framework has further encouraged collaboration amongst key research providers and allows for development and capacity building of young scientists.

APL's Postgraduate Research Scholarship program currently hosts four PhD students working on biosecurity, environment, welfare and traceability projects. The Undergraduate Industry Placement program facilitated seven highly driven undergraduates to participate in industry placement on piggeries in South Australia and New South Wales during the summer of 2009-10.

Alignment with the Australian Government's Rural Research and Development Priorities



APL and the Pork CRC work together to host a mentoring group for industry-sponsored undergraduate and postgraduate students, to encourage networking with peers and interaction with industry stakeholders and to further enhance their scientific skills. The mentoring group met on three occasions during 2009-10, where professional development workshops were held prior to major industry events. This function value-adds to their course of study and ensures the industry is investing in its future researchers.

Optimising sow productivity was the theme of this year's refresher course for industry consultants and senior piggery managers. Refresher courses provide the opportunity for key influencers to network with one another and interact directly with researchers as part of their own professional development.

APL has collaborated with Assiniboine Community College in Canada to develop resources for delivery of a *Diploma in Pork Production* for piggery supervisors and managers in Australia. This has been an efficient way of obtaining high quality resources, tailored to Australian conditions.

The ProHand Stockperson Training Program has seen wide uptake by stockpeople across Australia during 2009-10. The program utilises research findings around animal handling and fear responses, to demonstrate the benefits of positive handling behaviours.

Technology

APL's response is to provide technologies relevant to all sectors of the value chain to enhance profitability and sustainability.

Progress in 2009-10

In conjunction with the wide range of nutrition, reproduction and human health related technologies arising from Pork CRC research, APL's focus on environment, traceability, animal welfare, biosecurity, genetics and eating quality is set to provide technologies which enhance businesses and provide long-term sustainability. Physi-Trace and the PorkScan technologies are two examples of complex, collaborative research programs leading to technologies with huge benefits to the pork industry.

APL works in collaboration with the Pork CRC, to ensure technologies arising from our R&D programs, are readily disseminated to industry and are given the best chance of being assessed for suitability to Australian pork production businesses. Two key functions of the technology transfer and adoption portfolio include; the bi-annual roadshow—which directly connects producers and key influencers with researchers, and the second is the refresher course concept—which targets our industry service providers, such as veterinarians, nutritionists and extensions specialists—who assist producers in making adoption decisions.

As research reaches maturity and the transfer process begins, APL and the Pork CRC work hard to evaluate the effectiveness of dissemination of outcomes and subsequent uptake of technologies. Adoption surveys, feedback from our service providers or 'key influencers' and sales data collectively provide a picture of uptake and adoption. The AUSPIG model plays an important role in decision support for consultants, producers and the Pork CRC, in evaluating potential impacts of these new technologies, both before and after research is undertaken.

APL continues to explore opportunities for dissemination of information-using technologies, such as webinars and podcasts. Presentations from the 2010 Pan Pacific Pork Expo (PPPE) were recorded and made available to producers and stakeholders on the internet.

Collaboration with Industry and Other Research Funding Organisations

APL formally consults twice yearly with industry delegates on issues relating to policy, marketing and R&D, and establishes issue-specific industry consultative groups to assist management in developing and implementing larger projects.

Account managers from APL's Marketing Division and the R&D Manager, Product Development, work closely together to inform, and seek feedback from, key processors and supply chains on relevant research topics.

The majority of R&D projects are developed with, and co-funded by, the research organisations or end-user companies involved to varying extents.

The new R&D process implemented in 2007–08 has worked well in 2009–10. The 'Specialist Group' process involves industry, researchers and APL Research & Innovation (R&I) program managers, to advise the R&D Advisory Committee on relevant research and development in the specialist area and assist the attainment of APL strategic objectives by:

- Utilising expertise within the Specialist Group to match R&D opportunities to APL strategic objectives, and the submission of a competitive business plan
- Prioritising projects and the most appropriate mode of commissioning (such as tender, general call, direct approach, partnership) relative to an allocated budget
- Alerting the R&D Advisory Committee to potential shortages in capability, infrastructure or resources that are impeding the pork industry's capacity to meet research and development objectives, and recommending actions to address any shortcomings
- Placing appropriate emphasis on technology transfer, through recognition of the need for investment in the development of skills and infrastructure within the industry, as a key element of effective delivery of technical innovations from R&D projects
- Providing advice on opportunities for the leverage of research funds to secure additional investment
- Where appropriate, provide advice on the selection of research projects.

Managers within various APL divisions attend numerous meetings with groups of producers throughout the year, to present results and promote APL services, as well as to monitor issues and views which provide important feedback to APL. Further input was also obtained from monthly teleconferences with industry representatives, and the pig sections of respective State Farming Organisations (SFOs). Quarterly teleconferences are held with industry extension specialists to plan activities integrated with state government departments.

APL engages, either directly or indirectly, with a range of international research providers and this is done on a case-by-case basis. All international R&D collaborations must be in keeping with APL's Strategic Plan and the key industry drivers of competitiveness, sustainability and responsibility. Examples include;

- Assiniboine Community College – A project to develop a *Certificate 5 Accredited Stockperson (Pigs)* course for the Australian pork industry
- Case study analysis regarding PCV2 associated cases in Australia and New Zealand (Dr Roger Morris, MorVet Ltd NZ).

Physi-Trace (fingerprinting Australian pork) is another key collaboration project that involves a number of government and private research partners. This project will enable the industry to analyse an unidentified pork sample to determine the pig's country of origin, its state and growing region and the source farm. This project has come about from collaborative research involving Australian Pork Limited (APL), the Federal Department of Agriculture Forestry and Fisheries (DAFF) and Perth-based corporate TSW Analytical, along with Brisbane-based company—Management for Technology.

Collaboration with Industry and Other Research Funding Organisations



The *Physi-Trace* research project aims to improve integrity of Australian pork by developing a low-cost, rapid and robust validation tool for pork traceability. *Physi-Trace* uses chemical profiling technologies to determine links between unknown pork samples and batches of slaughtered pigs. The scientific protocol, which determines these links, has been developed by investigating the variation in the chemical profiles exhibited in pork meat samples collected from across Australia. Not only does this new technology give Australia's pork industry a terrific advantage, it can be applied to other primary industries, such as the meat, egg, grain, wine and the horticultural industry.

APL is represented on a number of inter-organisational committees at the national level: Animal Health Australia (AHA) (such as: AHA Industry Forum and Executive, the FMD Vaccine Management Advisory Committee, EAD Animal Welfare Compensation Committee); the Feed Grain Partnership Forum; the Australian Meat Industry Language and Standards Committee; the Australian Animal Welfare Strategy Livestock Working Group and Research & Development Working Group; and the NSW Pork Industry Reference Group and the South Australian Pork Industry Development Board. All of these activities inform the R&D investments made by APL. APL is also a member of the Export Meat Industry Advisory Committee; the Australian Meat Industry Council; the Sustainable Agriculture Initiative Platform; the Tax Office Primary Production Industry Partnership; an associate member of the Food and Grocery Council and has observer status on the Executive of SafeMeat and the Food Chain Group.

APL directors and managers also actively participate on the boards and committees of the Australian Biosecurity and the Pork CRC.

The following projects were also undertaken with other funding agencies during the year:

Environment

In 2009–10, APL was involved in the Methane to Markets in Agriculture program (M2MA). The collaborative program included Australian Lot Feeders Association (ALFA), Australian Pork Limited (APL), Dairy Australia (DA), Meat and Livestock Australia (MLA) and Rural Industries Research Development Corporation (RIRDC), and seeks to assist the commercialisation of on-farm anaerobic digestion (AD). APL has been the largest co-contributor to this program, and well over half of the M2MA funds allocated to-date have been either to pig-specific projects or to projects that benefit all industries seeking to implement on-farm bioenergy. New initiatives include the application of biogas technologies in various farming systems in Australia, and the extension of these learnings to the various agriculture sectors.

The Climate Change Research Strategy for Primary Industries (CCRSPI) includes all the rural R&D corporations, as well as the state Department of Primary Industries, the CSIRO and key universities doing research in the field of agriculture and climate change. This structure is enabling 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.

One of the collaborative programs coming out of CCRSPI has been work on developing Life Cycle Assessment (LCA) for agricultural industries. APL is participating in this and has commissioned a pork-specific LCA covering a number of production systems and assessing the impact of key management practices. CCRSPI also funded APL's 'Climate Change Forum – prospects for the pork industry' and the production of industry fact sheets on bioenergy opportunities on-farm and the impact of climate change and the Carbon Pollution Reduction Scheme.

Collaboration with Industry and Other Research Funding Organisations

Feed Grains

APL is a key member of the Cross-Sectoral Feed Grain Partnership, which also includes Grains Research & Development Corporation (GRDC), Dairy Australia, Meat and Livestock Australia (MLA), Australian Egg Corporation Limited (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 identify and address 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. Key research projects in conjunction with the partnership and CSIRO were also commissioned in 2009-10.

Commercialisation Activities, Intellectual Property Creations, Protection and Management

Most commercialisation activities handled by APL relate to the packaging, trialling, promotion and adoption of new information generated in completed R&D projects.

APL has collaborated with Assiniboine Community College in Canada to develop resources for delivery of a Diploma in Pork Production for piggery supervisors and managers in Australia. This has been an efficient way of obtaining high quality resources, tailored to Australian conditions.

ProHand (Version 2), a professional handling of pigs multimedia training program for stockpeople and abattoirs, through trained facilitators, was developed by APL, VIC DPI and Monash University and continues to attract keen interest from overseas organisations.

APL, on behalf of CSIRO, manages the sub-letting of software license agreements for the decision support tool, AUSPIG. The model was developed during the 1980s and has since been maintained by CSIRO with the support of APL and the Pork CRC. There are currently 30 registered users.

The commercialisation of the PorkScan carcass measurement system via the private company, PorkScan Pty Ltd, continued in 2009-10. An international patent corporation treaty application for the light striping component of the PorkScan system was lodged in June 2010. PorkScan Pty Ltd is working to ensure robustness and reliability of the PorkScan P2 system, and technical service agreements were finalised to support the commercial operation of PorkScan P2 hardware and software. Commercialisation activities for the light striping component will continue in 2010-11, with supporting funds to be sought to maintain this work.

Supporting the National Primary Industries Research, Development and Extension Framework



APL supports the National Primary Industries Research, Development and Extension Framework (National R,D&E Framework), and the underpinning national sector and cross-sector R,D&E strategies. The National Pork R,D&E strategy was developed by APL, the Pork CRC and the PISC R&D agencies, and further enables the pork industry to develop collaboration between national and international R,D&E providers, to strengthen the pork industries research capacity and capabilities to better address industry and public good priorities, as well as reducing capability gaps, fragmentation and unnecessary duplication in primary industries R,D&E.

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 government, university and industry R,D&E stakeholders, have developed a comprehensive Pork R,D&E Strategy that comprises a number of important components.

Pork R,D&E Facilities:

1. Focus resources into fewer but better funded facilities ('experimental ready') that are critical to meeting the current and future needs of the industry.
2. Provide certainty for these facilities by base funding them on a rolling two year basis.

Pork R,D&E Programs:

3. Move from a project-by-project basis to a coordinated 'National Program' approach.
4. Enhance the development and retention of appropriate human resources and skills.

The National Pork R,D&E Strategy will enhance the range of collaboration and resources across the pork R,D&E portfolio, including the development and delivery of core research programs and outcomes to meet both sectoral and cross-sectoral strategic objectives in an efficient and timely manner. The National Pork R,D&E Strategy will:-

- Allow the pork industry to develop and maintain appropriate infrastructure and facilities for both pork and other cross-sectoral R,D&E programs
- Strengthen the pork industry R,D&E capability and sustainability through the development of a coordinated program approach alongside these dedicated facilities
- Enable the pork industry to demonstrate the effectiveness of delivering core research programs that meet the industry and government strategic priorities
- Enhance the identification, attraction and championing of students and post-doctoral fellows to allow the pork industry's human capacity to build sustainably
- Ensure international relevance through the development of more formal linkages with appropriate leading edge R&D providers
- Encourage the use of secondment, collaborative research programs to ensure that scientists have better access to international developments
- Further enhance the rapid uptake of R,D&E outcomes through increased involvement of industry, state governments and university R,D&E stakeholders.

The collaborative model, as outlined by the National R,D&E Framework for sectoral and cross-sectoral priorities, is perhaps the most suitable model as it is able to link the RDCs with most other rural R&D investor models, including the universities, PISC R&D agencies, CRCs and private industry. APL has been actively involved with the development of the cross-sectoral R,D&E strategies for Animal Welfare, CCRSPI and animal biosecurity.

Report on Performance

Core Objective	Strategy	Program	KPI's	Outcomes
Build Consumer Demand	1. Assuring eating quality	1a. Integrate "Eating Quality" projects with overall strategy. 1b. Nutritional marketing	1a – i. Completion of desk research modelling to define "Eating Quality" drivers 1b – i. Increase in rating of fresh pork as 'low in fat'.	More consistent pork to consumers
	2. Increasing frequency of use	2a. Frequency of usage 2b. New Product Development	2a – i. Consumption 2a – ii. Expenditure 2a – iii. Purchase 2b – i. Share of Fresh Meat	Improved repeat purchase rates amongst consumers More people eating pork more frequently
	3. Improving the image of fresh pork	3a. Foodservice	3a – i. Restaurants with Pork on the menu	Increased exposure in opinion leading social groups
	4. Promoting 'Australian'	4a. Australian Awareness 4b. Expand International Business	4a – i. Awareness of Australian Pork Logo 4a – ii. Australian Processed 4b – i. Value of exports 4b – ii. Volume of exports	More Australian pork consumed (fresh, ham, bacon & other deli meats/ smallgoods) Increased international business
Viable Productive Farms	1. Reduce input costs	1a. Reduce the impact of disease 1b. Efficient and cost effective nutrient supply	1a – i. Herd Feed Conversion Ratio (HFCR) 1a – ii. Reproductive performance 1b – i. Herd feed conversion ratio (HFCR) 1b – ii. Reproductive performance	Improved margin per pig Consistent nutrient supply and cost
	2. Improve process efficiency	2a. Globally competitive cost of production	2a – i. Herd feed conversion ratio (HFCR) 2a – ii. Reproductive performance	
	3. Build skills and capability	3a. Facilitate skills and capacity development on-farm	3a – i. Herd feed conversion ratio (HFCR) 3a – ii. Reproductive performance	
Efficient Value Chains	1. Create and capture value improvements	1a. Research and development of technical innovation	1a – i. Pork supply chain profit pool growth (relates to specific supply chain) 1a – ii. Pork producer share of profit pool (relates to specific supply chain)	Stronger relationships
	2. Enhance linkages between the value chain partners	2a. Enhancing market signal flow	2a – i. PorkScan implementation	Informed and innovative supply chain
	3. Optimise value chain efficiency and quality	3a. Enhancing supply chain efficiency and quality	3a – i. Pork industry profit pool growth 3a – ii. Pork producer share of profit pool	Transparent market signal flow

Report on Performance



Core Objective	Strategy	Program	KPI's	Outcomes
Leadership, Preparedness, Stewardship	1. Address changing expectations and standards for food production	1a. Taking care of our animals 1b. Strengthening biosecurity and enhancing quarantine	1a – i. Pig herd covered by APIQ 1b – i. Pig herd covered by APIQ and PigPass QA 1b – ii. Producers (farm enterprises) certified as APIQ and PigPass QA 1b – iii. Livestock Traceability - Producers (farm enterprises) registered for PigPass	Optimum pig welfare and care Enhanced biosecurity and animal health preparedness Safe food Enhanced livestock traceability
	2. Manage the impact of regulatory shifts	2a. Safe food	2a – i. Pig herd covered by APIQ and PigPass QA	Industry preparedness, rapid response and effective recovery Minimal disruption to trade
	3. Government policy and compliance requirements	3a. Climate change and sustainability	3a – i. Australian Pork Industry Environmental Sustainable Strategy 3a – ii. Pig herd covered by APIQ and PigPass QA	Environmentally sustainable and carbon neutral industry
		3b. Issues and emergency management	3b – i. Producers (farm enterprises) certified as APIQ and PigPass QA 3b – ii. Livestock Traceability - Producers (farm enterprises) registered for PigPass 3b – iii. Minimal disruption to trade	Reputation for responsible practices and resource efficiency
Industry Cohesion & Responsiveness	1. Engage and connect the industry	1a. Enhance effective communication 1b. Growing valuable industry networks	1a – i. Overall membership 1b – i. Overall membership	Stronger positive recognition of the Australian pork industry
	2. Facilitate rapid uptake of information and technology	2a. Communication and facilitation of technology adoption	2a – i. Speed of adoption of technology 2a – ii. Increased awareness of new information	Shared vision Informed industry Adopted technologies
	3. Enhance the reputation and effectiveness of APL	3a. Public affairs and stakeholder relations 3b. APL organisational capacity	3a – i. Positive APL image 3b – i. Staff turnover 3b – ii. Efficient alignment of the organisation to support achievement of the strategic objectives	Effective APL capability

Core Objective I

– Build Consumer Demand

Rationale

This core objective has 'added value' to Australian pig producers by enhancing consumer demand for fresh pork and differentiating processed products using Australian Pork as a raw material (such as ham, bacon and other deli meats/smallgoods). A balanced approach of addressing product quality consistency, increasing price per kilogram, as well as increasing volume sales, has been executed progressively.

APL will contribute to increased consumer purchasing of Australian pork products using a focussed approach, addressing target consumer needs. This approach focuses on existing pork consumers and getting pork on their weekly menu in a way that requires minimal change on the consumers' part.

Strategy I – Assuring Eating Quality

Strategy	Program	KPI	Unit	2009-10 Target	Outcome/ Result
Assuring Eating Quality	Integrate 'Eating Quality' projects with overall strategy	Completion of desk research modelling to define 'Eating Quality' drivers	N/A	Complete	Draft completed
	Nutrition marketing	Increase in rating of fresh pork as 'low in fat'	Percentage of consumers that rate pork as low in fat	Increase those rating low fat by 25%	January = 18% July = 27% A 50% increase

Background

High and consistent product quality were both fundamental to consumer enjoyment and consequently to repeated buying. An increased focus on the quality system underpinning pork will increasingly guarantee eating quality, further enhancing consumer confidence.

Achievements/Outcomes

As part of the 2010-2015 Strategic Plan, eating quality was introduced as a major consideration in building consumer demand, and 2009-10 has seen one of the most extensive reviews of a subject APL has undertaken. The draft findings have been shared amongst relevant Research & Innovation and Marketing personnel, which was the goal for the year. All parties will now work together to develop the program to execute in 2010-12.

Eating Quality:

High and consistent product quality are both fundamental to consumer enjoyment and consequently to repeated buying. An increased focus on the quality system underpinning pork will increasingly guarantee eating quality, further enhancing consumer confidence. The University of Melbourne has been commissioned to develop the predictive model for pork eating quality.

Considerable review of the literature, including overseas studies, was conducted and relevant data was included in the pork eating quality dataset. Rather than conducting a meta-analysis of eating quality data, as was originally intended, a risk analysis approach was used and corrective factors determined for each particular parameter, subject to data availability. These corrective factors were derived from determining proportional change in comparison to parameters for a standard pig and distributions were fitted using the statistical modelling package, @RISK.



Core Objective I - Build Consumer Demand

Achievements/Outcomes

It is intended that these corrective factors can then be used to adjust data to predict overall eating quality, using a pathway approach. A desk study, to test this predictive model with known Australian eating quality datasets, will be conducted in 2010-11. In addition, the eating quality model will also be validated using commercial supply chains.

Health and Nutrition:

Australian Pork Limited co-funded four major projects with the Pork CRC to demonstrate the health benefits of including lean pork in the human diet, and all were completed during 2009-10. Although pork is the most widely consumed meat in the world and a major source of dietary protein, little information has been available on the role of pork, particularly as part of high-protein, low-carbohydrate diets for weight management, type 2 diabetes management and its effect on influencing iron status. This is particularly important, given the increasing prevalence of obesity, cardiovascular disease and type 2 diabetes in the Australian population.

A dietary intervention study, conducted by the University of South Australia (3A-104), investigated the effects of regular consumption of lean fresh pork on cardiometabolic health, body composition and risk factors for diabetes and cardiovascular disease of overweight/obese men and women who were low pork consumers. The inclusion of lean, fresh Australian pork in the diet was shown to improve body composition, body weight, body mass index and waist circumference in people on the high pork diet after only three months, compared to those who stayed on their customary diet. Further work will be conducted in 2010-11, funded by the Pork CRC, to determine the effect of regular consumption of pork on body composition of overweight/obese people, in comparison with beef and chicken.

The University of Wollongong investigated whether the inclusion of pork in the diet could support weight loss in women through increased satiety, and concluded that pork can be positioned equally with beef and chicken in its effect on satiety and release of appetite-related intestinal hormones and insulin. A study conducted by the University of Sydney showed that the consumption of pork for 12 weeks by young women maintained haemoglobin levels to the same extent as low-dose iron supplementation and also enhanced the feeling of wellbeing. This indicates that lean pork is a valuable alternative source of protein for inclusion in high-protein, low-carbohydrate diets.

Studies focussed on enhancing the uptake and deposition of iron in pigs to improve the content of fresh pork are also continuing, in collaboration with the Pork CRC. These projects are addressing knowledge gaps, given that dietary supplementation of organic iron to pigs has not been very successful in increasing the iron content of pork.

Considerations and Impacts

Eating quality, including both before and after store variables, has a considerable impact on taste, easy-to-cook and versatility, three of the top five consumer needs.

This project will require careful consultation with all targeted sectors of the value chain to create some kind of eating quality promise to consumers.

Promising outcomes from the human nutrition studies provide significant information to assist with improving attitudes to pork by consumers and health professionals alike. Communication of findings from the human health and nutrition projects will be a focus of activities in this area during 2010-11.

Core Objective I - Build Consumer Demand

Strategy 2 – Increasing Frequency of Use

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Increasing frequency of use	Fresh pork frequency of usage	Consumption	Carcass Weight Equivalent (CWE) kg/capita/per annum	8.1	Quarterly	8.1
		Expenditure	\$/capita/per annum	\$55.75	Quarterly	\$53.16
	Fresh new product development	Purchase	Frequency per annum	8.3	Quarterly	7.8
		Share of fresh meat	Value share	8.40%	Quarterly	9.5% *

**Note: the panel used to measure this has changed definition so the outcome is not directly comparable to the target.*

Background

This strategy focused primarily on the 56 per cent of Australians that account for 91 per cent of fresh pork consumption. Following consumption and shopping research, consumer communication is focussed on 'where the purchase decision is made'. It applies regular and sustained advertising, for extended periods of time, targeting those most likely to change their behaviour.

Achievements/Outcomes

Advertising is most effective when consistently applied over years. The current campaign has already generated the highest levels of consumer awareness (41 per cent) APL has records of since its formation in 2000. The connection between awareness and volume (or value) sales takes time to establish but will be monitored over the coming years.

Whilst per capita consumption appears on-track (due to how it's calculated from available data), both frequency of purchase and total consumer spending per capita have been adversely affected by supply constraints in fresh pork (related to both reduced profitability in 2008 and to reduced productivity from the unusually hot February in 2009).

Wherever possible, this strategy focuses on types of meat that command a premium to the currently sold cuts that are sold at low consumer prices. This will improve profitability of the supply chain regardless of over or under supply of pigs.

Fresh pork is the focus of this strategy as biosecurity laws prevent the import of fresh pork, therefore any increase in usage or value is much more likely to benefit Australian producers.



Core Objective I - Build Consumer Demand

Considerations and Impacts

Advertising does not exist in a vacuum. Sales are also affected by a products' current frequency of use, the products' price relative to substitutes, how much the products are being talked about and the degree (and effectiveness) of advertising investments made by competitors.

APL's advertising targets are currently achieving adequate frequency of exposure for extended periods of time. This has meant targeting messages to a specific group of consumer's to the exclusion of others.

In addition, new product development as an active program within APL has been shelved. APL's contribution to this now consists of consumer research insights which are shared with value chain partners. The creation and execution of individual products is now driven more by the retail end of the value chain, with Woolworth, Coles, IGA and butchers all demonstrating improved abilities to create and launch new pork products.

Strategy 3 – Improving the image of fresh pork

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/Result
Improving the image of fresh pork	Foodservice	Restaurants with pork on the menu	Percentage share	80%	Half-yearly	Restaurants 78% claimed - October 2009 Clubs and pubs 93% claimed – March 2010

Background

Clearly advertising and public relations form part of improving the image of pork. These, however, fit into the other strategies also, and are budgeted there. In addition to what a product says to consumers, where it appears is also an important determinant of image. In part, restaurants listing pork on their menus say something about the quality of the product as defined by experts (chefs).

Achievements/Outcomes

The PorkStar program continues to attract increasingly high profile chefs and the inclusion of Fergus Henderson, an internationally renowned chef, into the PorkStar activity as part of the Sydney International Food Festival significantly increased pork's exposure to both chefs and consumers.

Considerations and Impacts

Chefs are a key food influencing group and their interest and behaviour is impacted primarily by inspiration. APL has to continue to find ways to both inspire usage and demonstrate improvement in their business' performance.

Core Objective I - Build Consumer Demand

Strategy 4 – Promoting ‘Australian’

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Promoting ‘Australian’	Australian awareness	Awareness of Australian pork logo	Percentage	25%	Half-yearly	36%
		Australian processed	Percentage share	35%	Annually	33%
	Expand international business	Value of exports	Tonnes	41,000	Quarterly	\$34,506
		Volume of exports	\$ million	154	Quarterly	\$116.5

Background

Following the strategic review conducted in 2008-09, APL has recognised that whilst fresh pork is a big opportunity for growth, any decline in the use of Australian pork in the processed pork or international markets represents a significant risk. In fact, a third of Australian production is still supplied by the domestic producers for ham, bacon, salamis and other smallgoods. This is a market that needs some additional insurance.

Achievements/Outcomes

The Australian PorkMark program set out to begin to differentiate smallgoods that are made from Australian pork meat. In 2009-10, over 200 processors of ham, bacon and other smallgoods (or deli meats) have signed up to license the Australian PorkMark.



This activity was then publicised through APL advertising, numerous radio and television interviews and through National Australian Bacon Week in March and National Australian Ham Week in July 2010. Together, these activities generated over \$400,000 worth of media exposure for a cost of a small fraction of that number.

Many licensees have reported sales increases in excess of 20 per cent following the introduction of the mark on their products.

On the export front, volumes have been limited by supply volumes being lower than previous years and an increasing exchange rate. In particular, increased competition at a 30 per cent price discount of frozen pork from countries other than Australia have impacted significantly, as consumers around the world have tightened their belts in response to the global financial crisis.

Core Objective I - Build Consumer Demand



Considerations and Impacts

Expand International Business

APL, in consultation with the Marketing Development Committee, continues to target efforts at a small number of valuable markets (Hong Kong, South Korea and Japan) over the next five years to build international business, based on high quality niches in the ASEAN (Association of Southeast Asian Nations) region.

Submissions were made to the Pacific Agreement on Closer Economic Relations (PACER), plus negotiations and the Productivity Commission Inquiry into Australia's Anti-dumping and Countervailing System. APL continues to engage with the Australian Government on bilateral and multilateral negotiations, such as progressing Free Trade Agreement negotiations with China, Japan and Korea.

Market closures:

During the year Russia moved to suspend three Australian export establishments based on insufficient documentation demonstrating that their pig meat exports were derived from carcasses tested for *Trichinella spiralis*. This test is a Russian import requirement. *Trichinella* is not present in Australia and as such, no test takes place. The Australian Quarantine and Inspection Service (AQIS) worked with the export establishments and Russia to have the import suspensions lifted.

In August 2009, Thailand suspended all Australian pork product imports (including offal and processed products) due to Australia's use of ractopamine in pigs. AQIS has raised the issue repeatedly to the Thailand Department of Livestock Development. The Codex Alimentarius Commission has not yet adopted a Maximum Residue Limit for ractopamine.

Core Objective 2

– Viable Productive Farms

Rationale

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

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

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

Strategy I – Reduce input costs

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Reduce input costs	Reduce the impact of disease	Herd Feed Conversion Ratio (HFCR)	kg feed/kg Hot Standard Carcase Weight (HSCW)	3.8	Six monthly	Pork CRC Benchmarking Project
		Reproductive performance	Pigs weaned/sow/yr	21		
	Efficient and cost effective nutrient supply	Herd Feed Conversion Ratio (HFCR)	kg feed/kg HSCW	3.8		
		Reproductive performance	Pigs weaned/sow/yr	21		

Background

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

The Pork Co-operative Research Centre (Pork CRC) focuses on diversifying our feed grain supply through the development and promotion of pig-preferred grain varieties and alternatives for key production regions. The CRC will focus on increasing the efficiency with which the industry utilises feed resources. This ongoing work represents a major opportunity for the industry to advance these issues, with significant leverage (15:1) from the Commonwealth Government, research organisations, large pork producers with research capacity and some commercial service companies.

Core Objective 2 - Viable Productive Farms



Achievements/Outcomes

Disease Management:

Improving herd feed conversion (HFC) reduces feed/grain usage and has the same effect on cost of production as reducing diet costs. Improvements in HFC will be achieved by optimising efficiency through improved health, metabolic efficiency and reproductive capacity. The control and/or reduction of disease and mortality in pigs as an addition or alternative to existing health control programs, is a key objective for pork industries globally. A meeting of 'industry' experts convened by the Pork CRC has identified the following pig health/disease issues as major contributors to pig production loss in Australia;

- Post weaning mortality: *Colibacillosis*

The relationship between *E coli* profiles at weaning and *colibacillosis* and the identification of risk factors that influence the *E coli* profile

- Stimulating natural immunity in sows to prevent diseases during pregnancy and in the neonatal period to weaning:

An examination of some of the indicator viruses and other pathogens in farrowing house and weaner house faeces, with a view to identifying the merits of feedback practices and stimulating the immune system of sows

- *Haemophilus parasuis*:

Using live challenge of sucker pigs delivered via aerosol challenge with *Actinobacillus pleuropneumoniae* as a means of vaccinating pigs with *Haemophilus parasuis*

- Pre weaning mortality:

Enhancing milk derived immunity in sucking pigs

- Agalactia in sows:

A number of projects have been commissioned by the Pork CRC to address these health issues.

Feedgrain:

The Pork CRC focuses on developing new and alternative feed grain varieties, and alternatives for key production regions. In 2009–10, the research continued to find additional cultivars with particular nutritional value for pigs. These new varieties will result in the development of commercial quantities of cereals and pulses that grow close to pig producing regions, and that have a high yield, cost effective agronomy and acceptable nutritional characteristics for pigs. Also, the use of Near Infrared (NIR) measurements, to evaluate the real nutritional value of grains, was expanding beyond research personnel into the grain trading, feed-milling and pig production sectors.

Cross-Sectoral Facilitation of Feed Grain R&D:

This project is an initiative that allows APL to continue to work and engage with the key cross-sectoral Feed Grain Partnership initiative members, including GRDC, Dairy Australia, MLA, AEC 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 identify and address key feed grain R&D priorities.

Core Objective 2 - Viable Productive Farms

Achievements/Outcomes

Grain is a critically important drought management tool, as well as underpinning much of our ongoing livestock production. Currently, the only data collected and available on feed grains is trade data—which is available on subscription or through ABARE—and crop production. No official nonwheat stock or usage data is now collected. Consistent feedback from intensive livestock and grains industries is that lack of market transparency is a major impediment to market efficiency and drought management. APL, GRDC, Dairy Australia, MLA, AEC and the Pork CRC are working together to facilitate the expansion of grain market stock and usage data collection.

The feedgrain partnership are also involved in a project with CSIRO, investigating the down-regulation of the starch viscosity gene, glucan water dikinase (GWD) to increase sorghum grain yield and digestibility directly applicable to the feed grain sectors. Both GM and non-GM approaches are being investigated to examine their relative technical and industry merits. The glasshouse trails have been completed and the results have been very encouraging.

Considerations and Impacts

Minimising the Impact of Government Policy

APL, Pork Queensland Incorporated and the Australian Lot Feeders' Association worked together to oppose the introduction of an ethanol mandate in Queensland. This effort was unsuccessful and Queensland is expected to proceed with a five percent mandatory ethanol content from January 2011. APL, Pork Queensland Incorporated and the Australian Lot Feeders' Association continue to push the case for a removal of the ethanol mandate.

APL responded to producer concerns about the expansion of coal seam mining developments in Queensland. APL consulted the Queensland Farmers' Federation and also liaised with Pork Queensland Incorporated and the Australian Lot Feeders' Association. Representations were made to the Queensland Ministers and Shadow Ministers addressing the Queensland pork industry's concerns. Joint advocacy efforts to protect industry from the threat of coal seam mining development continue.

Most of the APL R&D program within this area is undertaken by the Pork Co-operative Research Centre (Pork CRC). The collaboration between APL and the Pork CRC has ensured that there is no duplication of R,D&E programs and activities. The recently held third year review for the Pork CRC determined that *"the linkage between the Pork CRC and Australian Pork Limited has led to major benefits for the programs of both organisations without leading to duplication in programs"*.

Consistent feedback from intensive livestock and grains industries is that lack of market transparency is a major impediment to market efficiency and drought management. The Feed Grain Partnership Group has been exploring options, in concert with DAFF/ABARE/ABS, to address this problem.



Core Objective 2 - Viable Productive Farms

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/Result
Improve process efficiency	Globally competitive cost of production	Herd Feed Conversion Ratio (HFCR)	kg feed/kg HSCW	3.8	Six monthly	3.9
		Reproductive performance	Pigs weaned/sow/yr	21		20

Background

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

Achievements/Outcomes

Lactation Performance and Sow Condition

Recording of feed intake during lactation, litter weight gain, sow body weight and fat depth prior to farrowing and at weaning, continued at a commercial breeding company. The data were recorded in purebred sows from four breeds across all parities since May 2007. This information was then used to define feed conversion ratio and feed efficiency from day 5 to 14 during lactation.

This data set is unique in comparison to previous data sets with lactation feed intake and sow body condition measures, since it includes multiparous sows across two maternal and two paternal breeds that were kept in the same environment.

The research indicates that mating gilts between 135 and 150 kg live weight for optimal lifetime performance is an important factor. However, considerable variation in weight and back fat depth was observed in gilts in the two commercial Australian populations available for genetic analyses.

Information of sow weight from multiparous sows allows investigation of mature size of sows and its relationships with other performance traits. This is of particular interest to the Australian pig industry, since the size of farrowing crates have been reported as too small for older sows with a litter. However, larger sows are required to support the increasing demands of larger and heavier litters.

The AUSPIG model continues to play an important role in decision support for consultants, producers and the Pork CRC in evaluating potential impacts of new technologies. During 2009-10, advancements were made to the model, including updating the Pig Improvement Company (PIC Australia) genotype profile and enabling the prediction of carbon dioxide and methane output.

Core Objective 2 - Viable Productive Farms

Considerations and Impacts

The maintenance and enhancement of AUSPIG is jointly funded by APL and the Pork CRC.

On-farm Labour

Labour availability continues to be a key concern for producers. APL met with the National Farmers Federation and the Labour Agreement Section at the Department of Immigration and Citizenship (DIAC) to address this issue. APL sought more information on labour agreements and 457 visas during these meetings. The labour agreement is used to recruit skilled migrant workers, where a Temporary Business (Long Stay) Subclass 457 visa is unsuitable. A pork industry working group was established and consensus was reached that APL should develop a labour agreement template on the pork industry's behalf. Unfortunately, this did not eventuate as in the end many of the working group participants opted for other alternatives to source migrant labour.

On 1 January 2010 the Pastoral Industry Award 2010 commenced, incorporating the conditions in the previous Federal Pig Breeding and Raising Award. Industry was kept informed of this development through Pork It Up, Policy Issues Update and via State Farming Organisations (SFOs). Individual producers who contacted APL were also advised on how the Pastoral Industry Award could apply to their enterprise.

Strategy 3 – Build skills and capability

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Build skills and capability	Facilitate skills and capacity development on-farm	Herd Feed Conversion Ratio (HFCR)	kg feed/kg HSCW	3.8	Six monthly	3.9
		Reproductive performance	Pigs weaned/ sow/yr	21		20

Background

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

Core Objective 2 - Viable Productive Farms



Achievements/Outcomes

The 2010 Pan Pacific Pork Expo (PPPE), held on 16-17 June on the Gold Coast, attracted 493 delegates and 36 exhibitors to the trade exhibition. The technical program featured 24 local and international speakers on a range of topics addressing the theme 'Next generation pork: finding the balance'. The 2010 National Environmental Guidelines for Piggeries (NEGP) and resources for a Diploma in Pork Production were launched at PPPE. The Ron Collins Memorial Travel Award was presented to Mark McLean, a producer from Waikerie, South Australia, who will use the award for travel to Asia to identify alternative marketing arrangements for long-term business sustainability.

APL continues to facilitate the delivery of the ProHand training course for the professional handling of pigs. A total of 194 stockpeople completed the on-farm stockperson program during 2009-10, and 63 lairage staff completed the pork abattoir version. A further 16 facilitators were trained to deliver ProHand across Australia.

Ross Brown of CHM Alliance, on behalf of APL, has been working closely with Assiniboine Community College, Canada, to develop resources for delivery of a Diploma in Pork Production for piggery supervisors and managers in Australia. Twelve courses have been mapped to the diploma qualification to provide Registered Training Organisations throughout Australia with quality, industry-specific resources for its delivery.

The Doug Ross Overseas Travel and Study Award was presented to Jill Groat, fifth year veterinary science student at Charles Sturt University. The award enabled Jill to attend the International Pig Veterinary Society Congress and the Australian Pig Veterinarians' Association's Satellite meeting in Canada, providing a wonderful opportunity for continuing education and networking with the international veterinary community.

APL has joined the newly formed Primary Industries Education Foundation, a not-for-profit organisation focussed on providing credible, relevant and factual information on agriculture to teachers, students and the community. This provides the pork industry with direct access to schools to promote existing education resources, including the Primary Industries Education Program and the Pigs in Schools resource.

Considerations and Impacts

In assisting producers with Model Code compliance around stockperson competency, ProHand is a useful tool for acquiring the underpinning knowledge required to achieve competency in the *Move and Handle Pigs* competency unit forming part of the Stockperson Skill Set.

While the pork industry has quality resources for educating school students on pig production, it needs to be proactive in identifying mechanisms for gaining access to educators.

Core Objective 3

– Efficient Value Chains

Rationale

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

Strategy I – Create and Capture Value Improvements

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Create and capture value improvements	Research and development of technical innovation	Pork supply chain profit pool growth (relates to specific supply chain)	Percentage	4	Six monthly	See Note Below
		Pork producer share of profit pool (relates to specific supply chain)	Percentage	19		See Note Below

Note: The consumer pricing data used in the supply chain model has been discontinued. A new source, has been adopted. The available data indicates an increase in consumer pricing of 19.1 per cent for the year 2009-2010 vs 2008-09. This represents the data sources inconsistency i.e. comparing apples with pears. The available data indicates a 40 per cent increase in the pork supply chain profit level 2009-10 vs (2008-09). Whilst the increase in supply chain profit is credible given increased consumer prices (if not at 19 per cent) and decreased grain costs the level of 40 per cent is not accurate. Likewise, the data suggests a producer share of the value chain profit is 37 per cent. This represents a point near the top of the producer profit cycle, only 2 years ago, the percentage would have been approximately -50 per cent. This volatility will continue to exist due to the cyclical nature the pork supply chain, however this level of volatility is exacerbated by the change in data source. For consumer pricing.

Background

The 'Lean Thinking' experience from the UK involves improving efficiency in meat supply chains and provides an opportunity to further encourage transparency and supply chain integration. Better communication between supplier and buyer will also ultimately mean a greater understanding of what contributes to the right type of carcass for the buyer's needs, and better life cycle planning through the life of the pigs produced. APL is working with one of the most integrated chains in the Australian pork industry to improve objective measurement, buyer/seller relationships and the flow of market signals in the industry, with the ultimate objective to provide a much more efficient value chain with better links between value and quality.

Core Objective 3 - Efficient Value Chains



Achievements/Outcomes

Selection for improved market value of pig carcasses:

Currently, the payment system in Australia is based on back fat for a given carcass weight. Selection strategies have reduced back fat to levels that limit further economic benefits and lead to other undesired physiological consequences. However, market value of the carcass depends on overall lean meat percentage of carcasses as well as the weight and composition of primal cuts. A detailed analysis of the French national database, which includes weight of the back leg, loin, belly, shoulder and back fat above the loin for Landrace, Large White dam line, Large White sire line and Pietrain, was undertaken.

The lean meat percentage, as well as weights of the back leg and loin, were substantially higher in the Pietrain pigs. The two Large White breeds had the highest shoulder weights. Landrace were the longest animals with the lightest ham and loin weights. The carcass weight explained a high proportion of variation in weights of primal cuts. Therefore, reducing variation in carcass weight is the single most important factor for consistent weights of primal cuts, which are important for portion sizes of consumer cuts. Weight of the loin and the ham differed by as much as 4 kg per pig for each primal cut. The variation in individual primal cuts resulted in an economic gain of about \$7 per carcass (farm-gate prices) or \$21 per carcass (wholesale/retail prices) due to choosing the top 10 per cent of carcasses in comparison to an average carcass. A similar study is also being undertaken with an Australian commercial breed database. Unfortunately, the collection of these datasets using the PorkScan technology was delayed due to technical incompatibility issues. As a consequence, these analyses will be completed in 2010-10.

Value Chain Study:

A Stage 1 Value Chain Study was undertaken, focused on a major company chain, as part of a broader project to identify issues and opportunities within, and at the point of linkage for, each sector/activity group within the value chain. The stage 1 study involved development of an overview map of the pork value chain highlighting the different chain sectors/activities and linkage points. It also identified inputs and outputs of each sector/activity group, specifying product types, product flows, etc and target markets of each sector/activity group.

The Stage 1 Value Chain Project Objectives include:

1. An overview map of an integrated pork value chain highlighting the different chain sectors/activities and linkage points.
2. Identification of inputs and outputs of each sector/activity group specifying product types, flows, etc.
3. Identification of the target markets of each sector/activity group.
4. Identification of issues and opportunities within, and at the point of linkage, for each sector/activity group within the value chain.
5. Preliminary advice on definition/specification of an 'optimal' carcass in terms of maximising production and processing efficiency and returns to value chain parties.
6. Preliminary advice on the use of industry technologies to maximise returns for optimal and sub optimal carcasses, such as supersorters, automatic feeding and production monitoring systems, improvac, somatotropin, etc.
7. Preliminary advice on key areas of focus for improved value chain efficiency.

Feed and pig production flow maps have been completed with production flow data (age and weight, volumes) and cost of production data at major milestones. This confidential data will be used for analysis to refine the maps under the Stage 2 Value Chain Project

Core Objective 3 - Efficient Value Chains

Achievements/Outcomes

Progress on the final link of the value chain has been slowed by the complexity of the marketing sector. The variation within supply and demand requirements that occurs over the year, such as distinct market requirement differences occurring over the Christmas period, warrants multiple maps of product flow covering the distinct periods; high demand, lower demand and the shoulder periods. Given the distinctive nature of these markets, this information will be captured during the precise period.

Similar complexity occurs with following pigs through to the ultimate market (with 20 distinct end markets identified). While the majority of product entering these markets, together with associated volumes and costs, was able to be traced back to the individual supplier; a subset of these markets that are associated with certain processing operations was combined into a single group for the purposes of the project. As a consequence of the periodic nature of the marketing sector, there is a periodically different optimal carcass that will be determined during the mapping of the high and low demand and shoulder periods.

Considerations and Impacts

Preliminary advice on issues and opportunities within and between links of the chain and the use of technology will be covered in the latter part of stage 1 and in the stage 2 project work. This will involve interactive discussions with farm and processor managers on the key areas to focus improvements in the value chain as part of the lead into the Stage 2 Value Chain Project.

The stage 2 project will use value chain analysis methodology to:

- Find out what consumers value in those target markets
- Choose chain partners to do a more detailed Value Chain Analysis (VCA)
- Investigate not only product flow, but also information flow and relationships along those chains
- Look at effectiveness (doing the right things) and efficiency (doing things right) through the eyes of the final consumer
- Identify and prioritise improvement projects.

The project will then consider how best to implement the results. This will involve discussions with the companies directly involved in the project and will also take the generic lessons and consumer insights shared with the wider industry to justify government and industry association investment.



Core Objective 3 - Efficient Value Chains

Strategy 2 – Enhance linkages between the value chain partners

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Enhance linkages between the value chain partners	Enhancing market signal flow	PorkScan implementation	Percentage pork production graded with PorkScan	80%	Annual	61%

Background

As mentioned above, the Australian pork industry must be consumer-focused and to enable this, all segments of the pork supply chain must be linked to allow effective market signal communication up and down the value chain. This program will seek to quantify some of the value along the supply chain to better meet the consumer's needs and demonstrate the need for improved linkages to secure these benefits.

Achievements/Outcomes

The stage 1 study indicated above will be followed by a stage 2 project in 2010/11 to explore opportunities for improving overall value chain profitability. It is anticipated that the latter stage value chain project work will involve collaborative funding.

The Stage 2 Value Chain Project is also expected to identify key areas for potential efficiency and profitability gain for further investigation.

Considerations and Impacts

An underlying objective of the value chain project is to promote target use of information by value chain partners, which promotes improved understanding of market needs and opportunities, more collaborative relationships between the value chain partners and a focus on adding value along the chain.

Core Objective 3 - Efficient Value Chains

Strategy 3 – Optimise value chain efficiency and quality

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Optimise value chain efficiency and quality	Enhancing supply chain efficiency and quality	Pork industry profit pool growth	Percentage	4	Six monthly	See Note Below
		Pork producer share of profit pool	Percentage	19		See Note Below

Note: The consumer pricing data used in the supply chain model has been discontinued. A new source, has been adopted. The available data indicates an increase in consumer pricing of 19.1 per cent for the year 2009-2010 vs 2008-09. This represents the data sources inconsistency i.e. comparing apples with pears. The available data indicates a 40 per cent increase in the pork supply chain profit level 2009-10 vs (2008-09). Whilst the increase in supply chain profit is credible given increased consumer prices (if not at 19 per cent) and decreased grain costs the level of 40 per cent is not accurate. Likewise, the data suggests a producer share of the value chain profit is 37 per cent. This represents a point near the top of the producer profit cycle, only 2 years ago, the percentage would have been approximately -50 per cent. This volatility will continue to exist due to the cyclical nature the pork supply chain, however this level of volatility is exacerbated by the change in data source. For consumer pricing.

Background

The implementation of quantifiable tools will enable the Australian pork industry to move beyond a supply: demand focus, to one where supply chain relationships and opportunities between value and volume are better understood and can be used for planning purposes to ensure industry profitability and sustainability. The focus will still remain on a more economically efficient pig, but will seek to use technologies and strategies to ensure that the quality of the pork is not compromised. This strategy will seek to establish linkages between initiatives, including the Australian Pork Quality Assurance Standard program and PorkScan lean meat yield technology.

Achievements/Outcomes

Australian Pork Limited, as the owners of the intellectual property generated from the PorkScan Carcass Measurement project, filed an international patent corporation treaty application in June 2010 for the light striping component of the PorkScan system. PorkScan Pty Ltd has focussed on ensuring that the PorkScan P2 system operates reliably for licensees and has finalised the technical services agreement to support both the PorkScan P2 software and hardware.

Considerations and Impacts

Commercialisation of the light striping component of the PorkScan system will be a major focus for PorkScan Pty Ltd in 2010-11, with additional external funding to support this refinement work to be sought. Additional licensees for the PorkScan P2 system will also be sought.

Core Objective 4 – Leadership, Preparedness, Stewardship



Rationale

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

APL seeks to manage and balance the impact of regulatory shifts as well as changes to government policy and the compliance requirements of our markets, so as to secure consumer and public confidence in Australian pork while ensuring our producers and the industry remain internationally competitive, profitable and sustainable. This core objective is fundamental to the success of building consumer demand and viable productive farms.

Strategy I – Address changing expectations and standards for food production

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Address changing expectations and standards for food production	Taking care of our animals	Pig herd covered by APIQ	% of breeding herd APIQ certified	82%	Six monthly	80%
	Strengthening biosecurity and enhancing quarantine	Pig herd covered by APIQ and PigPass QA	% of breeding herd APIQ and PigPass certified	93%	Six monthly	91%
		Producers (farm enterprises) certified as APIQ and PigPass QA	% of producers (farm) enterprises certified as APIQ and PigPass QA as a proportion of all pig producers	47%	Six monthly	31%
		Livestock traceability - producers (farm enterprises) registered for PigPass	% of producers (farm enterprises) registered for PigPass as a proportion of all pig producers	88%	Six monthly	86%

Background

The pork industry remains challenged to be receptive to the standards that the community expects in producing our products, particularly in relation to the care and welfare of animals. The image of the industry must be improved through education, changing practices and shaping the regulatory environment, to assure the confidence of consumers, Government, markets and the Australian public that the industry's ethical standards are of a very high level.

Core Objective 4 - Leadership, Preparedness, Stewardship

The Beale Report (2008) has set the stage for a major re-haul of Australia's quarantine and biosecurity system. The central theme of the Beale report is a working partnership approach between industry and government(s), a shared responsibility that promotes a seamless biosecurity system rather than the narrower concept of 'quarantine'. Simply put, biosecurity aligns with the pre-border and post-border continuum, a multilayered approach, a shift from zero risk to managed risk, from barrier prevention to border management, from 'no, unless ...' to 'yes, provided ...'. Enhanced biosecurity and quarantine are critical in order to safeguard the health status and competitive advantage of the Australian pig herd.

Achievements/Outcomes

Sow Housing

This section encompasses a number of projects which relate to sow housing and welfare management. In relation to pigs, the most contentious animal welfare issue is housing of dry or non-lactating sows. Industry experience indicates that the opportunity for group housing to improve sow welfare is presently limited by the high levels of aggression that is commonly observed in newly-formed groups of sows after mixing. Also, few rigorous recommendations in the scientific literature exist regarding sow group housing with respect to reducing sow aggression. These ongoing projects will contribute to current knowledge regarding the care and welfare of sows in group housing situations. These projects are:

- The effects of group housing during gestation on sow welfare and reproduction
- Space and group size effects on the welfare of group-housed sows
- Effects of aggressive characteristics of individual sows and mixing strategies on the productivity and welfare of group-housed gestating sows
- Evaluation of space requirements for group-housed pregnant pigs at different parities.

The Effects of Group Housing During Gestation on Sow Welfare and Reproduction

This project undertaken by the AWSC (Animal Welfare Science Centre) examines the effects of space, group size, feeding stalls and time of mixing on group-housed sows. This project was divided into two experiments:

Experiment 1: Determining the effects of space allowance and group size on the welfare of group-housed sows by examining the level of stress, immunology, aggressive behaviour, injuries and reproductive success of the sows. 3,120 gestating sows, in four time replicates (780 sows per replicate) have been studied.

The main measurements include:

- Aggression – days 1, 2 (around feeding), 8, 9 (around feeding), 22, 23 (around feeding), 50 and 51 (around feeding) of gestation.
- Plasma cortisol – days 2, 9, and 51 of gestation. Haematology (neutrophils and lymphocytes) – days 2, 9, and 51 of gestation.
- Injury and locomotion – days 2, 9, 23 and 51 of gestation.
- Reproduction – the number of animals farrowing in each treatment and the litter size of each animal (born total, born alive and weaned).
- Body weight and back fat – at the commencement and completion of treatment.
- Video records on aggression are presently being examined and preliminary statistical analyses have commenced.

Core Objective 4 - Leadership, Preparedness, Stewardship



Achievements/Outcomes

Experiment 2: Determining the effects of time of mixing on the welfare and reproductive performance of sows. 720 mated sows in three time replicates have been studied in three treatments: (1) Stalls, sows housed in stalls for entire gestation; (2) Groups, sows housed in groups of 10 with (1.7m²/sow) with partial feeding stalls for entire gestation; and (3) Stalls followed by groups, sows housed in stalls for 35 days post mating and then moved to group pens (groups of 10 with 1.7m²/sow) with partial feeding stalls.

The main measurements include:

- Plasma cortisol – days 2, 29 and 50.
- Injury – days 2, 29 and 50.
- Live weight and ultrasound P2 – at the commencement and completion of treatment.
- Reproductive performance – conception rate, farrowing rate, number piglets born alive, number of stillborn piglets and number of piglets weaned.

Data for the last replicate in this experiment are presently being collected. The final report for this project will be available by the end of 2010.

Space and Group Size Effects on the Welfare of Group-housed Sows

This project encompasses the PhD project associated with the above study. Marcus Karlen is the PhD candidate with this project which is due to be completed by the end of 2010.

Effects of Aggressive Characteristics of Individual Sows and Mixing Strategies on the Productivity and Welfare of Group-housed Gestating Sows

Group-housing of females often leads to high levels of aggression following mixing, which indicates that anticipated improvements in sow welfare are not being realised. Aggression has production and welfare implications. An understanding of the effects of the composition of the group may have important implications for both the welfare and productivity of the group as a whole. This project undertaken by AWSC will provide fundamental knowledge on basic principles of mixing pregnant sows. The project will generate important knowledge concerning the dynamic structure of groups of pregnant females, which may enable groups of females to be formed on a behavioural characteristic(s) so that aggression, stress and reproduction of the group are facilitated. Furthermore, the project will examine some practical strategies early after mixing to reduce sow aggression in a commercial environment.

Objectives

1. To establish the effects of individual sow behaviour (aggression at feeding, feeding behaviour and lying behaviour) on the welfare and reproductive performance of the group as a whole.
2. To develop predictive tests of 'aggressive motivation' of individual sows that are related to the aggressive behaviour at feeding, feeding behaviour and lying behaviour of individual sows in groups.
3. To determine the effectiveness of potentially useful practical mixing strategies in a commercial environment.

The scheduled completion date for this project is 30 June 2012.

Core Objective 4 - Leadership, Preparedness, Stewardship

Achievements/Outcomes

Review of Remote Sensing-visual Imaging

It would facilitate many aspects of day-to-day management if producers were able to do more than just monitor animals. Remote monitoring would enable producers to identify at-risk animals and initiate treatment, as well as document welfare standards. In addition, image analyses of recorded visual monitoring of stock would facilitate the implementation of automated behaviour monitoring. This major review by Associate Professor Thomas Banhazi has been commissioned and is aimed at identifying potential computer vision techniques that could be used to determine the animal behaviours automatically.

Review Alternatives to Farrowing Crates

Two reviews were commissioned in this area. The first by DAFWA (Department of Agriculture and Food Western Australia) examines the physiological, behavioural and bioeconomic consequences of non-crate farrowing systems. In addition, DAFWA will also simulate biological and economic assessments of the various alternatives through a bioeconomic model, as extensive field trials of non-crate farrowing systems are unlikely. Output from the model will enable producers to make informed decisions on selecting farrowing systems and inform decision makers on the potential cost of changes to welfare regulations relating to farrowing crates. In summary, the objectives are:

1. Review the physiological, behavioural and welfare consequences of confining sows in farrowing crates
2. Compare sow and litter productivity in crate and non-crate farrowing systems
3. Create a simple bioeconomic model to provide economic decision criteria for various farrowing systems
4. Identify critical success factors for non-crate systems for synthesis into an 'ideal' design.

The second project by the University of Sydney will involve a review of the principles of design and management of non-crate farrowing, which will include descriptions of the different non-crate housing systems and an evaluation of the performance of sows and litters between the different types of system and conventional farrowing crates. The outputs of this project will be in the form of knowledge contained in a final report provided to APL. The final report will list and describe the different alternatives to farrowing crates, including information on design and operation, present data on the performance of sows and litters housed in the different alternative types of accommodation, identify gaps in knowledge regarding the alternatives and recommend how to proceed with the accumulated knowledge to facilitate the development of an alternative farrowing system that is suitable to the requirements of the Australian pig industry. Following acceptance of the final report, the summary information will be disseminated to industry through industry publications and the APL website.

Evaluation of Space Requirements for Group-Housed Pregnant Pigs at Different Parities

The project will be conducted on the University of Adelaide's intensive piggery at the Roseworthy campus. Modern sow genotypes differ significantly from their genotypes of 20 years ago in terms of mature size and their physiological responses. This project will enable greater understanding regarding the response of modern genotypes to reduced space allocations. In addition, the outcomes should demonstrate how this response interacts or varies with sow size. This project will re-evaluate the effects of space allocation in gestating sows of varying sizes (for example, gilts versus mature sows) with a view to understanding the space needs of the modern sow in terms of her production and welfare. This project is due for completion late 2010.

Core Objective 4 - Leadership, Preparedness, Stewardship



Achievements/Outcomes

Physi-Trace

APL has been proactive in researching alternative traceability technologies to validate current traceability systems and enable rapid traceback to the source of a problem in the event of a food safety incident, so that the trade in unaffected product may continue. The Physi-Trace R&D project, based on trace element analysis of meat samples to develop a farm 'fingerprint', is being progressed with producers and pork export abattoirs.

Taking Care of our Animals

The Australian Animal Welfare Standards and Guidelines for the Land Transport of Livestock (Land Transport Code of Practice) were endorsed by the Primary Industries Ministerial Council (PIMC) in December 2008. It is a multi-species code and specifies conditions required by those in the livestock production chain. However, the use of electric prodders on pigs was not resolved and held over for further development by the Animal Welfare Committee (AWC) of the Department of Agriculture, Fisheries and Forestry (DAFF). APL, in consultation with Australian Livestock Transporters Association (ALTA), agreed to the use of prodders under some conditions in the Transport Code due to the potential OH&S issues concerning the loading of pigs. This is now being considered by the AWC.

To assist producers meet and demonstrate their competency in the care of pigs, as required by the Model Code for the Welfare of Pigs (2007) by March 2011, APL worked with Registered Training Organisations to develop training materials and programs which were launched into RTOs in November 2009. The stockperson skill set covers the minimum skills required by a stockperson *'responsible for the day-to-day needs of pigs'* or of a person *'under the direct supervision of such personnel'*. Although most pig producers and stockpeople are more than capable of caring for their pigs, certification of this competency is an important part of being able to prove that animal welfare standards are being met on-farm. People with 12 months industry experience may go through a process of Recognition of Prior Learning (RPL) and assessment to obtain certification of their competency as a stockperson. Recognition of Prior Learning materials have also been prepared and distributed for existing stockpersons working in the industry to be assessed by a workplace assessor against the skill set.

The *Model Code Companion Handbook* was finalised. The handbook provides a practical guide to the interpretation and implementation of pig welfare standards and good pig welfare practices on commercial pork production enterprises in Australia. The aim of the handbook is to assist producers to interpret and implement the Model Code of Practice for the Welfare of Pigs (2007), and comply with legal requirements and demonstrate that good practices are being applied.

To further develop and strengthen APL's relationships with the extensive pork producers, a workshop was held in March 2010. Those attending represented some 95 per cent of extensive production. Some of the issues discussed included production descriptors, definitions and labelling in order to provide protection to the consumer and the industry and grow the market. The APL definition of free range production, reviewed and endorsed by the APL Board again in 2010, was also endorsed by the group.

APL funded training for RSPCA inspectors from all states was held as a pilot project in June 2010. The training was designed to assist livestock inspectors to experience and understand the day-to-day operations of a piggery and to develop a deeper understanding of what is acceptable practice and what is not in accordance with the Code of Practice and new regulations.

Core Objective 4 - Leadership, Preparedness, Stewardship

Achievements/Outcomes

In response to the new transport standards and guidelines, and to raise producer awareness of animal welfare requirements for transport, APL, in consultation with producers, the RSPCA, transport companies, regulators and veterinarians, developed a new National Fit to Load Guide for the Industry, titled, 'Is it fit to load?'

Strengthening Biosecurity

APL, along with other affected livestock industries, has been involved with the FMD Vulnerabilities Project by funding a package of research activities to better prepare Australian livestock industries for an outbreak of foot and mouth disease. Completing these activities will enable Australia to optimise its joint industry/government investment in the FMD antigen bank held in the United Kingdom.

The 'PigCatcher Exercise' was a national exercise to audit the National Livestock Identification System for Pigs (NLIS-P) to evaluate the tracing system of pigs and identify areas where the system could be improved. This was the first time such an exercise has been undertaken for pigs and it showed that, as a tracing system where pigs are moving vertically within an integrated commercial supply chain, the NLIS-P provides a working framework for the back-tracing of animals to their property of birth, but it does not provide a workable framework for the reliable forward-tracing of cohorts. The tracing back and tracing forward of pigs traded through saleyards is also challenging.

Other issues that need to be addressed include the lack of Property Identification Codes (PICs) by some buyers and sellers, and poor provision, completion and retention of movement documentation. APL is undertaking a number of initiatives and working with the relevant authorities to improve its traceability systems and improve compliance by producers in the use of PigPass National Vendor Declarations (PPNVD) and the accuracy, usefulness, reliability and functionality of the data bases. Other initiatives include the saleyard compliance initiative, the APL/ABCRC/University of Sydney project to *"Improve compliance of legislative and industry requirements among pig producers"* and the establishment of saleyard/agent and processor forums.

Version 5 of the PigPass National Vendor Declaration (PPNVD) was created and distributed to the industry. It incorporates revisions to the WHP (withholding period) and ESI (export slaughter interval) requirements and declarations for completion by the producer and transporter.

Considerations and Impacts

Pork production and intensive pork production systems, in particular, are an increasingly controversial issue for certain sections of the community. This necessitates a requirement for the Australian pork industry to demonstrate that production systems provide appropriate level of animal care, enabling pigs to express certain behaviours, including exercise and social interaction. In addition, it is critical that the Australian pork industry ensures that it understands the community's attitude to the various welfare aspects of pork production; keeping abreast of changing attitudes and consumer responses.



Core Objective 4 - Leadership, Preparedness, Stewardship

Considerations and Impacts

The Australian pork industry must ensure it engages with the community to assure stakeholders that Australian pork producers operate at high levels of animal welfare, using production systems that are underpinned by sound science. To this end, the Australian pork industry requires proactive research in the field of animal welfare to provide the necessary welfare solutions, and disseminate this information to ensure that the pork industry is well informed and is able to demonstrate to consumers that it is adopting best management practices. The Australian pork industry must ensure that the pork production systems and management practices it develops and adopts not only meet evolving community expectations around animal welfare, but maintains its international competitiveness.

Taking Care of our Animals

Although no states met the April 2009 deadline of regulating the standards in the *Model Code for the Welfare of Pigs (2007)* into state regulations, regulation of the Model Code was completed in South Australia and New South Wales. Western Australian is close to finalisation. Victoria and Queensland are still in the early stages of drafting, while the Tasmanian Government deviated from the agreement made by Primary Industry Ministerial Council (PIMC) with its announcement to ban sow stalls by 2017 and limit their use to six weeks by 2014.

Late June 2010 saw APL embark on facilitating a major consultation process known as 'Shaping our Future' with producers, retailers/marketing partners, governments, regulators and animal welfare groups. The economic and political realities of our future, the need to establish greater leverage when negotiating with regulators and retailers and the many challenges facing pork producers make this an important time for the industry. The consultation is the result of the growing pressure on our industry to change some of its animal welfare practices, particularly sow housing systems.

'Shaping our Future' was supported by APL delegates at a meeting earlier that month where they overwhelmingly endorsed the following proposal: *"That APL should undertake a comprehensive industry consultation process to investigate whether we build our own differentiator by taking a position on gestation stalls and addressing related issues, such as imports, labelling and labour."* The consultation will examine a number of critical issues confronting the pork industry, including pork imports, country of origin labelling (CoOL), labour and skills shortages, aspects of the Model Code and the future use of gestation stalls. These issues were recognised as critical by preliminary research undertaken by Kreab Gavin Anderson Consulting on behalf of APL, through producer focus groups and a survey completed by APL delegates.

'Shaping our Future' comes at a critical time for the Australian pork industry following the decision by the Tasmanian Government. APL representatives met with the Tasmanian Minister and expressed industry concerns that the advice given to the Minister from the Tasmanian Animal Welfare Advisory Council was based on a poor process, contrary to the committee's terms of reference, inadequate industry consultation, and the obvious deviation from nationally agreed harmonisation of the Model Code. Other livestock industries have supported these concerns.

Core Objective 4 - Leadership, Preparedness, Stewardship

Considerations and Impacts

Animal welfare developments in New Zealand relating to their *Animal Welfare (Pigs) Code of Welfare 2005* continue to be monitored carefully. The Code is under review and the draft has been under public consultation in 2009-10. The draft code contains standards that: limit the use of farrowing crates to four weeks; limit the use of dry sow stalls to four weeks post-mating after 31 December 2012 and prohibits the use of dry sow stalls at a date to be determined following the consultation process. Public consultation on the code closed in mid-April and the outcomes are anticipated.

The Australian Pork National Animal Care Strategy, endorsed by the APL Board in 2009 provides a five-year plan with key strategies, associated action plans and outcomes for the management of animal welfare in the Australian pig industry. The strategy covers all issues pertinent to pig welfare including: stockmanship; transportation; supply chain through to consumers; quality assurance; research and development; and communications. The theme for 2009-10 was quality assurance, as the Model Code standards and compliance requirements will be measured in many instances using quality assurance tools. The review of the APIQ program has been vital, and the inclusion of the Model Code's welfare requirements in APIQ has been a major achievement.

Strengthening Biosecurity

APL is an active member of Animal Health Australia, which addresses various key areas such as the Emergency Animal Disease Response Agreement (EADRA), animal disease surveillance, disease risk mitigation, livestock welfare, biosecurity and emergency response training. APL, through participation in the Animal Health Australia Animal Welfare Compensation Committee, has been working with other livestock industries and government representatives to progress the issue of compensation for animals slaughtered for animal welfare reasons in an emergency animal disease response.

The APL/Australian Biosecurity CRC (ABCRC)/University of Sydney project to 'Improve compliance of legislative and industry requirements among pig producers' is benchmarking compliance among pig producers to evaluate changes in awareness and adoption of practices concerning PigPass National Vendor Declaration (PPNVD), tattoo compliance, swill feeding awareness, QA uptake and on-farm biosecurity in response to specific extension activities. Initial research from this project showed that a primary area of non compliance to PPNVD use is associated with sales through saleyards. To increase APL's understanding of the issues and improve compliance, APL contacted 'key agents' that operate in saleyards across the country, visiting Toowoomba and Forbes saleyards to discuss compliance and related issues. As a pilot project, APL undertook consecutive visits to the Forbes saleyards to provide training and direct assistance to producers and agents on sale day and to understand how best to provide training to all producers who sell through saleyards. These activities have provided valuable insight into how to deal with producers and agents to increase compliance.



Core Objective 4 - Leadership, Preparedness, Stewardship

Strategy 2 – Manage the impact of regulatory shifts

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Manage the impact of regulatory shifts	Safe food	Pig herd covered by APIQ and PigPass QA	% of breeding herd APIQ and PigPass certified	93%	Six monthly	91%

Background

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

Achievements/Outcomes

Safe Food

The APIQ review was completed, culminating in the proposed development of the APIQ✓™ program, with its associated policies and processes to be established across the industry in 2010/11. The review involved a working group, comprising producers, auditors and vets, as well as the APL Board QA Committee and APL Board. Several initiatives emerged through the review and have been established as part of the goals to improve the credibility, usefulness, reliability, value and to increase the uptake of APIQ✓™ by producers. The key changes resulting from the review are:

- One program known as APIQ✓™, with a single set of standards for all producers comprising food safety, traceability, biosecurity, animal welfare and management covering all forms of pig production.
- The creation of two producer categories known as *Small Holder* and *Large Holder* to acknowledge the difference in record keeping and provide targeted support and tools.
- PigPass QA is to be phased out requiring PPQA certified producers to develop their systems to meet the new APIQ✓™ standards. For APIQ certified producers, there will be few noticeable changes.
- 'PigCare', the revised animal welfare module of the APIQ✓™ standards, which incorporate the standards of the *Model Code for the Welfare of Pigs 2007*.
- Producers have the option to establish a full HACCP (Hazard Analysis Critical Control Point) plan or adopt only those HACCP principles relevant to their piggery.
- The development of certification and administrative policies which clearly define the processes and systems for establishing and managing APIQ✓™.
- Establishment of an annual audit summit to provide support and training to auditors.
- Assistance to producers from APIQ Management, including regionalisation of audits where requested to reduce audit costs. Regional Audit Plans (RAPs) were successfully trialled in North Queensland, South Australia and Western Australia.

Core Objective 4 - Leadership, Preparedness, Stewardship

Achievements/Outcomes

- Trial saleyard and agent training and communication exercises were undertaken to increase the uptake of APIQ by small producers. This initiative was done hand-in-hand with the PigPass National Vendor Declaration (PPNVD) saleyard initiative.
- The APIQ Panel comprising independent experts to consider appeals and rule on situations and incidences of critical concern regarding producers, auditors' policies and certification decisions.
- Annual systems and programs audit of the APIQ✓™ by an independent certifying body to ensure that its policies, processes and administration are robust, reliable and of a high standard.

APL has been proactive in researching alternative traceability technologies to validate current traceability systems. This will enable rapid trace-back to the source of a problem in the event of a food safety incident, so that the trade in unaffected product may continue. The Physi-Trace R&D project, based on trace element analysis of meat samples to develop a farm 'fingerprint', is being progressed with producers and pork export abattoirs.

Considerations and Impacts

Physi-Trace, if adopted by the industry, has the potential to achieve continued market access, in the event of a food safety related incident, for unaffected product. This would be of significant value to the industry.

Safe Food

APL attended a public consultation forum and made two submissions to the Review of Food Labelling Law and Policy, providing information and positions on country of origin labelling (CoOL), method of production labelling, environmental labelling and genetically modified food labelling. APL argued that Australia's food labeling system should be designed to support Australian producers and consumers; inform rather than confuse consumers; and should be monitorable and enforceable. APL advocated for a co-regulatory approach to food labeling by which government makes more use of industry consultation, experience, quality assurance programs, resources and communication channels and voluntary code of practice. The review of food labelling law and policy continues.

APL made a submission to the Senate Inquiry into the Food Standards Amendment (Truth in Labelling Laws) Bill 2009. The Bill sort to amend CoOL food labelling laws to only allow the word 'Australian' to be of use if the food was 100 per cent produced in Australia. APL explained the challenges that current CoOL laws pose for the pork industry and applauded the intent of the Bill to strengthen these laws to make CoOL less confusing for the consumer. However, APL opposed the Bill in its current form for concerns that ham, bacon and smallgoods made from 100 per cent Australian pork would not be able to use the words 'Australian' or 'Australia' on labels due to small inclusions of imported curing ingredients. APL made several recommendations for amendments to the Bill to ensure any resulting changes to CoOL legislation would benefit, rather than further disadvantage, Australian pork producers and consumers.



Core Objective 4 - Leadership, Preparedness, Stewardship

Considerations and Impacts

APL provided a submission to the Review of the Framework for Agricultural and Veterinary (AGVET) Chemical Regulation. The issues paper proposed a national scheme for assessment, registration and control of use of AGVET chemicals, along with a new framework for regulatory cost recovery. APL's submission explained that chemical use by pig producers is already closely monitored by industry funded schemes, including the National Residue Survey, the PigPass National Vendor Declarations system and by independently audited on-farm quality assurance. APL argued that the industry already has significant market and trade incentives to use AGVET chemicals responsibly, and that further cost recovery for AGVET regulation from industry would be inefficient and inequitable.

Hazard Analysis and Critical Control Points (HACCP) Plan

The HACCP plan has been completed and has drawn on outputs from a broad range of food safety projects conducted over the past seven years by the Australian pork industry. The plan aimed to identify hazard levels through the supply chain, their risk factors and practical and effective interventions to mitigate any subsequent risk. The standard Codex HACCP approach was modified to allow a hazard analysis and critical control point determination to be conducted at an industry level, and then used to determine the appropriate on-farm food safety control measures for pig production in Australia. A detailed risk-based profile with hazard identification, hazard characterisation and levels of microbial contamination for production and primary processing was used as a major resource. The process resulted in the identification of Critical Control Points for control of a specific physical hazard (non-recovered broken needles) and prevention of violations of Maximum Residue Limits with agricultural and veterinary chemicals. In relation to the identified microbiological hazards, there are numerous Good Agricultural Practices (GAP) to prevent and/or reduce their risk, and these controls would also need to be a feature of any on-farm food safety program. By applying a HACCP-based approach, it was determined that the application of a set of GAP on-farm would be effective in ensuring low risk. It was, therefore, concluded that on-farm food safety programs may not warrant full HACCP plans at the individual enterprise level, provided appropriate GAP is in place. The results provide pig producers and the Australian pig industry with the elements of a HACCP-based food safety system that are scientifically justifiable, understandable and realistic to apply. These features are essential elements that underpin successful implementation and compliance by industry. An on-farm food safety system with strong links to effective downstream control/reduction measures in the processing sector has been developed to provide an appropriate level of protection for consumers, as well as to protect Australia's trade from food safety-related issues.

Carcass Baseline Survey

The Pig Meat Hygiene program (SARDI) conducted a microbiology baseline survey of Australian pig meat in 1997, in collaboration with the Victorian Institute of Animal Science (VIAS) and AQIS. Given that the original survey was conducted 12 years ago, the results can no longer be relied upon to demonstrate the quality of Australian pig meat in the event of a food borne disease outbreak or satisfy new and existing export market requirements. Of further importance, *Salmonella* and *E. coli* O157:H7 have recently been found in Australian pork products that were exported to New Zealand (Wong et al., 2009). *Salmonella* was identified in 6.2% (CI: 1.7 – 15.0%) of samples and *E. coli* O157:H7 in 3.1% (CI: 0.4 – 7.0%). Of particular concern is the apparently high prevalence of *E. coli* O157, which traditionally has been associated with ruminants, especially cattle, rather than pigs. This highlighted the potential risk for an outbreak of human disease associated with Australian pork products, particularly in light of the fact that, in New Zealand, this pork is routinely destined for use in products that do not include any form of heat-kill step, allowing pathogens to survive within the product.

Core Objective 4 - Leadership, Preparedness, Stewardship

Considerations and Impacts

In this SARDI project, sample collection will be evenly divided between summer and winter months to allow for, and identify, differences in microbial contamination. Samples will be tested for:

- Total Viable Count (TVC) (enumeration) to determine processing hygiene levels to assist interpretation of hazard(s) prevalence
- *E. coli* (prevalence and enumeration) to determine processing hygiene levels
- *E. coli* O157:H7 (prevalence) due to its recent isolation from Australian pig meat products.

National *Salmonella* prevalence data will also be obtained from the *E. coli* *Salmonella* Monitoring (ESAM) database. *Listeria* has not been identified by FSANZ (Food Standards Australia New Zealand) as a hazard associated with pork, so will not be tested for on pig carcasses. International carcass levels of *Yersinia* are low and, therefore, for cost-benefit reasons, this organism is also omitted.

Summer sampling has been completed and winter sampling of carcasses commenced in late July. Initial results would indicate that *enterohaemorrhagic E. coli* are not a contaminant for Australian pork. Due to the SARDI Food Safety lab re-location, the project has been delayed by several weeks.

Microbiological Baseline of Pork Mince

Mince represents the most 'handled' and processed pork product. It also distributes surface contamination throughout the product, and unlike sausages, preservatives are not allowed to be added to fresh mince. The meat grinders used to produce pork mince are often also used to produce products from a range of meat sources, including beef and lamb, which allows for the introduction of processing pathogens (such as *Listeria*) and/or pathogens from the meat sources themselves (*Salmonella* Typhimurium *E. coli* [STEC]). As such, there is a significant risk of cross contamination of pork mince with other hazards that are not traditionally associated with pork. Given these factors, pork mince represents the best end-product to estimate microbiological risk. Therefore, it is necessary to identify any such problems and where they most frequently occur (abattoir, butcher and other retail outlets), so that recommendations can be made to ensure that pork mince quality is maintained. Such information could also be used to indicate whether pork is likely to be the source of human infections resulting from multi-species product. 150 mince samples will be proportionally sampled from mince producing abattoirs, retail outlets and butchers.

Australia-wide samples will be tested for:

- Total Viable Count (TVC) (general hygiene of product)
- *E. coli* (indicator of faecal contamination)
- *E. coli* O157:H7 (identified by FSANZ as a hazard associated with pork in Primary Production and Processing Standard [PPPS] process)
- *Salmonella* (identified FSANZ hazard)
- *S. aureus* (isolated frequently from pig meat products by Coates et al., 1997)
- *C. jejuni*, *C. coli* (identified FSANZ hazard)
- *Yersinia* (identified FSANZ hazard).

Core Objective 4 - Leadership, Preparedness, Stewardship



Considerations and Impacts

Micro culturing has been suspended as SARDI Food Safety was moving into new laboratories. Collection of mince samples will commence as soon as the new labs are able to start processing samples again.

Carcase Decontamination

Since the 1993 *Salmonella* outbreak, the Danish Salmonella monitoring and control program has successfully focused on on-farm measures to minimise the numbers of infected pigs entering the abattoir system. Initial Australian research followed the same path, but soon led to a questioning of the effectiveness of the European on-farm approach under Australian conditions. This re-evaluation coincided with a Danish cost effectiveness study that found the only cost effective control was in carcass decontamination, particularly at low national *Salmonella* prevalence levels. An AQIS circular on water recycling in 2008 potentially changed the equation for hot water decontamination by accepting the principle of water reuse. The aim of this current sub-project is to conduct relevant assessments (cost, effectiveness, compliance with recycled water standards etc) to facilitate the commercial uptake of this food safety intervention for carcass decontamination to include both finisher and sow carcasses. Building delays have meant that the proposed start date was postponed by six months. Investigation identified minor modifications required to make the unit acceptable for the extended carcass trial. Micro testing of water at different temperatures (without carcasses) confirmed that recycled water was acceptable.

Listeria Modelling and Testing

This research concerns the development of a practical way for smallgoods manufacturers and industry regulators to make use of predictive models to determine whether ready-to-eat (RTE) meats will support the growth of *Listeria*, formulate product for greater safety, and recall only products of public health concern. This work is co-funded and managed by Meat & Livestock Australia (MLA), and will result in the development of a tool which will help smallgoods manufacturers determine specific product specifications that will or will not support *Listeria* growth.

Consumers demand safe food, with increasing emphasis being placed on all industry sectors to implement appropriate technologies to control hazards. Completion of current projects will enable the Australian pork industry to implement control points against targeted pathogens, ensuring the safety of pork to the consumer. In addition, the survey of carcasses and mince will establish baseline data to provide industry with a microbiological assessment of the most at-risk domestic product. This can be used to assess whether existing processing practices and criteria are adequate to control microbiological loads on raw product.

Core Objective 4 - Leadership, Preparedness, Stewardship

Strategy 3 – Government policy and compliance requirements

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Government policy and compliance requirements	Climate change and sustainability	Australian Pork Industry Environmental Sustainability Strategy	Strategy document	Completed	Six monthly	Completed and approved by APL Board
		Pig herd covered by APIQ and PigPass QA	% of breeding herd APIQ and PigPass certified	93%	Six monthly	91%
	Issues and emergency management	Producers (farm enterprises) certified as APIQ and PigPass QA	% of producers (farm) enterprises certified as APIQ and PigPass QA as a proportion of all pig producers	47%	Six monthly	31%
		Livestock traceability - producers (farm enterprises) registered for PigPass	% of producers (farm enterprises) registered for PigPass as a proportion of all pig producers	88%	Six monthly	86%
		Minimal disruption to trade	Ratio of the number of official market closures as a proportion of potential market closures	0:3 ratio	Annual	1:3 In August 2009, Thailand suspended all Australian pork product import

Background

With the increasing focus on climate change, coupled with rising government and community concern both here and internationally, environmental sustainability has become a critical priority for the industry. The Australian government has announced its intention to reduce the amount of greenhouse gases produced in Australia each year; principally through an emissions trading scheme (a carbon pollution reduction scheme – CPRS) set to be introduced by 2011. While agriculture is currently excluded from a CPRS (with a decision on whether agriculture will be included not being made until 2013), there will be an immediate impact on the costs of energy and energy-dependant farm inputs from a CPRS, and therefore, an increase in production costs on-farm in the short-term.

The proposed introduction of the CPRS presents a major, long-term challenge to agriculture, particularly since no international agricultural competitors (other than New Zealand) will face equivalent emission constraints within this period. The Australian pig industry has been identified as the fourth largest livestock emitter of greenhouse gas, and is therefore vulnerable to government climate change policy and the CPRS. Even if



Core Objective 4 - Leadership, Preparedness, Stewardship

the Government decides not to cover agriculture emissions in the CPRS, the industry will still be subject to alternative mitigation measures which are yet to be designed.

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

Achievements/Outcomes

Climate Change and Sustainability

APL's Environment and Climate Change program is focused on taking a proactive approach in the integration of environmental sustainability across the industry. APL's environment strategy aims to facilitate the pork industry fulfilling its environmental potential in a manner that reduces costs, enhances competitiveness and improves regulatory and community relationships.

The 2009-10 program composed of on-farm extension, demonstration and adoption of research, technologies and management across three key priority areas—life cycle assessment, best management practises and adoption and bioenergy and methane mitigation.

The life cycle assessment (LCA) component expanded on the APL LCA work to undertake a life cycle assessment on two pork supply chains. The global warming potential (GWP) for the two supply chains measured were 3.1 and 5.5 kg CO₂-e /kg HSCW for the southern (finished on deep litter) and northern (conventional housing) supply chains respectively. The greenhouse gas (GHG) emissions were primarily sourced from waste stream methane and nitrous oxide, though nitrous oxide from upstream grain production was also significant in the southern supply chain. A scenario was modelled in which effluent treatment ponds were covered and methane burned by flaring, resulting in a 90 per cent reduction in methane emissions. This resulted in almost 50 per cent lower emissions from the northern piggery (to 2.3 kg CO₂-e /kg HSCW). The results were less pronounced for the southern supply chain, with GWP falling to 2.7 kg CO₂-e /kg HSCW. Validation of this type of information could potentially be used to promote the industry's environmental credentials to consumers, regulators, and the general community. It could also be used to differentiate the Australian pork industry from international competitors.

The **best management practise and adoption** component comprised of research to assist producers improve effluent and nutrient management, with a focus on sustainable reuse. Projects were commissioned on effluent and sludge management from both conventional and covered ponds. A project was also carried out with funding from DAFFs' 'Caring for Our Country' program, on the sustainable reuse of piggery effluent. This project was extremely successful in developing 12 nutrient management plans across Australia which will form the basis of an extension program based on case studies. The project identified current practises, issues and actions involving both infrastructure and/or management, to improve the utilisation of the nutrient whilst minimising any potential environmental impacts.

The other major component of this section was the completion of the 2nd edition of the *National Environmental Guidelines for Piggeries 2010* and updated Envirocheck assessment. The guidelines were updated to reflect the latest scientific research, information, policies and changes in piggery design and management practises. They were developed to provide the latest advice on planning, design and management of piggeries in relation to environmental management. They also assist in promoting consistency in environmental management, both across the industry and within regulatory requirements. Envirocheck, a third party assessment tool, was updated to reflect the changes in the new guidelines. The tool allows producers to be assessed against industry best practise by alignment with the new guidelines.

Core Objective 4 - Leadership, Preparedness, Stewardship

Achievements/Outcomes

The final key area of research for 2009-10 was the **mitigation and utilisation of bioenergy**. The program focused on developing information from both an international and domestic perspective. An APL study of anaerobic digestion systems identified the differences in drivers the Australian pork industry faces with respect to the European situation. This information coupled with other projects, including gathering biogas data from two Australian covered lagoon systems, PhD research into methane potential from various production types and manipulating microbes in piggery effluent to maximise biogas. These projects will direct future efforts by APL in the utilisation of bioenergy systems.

APL's National Environmental Sustainability Strategy was approved by the APL Board in February 2010. APL engaged Feedlot Services Australia (FSA) consulting to undertake extensive industry consultation targeting producers, processors and other key stakeholders to develop this strategy. The consultation also informed industry stakeholders about climate change and the policy environment. The final strategy covers four key areas for action: resources and services; soil and catchment health; climate change and community interactions. The strategy has been applied by APL's specialist R&D Group 5 – Environment and Welfare to: help investigate and measure key inputs, identify opportunities for improvement and promote these to industry; drive the integration of sound environmental practices throughout the Australian pork supply chain and provide representation and industry advocacy on environmental policy and regulation.

APL held consultations with the Queensland Department of Environment and Resource Management on its draft State Planning Policy (SPP): *Air, Noise and Hazardous Materials*. The policy would have negatively impacted on Queensland pig producers within five kilometres of land zoned primarily for a sensitive use. A revised draft removed the 'development assessment code' for intensive animal industries, and recognised the overlap the SPP would have had with other environmental regulatory requirements. APL continues to advocate for appropriate policy development for the pork industry in Queensland.

APL, in partnership with Primary Industries and Resources of South Australia (PIRSA) also advocated, on behalf of producers in relation to the South Australian (SA) Environment Protection Authority (EPA), on its draft Guidelines for Wastewater Lagoons. APL argued that categorising animal husbandry operations in the same vein as industrial and manufacturing industries exposed the South Australian pork industry to impractical construction, reporting and ongoing pond management requirements. As a result, the EPA agreed to take into account the industry's concerns in its draft Guidelines for Wastewater Lagoons. APL's advocacy continues to ensure that regulators apply industry best management practices that are outcome focused and not prescriptive.

Issues and Emergency Management

In the wake of the H1N1 emergency disease outbreak, which thoroughly tested the industry's emergency plan, PorkSAFE, APL undertook a review of the emergency response, capabilities and communications. PorkSAFE may not be perfect, but it was widely acknowledged by external stakeholders that APL did an excellent job, on behalf of the industry, in ensuring that all stakeholders were well informed. Suggested improvements are being implemented.



Core Objective 4 - Leadership, Preparedness, Stewardship

Achievements/Outcomes

Twenty-six producers undertook Industry Liaison Officer (ILO) training in March 2010. ILOs are an integral part of the PorkSAFE program and also a part of the industry's obligation under the Emergency Animal Disease Response (EAD) agreement. In the event of an EAD response, the ILO will provide advice on the nature of the local industry to assist with disease risk assessment; assist with developing and implementing plans for disease eradication/control and act as a focus for consultation and advice to the local industry.

Training of key PorkSAFE staff in the planning and operations teams was also undertaken in cognitive decision making, to enhance skills in gathering and analysing relevant information about an incident and enabling justifiable decisions.

Considerations and Impacts

Climate Change and Sustainability

Information learned from the program has recently led to the establishment of a collaborative partnership with New Zealand to investigate the potential of low-cost technology transfer for biogas utilisation. A number of Australian industry specific research projects have also been identified.

Currently, the Australian pig industry's environmental credentials are often depicted using unknown, unvalidated or international data. This has the potential to misrepresent the industry and impact its reputation. Validation of research, such as LCA, PigBal and emissions, are needed to provide a better representation of the Australian pig industry and to allow the development of technologies and management that is suited to its specific industry drivers and needs.

During government negotiations to introduce a Carbon Pollution Reduction Scheme (CPRS) in late 2009, agriculture was excluded from the scheme. Later, the introduction of the CPRS was pushed out to 2013. The Technical Options Development Group (TODG), formed by the Department of Climate Change (DCC) to evaluate policy options for the agriculture sector, was also disbanded. In its early stages, APL provided input to the TODG regarding carbon accounting and measurement tools, emissions abatement options and emissions abatement design for the pork industry.

In the first half of 2010, the DCC established a voluntary carbon market. The voluntary carbon market is not targeted at any particular industry, but includes options for agriculture. The voluntary carbon market is guided by the National Carbon Offset Standard (NCOS). The DCC is finalising a new independent expert the Domestic Offsets Integrity Committee to assess the measurement methodologies and emissions offset credits which include the agriculture sector.

Environmental sustainability was not reviewed during the year, as the focus and priority was on reviewing the APIQ program.

Core Objective 4 - Leadership, Preparedness, Stewardship

Considerations and Impacts

Issues and Emergency Management

The industry emergency disease response plan, PorkSAFE, was activated twice in 2009-10. Influenza A H1N1 continued into 09-10 and our communications to producers and other stakeholders, in the form of issues alerts, were continued during this period of risk to producers and the industry. PorkSAFE was activated again in November 2009 when 60 Minutes ran a negative story on the industry, focussing on animal welfare and quality assurance. The story was designed to sensationalise and misrepresent how the industry conducts its business.

A business continuity plan for ensuring the continuity of APL operations during an extended emergency disease response is in development. In an outbreak of an emergency animal disease, APL resources will necessarily be diverted away from daily business activities to manage the industry's disease response. While in the short-term this action may have minimal effect on projects, the effect on the industry and APL may continue for many months. It is therefore important to identify the potential effect on APL's business, resources and impacts on available funding.

APL has been developing, in consultation with producers, veterinarians and government officials, an industry enterprise manual, which will fit into the The Australian Veterinary Emergency Plan (AUSVETPLAN). The AUSVETPLAN is the national contingency planning framework for the management of emergency animal disease (EAD) incidents in Australia. The manual will look at the impacts on-farm (and down the supply chain) in the case of an exotic disease outbreak, and how the industry and producers may be able to prepare in advance. The manual is aimed at government and industry personnel who may be involved in emergency animal disease (EAD) preparedness.

Core Objective 5 – Industry Cohesion and Responsiveness



Rationale

The intent of this core objective was to ensure that the transference of two-way communication and information can effectively and efficiently flow along the entire supply chain, to minimise the industry's exposure to risk of any description. This was especially important in the areas relating to disease outbreaks, welfare, consumer issues, climate change, affective uptake and adoption of new technologies, cost of production issues, strategic planning and general APL member requirements.

Strategy I – Engage and connect the industry

Key Performance Indicators

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Engage and connect the industry	Enhance effective communication	Overall membership	Percentage of production	93% production	Annual	92% production
	Growing valuable industry networks					

Background

The speed at which the industry communicated, impacted on its ability to deal and respond effectively and efficiently on any and all issues. Alternatively, where instantaneous communication was not required, the industry benefited from face-to-face communication. Face-to-face communication allowed open and frank dialogue and an exchange of views, ideas and principles. A balance between these two forms of communication underpinned APL's reputation as a worthy representative body for the Australian pork industry.

Achievements/Outcomes

In the Enhance Effective Communication program for the reporting period 2009-2010, APL increased its electronic communication with its members by 30 per cent on the previous year. This increase was due in part to the H1N1 outbreak where member up-dates were circulated on a regular basis and the necessity to get accurate up-to-the minute information was a matter of urgency.

Overall membership remained stable at 92 per cent. This was due to some producers choosing to exit the industry and some new members coming aboard.

Under the Growing Valuable Industry Networks, APL, in partnership with the Pork CRC, held three very successful meetings of APL and Pork CRC sponsored undergraduate and postgraduate students during 2009-10. These meetings encouraged students to network with their peers, meet with industry representatives at major industry events and develop their scientific process skills through participating in various workshops.

Core Objective 5 - Industry Cohesion and Responsiveness

Achievements/Outcomes

Eight travel grants were awarded to researchers to attend overseas conferences and network with international colleagues and experts in their field.

Seven undergraduate industry scholarships were awarded for up to ten weeks' piggery work experience for undergraduate students interested in pig production. These students generally go on to honours projects in pig-related fields as a direct result of their scholarship experience.

Three postgraduate research scholarships continued during 2009-10, including Hayley Pearson on *Understanding and Mitigation of Domestic Pig and Pest Interactions*; Preethi Gopalan on *Least Cost Applications of Anaerobic Digestion to Livestock Wastes*; and Marcus Karlen on *Space and Group Size Effects on the Welfare of Group-Housed Sows*. One new postgraduate scholarship was awarded to Angela Lu to investigate the *Potential use of Trace Elements and Stable Isotopes in the Traceability of Pork Offal and its Relationship to the Pork Meat Physi-Trace Database*.

The APL sponsored category of the 2009 Science and Innovation Awards for Young People was awarded to University of Sydney PhD student, Michael Bertoldo. Michael has used the award to extend his PhD research on the impact of lactation length on oocyte quality and seasonal infertility.

Considerations and Impacts

Whilst at the time, the impact of the H1N1 virus was something the industry could have done without, it certainly prompted APL members to rethink and move to electronic communications as a more efficient and effective form of contact.

APL's scholarship program complements the Pork CRC's significant postgraduate and honours funding program. APL's focus is on animal welfare, biosecurity, meat science, traceability and environment/climate change.

At the request of the Federal Government, the Productivity Commission (PC) launched an Inquiry into the Australian Government Research and Development Corporations (RDC) model. The Inquiry has significant potential to change the way APL is funded for research, marketing and strategic policy development services. APL's June 2010 submission to the Inquiry supported three positions: 1) taxpayers gain a competitive net value from investing in rural R&D; 2) the present RDC model is well placed to deliver this value with areas for improvement; and 3) the unique structure of APL enables a performance level unmatched by other structures, across a range of interlinked industry services and representation. The Inquiry continues.

APL has enhanced and targeted its communications to producers, members, delegates, regulators and other key stakeholders by providing monthly policy issues updates, a quarterly biosecurity update to ILOs, the National Management Group and the Consultative Committee on Emergency Animal Diseases, and the monthly APIQ newsletter to APIQ auditors.

As a liaison point for producers, State Farming Organisations (SFOs) were regularly engaged through monthly teleconferences and communications on issues facing the pork industry.



Core Objective 5 - Industry Cohesion and Responsiveness

Strategy 2 – Facilitate rapid uptake of information and technology

Key Performance Indicators

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/ Result
Facilitate rapid uptake of information and technology	Communication and facilitation of information and technology adoption	Speed of adoption of technology	Percentage of technologies transferred	60	Annual	75%
		Increased awareness of new information	Per cent of technologies adopted	45	Annual	34%

Background

This strategy was a major driver for the facilitation and rapid adoption of information and technology from key APL and Pork CRC projects. It ensured the positive work being developed in the programs were communicated to industry, and where applicable, adopted on-farm to ensure maximum efficiency gains were achieved by the industry.

Achievements/Outcomes

APL/Pork CRC roadshows, outlining recent research outcomes from APL and Pork CRC funded R&D projects, were held in Young, Toowoomba, Roseworthy, Longford, Shepparton and Perth, during August-October 2009. Technologies covered included Improvac, low protein weaner diets, strategic use of fat and fibre in finisher diets, Omega 3 supplementation for sow productivity, advances in feedgrains, Life Cycle Assessment results and the Pork Industry Environmental Sustainability Strategy. In place of a second roadshow during the period, representatives from APL and the Pork CRC spoke at scheduled industry meetings to provide updates on current R&D and responses to industry issues.

The *Optimising Sow Productivity* workshop held 17-18 August in Melbourne attracted 118 participants seeking the most up-to-date information on reproduction and sow performance. The workshop featured international guest speakers Professors George Foxcroft and Mark Wilson, as well as a number of Australian pig industry experts in the field. Feedback from the forum was very positive, and this 'refresher course' concept will continue to play a major role in keeping our key influencers up-to-date with current technologies.

APL was the principle sponsor of the *Australasian Pig Science Association (APSA)* conference held 22-25 November in Cairns. Attended by 283 delegates, the APSA conference continues to play an integral role in connecting the pig science community and provides APL with wide exposure of its research program.

Core Objective 5 - Industry Cohesion and Responsiveness

Achievements/Outcomes

Six PigLink sessions were recorded and disseminated to industry during 2009-10. With over 130 registered participants, PigLink has proved itself as a useful vehicle for transfer of information from local and international experts.

Presentations from six of our newest scientists were also recorded and disseminated to industry. This is a fast and effective way of linking researchers with producers and industry stakeholders, and highlights the important work being done by APL and Pork CRC sponsored postgraduate students in nutrition, reproduction, environment and pig health.

Three distinguished visitor awards were granted during 2009-10, enabling producer groups' access to guest speakers on a range of production related topics.

Seven producer innovation awards were granted, relating mostly to training opportunities, particularly ProHand, as well as nutrient management planning for sustainable reuse of piggery effluent.

A simple technology transfer and adoption survey was conducted at the APL/Pork CRC Roadshow to ascertain from producers what technologies they had heard about and those they had adopted. On average, 72 per cent of respondents had heard about the technologies and 27 per cent had adopted them.

Considerations and Impacts

Face-to-face meetings have been identified as an integral part of the technology transfer and adoption portfolio. APL continues to identify mechanisms for evaluating the rate of adoption of new technologies to ensure both APL and the Pork CRC's R&D programs are providing industry with relevant technologies.



Core Objective 5 - Industry Cohesion and Responsiveness

Strategy 3 – Enhance the reputation and effectiveness of APL

Key Performance Indicators

Strategy	Program	KPI	Unit	2009-10 Target	Reporting Period	Outcome/Result
Enhance the reputation and effectiveness of APL	Public affairs and stakeholder relations	Positive APL image	Media uptake of information by APL	65	Annual	In excess of 400 media outlets. Audience of 31 million reached in this reporting period. Influenced by H1N1 virus.
			Industry perception of APL's presence	65	Annual	Not undertaken in this reporting period.
		Staff turnover	Percent of staff with APL < 1 year	20	Annual	17
	APL organisational capability	Efficient alignment of the organisation to support achievement of the strategic objectives	Percentage of improvement in efficiencies in resource use	80	Annual	Implementation of more efficient and transparent systems

Background

This strategy identified and delivered the key messages and actions that demonstrated to industry stakeholders (levy payers) the value of APL to the Australian pork industry. Under this strategy, the projects were also designed to ensure APL's image was associated with: good corporate governance; a safe and fair work place; an organisation that promoted sound environmental, animal health and welfare practices; and was publically known as the symbol of a modern, wholesome, healthy, nutritious food product that was proudly recognised as Australian grown.

Achievements/Outcomes

The ex post-analysis was conducted by an independent agency—IDA Economics. The cost: benefit ratios for these projects were 9, 8, 1.1 and 43 respectively. The high B:C for Project 2198 is based on the estimated benefits being \$33m in 2009 present value terms. The principal source of benefit is the expected gains in industry benefits: increased product sales as the standards are stricter as a consequence of the R&D having been done. But in broad terms, it is more or less equally attributable to gains in both industry sales and reduced illness in the Australian community at large. However, the analysis does not include Pork Research Development Corporation (PRDC)/APL investment prior to Project 2198.

APL's capacity to manage the H1N1 issue from both consumer and members' perspective was received very positively from all quarters with minimal impact on pork consumption. The Media Monitors report, that was commissioned at the end of the outbreak (March-October), concluded that APL gained audience reach of in excess of 31 million people through newspapers, radio and television mediums.

Core Objective 5 - Industry Cohesion and Responsiveness

Achievements/Outcomes

Other frequently reported media issues (222 broadcast reports [radio] and 28 press articles) centred on labelling, imports and the establishment of the PorkMark program to identify Australian grown pork in ham and bacon products.

Later in 2009 the broadcast of the 60 Minutes television program placed animal welfare on the radar over Christmas.

Seventeen percent of staff have been with APL less than one year, meeting the target of <20 percent.

A good outcome has been achieved with synergy of business systems and human resource, with the executive team developing and implementing more transparent systems to allocate indirect project costs. As a principle, all direct costs associated with divisions are allocated directly. If an overhead cost solely relates to one service and/or division, it is charged entirely to that service/division. If an overhead cost benefits more than one service and/or division, it is distributed consistently and in a reasonable, rational and transparent manner. Direct project costs are allocated on an R&D or non-R&D basis. The remaining indirect cost attribution, which consists of those overheads not directly associated with a division, has been calculated with a consistent rational, transparent methodology.

Additionally, the new project management system implemented initially in the R&I division, and being rolled out across the company, has been fully integrated with the financial software to allow more efficient use of resources. Continued improvement in this area is the ongoing target.

APL undertook a number of ex post cost-benefit project analyses. Four projects were randomly selected by the CRRD.

These projects were:

1. Muscle Profiling project: APL 2200
2. Physi-Trace carcass traceability Project: APL 2103.18.1
3. Studies of a novel agent causing stillbirths and pre-weaning deaths in pigs due to myocarditis: APL Project 2001
4. Food Safety Program: APL Project 2198

Considerations and Impacts

APL launched a new Annual Industry Survey to all pig producers to avoid producer 'survey exhaustion'. The Annual Industry Survey was designed to both enhance APL's knowledge of the industry and advocacy on the industry's behalf, in areas such as animal welfare, on-farm training, on-farm biosecurity and environmental sustainability.

The administrative functions of the company have increased during the year with the hosting and management of the Council of Rural Research and Development (CRRD) secretariat and provision of management and company secretarial services to PorkScan Pty Limited.



Corporate Governance

Role of the Board

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

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

The Board's functions include:

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

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

Composition of the Board

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

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 for 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 (at least five directors). In order to meet operational needs, the Board may convene special meetings or use electronic methods to agree or respond to specific issues.

Board Committees

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

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

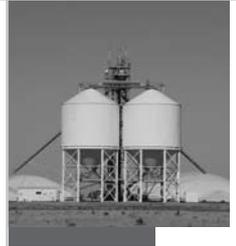
Board Development and Performance

The Board is accountable to members and their delegates as set out in the company's constitution.

The Board will review its performance in the following areas on a regular basis:

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

Corporate Governance



Board assessment was again carried out in June 2010 as part of the Board commitment to continued good corporate governance. The results were very positive around the Board and the Board processes, with general endorsement of the productive working relationship between the Board and management, the quality of discussion, range of views and the value of having an independent chairman. The report concluded that the group was cohesive, able to engage in robust debate and there was a high level of appreciation of the particular circumstances which influence the operations of an industry association board, together with a high level of satisfaction overall with the experience of being a member of this Board.

An orientation program is provided for new members of the Board to meet the company's senior managers and to gain an understanding of the company's operations and the industry more broadly. Resources are provided, where appropriate, and approved by the Board to enable directors to update their professional skills and knowledge as company directors.

Board Policies

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

Business Approach

The Board has put in place appropriate systems and controls to ensure that APL acts within the law at all times, manages conflicts 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. APL also places a lot of importance on working towards a positive regulatory environment by assisting industry with important social issues, in particular food safety, product integrity and animal welfare.

These endeavours towards sustainability and corporate consciousness are reported below.

Maintaining Ethical and Responsible Marketplace Practices:

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

Corporate Governance

Respecting and Engaging Staff:

- APL 'Code of Conduct', behavioural standards regarding harassment and conflict of interest
- Ethical behaviour by employees monitored and reported
- Improved workplace culture by example across the whole work force
- Performance management, reward and recognition processes
- Training and development plan and study assistance
- Reclassification and promotion when appropriate
- Succession planning and career management
- Employee engagement with the Board
- OH&S policy and procedures
- Anti-discrimination policy
- Internal communication committee
- Flexible working arrangements
- Recycling program.

Taking Care of the Environment in which the Company Operates:

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

Strengthening the Company's Place within the Community:

- Multi-media educational program for primary schools
- Postgraduate scholarships
- Training and provision of training manuals for piggery staff
- Travel awards
- Promoting awareness publications
- Reputation management strategy
- Pan Pacific Pork Expo
- PorkSafe program, trade and agricultural shows and sponsorship
- Producer innovation awards
- Provision of Christmas hams and pork to charity
- Communications to members and industry.

Directors' Report

Your directors present their report for the year ended 30 June 2010.

The names and details of the company's directors in office during the financial year and until the date of this report are outlined below. Directors were in office for this entire period unless otherwise stated.

Elected Directors



Mr Paul Pattison

Mr Pattison is the Managing Director of Rivalea (Australia) Pty Ltd, a vertically integrated business which incorporates grain production, pig farming, stockfeed milling, slaughter, processing and boning, and pork sales of both carcasses and boned meat including moisture infused, shelf ready, branded products. Mr Pattison is Chair of Diamond Valley Pork Pty Limited and a member of the Board's Animal Welfare and Quality Assurance Committees.



Mr John Coward (Appointed 18 November 2009)

Mr Coward has 39 years of experience across all facets of meat processing and animal production including, extensive training and knowledge in veterinary public health with a focus on pigs, backed up with 10 years of experience as Managing Director of Swickers Kingaroy Bacon Factory. He has performed a number of roles including a period as Chairman of Burnett Pork Alliance (BPA), and Manager of the fresh meat division of Hans Continental Smallgoods. Mr Coward is currently President of Pork Queensland Inc. representing Queensland pig farmers; and the Coordinator for Woolworths Supermarkets preferred supply group (PSG). Mr Coward is a member of the Board's Animal Welfare Committee.



Mr Kenneth Cameron (Resigned 18 November 2009)

ADFM, GAICD

Mr Cameron is the General Manager of Cameron Pastoral Co, a family owned mixed farming operation including a 5,500 sow piggery production enterprise based at Goondiwindi Queensland. He also has equity interests throughout the supply chain including grain production, feed milling, genetics (Pig Improvement Company [PIC]), commercial production, slaughter/boning (Swickers Kingaroy Bacon Factory), marketing (Sun Pork Fresh Foods). Cameron Pastoral Co is also a member of the CHM Alliance, Swickers Kingaroy Bacon Factory and Sun Pork Foods. Mr Cameron chaired the Animal Welfare Board's Committee and was also a member of the Research & Development Committee. Mr Cameron is a Graduate of the Australian Institute of Company Directors.



Mr Aeger Kingma

BBus(Acc), DipEd

Mr Kingma has been involved in the Australian pig industry for the past 21 years. During this time he has performed a number of different roles. These include President of the Victorian Farmers' Federation Pig Group (2002-2004, 2007), Director of Auspork Ltd, and member of Animal Welfare Advisory Committee (Ministerial appointment). He is currently part owner/manager of Gunpork Joint Venture. Mr Kingma is on the Board's Audit, Risk and Corporate Governance and Animal Welfare Committees.

Directors' Report



Dr Ian Parish
BVSc (Hons)

Dr Parish is a pork producer operating a 1,300 sow piggery in Northern Victoria. He is also chairman and shareholder of Australian Pork Farms Group Ltd that operate 12,000 sows in South Australia and a shareholder and director of sow farms totalling 5,000 sows in South Australia and Victoria. Dr Parish is chairman of Auspork Ltd, the wholesale marketing arm that handles 7,000 pigs per week on behalf of the above farms and other shareholders and a director of Big River Pork Abattoir. Dr Parish is also a veterinary consultant. Dr Parish chairs the Board's HR and Remuneration and Quality Assurance Committees.



Mr Neil Ferguson

Mr Ferguson is the General Manager of Westpork Pty Ltd, a commercial pig producer based in Western Australia. Westpork farms encompass a combination of intensive and free range facilities. Neil is currently Chairman of the Agriculture Produce Commission – Pork Committee and is on the committee of Pork Training WA. Mr Ferguson is a member of the Audit, Risk and Corporate Governance Committee.

Specialist Directors



Mr Enzo Allara (Chairman)
ASA, FAIM

Mr Allara has been involved in the food and grocery industry both in Australia and internationally for over 40 years with most of that time being with the Unilever Group of companies. His previous roles have included Chairman CPC/AJI Asia in Hong Kong and Chairman of Unilever Australasia. He is currently Chairman of Foodbank Australia and a Director of Swickers Kingaroy Bacon Factory Pty Limited, and Foodbank Victoria. He has served on numerous industry and government bodies including the Prime Minister's Supermarket to Asia Council, as well as Chairman of the Australian Food and Grocery Council. Mr Allara chairs the Board's Market Development Committee and is also on the HR and Remuneration Committee.



Dr Robert van Barneveld
BAgrSc (Hons) PhD, RAnNutr., FAICD

Dr van Barneveld is a Consultant Research Scientist specialising in nutrition of pigs, poultry and fish. He has been actively involved in the pork industry for 19 years and has a range of current roles including General Manager of the CHM Alliance Pty Ltd. He is a Director of the Pork CRC Ltd and the Ridley Corporation, a past President of the Australasian Pig Science Association and is currently Chairman of the Board of Autism Queensland Inc. Dr van Barneveld holds adjunct Associate Professor status at the University of New England and the University of Queensland. He has been awarded the Australian Society of Animal Production Young Scientist Award, the Batterham Memorial Award and the Nutrition Society of Australia Research Award. Dr van Barneveld chairs the Board Research and Development Advisory and the Pan Pacific Pork Expo Committees. Dr van Barneveld is a Fellow of the Australian Institute of Company Directors.

Directors' Report



Mrs Kay Carey
BComm

Mrs Kay Carey has extensive experience in marketing and management, holding various senior positions, including Brand Development Director Unilever Australasia, Food Director Unilever Indonesia and Chairman Unilever Singapore and she was an independent member on the Board of Peter Lehmann Wines. Currently, Mrs Carey manages the Co-op Scholarship Program at the University of NSW. She liaises with many of Australia's leading companies to partner with UNSW in the career development of top-performing students, and is actively involved in the leadership training and professional development of these students. Mrs Carey is a member of the Board's Market Development, Research and Development and Quality Assurance Committees.



Mrs Kathy Grigg
B.Ec, FCPA, FAICD

Mrs Grigg has a background in finance and operational management. She is currently the Chair of ColINVEST Ltd, a Director of Navy Health Ltd and a Council Member of Deakin University. She is also a member of the Department of Primary Industries Victoria, Audit and Risk Management Standing Committee. Previously she has held positions as Deputy Chair of the Grape and Wine Research and Development Corporation and Director and Chair of the Audit Committee of Southern Health and Chair of the Audit and Compliance Committee for Berren Asset Management Ltd. Mrs Grigg was formerly Finance Director of the Woolmark Company/Australian Wool Research and Promotion Corporation. She is a fellow of Certified Practising Accountant (CPA) Australia and the Australian Institute of Company Directors and chairs the Audit, Risk and Corporate Governance Committee and is a member of the HR and Remuneration and Research and Development Committees.

Company Secretary



Mrs Christine Quick
DipBus (Acc), GAICD

Mrs Quick has acted as company secretary since 23 November 2005. She is responsible for financial management and reporting, HR and payroll, internal policies and procedures, information communication technology, office administration, company secretarial and corporate governance assistance to the Board and CEO; and Board and Audit Committee reporting.

Mrs Quick commenced with APL in June 2003 as Finance Manager and acted as Chief Financial Officer for five months in 2004 and again from April to November 2005 at which time the Board endorsed her promotion to General Manager, Finance and Administration and Company Secretary.

Prior to commencing with APL she spent several years working in private practice in taxation and business services, before being appointed National Finance and Administration Manager for the Australian Property Institute.

Mrs Quick has a Diploma of Business (Accounting), is a Graduate of the Australian Institute of Company Directors and is part way through the Bachelor of Business (Accounting) degree. She is also Company Secretary for PorkScan Pty Limited.

Directors' Report

Directors' meetings

During the year the company held seven formal meetings of directors. The attendances of the directors at meetings of the board and of its board committees were:

	Board of Directors	Audit and Corporate Governance Committee	HR and Remuneration Committee	Market Development Committee
Mr Neil Ferguson	6 (7)	4 (5)	-	-
Mr John Coward	3 (4)	-	-	-
Mr Ken Cameron	3 (3)	-	-	-
Mr Aeger Kingma	7 (7)	4 (5)	-	-
Dr Robert van Barneveld	7 (7)	-	-	-
Mr Enzo Allara	7 (7)	-	2 (2)	1 (1)
Mrs Kay Carey	7 (7)	-	-	1 (1)
Dr Ian Parish	6 (7)	-	2 (2)	-
Mr Paul Pattison	6 (7)	-	-	-
Mrs Kathy Grigg	7 (7)	5 (5)	2 (2)	-
	Pan Pacific Pork Expo Management Committee	Animal Welfare Committee*	Research and Development Advisory Board Committee	Quality Assurance Committee
Mr Neil Ferguson	-	-	-	-
Mr John Coward	-	0 (0)	-	-
Mr Ken Cameron	-	0 (0)	-	-
Mr Aeger Kingma	-	0 (0)	-	-
Dr Robert van Barneveld	9 (9)	-	1 (1)	-
Mr Enzo Allara	-	-	-	-
Mrs Kay Carey	-	-	1 (1)	3 (4)
Dr Ian Parish	-	-	-	4 (4)
Mr Paul Pattison	-	0 (0)	-	3 (4)
Mrs Kathy Grigg	-	-	1 (1)	-

* Animal welfare issues were covered as part of the full Board Agenda's and dealt with directly by the Board.

Mr Kenneth Cameron retired at the 2009 Annual General Meeting and did not seek re-election. His last board meeting was 18 November 2009.

Mr John Coward was elected director at the 18 November 2009 AGM. His first board meeting was 18 February 2010.

Where a director did not attend all meetings of the board or relevant board committees, the number of meetings for which the directors were eligible is shown in brackets.

Directors' Report



Indemnification and insurance of directors and officers

During the reporting period, the company has paid premiums in respect of a contract insuring all the directors of Australian Pork Limited against costs incurred in defending proceedings for conduct involving:

- (a) wilful breach of duty; or
- (b) a contravention of sections 182 or 193 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The Association Liability policy indemnifies the directors and officers of Australian Pork Limited and the former directors and officers of Australian Pork Corporation, Pig Research & Development Corporation and Pork Council of Australia Limited. The indemnity extends to civil liabilities. Disclosure of the amount of the premium paid is prohibited by the insurance contract.

Directors' Report

Review of results and operations

Results

The company's eighth year of operation resulted in an operating deficit of \$1,440,102 (2008/09 result was an operating deficit of \$860,577).

Operations

The company operated to provide marketing, research and strategic policy development services for Australian pig producers and Australian pork industry.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company during the year.

Significant events after balance date

No events or circumstance have arisen since the end of the period, which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future years.

Likely developments and expected results

The company will continue to operate in accordance with the strategic objectives, goals and financial parameters as outlined in its *2010-2015 Strategic Plan*.

Environmental regulation and performance

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Auditor Independence and Non-audit Services

The directors received a declaration of independence from the auditor of Australian Pork Limited. The auditor's declaration is attached.

The following non-audit services were provided by the company's auditor, Ernst & Young:

Assurance services -	\$5,270
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The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not comprised.

Signed in accordance with the resolution of directors.



Mr A Kingma

Director

Canberra, 23 September 2010

Directors' Report



Director's Declaration

In accordance with a resolution of the directors of Australian Pork Limited, I state that:

(1) In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr A Kingma

Director

Canberra, 23 September 2010

Independent auditor's report to the members of Australian Pork Limited

We have audited the accompanying financial report of Australian Pork Limited, which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

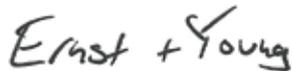
Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Australian Pork Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Australian Pork Limited at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Ernst & Young



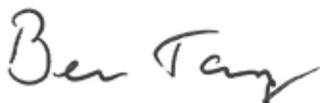
Ben Tansley
Partner
Canberra
23 September 2010

Auditor's Independence Declaration to the Directors of Australian Pork Limited

In relation to our audit of the financial report of Australian Pork Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Ben Tansley'.

Ben Tansley
Partner
23 September 2010

AUSTRALIAN PORK LIMITED
Statement of Comprehensive Income
For the year ended 30 June 2010

	Note	2010 \$	2009 \$
REVENUES	4	15,774,972	15,170,862
Research and innovation		(5,815,234)	(4,623,627)
Marketing		(6,859,998)	(7,568,378)
Policy		(2,052,235)	(1,553,078)
Board and CEO		(1,226,094)	(1,069,518)
Finance and administration		(749,342)	(743,355)
Communication		(512,171)	(473,483)
OPERATING DEFICIT BEFORE TAX		(1,440,102)	(860,577)
INCOME TAX	2(l)	-	-
OPERATING DEFICIT AFTER TAX		(1,440,102)	(860,577)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

AUSTRALIAN PORK LIMITED

Balance Sheet

As at 30 June 2010

	Note	2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	15(b)	4,277,005	6,503,917
Trade and other receivables	6	2,479,234	1,582,010
Prepayments	7	58,104	52,040
Investments	8	11,947	22,476
TOTAL CURRENT ASSETS		6,826,290	8,160,443
NON-CURRENT ASSETS			
Loan to Associate – PorkScan Pty Ltd	9	48,000	-
Property, plant and equipment	10	198,986	265,106
TOTAL NON-CURRENT ASSETS		246,986	265,106
TOTAL ASSETS		7,073,276	8,425,549
CURRENT LIABILITIES			
Trade and other payables	11	1,865,764	1,865,280
Deferred income	12	79,034	53,695
Provisions	13	408,491	363,346
TOTAL CURRENT LIABILITIES		2,353,289	2,282,321
NON-CURRENT LIABILITIES			
Provisions	14	152,360	135,498
TOTAL NON-CURRENT LIABILITIES		152,360	135,498
TOTAL LIABILITIES		2,505,649	2,417,819
NET ASSETS		4,567,628	6,007,730
EQUITY			
Accumulated surpluses		4,567,628	6,007,730
TOTAL EQUITY		4,567,628	6,007,730

The above Balance Sheet should be read in conjunction with the accompanying notes.

AUSTRALIAN PORK LIMITED

Statement of Changes in Equity

For the year ended 30 June 2010

		Accumulated Surpluses	Total
At 1 July 2009		6,007,730	6,007,730
Deficit for the year		(1,440,102)	(1,440,102)
Other comprehensive income for the year		-	-
At 30 June 2010		4,567,628	4,567,628
		Accumulated Surpluses	Total
At 1 July 2008		6,868,307	6,868,307
Deficit for the year		(860,577)	(860,577)
Other comprehensive income for the year		-	-
At 30 June 2009		6,007,730	6,007,730

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

AUSTRALIAN PORK LIMITED

Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Statutory Authority and industry		14,594,062	16,101,437
Payments to suppliers and employees		(17,016,307)	(17,842,204)
Interest received		255,662	411,072
NET CASH FLOWS USED IN OPERATING ACTIVITIES	15(a)	(2,166,583)	(1,329,695)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(66,966)	(138,843)
Proceeds from disposal of property, plant and equipment		7,367	601
Acquisition of shares in associate		(48)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(59,647)	(138,242)
NET DECREASE IN CASH HELD			
		(2,226,230)	(1,467,937)
Cash at the beginning of the year		6,503,917	7,971,854
Net foreign exchange differences		(682)	-
CASH AT END OF THE YEAR	15(b)	4,277,005	6,503,917

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

AUSTRALIAN PORK LIMITED

Notes to the financial statements

For the year ended 30 June 2010

I. Corporate Information

The financial report of Australian Pork Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 23 September 2010. Australian Pork Limited (the Company) is a company limited by guarantee, and is domiciled and incorporated in Australia.

(a) Company status

The Company is incorporated as a company limited by guarantee and no shares have been issued. At the reporting date there were 461 Members guaranteeing to contribute up to \$1.00 each to the property of the Company in the event of it being wound up.

As at 30 June 2010 the Company employed 31 full-time and 10 part-time and casual employees (2009: 29 full-time and 10 part-time and casual employees).

(b) Company details

The nature of the operations and principal activities of the Company are described in the directors' report.

The Company's registered office is:

Cnr Denison Street and Geils Court
Deakin ACT 2600

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on an historical cost basis, except investments held for trading, which have been measured at fair value.

The financial report is presented in Australian dollars and values have not been rounded.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended Australian Accounting Standards and AASB interpretations, which have been adopted as of 1 July 2009:

- AASB 101 *Presentation of Financial Statements*

The Company has applied the revised Standard, which requires the separate presentation of a Statement of Comprehensive Income and a Statement of Changes in Equity. All non-owner changes in equity must now be presented in the Statement of Comprehensive Income. The Company has changed the presentation of its financial statements, including re-presenting comparative information.

- AASB 7 *Financial Instruments: Disclosures*

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement and liquidity risk disclosures are presented in Note 3.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

2. Summary of Significant Accounting Policies (cont'd)

(c) New accounting standards and interpretations (cont'd)

As at 30 June 2010, a number of accounting standards have been issued with applicable commencement dates subsequent to the year end. The expected impact of these accounting standards should not materially alter the accounting policies of the Company.

(d) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All repairs and maintenance are recognised in the profit or loss when incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of each specific asset.

The major depreciation periods are:

	2010	2009
Office furniture and equipment	3 to 10 years	3 to 10 years
Computer equipment	3 years	3 years
Leasehold improvements	Term of lease	Term of lease
Motor vehicles	4 years	4 years

The asset's residual values, useful lives and amortisation methods are renewed, and adjusted if appropriate, at financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

2. Summary of Significant Accounting Policies (cont'd)

(g) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying other categories.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Subsequent measurement: financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

The fair values of shares classified as held for trading that are actively traded in an organised financial market are determined by reference to quoted market bid prices at the close of business on reporting date.

(h) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the asset's depreciated replacement cost.

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(j) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

2. Summary of Significant Accounting Policies (cont'd)

(k) Revenue recognition

Revenue is recognised and measured at the fair value of the amounts received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Levies

The Levies and Revenue Service of the Department of Agriculture, Fisheries and Forestry collects statutory levies on behalf of the Company. Revenues from levies are recognised as revenue upon accrual of the levy amounts.

Government contributions – matching

Government matches funding on a dollar by dollar basis on approved research and development projects, up to a level of 0.5% of the gross value of pig production. Government matching funds are recognised as revenue upon incurring the eligible research and development program expenditure.

Other industry contributions

Industry contributions in the form of Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

2. Summary of Significant Accounting Policies (cont'd)

(l) Taxes

Income taxes

The Company is exempt from income tax under the provisions of Section 50-40 of the Income Tax Assessment Act 1997, as amended. Under these provisions the Company is considered to be classified as an entity established for the purpose of promoting the development of various Australian resources, including agricultural resources and not carried on for the profit or gain of its individual members. The Australian Taxation Office has issued a Private Binding Ruling as formal confirmation.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.
- the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Provisions and Employee benefits

Provisions are recognised where the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the financial year. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Leave Benefits

(i) Wages, salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

2. Summary of Significant Accounting Policies (cont'd)

(n) Comparatives

Where necessary, comparatives have been reclassified for consistency with current year disclosures.

(o) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(i) Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates of restoring the premise to its original state, including removal of workstations and glass panelling. Uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised is periodically reviewed and based on the facts and circumstances available at that time. Changes to the estimated future costs are recognised in the Balance Sheet by adjusting both the expense or asset (if applicable) and the provision. The related carrying amounts are disclosed in Note 14.

(ii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties. In addition the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

3. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise receivables, payables, held for trading investments, cash and short-term deposits.

The Company manages its exposure to key financial risks, including interest rate risk, credit risk and liquidity risk in accordance with the Company's Investment and Reserves Policies. The Board reviews and agrees policies for managing each of these risks on an annual basis. Primary responsibility for identification and control of financial risks rests with the Audit, Risk and Corporate Governance Committee under the authority of the Board.

Risk Exposures and Responses

Interest rate risk

The Company's exposure to market interest rates relates primarily to the Company's short-term cash investments.

At balance date, the Company had the following mix of financial assets exposed to Australian variable interest rate risk:

Financial Assets	Note	2010 \$	2009 \$
Cash at bank and at call	15(b)	4,276,174	6,502,422
		4,276,174	6,502,422

The Company constantly analyses its interest rate exposure. Sensitivity analysis based on the interest rate risk exposures in existence at the balance sheet date affect movements in profit only, due to higher/lower interest income from cash balances.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

As at 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net surplus from operations and equity would have been affected as follows:

Judgements of reasonably possible movements:	Net Surplus/Deficit Higher/(Lower)		Equity Higher/(Lower)	
	2010 \$	2009 \$	2010 \$	2009 \$
+ 1% (100 basis points)	42,762	65,024	42,762	65,024
- 1% (100 basis points)	(42,762)	(65,024)	(42,762)	(65,024)

The movements in net surplus from operations and equity are due to higher/lower interest income from variable rate cash balances. The sensitivity is lower in 2010 than in 2009 because of decrease in cash balances during 2010.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

3. Financial Risk Management Objectives and Policies (cont'd)

Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables and held for trading investments. The Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is presented in the following table:

Financial Assets	Note	2010 \$	2009 \$
Cash at bank and at call	15(b)	4,276,174	6,502,422
Trade debtors	6	2,686,195	1,789,416
Investments at fair value through profit or loss	8	11,899	22,476
		6,974,268	8,314,314

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

It is the Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Liquidity risk

Given the level of cash reserves in the Company liquidity risk is considered low. The Company manages liquidity risk through the budgeting process and reporting of actual versus budgeted cash flow variances to the Audit, Risk and Corporate Governance Committee on a regular basis.

The following disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities at 30 June 2010. The timing of cash flows for assets and liabilities is based on their contractual terms.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g. trade receivables). Liquid assets comprising cash and receivables are considered in the Company's overall liquidity risk. The Company ensures that sufficient liquid assets are available to meet all required short-term cash payments.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

3. Financial Risk Management Objectives and Policies (cont'd)

Year ended 30 June 2010	<6 months \$	6-12 months \$	>12 months \$	Total \$
Financial assets				
Cash and cash equivalents	4,277,005	-	-	4,277,005
Trade and other receivables	2,436,037	43,197	48,000	2,527,234
Investments at fair value through profit or loss	11,899	-	48	11,947
	6,724,941	43,197	48,048	6,816,186
Financial liabilities				
Trade and other payables	1,865,764	-	-	1,865,764
	1,865,764	-	-	1,865,764
Net inflow/(outflow)	4,859,177	43,197	48,048	4,950,422

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

3. Financial Risk Management Objectives and Policies (cont'd)

Fair value risk

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

Year ended 30 June 2010	Level 1	Level 2	Level 3	Total
Financial assets				
Investments in shares at fair value through profit and loss	11,899	-	-	11,899
Total	11,899	-	-	11,899
Year ended 30 June 2009				
Investments in shares at fair value through profit and loss	22,476	-	-	22,476
Total	22,476	-	-	22,476

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

4. Revenue

	2010 \$	2009 \$
(a) Revenue from operating activities		
Levies	10,481,391	10,402,153
Government contributions – matching	4,035,553	2,759,839
Other industry contributions	711,311	1,289,625
Other revenue	274,895	305,472
	15,503,150	14,757,089
(b) Revenue from non-operating activities		
Royalties	19,326	2,100
Net gain from sale of property, plant and equipment	5,361	601
Interest – other persons/corporations	247,135	411,072
	271,822	413,773
Total Revenue	15,774,972	15,170,862

AUSTRALIAN PORK LIMITED
Notes to the financial statements (cont'd)
For the year ended 30 June 2010

5. Expenses

	2010 \$	2009 \$
(a) Depreciation and amortisation		
<i>Depreciation of non-current assets:</i>		
- Office furniture and equipment	21,180	18,325
- Motor vehicles	34,907	33,912
- Computer equipment	47,759	39,904
	103,846	92,141
<i>Amortisation of non-current assets:</i>		
- Leasehold improvements	27,234	16,918
	131,080	109,059
(b) Employee benefits		
Salaries and wages	4,458,902	4,110,634
(c) Write-down of assets		
Impairment – trade debtors	-	14,424
Decrement in value of other financial assets	11,261	661
	11,261	15,085
(d) Other expenses		
Operating lease expense	376,173	354,504
	376,173	354,504

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

6. Trade and Other Receivables

	Note	2010 \$	2009 \$
Trade debtors	6(a)(i)	2,686,195	1,789,416
Provision for doubtful debts		(290,125)	(304,549)
		2,396,070	1,484,867
Bank guarantee	6(a)(iii)	43,197	43,197
Sundry debtors	6(a)(ii)	36,308	26,856
Goods and services tax		3,659	26,290
Other receivables		-	800
		2,479,234	1,582,010
(a) Terms and conditions			
(i) Trade debtors are non-interest bearing and have repayment terms up to 30 days.			
(ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms up to 30 days.			
(iii) Bank guarantee will mature in May 2011 and has a fixed interest rate of 6.2%.			

Due to the short term nature of these receivables, their carrying value approximates their fair value.

(b) Allowance for impairment loss			
At 1 July 2009		304,549	290,125
Charge for the year		-	14,424
Amounts written off		(14,424)	-
At 30 June 2010		290,125	304,549

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

6. Trade and Other Receivables (cont'd)

At 30 June 2010, the ageing analysis of trade and sundry receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+ 91 days PDNI*	+ 91 days CI*
2010	2,722,503	2,407,490	24,888	-	-	-	290,125
2009	1,816,272	1,472,291	114	-	-	39,318	304,549

* Past due not impaired (PDNI)
Considered impaired (CI)

Receivables past due but not considered impaired are \$Nil (2009: \$39,318). The relevant business units have been in direct contact with the relevant debtor and are satisfied that all payments will be received in full. Other receivables include GST receivable and bank guarantees on the property. These are not impaired assets and are not past due.

7. Prepayments

	2010 \$	2009 \$
Prepayments	58,104	52,040
	58,104	52,040

8. Investments

Shares – Australian listed - at fair value through profit and loss	11,899	22,476
Shares in associate	48	48
	11,947	22,524

Investments at fair value through profit and loss consist of Australian equities and therefore have no fixed maturity date or coupon rate. The fair value of listed shares has been determined directly by reference to published price quotations in an active market.

9. Loan to Associate

Loan to Associate – PorkScan Pty Limited	48,000	-
	48,000	-

The loan was effected through a conversion of trade debtors relating to the remaining payment of the 2008/09 licence fees under the Agency Agreement with APL to their portion of the shareholder loan. Trade debtors (current assets) have decreased in the amount of \$48,000 and non current assets increased in the amount of \$48,000. The loan is non-interest bearing and there are no fixed repayment terms. The loan agreement expires on 30 June 2013.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

10. Property, Plant and Equipment

(a) Reconciliation of carrying amounts at the beginning and end of the year

	Leasehold Improvements \$	Office Furniture and Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2010					
Carrying amount at 1 July 2009	65,607	72,812	72,425	54,262	265,106
Additions	4,820	10,232	21,531	30,383	66,966
Disposals	-	-	-	(2,006)	(2,006)
Depreciation expense for the year	(27,234)	(21,180)	(47,759)	(34,907)	(131,080)
Carrying amount at 30 June 2010	43,193	61,864	46,197	47,732	198,986
At 30 June 2010					
Cost	195,245	315,704	467,615	190,426	1,168,990
Accumulated amortisation	(152,052)	(253,840)	(421,418)	(142,694)	(970,004)
Net carrying amount	43,193	61,864	46,197	47,732	198,986

AUSTRALIAN PORK LIMITED
Notes to the financial statements (cont'd)
For the year ended 30 June 2010

10. Property, Plant and Equipment (cont'd)

	Leasehold Improvements \$	Office Furniture and Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2009					
Carrying amount at 1 July 2008	43,847	51,034	71,995	68,447	235,323
Additions	38,680	40,103	40,334	19,726	138,843
Disposals	-	-	-	-	-
Depreciation expense for the year	(16,920)	(18,325)	(39,904)	(33,911)	(109,060)
Carrying amount at 30 June 2009	65,607	72,812	72,425	54,262	265,106
At 30 June 2009					
Cost	190,425	305,472	446,084	162,048	1,104,029
Accumulated amortisation	(124,818)	(232,660)	(373,659)	(107,786)	(838,923)
Net carrying amount	65,607	72,812	72,425	54,262	265,106

11. Trade and Other Payables

	2010 \$	2009 \$
Trade creditors and accruals	1,714,355	1,736,580
PAYG tax payable	69,266	57,954
Other payables	82,143	70,746
	1,865,764	1,865,280
Aggregate amounts payable to related parties:	24,364	44,000

Trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms. Due to the short term nature of these payables, their carrying value approximates their fair value.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

12. Deferred Income (Current)

	2010 \$	2009 \$
Deferred income	79,034	53,695
	79,034	53,695

13. Provisions (Current)

Annual leave	264,953	265,128
Long service leave	143,538	98,218
	408,491	363,346

14. Provisions (Non-current)

Long service leave	89,160	72,298
Make-good	63,200	63,200
	152,360	135,498

(a) Reconciliation of make-good provision:

Carrying amount at the beginning of the financial year	63,200	26,900
Arising during the year	-	36,300
Carrying amount at the end of the financial year	63,200	63,200

The factors considered in determining the make good provision are discussed in Note 2 (o)(i).
The restoration is estimated to occur on 31 January 2012.

AUSTRALIAN PORK LIMITED
Notes to the financial statements (cont'd)
For the year ended 30 June 2010

15. Cash Flow Statement Reconciliation

(a) Reconciliation of the net operating (deficit)/surplus to the net cash flows from operations

	2010 \$	2009 \$
Net operating (deficit)/surplus	(1,440,102)	(860,577)
Adjustment for:		
Depreciation and amortisation of non-current assets	131,080	109,059
Gain on disposal of property, plant and equipment	(5,361)	(601)
Decrement in value of other financial assets	11,261	661
Changes in assets and liabilities:		
(Increase)/decrease in current receivables	(945,225)	705,721
(Increase)/decrease in other assets	(6,065)	50,817
Decrease/(increase) in current payables	483	(507,534)
Decrease/(increase) in current provisions	45,145	(237,679)
Decrease/(increase) in other current liabilities	25,339	(622,172)
Increase in non-current provisions	16,862	32,610
Net cash flow (used in)/from operating activities	(2,166,583)	(1,329,695)

(b) Reconciliation of cash

Cash balance comprises:		
- Cash at bank and at call	4,276,174	6,502,422
- Cash on hand	831	1,495
Closing cash balance	4,277,005	6,503,917

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

16. Commitments

(a) Lease expenditure commitments

	2010 \$	2009 \$
<i>Operating leases (non-cancellable)</i>		
Minimum lease payments		
- not later than one year	298,706	355,465
- later than one year and not later than five years	139,719	397,993
- later than five years	-	-
	438,425	753,458

The details of the non-cancellable operating leases relating to office premises are as follows:

Name of premises	Remaining term	Rent increment	Options for renewal on expiry of lease
ACT	19 months	CPI	Nil
VIC	12 months	Market rate	Nil
SA	2 months	CPI/Market rate	Nil
WA	13 months	CPI	Nil
QLD	2 months	Market rate	2 x 1 year

The Company has also entered into non-cancellable operating leases for computer hardware.

(b) Research and Development (R&D) expenditure commitments

	2010 \$	2009 \$
Estimated R&D expenditure contracted for at reporting date, but not provided for, payable:		
- not later than one year	1,427,400	1,799,399
- later than one year and not later than five years	1,044,248	1,708,054
	2,471,648	3,507,453

These R&D expenditure commitments relate to several research and innovation projects consistent with the government's rural R&D funding priorities and the national research priorities in the key areas of productivity, animal health, housing and welfare, environment and climate change, food safety, quality assurance and biosecurity, product quality and supply chain management and genetics transfer.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

17. Related Party Disclosures

(a) Directors

The directors of Australian Pork Limited during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Enzo Allara
Mr Kenneth Cameron (retired 18 November 2009)
Mr Neil Ferguson
Mr Aeger Kingma
Dr Robert van Barneveld
Mrs Kay Carey
Dr Ian Parish
Mr Paul Pattison
Mrs Kathy Grigg
Mr John Coward (from 18 November 2009)

(b) Loans to directors and director related entities

The Company made no loans to directors or director related entities during 2010 (2009: nil).

(c) Other related party transactions

The following directors have interests in or are associated with organisations which are related parties.

Mr P Pattison	Managing Director, Rivalea (Australia) Pty Limited Director, Pork CRC Limited (appointed December 2009) Chair, Diamond Valley Pork Pty Limited
Dr R van Barneveld	Director, Barneveld Nutrition Pty Limited Director, Pork CRC Limited Director, BECAN Consulting Group Pty Limited General Manager, CHM Alliance Pty Limited Chair, PorkScan Pty Limited
Mr E Allara	Director, Pork CRC Limited (resigned November 2009) Director, Swickers Kingaroy Bacon Factory Pty Limited
Mr K Cameron	Member, CHM Alliance Director, Swickers Kingaroy Bacon Factory Pty Limited Director, Sunpork Fresh Foods
Mr A Kingma	Director, Auspork Limited
Dr I Parish	Chair, Auspork Limited Chair, Australian Pork Farms Group Limited
Mr J Coward	J&J Coward Consulting

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

17. Related Party Disclosures (cont'd)

Various project and program expenditures were made to the following director related entities. These transactions occurred within normal terms and conditions of various research and marketing program initiatives. The directors involved took no part in any relevant decisions of the Board. All transactions were conducted at arm's length.

	2010 \$	2009 \$
Project and program expenditure		
PorkScan Pty Limited	263	-
Rivalea (Australia) Pty Limited	61,201	22,845
Sunpork Fresh Foods	3,205	31,341
J&J Coward Consulting	4,006	38,282
Pork CRC Limited	1,863,145	970,595
The CHM Alliance Pty Limited	80,791	-

Receivables

A loan of \$48,000 has been made to PorkScan Pty Limited. This loan is repayable on 1 July 2013.

	2010 \$	2009 \$
Income		
PorkScan Pty Limited:		
- IP licence fees	17,000	152,500
- Management fees	20,000	10,000
	37,000	162,500

18. Auditor's Remuneration

Amounts received or due and receivable by Ernst & Young for:		
- Audit of the financial report of the Company	28,500	27,060
- Other services (assurance services)	5,270	2,115
	33,770	29,175

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2010

19. Subsequent Events

There have been no significant events which have occurred subsequent to 30 June 2010 that require adjustment to or disclosure in the financial report.

20. Contingencies

The Company has provided a bank guarantee of \$43,197 in relation to its Canberra head office lease agreement.

21. Director and Key Management Personnel Remuneration

(a) Details of Directors and Key Management Personnel

Australian Pork Limited has nine directors, detailed at Note 17. Key management personnel include the Chief Executive Officer and General Managers of Marketing, Research and Innovation, Policy, Communication and Finance and Administration.

(b) Compensation of Directors and Key Management Personnel

	2010 \$	2009 \$
Directors		
Short-term employee benefits	355,500	355,500
Post-employment benefits	31,994	31,994
Key Management Personnel		
Short-term employee benefits	1,159,013	1,095,885
Post-employment benefits	79,529	74,070
	1,626,036	1,557,449

Appendix A

Material Variations to Budget

	Initial Budget \$	Actual Result \$	Variation Over/ (Under) \$	Explanation of Major Variations
Income				
Levies	10,810,000	10,481,391	(328,609)	4.6M slaughters forecast, but 4.46M slaughter income received. DAFF has advised there are some managed debt issues, including \$195K in relation to one agent and four other agents with some kind of debt status totalling \$70K.
Government contributions - matching	4,255,000	4,035,553	(219,447)	Delay of three months in amendment to the levy split between Marketing and R&D and lower overall levy income received. Unclaimed R&D matching expenditure of \$140K will be carried forward.
Other industry contributions	535,000	711,311	176,311	Increase in grant income received from DAFF including Promoting Australian Produce and Export Market Development funding.
Interest	400,000	247,135	(152,865)	Budget as per previous year without consideration of reduced retained earnings.
Royalties and gain on sale	-	24,687	24,687	IP licence fee from PorkScan Pty Ltd and gain on sale of motor vehicle were not budgeted items.
Other revenue	-	274,895	274,895	Included in this line is management and hosting fees in relation to the CRRD and PorkScan Pty Ltd, project refunds and levy penalties.
Expenditure				
Research & Innovation – project expenditure	4,809,926	4,667,802	(142,124)	The reduction in forecast levy income caused reallocation of priorities and under expenditure occurred in the new product development program.
Domestic Marketing – project expenditure	4,986,000	4,681,937	(304,063)	The reduction in forecast levy income caused reallocation of priorities and under expenditure occurred in the Fresh Pork Frequency of Use program.
Policy – project expenditure	581,688	1,063,376	481,688	Reallocation of funds to the Taking Care of our Animals and Safe Food and Emergency Management programs, with particular focus and resources redirected to on-farm Quality Assurance.
Communication – project expenditure	271,500	204,011	(67,489)	Under spend in the Enhance Effective Communication and Public Affairs and Stakeholder Relationships programs.
Finance and Administration – project expenditure	40,000	35,802	(4,198)	HR management expenditure below budget.
CEO/Board – project expenditure	50,000	5,668	(44,332)	Strategic business planning funds not utilised.

Appendix B

Funds Spent on Each Significant Research, Development and Innovation Activity Allowing Identification of Expenditures of Matching Payments

The company expends funds on eligible research, development and innovation activities that then form the basis of matching contributions by the Australian Government. Expenditure that is eligible for matching comprises:

- Research and Innovation division expenditures, excluding select items;
- Specific project expenditures from other divisions that satisfy R&D expenditure criteria; and
- Attribution of policy, finance and administration, communication and Board and CEO division expenditures.

The company has established a detailed methodology by which eligibility of matching expenditure is determined. For the 2009–10 financial year the significant expenses and adjustments that formed the basis by which the matching claim has been made were as follows:

Research and innovation project expenditure for	
Build Consumer Demand	
• Fresh pork quality consistency	\$40,193
• Fresh pork nutrition	\$287,436
• New product development	\$21,241
Viable Productive Farms	
• Reducing the impact of disease	\$100,000
• Efficient and cost competitive nutrient supply	\$86,254
• Globally competitive cost of production	\$1,567,180
• Facilitate skills and capacity development on-farm	\$191,738
Efficient Value Chains	
• Research and development of technical innovation	\$36,129
• Enhancing market signal flow	\$158,116
• Enhancing supply chain efficiency and quality	\$27,022
Leadership, Preparedness, Stewardship	
• Taking care of our animals	\$367,262
• Strengthening biosecurity	\$170,458
• Safe food	\$417,847
• Climate change and sustainability	\$432,597
• Issues and emergency management	\$13,428

Appendix B (cont'd)

Research and innovation project expenditure for	
Industry Cohesion and Responsiveness	
• Growing valuable industry networks	\$247,633
• Communication and facilitation of technology adoption	\$219,538
• Public affairs and stakeholder relations	\$13,337
• APL organisational capability	\$270,393
Total research and innovation project expenditure	\$4,667,802
Research and Innovation division admin costs	\$1,147,432
Eligible R&D project expenses from other divisions	\$939,885
Attribution of eligible indirect marketing, policy, corporate and board and CEO division expenditures	\$1,600,183
Exclusion of levy collection costs and non eligible research division expenditures	(\$284,195)
Total matchable expenditure	\$8,071,107
Australian Government contributions – matching (@ 50 percent)	\$4,035,553

Note: APL total non direct project expenditure for the 2009-10 financial year was \$6,556,478 which was 38 percent of total expenditure and 42 percent of income received. Of this total non direct project expenditure \$2,747,614 (42 percent) was attributed to Research and Development.

Appendix C

Funds Spent on Marketing and Significant Strategic Policy Development Activity as well as Other Industry Issues

In addition to eligible research, development and innovation activities expenditure (per Appendix B), the company expends project funds on marketing and strategic policy development activities and other industry issues. Project expenditures incurred on marketing and strategic policy development activities and other industry issues, as attributed to each of the key core objectives, is summarised below:

Marketing Project Expenditure For:	
Build Consumer Demand	\$4,242,612
Total marketing project expenditure	\$4,242,612
Strategic Policy Development Project Expenditure For:	
Build Consumer Demand	\$8,925
Leadership, Preparedness, Stewardship	\$623,937
Industry Cohesion and Responsiveness	\$17,204
Total strategic policy development project expenditure	\$650,066
Communication Division Project Expenditure For:	
Industry Cohesion and Responsiveness	\$137,496
Total communication division project expenditure	\$137,496
Finance and Administration Division Project Expenditure For:	
Operational Effectiveness	\$17,901
Total finance and administration division project expenditure	\$17,901
CEO/Board Division Project Expenditure For:	
Operational Effectiveness	\$2,834
Total CEO/Board division project expenditure	\$2,834

Annual Report Acronyms

ABARE	Australian Bureau of Agricultural and Resource Economics	CPRS	Carbon Pollution Reduction Scheme
ABCRC	Australian Biosecurity Cooperative Research Centre	CRRDC	Council of Rural Research and Development Corporations
ABS	Australian Bureau of Statistics	CSIRO	Commonwealth Scientific and Industrial Research Organisation
ACACA	Australia-China Agricultural Cooperation Agreement	CWE	Carcass Weight Equivalent
AEC	Australian Egg Corporation	DA	Dairy Australia
AECL	Australian Egg Corporation Limited	DAFF	Department of Agriculture Forestry and Fisheries
AGM	Annual General Meeting	DAFWA	Department of Agriculture and Food Western Australia
AGVET	Agricultural and Veterinary	DCC	Department of Climate Change
AHA	Animal Health Australia	DIAC	Department of Immigration and Citizenship
AHOB	Animal Health Operations Branch	DPI	Department of Primary Industries
ALTA	Australian Livestock Transporters Association	EADz	Emergency Animal Disease
APIQ	Australian Pig Industry Quality Assurance Program	EADRA	Emergency Animal Disease Response Agreement
APL	Australian Pork Limited	EEO	Equal Employment Opportunities
APP	Alive against Actinobacillus pleuropneumoniae	EPA	Environmental Protection Agency
APSA	Australasian Pig Science Association	ESAM	E. coli Salmonella Monitoring
AQIS	Australian Quarantine and Inspection Service	ESI	Export Slaughter Interval
ASEAN	Association of Southeast Asian Nations	FMD	Foot and Mouth disease
AUSVETPLAN	Australian Veterinary Emergency Plan	FSA	Feedlot Services Australia
AWC	Animal Welfare Committee	FSANZ	Food Standards Australia New Zealand
AWSC	Animal Welfare Science Centre	GAP	Good Agricultural Practices
BPA	Burnett Pork Alliance	GHG	Greenhouse Gas
CCRSPI	Climate Change Research Strategy for Primary Industries	GRDC	Grains Research & Development Corporation
CEO	Chief Executive Officer	GWD	Glucan Water Dikinase
CoOL	Country of Origin Labelling	GWP	Global Warming Potential
CPA	Certified Practising Accountant	HACCP	Hazard Analysis and Critical Control Points
		HFC	Herd Feed Conversion

Annual Report Acronyms (cont'd)

HFCR	Herd Feed Conversion Ratio	PPQA	PigPass Quality Assurance
HR	Human Resources	PRDC	Pork Research Development Corporation
HSCW	Hot Standard Carcase Weight	PSG	Preferred Supply Group
IGA	Independent Grocers of Australia	QA	Quality Assurance
ILO	Industry Liason Officer	R&D	Research and Development
KPI	Key Performance Indicator	R&DAC	Research & Development Advisory Committee
LCA	Life Cycle Assessment	R,D&E	Research, Development and Extension
M2MA	Methane to Markets in Agriculture program	RAP	Regional Audit Plan
MLA	Meat and Livestock Australia	RDC	Research and Development Corporation
NCOS	National Carbon Offset Standard	RIRDC	Rural Industries Research Development Corporation
NEGP	National Environmental Guidelines for Piggeries	RPL	Recognition of Prior Learning
NIR	Near Infrared	RSPCA	Royal Society for the Prevention of Cruelty to Animals
NLIS-P	National Livestock Identification System - Pigs	RTE	Ready-to-eat
NRS	National Residue Survey	RTOs	Registered Training Organisations
OH&S	Occupational Health and Safety	SARDI	Pig Meat Hygiene Program
PACER	Pacific Agreement on Closer Economic Relations	SEP	Sedimentation and evaporation pond system
PC	Productivity Commission	SFOs	State Farming Organisations
PIC	Property Identification Code	SG6	Specialist Group 6
PIC	Australia Pig Improvement Company Australia Pty Ltd	SPP	State Planning Policy
PIMC	Primary Industries Ministerial Council	STEC	Salmonella Typhimurium E. coli
PIRSA	Primary Industries and Resources of South Australia	TODG	Technical Options Development Group
PISC	Primary Industries Standing Committee	TVC	Total Viable Count
Pork CRC	Pork Co-operative Research Centre	VCA	Value Chain Analysis
PPNVD	PigPass National Vendor Declaration	VFF	Victorian Farmers Federation
PPPE	Pan Pacific Pork Expo	VIAS	Victorian Institute of Animal Science
PPPS	Primary Production and Processing Standard	WHP	Withholding Period

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