



**AUSTRALIAN PORK LIMITED**  
**Annual Report**  
**2017-2018**



# Vision

Australian pork – a uniquely contemporary part of our food industry.

# Purpose

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

# Values

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. Create the future our farmers need, and
5. Celebrate achievement.

**Australian Pork Limited** ABN 83 092 783 278  
Level 2, 2 Brisbane Avenue, Barton ACT 2600

**P:** 02 6285 2200

**E:** [apl@australianpork.com.au](mailto:apl@australianpork.com.au)

**F:** 02 6285 2288

**W:** [www.australianpork.com.au](http://www.australianpork.com.au)

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## Message from the Chairman

On behalf of the Australian Pork Limited (APL) Board, I am pleased to present the company's 2017-2018 Annual Report.

I was appointed as Chairman of the APL Board in July 2017 and come to the role with more than 20 years' experience as a senior executive in large, diverse agribusinesses, as well as a number of non-executive roles.

My predecessor, Mr Enzo Allara AM, was Chairman of the APL Board for 13 years, during which time he made a phenomenal contribution to the Australian pork industry.

Mr Allara has been involved with the food and grocery industries in Australia and internationally for over 40 years, and used his knowledge to help guide the Australian pork industry through both good and bad times during his stewardship. I thank Mr Allara for his diligence and support as I transitioned into the role of Chair of APL.

The pork industry in Australia is experiencing a very challenging time. The downturn is largely the result of an oversupply situation caused by improvements to sow productivity and progeny performance, an increase in the number of sows and increased carcass weight of slaughter pigs. These are all desirable traits during a period of undersupply, but problematic in our current situation unless there is a compensating increase in demand.

The oversupply of pork has seen five per cent more pork produced over the 2017-2018 financial year than there was in the already oversupplied 2016-2017 financial year.

Year-on-year, we've seen recent increases of around three quarters of a kilogram on the average carcass weight and increases of over four per cent for slaughter numbers, however the average buyer's price per kilogram has decreased to less than \$2.40 for our indicator pig (of 60–75 kg carcass weight). This has led to progressively lower production profits (or losses) for many pig producers.

The financial impact caused by this oversupply has been exacerbated by an increase in grain prices, meaning that many producers are selling their pigs for less than their cost of production. Forecasts from our grain industry contacts indicate that grain prices are unlikely to significantly drop in the next nine months.

At APL, one factor we can and do influence is demand. Australian pork is becoming more and more popular on the dining tables across Australia. Thanks partly to the efforts of the APL Marketing team, retail demand is growing at an estimated five per cent year-on-year. Whilst this rate of growth is better than all other meat proteins, it is still not fast enough to overtake the increase in supply.

Another factor we can influence is the information available to Australian pig producers. As you'll read in the pages following, the team at APL are acting to source relevant, accurate and reliable information and to present it in a clear and concise manner to help our producer members make the right decisions for their businesses.

Acknowledging changes to the industry's operating environment, the APL Board reviewed the APL 2015–2020 Strategic Plan, and released an amended version in July 2018. While this Annual Report reflects the original Strategic Plan, some key highlights you can expect to see in future years include:

- a greater emphasis on growing demand to compensate for the increased availability of pork meat
- a re-calibrated approach to research and development (R&D) around pork cost of production, which is an inherent weakness of our industry's competitiveness and requires further focused attention

- 
- continued strong engagement with the community in areas they see as important, including animal welfare and environmental impact, as well as increasing the transparency of pork production in Australia. Importantly, the plan recognises our ambitions of completing the phasing out of sow stalls and including the relevant voluntary standards as mandatory into an updated set of welfare standards and guidelines for the industry
  - maintaining the high health status of our pig herd through vigilance on biosecurity and disease prevention issues as well as maintenance of the current pork import protocols, and
  - persisting in our efforts to obtain access for Australian pork in overseas markets.

In the July 2018 APL Board meeting, the Board and management agreed that, due to the profitability crisis the industry is currently experiencing and which may continue for another 12 months, we should create a clear, concise “Crisis Strategy”. This strategy will cover the next 12 months and put real emphasis on actions APL can take now to help producers. We will circulate that plan to industry as soon as we can.

My role, and the role of APL, is to listen to producers and work with them to try to improve the industry in the short term and to position it to be successful in the longer term. I look forward to meeting and talking to producers and working with them. The Board and APL will do everything possible to ease the current crisis and position the industry for the future. I invite you to contact me to give me your thoughts about how APL can do a better job for you.



**David Lock**  
Chairman



## Message from the CEO

The 2017-2018 financial year has been a very difficult one for the Australian pork industry. At the start of 2017, pig prices collapsed close to the cost of production and have not recovered since. In fact, in early 2018, pig prices re-commenced their falls when even larger supply volumes started to hit the market in February, March, April and May.

Presently, producer profitability is being hit very hard by these low pig prices and the additional impact of very high grain prices affecting the cost of feeding pigs. This profitability crisis is expected to result in some producers, either permanently or temporarily leaving, the industry. Whilst this hasn't happened to any large extent yet, pig farmer balance sheets are being stretched and it is anticipated that in coming months, supply changes will start to impact on the market. The good news for the industry has been the growth of pork consumption, in particular Australian fresh pork.

### Pork supply

To the end of May 2018, annual production of pork nationally was 5.9 per cent more than it was for the same period one year earlier. This supply increase has been a surprise considering that we have been communicating with industry for close to 18 months that pork supply into the market was too high and having a very negative affect on pork and pig prices.

This increase has not been evenly distributed across the country. Most of the eastern states have annual growth to the end of May for pork production at around four to five per cent. The exception has been Western Australia where supply growth has been closer to 16 per cent. The large volumes of excess pork in the west has led to significant volumes crossing the Nullarbor week by week to impact on eastern markets as well.

There are some hints within the pork production sector that there may be some reductions happening, either within farms with changes to the number of mated sows being used or across the industry in total with some producers having exited. However, data that APL has been collecting from our pig producer intentions surveys (within the production survey) do not indicate that these reductions are enough to have a significant positive impact on pig prices into the 2018-2019 financial year.

### Cost of production

The 2017-2018 global grain market dynamics and, to a greater extent, Australian local climatic conditions have led to significant increases in the price of grain. Since grain forms the main cost of pig feed, this is having a significant impact on producer profitability. We are hearing reports of producers paying over \$400 per tonne for feed wheat, which – when calculated out to the impact on the cost of production of a kilogram of pork – is a very significant component. With very dry climatic conditions continuing in large parts of the northern wheat belt, we don't expect that grain prices will start to come down until well into the next calendar year.



## Pork consumption

The good news is that pork is becoming more and more popular with Australian consumers. Since 2011, fresh pork consumption has increased from around 8.5 kilograms per capita per annum to somewhere between 11.5 and 12 kilograms per capita per annum today. This is an increase of more than 25 per cent. This sharp increase is impressive for a meat commodity. Unfortunately, the increase in demand does not compensate for the large increases in supply affecting prices.

The “Get some pork on your fork” advertising campaign continues to deliver strong demand results for the industry. APL research indicates that pork is the only meat category that is increasing in consumption, with beef, lamb and chicken consumption remaining generally flat.

Research into the food service sector also indicates that pork is becoming more popular in this part of the market. Our PorkStar and Inspired by Australian Pork activities continue to try to ensure that pork remains a visible part of the menus at the top and middle sectors of Australia’s restaurant industry.

## Pork trade

Imports of raw pork into Australia were relatively constant through 2017-2018. During the year somewhere between 160 and 170 thousand tonnes (moving annual total basis) were imported into Australia. As required, this product can only be used for processing into pre-cooked product or for smallgoods. With the current pork oversupply conditions, there have been attempts to increase the volume of Australian pork used in the smallgoods sector. This has had mixed success, with the logistical challenges being the major barrier. In July 2018, new Country of Origin Labelling (CoOL) laws commenced in Australia. We are looking closely at the impact of these on consumer behaviour with the intention that, if necessary, we can invest in some consumer education activities where these may be in the interest of Australian pork consumption.

Our export volumes have been increasing through the financial year, driven by desires to move more pork volume. Some of this business has been undertaken at prices that would not normally be attractive purely due to the oversupply situation. APL continues to investigate market opportunities and work with the government on improving market access to ensure that we have as many opportunities for export of our pork as possible.

## Research and innovation

APL’s R&D efforts continued through the year, focused on improving productivity of Australian pork production as well as ensuring that our industry operates in a way consistent with the community’s ethics and expectations.

In the present circumstances, there has been a key focus in much of our organisation on short-term tactical efforts to improve market conditions for producers. Despite this, R&D has continued with a longer-term focus, as this is the most effective way to deliver that innovation to industry.

Two specific areas of focus during the past year have been eating quality and traceability. Both areas are critical to our future success, especially in international markets. We are not the world’s lowest cost producer and our product is more expensive. Therefore, our pork must have attributes that are unique and compel consumers to demand it. We believe that an enhanced quality of eating experience of Australian pork and the ability to verify the origin of our quality pork will be significant positive attributes driving demand for Australian pork overseas.



## Producer relations and membership

Given the present difficult business conditions, many producers are operating in financially distressed circumstances. In light of these conditions, APL has been focusing on short-term demand growth improvement as well as providing as much accurate and timely information to our pig farmers as possible to enable them to make their own informed business decisions. We have also worked to increase the level of communication with producers to ensure that they understand that APL is working to leave no stone unturned in trying to find solutions for the industry. There have been many producer meetings held, efforts to advise producers around financial and mental health support services, and increased frequency of reporting on industry conditions around the market.

## Working with government

APL has also been working closely with state and federal departments and politicians to keep them informed about the operating conditions within the industry. Governments have been keen to ensure that our producers are made aware of their options in terms of government support and being able to use the services as easily as possible.

We also continue to work closely with governments on those issues that will have an impact on the future viability of the industry. These include trade and market access (in particular progressing towards negotiation of protocols for trade with China), labour availability on Australian pig farms, and the new CoOL laws and their effectiveness in improving consumer informed choice.

## APL operations

We welcome our new chair to APL – Mr David Lock. We look forward to working closely with him to improve industry conditions for our producers in months and years to come. We say goodbye to Enzo Allara, a giant of the Australian pork industry and someone whose contribution we will sorely miss. Until now, Enzo has been the sole chairman of APL that I have worked with and it has been an absolute pleasure to have done so. It has also been an enormous honour to have had a close working relationship alongside someone with so much wisdom and experience.

I thank the APL Board for their ongoing support to myself and to our management team. These are difficult times and it's difficult to know where it is that we need to focus efforts to relieve the pressure on industry. The Board has been extremely diligent in ensuring that we do our best in this area.

My thanks also go to the APL executive team and the wider team because, despite all the issues pig farmers are facing, they remain focused on doing what they can to help, which is to do their jobs as well as they possibly can.

**Andrew Spencer**  
Chief Executive Officer





## 3. Operational and strategic overview

### 3.1 Overall framework

APL is a company limited by guarantee. It is a unique rural industry service body for the Australian pork industry – a producer-owned company delivering integrated services that enhance the viability of producers. The framework for APL was established under the *Pig Industry Act 2001* (Cth). Operating and reporting guidelines are outlined in the Funding Agreement (FA) with the Commonwealth of Australia. The FA was renewed on 27 June 2015.

APL's primary funding is derived from statutory pig slaughter levies collected under the *Primary Industry (Excise) Levies Act 1999* (Cth). The levy amounts to \$3.425 per carcass at slaughter, of which APL receives \$3.25, consisting of \$2.25 for marketing activities and \$1.00 for R&D. The remaining \$0.175 is retained by the Department of Agriculture and Water Resources (DAWR) and is used to fund the National Residue Survey (NRS) Pig Monitoring Residue Programme. Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture and Water Resources.

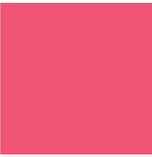
APL has adopted business best practice, including adherence with relevant Australian standards and leading organisational management models. Key aspects of best practice applied at APL include:

- compliance with all relevant Australian accounting standards
- development, implementation and maintenance of a risk management plan in accordance with Australian standards
- development, implementation and maintenance of a fraud control plan
- development and maintenance 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), workplace health and safety (WHS) and privacy.

### 3.2 Role and functions

APL is responsible for enhancing opportunities for the sustainable growth of the Australian pork industry. This is achieved 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. To achieve these objectives, APL operates in an efficient and effective manner, with highly motivated and professional staff delivering key services.



### 3.3 Core values

APL's values are the organisation's essential and enduring guiding principles that are not to be compromised for financial gain or short-term expediency. These values 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. Create the future our farmers need, and
5. Celebrate achievement.

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

### 3.4 Members

Australian pork producers who pay pig slaughter levies are entitled to full producer membership of APL. While APL membership is free to levy payers, APL's constitution requires that producers apply to become a member, as membership is not an automatic right. Membership entitles producers to benefits including:

- influencing APL direction by attending, speaking and voting at general meetings
- voting on changes to the APL constitution
- nominating and voting for delegates to represent members' concerns directly to the 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
- opportunities for networking with industry experts and other groups, and
- early access to the results of research projects.

There are three categories of APL membership:

- producer member
- associate producer member, and
- associate corporate member.

Associate members do not pay a pig slaughter levy but nonetheless perform an important role in the industry. Both associate membership categories are entitled to all the benefits ascribed to full members, except for voting rights under the APL Constitution.

All members automatically receive weekly and monthly market reports, a monthly newsletter, technical notes, exclusive member access to the APL corporate website and other 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, and
- domestic and export markets.

Levy-paying members elect delegates to represent their interests more directly to APL through the structured delegate system. For the reporting period 2017-2018, 36 delegates represented APL levy-paying members, representing over 93 per cent of production. The delegate's term expires every three years at the same time memberships expire. Delegates may stand for re-election.

### 3.4.1 Material changes to membership

As of 30 June 2018, APL had 257 levy paying producer members representing 93 per cent of levies paid. There were an additional 16 associate producer members and 10 associate corporate members.

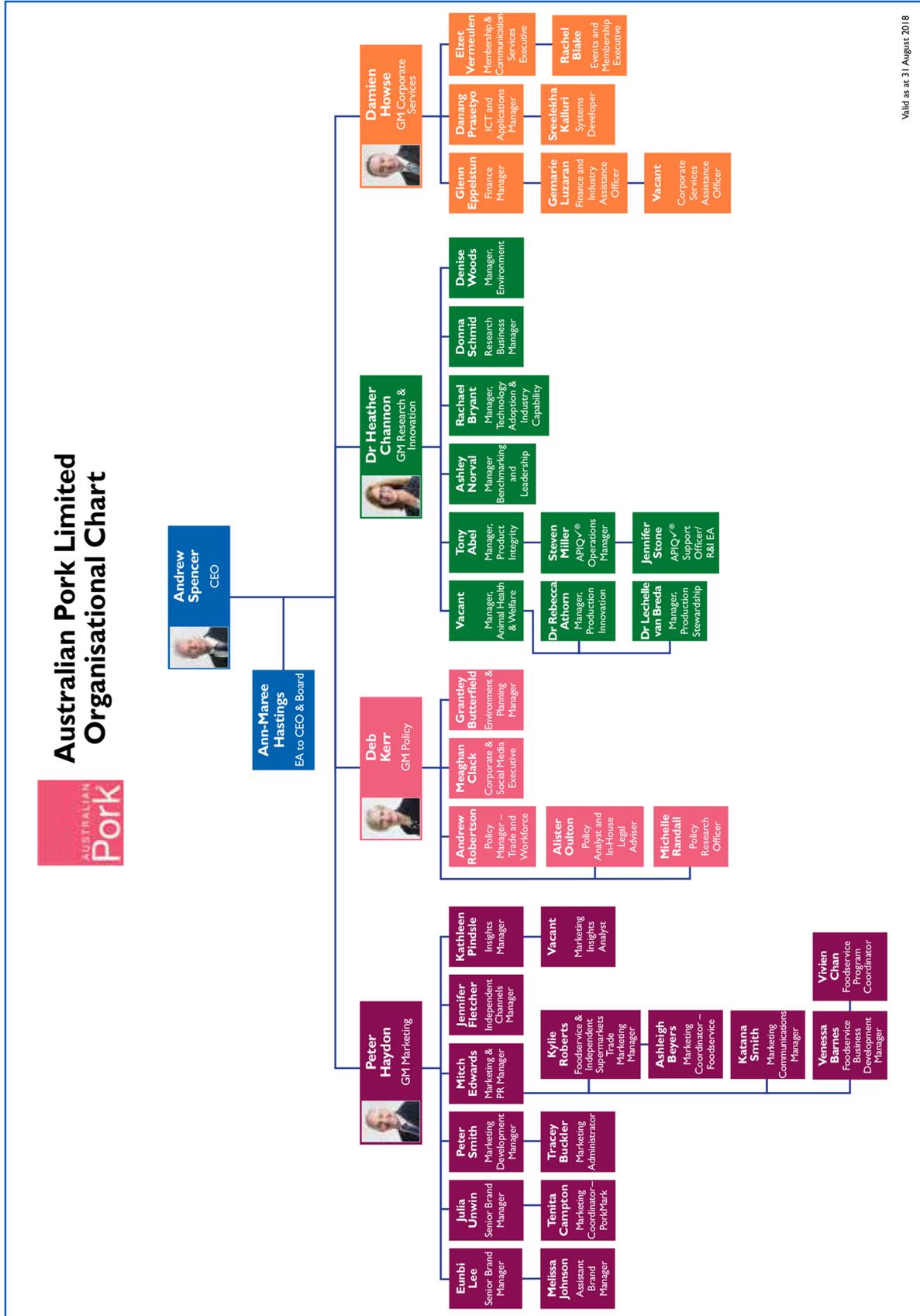
Once every three years, all producer members are to provide an application form with the person's name and address, and a statement that the person is an Australian pig producer and that they paid Pig Slaughter Levy in the previous relevant financial year. During previous membership drives, this requirement has been fulfilled via a statutory declaration from new and renewing members. The statutory declaration enables APL to establish that the member has provided accurate levies paid on the slaughter of pigs, as this information determine entitlements such as voting rights. On or at any time thereafter becoming a member, the member may give APL a standing consent ('PigPass Declaration') to renew their membership. This allows APL to access PigPass records to determine the eligibility of the producer and the amount of Pig Slaughter Levy paid by the member.

## 3.5 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 federal, state and local governments and their agencies
- the pork supply chain including saleyards, abattoirs, processors, exporters, wholesalers, distributors and retailers
- other agricultural industry associations
- consumers and the community
- APL staff and suppliers
- industry employees and suppliers, and
- research institutions and providers.

### 3.6 Organisation structure





### 3.6.1 APL senior management



**Andrew Spencer**  
Chief Executive Officer



**Deb Kerr**  
General Manager, Policy



**Heather Channon**  
General Manager,  
Research and Innovation



**Peter Haydon**  
General Manager, Marketing



**Damien Howse**  
General Manager, Corporate  
Services/Company Secretary

### 3.6.2 Policy division

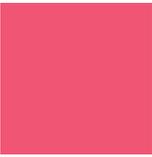
APL's Policy division is unique amongst the rural research and development corporations (RRDCs). The Policy division's focus is national representation across all jurisdictional levels. The division undertakes strategic policy development, advocacy and government relations across important policy issues affecting the Australian pork industry.

The division is a key point of contact for external stakeholders such as the Australian state and territory governments. The division seeks to manage and balance the impact of regulatory shifts and changes to government policy, while ensuring the industry remains competitive and sustainable. The division works on international policy developments including trade and market access issues, animal health and welfare, feed security, biosecurity, environment sustainability and planning, labour and immigration, food safety, product integrity and traceability.

Other key priorities include emergency and issues management, the management of corporate traditional and social media functions, plus the industry's transparency initiative, the Aussie Pig Farmers website.

### 3.6.3 Research and Innovation division

The Research and Innovation (R&I) division invests and manages producer levies and matching government funds in the National Research, Development and Extension (RD&E) projects across a wide range of disciplines to address industry priorities. Key areas of focus include production, animal welfare, traceability, food safety, product quality, environmental management, biosecurity, and antimicrobial stewardship. The division's primary objective is to implement the Pork National RD&E Strategy to enhance the adoption of research outcomes or products by Australian pork producers and key industry stakeholders.



This is delivered through a robust RD&E process and strong collaboration between RD&E stakeholders including industry (and cross-sector), universities, consultants, and government (both federal and state jurisdictions). The division also manages scholarship programmes and workshops for undergraduate and post-graduate students, leadership training initiatives and the industry's quality assurance programme, Australian Pork Industry Quality Assurance Programme (APIQ<sup>✓</sup>®). Collaborative investment opportunities that address pork industry RD&E priorities are actively sought to leverage APL's RD&E funds.

### 3.6.4 Marketing division

The Marketing division has a responsibility for growing demand for Australian pork, both domestically and internationally. This includes all forms of pork, from fresh raw meat for at home or in-restaurant dining, to value-added meats and delicatessen items such as ham, bacon and salami.

Demand is influenced by the division engaging in dialogues with consumers, retailers, processors and farmers, and by facilitating mutually beneficial initiatives. Whilst the majority of resources for the Marketing division are expended in Strategic Objectives 1 and 2, the current strategic plan has been designed so that all divisions contribute in some way to all strategic objectives.

### 3.6.5 Corporate Services division

The Corporate Services division (Corporate Services) provides capability and support to the Board, CEO and other APL divisions. Particular capabilities include administration, communication channels, financial functions, event co-ordination, human resources, internal policies and procedures, information and communication technology, and membership services. Governance functions including company secretarial, corporate governance and risk management services are also provided by this division.

Corporate Services also provides secretariat services to the Council of Rural Research and Development Corporations (CRRDC) and company secretarial support to PorkScan Pty Ltd.

### 3.6.6 Staff

As at 30 June 2018 the company employed 38 full-time and five part-time employees.

### 3.6.7 The APL Board of Directors

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

The Board strives to create member value by constructively engaging with management to ensure the appropriate development, execution and monitoring of the company's agreed strategies.

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 FA criteria. Directors retire in rotation and retiring Elected Directors are eligible for re-election.



## 3.7 Developing strategic directions

The current 2015–2020 Strategic Plan took effect from 1 July 2014 and is reported against in this 2017-2018 Annual Report. A mid-term review of the 2015–2020 Strategic Plan has been undertaken and an amended version (with some minor amendments) was adopted by the Board and endorsed by the DAWR. The amended plan has been published to the APL corporate website.

There are five Strategic Objectives making up the 2015–2020 Strategic Plan:

1. Growing Consumer Appeal
2. Building Markets
3. Driving Value Chain Integrity
4. Leading Sustainability
5. Improving Capability.

The five Strategic Objectives govern specific programmes for APL and the wider pork industry to deliver against the targeted outcome statements. The outcome statements and specific programmes sought for each Strategic Objective are shown below.

### 3.7.1 Strategic Objective 1 – Growing Consumer Appeal

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

- Programme 1: Better Pork
- Programme 2: Pork Made More Popular
- Programme 3: Increasingly Different.

### 3.7.2 Strategic Objective 2 – Building Markets

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

- Programme 1: Market Insights
- Programme 2: Domestic Market Development
- Programme 3: International Market Development.

### 3.7.3 Strategic Objective 3 – Driving Value Chain Integrity

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

- Programme 1: Trust in Pork Provenance
- Programme 2: Pork Quality Assured
- Programme 3: Fairness in Risk and Reward.



### 3.7.4 Strategic Objective 4 – Leading Sustainability

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

- Programme 1: Addressing Societal Needs
- Programme 2: Healthy Herds and Farms
- Programme 3: Continuous Productivity Growth.

### 3.7.5 Strategic Objective 5 – Improving Capability

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

- Programme 1: Applied Learnings
- Programme 2: Building Industry Image and Reputation
- Programme 3: Operational Effectiveness.

Operationally, all of APL’s activities are focused directly or indirectly on achieving the objectives of the 2015–2020 Strategic Plan (as amended).

## 3.8 Governance

### 3.8.1 APL Board

#### Role

The APL Board sets strategic direction framed within the requirements of the company’s constitution, the FA and the *Corporations Act 2001* (Cth). The Board delegates responsibility to the CEO for the effective management of the company.

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, and
- ensuring the company acts legally and responsibly on all matters and that the highest ethical standards are maintained.

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



## 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 Annual General Meeting (AGM) in line with constitutional requirements to \$380,000 per annum adjusted for Consumer Price Index (CPI) increases from 31 March 2009. This amount was set on advice from an independent consultant and through Board consideration of similar industry organisation benchmarks.

Aggregate Board remuneration can only be increased with the consent of the company's members. The company's constitution also provides for individual directors to be paid additional remuneration where they perform services outside the scope of the ordinary duties of a director.

## Meetings

The Board meets seven times per year and each meeting requires a majority quorum of directors eligible to vote (at least five directors). The Board may convene occasional meetings or use electronic methods to agree or respond to specific issues.

## Committees

As the need arises, the Board can establish specific committees, each of which will have its own charter and agreed membership. Each committee is chaired by a director. The following committees have been established and their terms of reference have been approved, and are reviewed annually, by the Board:

- **Audit, Risk and Corporate Governance Committee**

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, and qualification of R&D and matching expenditure in compliance with major contracts.

- **Human Resources & Remuneration Committee**

The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management.

- **Market Development Committee**

Along with directors with marketing experience, the committee includes industry stakeholders from the supply chain. The committee reviews possible marketing developments for the domestic and export markets and advises the Board on appropriate strategies.

- **Research and Development Advisory Committee (RDAC)**

The committee provides direction on the development, management, performance and outcomes of APL's research and associated activities.

- **Quality Assurance and Animal Welfare Committee**

The committee provides input and guidance to the Board on emerging or specific animal welfare and quality assurance issues that have the potential to significantly impact on producers' future sustainability.



## Development and performance

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

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

- roles and responsibilities
- timeliness of advice and direction to management
- effectiveness of Board meetings
- interaction with management, and
- contribution to the ongoing performance of the company.

A review of the Board's performance was undertaken in November 2017. Reviews are part of the Board's commitment to continued good corporate governance. The review also ensure that newly-elected members to the Board have a greater understanding of how the company operates.

An extensive director induction programme is carried out, providing new members of the Board with the opportunity to meet the company's senior managers and operational staff.

The Board approves, where appropriate, the necessary resources to enable directors to update their professional skills and knowledge as company directors.

## Policies

The Board has developed and monitors high-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, 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 controls.

## Conflict of interest

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

## 3.8.2 Corporate social responsibility

Corporate social responsibility is incorporated into APL's daily operations and strategic planning and is demonstrated in the following areas.

### Maintaining ethical and responsible marketplace practices

- nutrition programmes – in particular diet education, public health and food safety
- consumer research
- improved consumer information, including Australian PorkMark, and the Australian pork industry brand information and other logos, which include the APIQ<sup>✓</sup> Free Range and Outdoor Bred, Raised Indoors on Straw certifications, and
- maintaining food safety and product integrity in the marketplace.



## Respecting and engaging staff

- APL Code of Conduct, including behavioural standards regarding harassment and conflict of interest
- ethical behaviour by employees monitored and reported
- improved workplace culture by example across the whole workforce
- performance management, reward and recognition processes
- training and development plan and study assistance
- succession planning and career management
- WHS policy and procedures
- anti-discrimination policy, and
- flexible working arrangements.

## Taking care of the environment in which the company operates

- implementation of environmentally sustainable piggeries projects
- research on issues of importance within the National Environmental Guidelines for Piggeries (NEGP)
- safeguarding animal health through exotic disease prevention and preparedness
- Model Code of Practice for Welfare of Animals: Pigs
- APIQ<sup>®</sup>, and
- animal welfare research projects.

## Strengthening the company's place within the community

- multi-media educational programme for primary and secondary schools
- postgraduate scholarships
- undergraduate scholarships for farm and industry placements
- training and provision of training resources for piggery staff
- leadership development programmes
- consumer surveys – animal care and community sensitive issues
- reputation management strategy
- PorkSafe programme
- market, trade and agricultural shows, and sponsorships
- producer innovation awards
- provision of Christmas hams and pork to charity, and
- communications to members and industry.





## 4. Report on performance

### 4.1 Summary of objectives – KPIs and outcomes

Key performance indicators (KPIs) within APL's five Strategic Objectives are a mixture of those with high levels of control in their achievement (with a lesser impact through outcomes) and those with a lower level of control in their achievement (with major impact through outcomes). Our practice of setting ambitious targets means that some of our KPIs will be achieved and some will not. A mix of KPIs for company or industry achievement keeps the organisation focused and aligned with what is ultimately important for our stakeholders.

The table below shows the KPIs and expected outcomes for each of the programmes within the Strategic Objectives. This provides a clear view of the activities and associated industry benefits linking back to the 2015–2020 Strategic Plan.

Strategic Objective	Programme	KPIs	Expected Outcomes
Growing Consumer Appeal	1. Better Pork	Eating Quality Pathways Performance	Decreased incidence of unacceptable taste or texture reported by consumers
		Pork Image Attributes	Improved perceptions of Australian pork
	2. Pork Made More Popular	Quantity of Regular Consumers	Increasing pork consumption as a habit
		Advertising Recall	Fresh pork more familiar for Australians
	3. Increasingly Different	Australian Processed Pork Share	Increased demand for Australian pork
		PorkMark Awareness	Improved ability for Australians to identify Australian ham and bacon
Building Markets	1. Market Insights	Programme Effectiveness through Insights	Maintain “thought leadership” position
	2. Domestic Market Development	Pig Prices	Improved returns to pig producers
		Fresh Pork per capita Consumption	Increased Australian pork demand ahead of population growth
	3. International Market Development	International Australian Pork Sales Value	Increased international demand for Australian pork
		International Premium Position	Find ways to create product differentiation versus other sources of pork

Strategic Objective	Programme	KPIs	Expected Outcomes	
Driving Value Chain Integrity	1. Trust in Pork Provenance	Physi-Trace Adoption	Enhanced traceability of pork and pork products	
		Pork Provenance Testing	Industry preparedness, rapid response and recovery	
	2. Pork Quality Assured	APIQ <sup>✓</sup> Uptake	Compliance verification of Australian or not for processed ham and bacon products	
		APIQ <sup>✓</sup> Annual Systems Audit	Enhanced pig welfare, health and care on-farm	
			Enhancement of industry reputation for implementation of responsible practices	
	3. Fairness in Risk and Reward	PorkScan Adoption	Improved integrity systems	
		Lean Meat Yield Technologies	Robust Quality Assurance program	
	Leading Sustainability	1. Addressing Societal Needs	Movement Reporting within Two Days	Commercial use of carcass and primal lean meat yield information
				Improved carcass pricing clarity
GSF Uptake – APIQ <sup>✓</sup>			Enhanced traceability reduces the risks of exotic and endemic disease outbreaks	
2. Healthy Herds and Farms		Antimicrobial Stewardship (AMS) Plan Uptake	Reputation for responsible practices	
			Industry preparedness, rapid response and recovery	
		Australian Pig Vets Receive Industry Updates and are Engaged in Industry Initiatives	Validation of industry commitment to move away from gestation stalls to group housing	
			Reputation for responsible practices	
3. Continuous Productivity and Growth		Pork Produced Per Sow	Improved producer awareness of antimicrobial resistance	
		Increasing Gilt Progeny Performance Against Sow Progeny	Increase interactions with veterinarians	
			Deliver high animal health and welfare standards	
Improving Capability	1. Applied Learnings	Technology Adoption	Increased communication and engagement	
		Technology Awareness	Improve ongoing relationships	
	2. Building Industry Image and Reputation	APL Producer Members	Increased productivity of the breeding herd	
		Level of Membership	Lower input costs	
		APL Positive Image	Bring gilt progeny performance in to line with that of sow progeny	
	3. Operational Effectiveness	Staff Turnover	Reduce overall cost of production	
		Corporate Costs	Improved adoption of industry solutions across the supply chain	



## 4.2 Strategic Objective I – Growing Consumer Appeal

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

### 4.2.1 Programme I – Better Pork

Programme	KPI	Unit	2017-2018 Target	Result
Better Pork	Eating Quality Pathways Performance	Product fail rate percentage in best sales channel (bad taste)	2.15%	5.91%
	Pork Image Attributes	Percentage agreement with: “Pork is low in fat and a valuable source of iron”	18%	16%
		“Easy to cook”	50%	48%
		“Pork is versatile”	52%	52%

KPI Table: Strategic Objective I Programme I – Better Pork

### Background

Consumers who eat meat generally do so frequently and, as such, learn over time which recipes, cuts and cooking methods they (and the others they eat with) prefer. This repeated behaviour becomes habitual and it is clear that, in part, familiarity through usage affects perceptions, and perception through other forms of message also affect purchase behaviour.

This programme seeks to affect both experience and perceptions to facilitate increased consumption of Australian pork.

### Achievements/outcomes

The targeted decrease in chilled pork fail rates was not achieved. That target was taken from the best performing channel in May 2016. The turbulence in the over-supply of our industry in 2017 and 2018 (with increased productivity putting pressure on abattoir capacity has caused increased carcass weights) has coincided with increased pork product fail rates.

Our stretch targets set for perception have not been achieved in two out of three cases. However, they continue to trend upwards over time and we plan to continue to set stretch goals.

### 4.2.2 Programme 2 – Pork Made More Popular

Programme	KPI	Unit	2017-2018 Target	Result
Pork Made More Popular	Quantity of Regular Consumers	% of households eating more than a given number of times per year	26 or more times per year – 4.3%	4.9%
			13 or more times per year – 20.2%	21.8%
	Advertising Recall	% of Australians recalling pork advertising	80%	75%

KPI Table: Strategic Objective I Programme 2 – Pork Made More Popular

## Background

Around 80 per cent of Australian households buy pork each year. This has been relatively stable for several years. It is typically more cost effective to encourage consumers to repeat an action than it is to ask them to perform a new behaviour.

This programme seeks to achieve increased familiarity and habitual behaviour amongst existing Australian pork buyers.

## Achievements/outcomes

Advertising recall improved year-on-year from 73 per cent last year to 75 per cent this year. Whilst this did not achieve the ambitious goal that was agreed, it is the best year-end recall performance on records.

The continued high recall levels appear to be increasingly converted into more frequent purchasing. This has been aided this year through lower retail and foodservice consumer prices than the previous year.

### 4.2.3 Programme 3 – Increasingly Different

Programme	KPI	Unit	2017-2018 Target	Result
Increasingly Different	Australian Processed Pork Share	Percentage of processed pork consumption	25%	21%
	PorkMark Awareness	% of Australians aware of PorkMark	60%	61%

KPI Table: Strategic Objective I Programme 3 – Increasingly Different

## Background



Australian pork competes with pork from other countries that often have significantly more diseases and lower animal welfare standards in their pig herds. However, imported pig meat cooked in government accredited facilities in Australia to reduce the threat to our biosecurity, can be used to make ham and bacon products.

New CoOL legislation that came into effect on 1 July 2018 has meant that APL has worked with brand owners to maintain presence on-packs with consumers and we continue to differentiate Australian pork.

## Achievements/outcomes

Australian pork's share of processed was predicted to be higher than 2016-2017. This was based on the markedly reduced farm gate prices in 2017-2018 compared to 2016-2017. The estimated move of some Australian pork into processed pork products at import parity level prices has not been as great as anticipated.

The PorkMark awareness growth was based on increased advertising mentioned in Programme 2 above. However, more products displaying the PorkMark have also contributed to achieve the PorkMark awareness goal.



#### 4.2.4 Financial summary

STRATEGIC OBJECTIVE I – GROWING CONSUMER APPEAL				BUDGET \$7,432,286		ACTUAL \$7,727,935	
	NON R&D \$			R&D \$			
PROGRAMME	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Better Pork							
<i>Budget</i>	-	-	-	225,000	234,190	459,190	459,190
<i>Actual</i>	-	-	-	101,443	219,042	320,485	320,485
Pork Made More Popular							
<i>Budget</i>	5,697,417	486,622	6,184,039	-	-	-	6,184,039
<i>Actual</i>	5,861,819	527,566	6,389,385	-	-	-	6,389,385
Increasingly Different							
<i>Budget</i>	290,000	436,866	726,866	40,000	22,191	62,191	789,057
<i>Actual</i>	246,738	441,721	688,459	111,257	218,349	329,606	1,018,065
<b>TOTAL BUDGET</b>	<b>5,987,417</b>	<b>923,488</b>	<b>6,910,905</b>	<b>265,000</b>	<b>256,381</b>	<b>521,381</b>	<b>7,432,286</b>
<b>TOTAL ACTUAL</b>	<b>6,108,557</b>	<b>969,287</b>	<b>7,077,844</b>	<b>212,700</b>	<b>437,391</b>	<b>650,091</b>	<b>7,727,935</b>

## 4.3 Strategic Objective 2 – Building Markets

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

### 4.3.1 Programme 1 – Market Insights

Programme	KPI	Unit	2017-2018 Target	Result
Market Insights	Programme Effectiveness through Insights	Number of significant learnings identified	4	5

KPI Table: Strategic Objective 2 Programme 1 – Market Insights

#### Background

The Market Insights programme has several roles. It ensures that useful pig market data – such as the latest prices, grain price trends and volumes of production – is available to producers in an accurate and timely manner. The programme also guides all APL marketing activity. It creates a “thought leadership” position with retailers and value chain participants by positioning APL as “a centimetre wide but a kilometre deep”. This means we know a lot about consumers and shoppers and how their attitudes and behaviours relate to meat.

The third area that this programme operates in is more general industry consumer understanding. This benefits other programmes within APL by providing, for example, trends in consumer perceptions of social licence or reconciliation of production forecasts with levies collected and contributions to Australian Bureau of Statistics (ABS) and Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) activities.

#### Achievements/outcomes

Five significant insights (i.e. learnings that are new, commercially significant and actionable) have crystallised since July 2016:

1. there have been significant improvements in the timeliness of industry reporting through the collaboration of the pork export abattoirs with APL; this has enabled the weekly reporting of volumes of production and the weekly ability to learn and refine how we forecast the phasing of production
2. young consumers’ needs are broadly similar to older consumers needs except that:
  - they consume media in different contexts
  - they appear to have a broader array of secondary needs/considerations that are likely to influence future decisions, and
  - attitude and behaviour differences appear to be primarily driven by life-stage
3. the pig cycle does exist and tends to have a period of five to seven years with a price peak lasting two years and a 34 to 76-month recovery period to take pig price back above trend
4. APL advertising does appear to have a positive return on investment, which is greater than the average of other advertisers in the auditor’s benchmark pool, and
5. the meat market is evolving and there are some opportunities in product delivery in terms of eating experience, product range and packaging that represent opportunities for pork in the 2018–2020 period.



### 4.3.2 Programme 2 – Domestic Market Development

Programme	KPI	Unit	2017-2018 Target	Result
Domestic Market Development	Pig Prices	\$/kg HSCW farm gate average	\$3.10	\$2.58
		All Pigs (YTD) Baconer (latest week)	\$3.10	\$2.31
	Fresh Pork per capita Consumption	CWE kg fresh pork per person per annum	11.1	11.79

KPI Table: Strategic Objective 2 Programme 2 – Domestic Market Development

#### Background

This programme is focused on converting better, more popular and differentiated Australian pork into sales. This involves collaborating with retail chains, individual butchers and independent supermarket owners, as well as individual restaurants and chefs. These sales reflect pig demand, which is one of the influencers on the price the producer receives.

#### Achievements/outcomes

The success of the Australian pig producers in the 2015 and 2016 calendar years caused a high degree of investment in productivity. The increases in productivity are the primary driver of increased supply. The increased productivity is so prolific that the industry has experienced an oversupply in 2017-2018. Supply has grown ahead of demand. Demand however, does appear to be growing domestically with retail fresh pork selling 9.9 per cent more in the year to 14 July 2018 than in the corresponding previous year. Likewise, it appears that pork's prevalence in foodservice has also expanded significantly. In June 2017, pork appeared on 9.0 per cent of plates in out-of-home outlets, increasing to 12.3 per cent in the quarter ending May 2018.

These explain both the farm gate price fall and the per capita consumption increase.

### 4.3.3 Programme 3 – International Market Development

Programme	KPI	Unit	2017-2018 Target	Result
International Market Development	International Australian Pork Sales Value	Pork export value (\$ millions)	150.0	149.5
	International Premium Position	Australian premium pork in-market testing has begun	Yes	No

KPI Table: Strategic Objective 2 Programme 3 – International Market Development

#### Background

International market development evolved in the 2015–2020 Strategic Plan from a maintenance business to a growth business. We continue to pursue two significant initiatives:

- gaining on-going international sales to China – this requires the agreement of export protocols and establishment accreditation, and
- evolving Australian pork into a value added and tailored offering rather than just a commodity trade in order to compete internationally.

Consequently, increased resources have been allocated to international market development and a planning mentality of “test, learn, test, learn” has been adopted.

### Achievements/outcomes

Several new products have been developed through the testing of different breed, feed and growth rate regimens. Some products have been tested by a panel of international consumers. These findings have been combined with other eating quality learnings for further development. Given the industry oversupply and significant pricing decrease, this project did not benefit from the originally planned APL staff time focus.

Further work on export protocols for the largest pork market in the world, China, has continued. Relationships and discussions continue to deepen with the next step being further government-to-government discussions.

### 4.3.4 Financial summary

STRATEGIC OBJECTIVE 2 – BUILDING MARKETS				BUDGET \$4,470,465		ACTUAL \$4,444,240	
	NON R&D \$			R&D \$			
PROGRAMME	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Market Insights							
<i>Budget</i>	-	305,504	305,504	836,000	495,951	1,331,951	1,637,455
<i>Actual</i>	10,000	44,683	54,683	1,069,952	922,661	1,992,613	2,047,296
Domestic Market Development							
<i>Budget</i>	1,046,000	1,051,414	2,097,414	-	-	-	2,097,414
<i>Actual</i>	994,593	1,081,874	2,076,467	-	-	-	2,076,467
International Market Development							
<i>Budget</i>	195,000	279,225	474,225	230,000	31,371	261,371	735,596
<i>Actual</i>	247,429	162,566	409,995	132,155	80,252	212,407	622,402
<b>TOTAL BUDGET</b>	<b>1,241,000</b>	<b>1,636,143</b>	<b>2,877,143</b>	<b>1,066,000</b>	<b>527,322</b>	<b>1,593,322</b>	<b>4,470,465</b>
<b>TOTAL ACTUAL</b>	<b>1,252,022</b>	<b>1,289,123</b>	<b>2,541,145</b>	<b>1,202,107</b>	<b>1,002,913</b>	<b>2,205,020</b>	<b>4,746,165</b>



## 4.4 Strategic Objective 3 – Driving Value Chain Integrity

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

### 4.4.1 Programme 1 – Trust in Pork Provenance

Programme	KPI	Unit	2017-2018 Target	Result
Trust in Pork Provenance	Physi-Trace Adoption	Physi-Trace supported by processors – percentage of industry	90%	70% – six export plants and three domestic plants are collecting Physi-Trace raw pork samples
	Pork Provenance Testing	Percentage of accurate tracebacks (both raw and processed)	95%	NA – not conducted in 2017-2018.

KPI Table: Strategic Objective 3 Programme 1 – Trust in Pork Provenance

### Background

Achieving consumer trust in Australian pork and pork products in domestic and export markets is essential to maintaining and growing market access and share. This programme focuses on development, adoption and implementation of programmes to enhance consumer trust in the provenance of Australian pork for domestic and export markets.

### Achievements/outcomes

A strategic plan for Physi-Trace was developed and implemented to provide clear direction to industry on the future application and commercialisation of the Physi-Trace system for raw pork, ham and bacon. This aims to build industry acceptance, adoption and ongoing support of Physi-Trace commercialisation and address future R&D needs for Physi-Trace to enhance its scope and strengthen its value and benefit to industry.

Sampling regimes have been adopted by participating abattoirs and processors. To facilitate adoption, samples collected at domestic establishments are being delivered to a central storage facility. Export establishments collect samples and store on-site until required for analysis.

### 4.4.2 Programme 2 – Pork Quality Assured

Programme	KPI	Unit	2017-2018 Target	Result
Pork Quality Assured	APIQ <sup>✓</sup> Uptake	Percentage APIQ <sup>✓</sup> certified enterprises of all pig farm enterprises	90%	89.5%
	APIQ <sup>✓</sup> Annual Systems Audit	Number of non-conformances and observations	<1 non-conformance  < 20 observations	APIQ <sup>✓</sup> : 1 non-conformance, 7 observations  AUS-MEAT: 6 non-conformances, 2 observations

KPI Table: Strategic Objective 3 Programme 2 – Pork Quality Assured

## Background

APIQ<sup>✓</sup>® is a key platform providing confidence to our consumers, regulators, markets and the Australian public that our pig production standards are of a high level. APIQ<sup>✓</sup>® is an independently audited programme, which verifies industry compliance with management, food safety, animal welfare, biosecurity, traceability, environment and transport standards. A producer can be certified as:

- APIQ<sup>✓</sup>® which indicates that pigs are primarily indoors
- APIQ<sup>✓</sup>® Free Range, which means pigs are outdoors at all times with access to feed and shelter
- APIQ<sup>✓</sup>® Outdoor Bred, Raised Indoors on Straw, which means that breeder pigs are always outdoors with access to feed and shelter, and weaner and grower pigs are kept indoors in loose housing with bedding, and
- APIQ<sup>✓</sup>® CSC which gives producers the opportunity to verify their compliance to the five-day industry standard for the use of gestation stalls and to standards specific to supplying Coles.

APL also undertakes activities to underpin the Pork – Australian Export Meat Inspection System (Pork AEMIS) and address food safety issues to enable the Australian pork industry to maintain market access and assure the safety of Australian pork and pork products. One of these activities include a DAWR Rural R&D for Profit (RR&D4P) funded cross-sectoral project. This project enhances supply chain profitability through developing a standardised approach for the reporting and feedback of disease-related carcase and offal condemnation information to producers by processors.

## Achievements/outcomes

As at 30 June 2018, APIQ<sup>✓</sup>® coverage was 89.5 per cent, with several smaller producers leaving the industry due to the difficult market conditions they currently face. APIQ<sup>✓</sup>® Free Range and Outdoor Bred, Raised Indoors on Straw certification has also dropped from 13 per cent to 11 per cent. This is despite increases in outdoor sites from 56 to 61 and sow numbers rising by 2.76, adding a further 17,840 growers into the market (Table 1). The number of growers per sow continues to increase suggesting that outdoor producers are continuing to improve management practices.

Period	# Sites FR/OB	#Sows	# Growers	#Growers per Sow	% of APIQ <sup>✓</sup> ® Sows
Jul-15	47	28,520	120,819	4.23	13%
Jun-16	57	28,071	138,079	4.91	11%
Jun-17	56	27,382	147,321	5.38	13%
Jun-18	62	30,143	165,161	5.48	11%
Variation	+6	+2,761	+17,840	+0.10	

Table 1

## Third party auditing

After extensive industry consultation and a successful trial, AUS-MEAT Ltd was engaged to provide third party auditing (TPA) services for the industry. As at 30 June 2018, a total of 118 audits had been conducted by AUS-MEAT. APL continues to own and manage APIQ<sup>✓</sup>® on behalf of all producers and the same certification policies apply to the programme.



## APIQ<sup>✓</sup> systems verification audit

APIQ<sup>✓</sup> Certification policies requires the APIQ<sup>✓</sup> system to be audited annually. The 2017-2018 system audit was completed in June 2018, with the objective to verify that APIQ<sup>✓</sup> Certification Policy and APIQ<sup>✓</sup> Administrative Policy is being implemented and followed in the administration of the programme and provision of certification to producers.

APIQ<sup>✓</sup> received one non-compliance and seven observations, while AUS-MEAT received six non-compliances and two observations. While the number of items recorded was higher than the targeted KPI, all issues identified were minor in nature and presented no issues to APIQ<sup>✓</sup> certification of producers. Each item will be addressed during the 2018-2019 reviews of APIQ<sup>✓</sup> policies, processes and standards.

### 4.4.3 Programme 3 – Fairness in Risk and Reward

Programme	KPI	Unit	2017-2018 Target	Result
	PorkScan Adoption	Number of PorkScan Licensees	5	3
Fairness in Risk and Reward	Lean Meat Yield (LMY) Technologies	Number of abattoirs where PorkScan LMY system is validated	3	0 – additional R&D conducted to improve accuracy of LMY prediction algorithms undertaken and completed

KPI Table: Strategic Objective 3 Programme 3 – Fairness in Risk and Reward

## Background

PorkScan is the industry's system to measure lean meat yield (LMY) of pork carcasses. APL manages the day to day technical and administrative operations of PorkScan under a management agreement between PorkScan Pty Ltd Board and APL.

## Achievements/outcomes

In recent years, the industry has focussed on LMY prediction using 3D scanning technologies. Additional work was undertaken with support from the Advanced Livestock Measurements (ALMTech) RRnD4P project, across a range of hot carcass weight (HCW), P2 and genders, with LMY assessed using computer topography (CT) to build upon previous work funded by Pork CRC. Key focus areas for this project were:

- to improve the accuracy of carcass and primal LMY assessments through enhanced prediction algorithms using 2D and 3D measurement inputs generated from the PorkScan Plus system, and
- gather accurate P2 assessments efficiently to support the opportunity for licensees to increase chain speed without compromising accuracy of data.

The new algorithms are more accurate, robust and reliable than earlier ones. It is proposed that additional work will be undertaken with ALMTech funding support to explore the inclusion of different carcass measures to improve the accuracy of this algorithm. Commercial validation of the LMY system will be conducted in 2018-2019 to demonstrate the benefits and value arising from the use of LMY information by supply chain partners.

#### 4.4.4 Financial summary

STRATEGIC OBJECTIVE 3 – DRIVING VALUE CHAIN INTEGRITY				BUDGET \$1,874,363		ACTUAL \$2,004,042	
	NON R&D \$			R&D \$			
PROGRAMME	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Trust in Pork Provenance							
<i>Budget</i>	-	-	-	365,000	105,590	470,590	470,590
<i>Actual</i>	-	-	-	171,462	108,285	279,747	279,747
Pork Quality Assured							
<i>Budget</i>	216,000	402,222	618,222	334,044	220,595	554,639	1,172,861
<i>Actual</i>	111,284	315,594	426,878	425,570	217,430	643,000	1,069,878
Fairness in Risk and Reward							
<i>Budget</i>	-	-	-	76,500	16,976	93,476	93,476
<i>Actual</i>	-	-	-	76,500	47,513	124,013	124,013
<b>TOTAL BUDGET</b>	<b>216,000</b>	<b>402,222</b>	<b>618,222</b>	<b>775,544</b>	<b>343,161</b>	<b>1,118,705</b>	<b>1,736,927</b>
<b>TOTAL ACTUAL</b>	<b>111,284</b>	<b>315,594</b>	<b>426,878</b>	<b>673,532</b>	<b>373,228</b>	<b>1,046,760</b>	<b>1,473,638</b>



## 4.5 Strategic Objective 4 – Leading Sustainability

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

### 4.5.1 Programme I – Addressing Societal Needs

Programme	KPI	Unit	2017-2018 Target	Result
Addressing Societal Needs	Movement Reporting within Two Days	% closed PPNVDs reported within two days	90%	72%
	GSF Uptake – APIQ <sup>✓</sup> <sup>®</sup>	Percentage of industry sows housed under APIQ <sup>✓</sup> <sup>®</sup> GSF definition	83%	75%

KPI Table: Strategic Objective 4 Programme I – Addressing Societal Needs

#### Background

This programme seeks to better inform and educate the community about how pork is produced in Australia by building trust and support through a social licence for pig production. The Australian pork industry has a global leadership position through initiatives such as Shaping our Future. Opportunities to ensure sustainable industry growth through the re-use of by-product nutrients to enhance soil health, generate revenue and energy, develop new emission reduction methodologies and support environmental planning and regulation are all being addressed through our environmental R&D initiatives. This programme seeks to enshrine this national and global leadership through a suite of projects covering regulatory, policy and community areas. Major outcomes underpin maintaining the confidence in Australian pig production and pork for consumers, governments, our export markets and the Australian public.

A few smaller policy projects did not progress in 2017-2018 due to resourcing being redirected to other higher priority issues including the current industry profitability crisis. This included implementing actions arising from the 2016-2017 projects of the Domestic Abattoir Compliance Study and the Saleyards study, Keeping our Pigs Safe, Smallholder Awards, and the Environment and Planning Strategy.

#### Achievements/outcomes

##### Movement reporting

In July 2017, Australia’s Agricultural Ministers agreed to the rules for national mandatory reporting of pig movements, to commence from 1 February 2018. By the end of the financial year, some but not all governments had completed these changes. As a result, PigPass remains a largely voluntary programme.

The National Livestock Traceability Performance Standards (NLTPS) requires that the receiver of pigs must report the movement of pigs onto their property within two days. This is tested every few years through a livestock traceability exercise called PigCatcher (next due in 2020-2021).

Given that movements during 2017-2018 remained largely voluntary, the KPI of 90 per cent could not be met. The outcome of 72 per cent is less than the beginning of the financial year but is likely to be reduced due to increased reporting across the different areas of the supply chain, and particularly affected by those receiving pigs reporting older movements to ensure these are captured by the system. On a positive note, PigPass movement reports captured around 94 per cent of all pigs sent to abattoirs during 2017-2018.

### Gestation Stall Free (GSF) uptake

The voluntary GSF remains a key animal welfare initiative for the Australian pork industry. APL counts sows as being GSF when all sows on a site are verified as GSF, either through an APIQ<sup>✓</sup>® audit, surveys or other means. The GSF target for the APIQ<sup>✓</sup>® sow herd was not met.

The review of the Standards and Guidelines for Animal Welfare: Pigs (SnG Pigs) is likely to mandate the GSF initiative, and therefore pick up the remaining sows that are not housed in groups from five days after mating until one week before farrowing.

## 4.5.2 Programme 2 – Healthy Herds and Farms

Programme	KPI	Unit	2017-2018 Target	Result
Healthy Herds and Farms	Antimicrobial Stewardship (AMS) Plan Uptake	Percentage of production taking up the AMS Plan	50%	20%
	Australian Pig Vets Receive Industry Updates and are Engaged in Industry Initiatives	Percentage of pig vets in Australia regularly engaged with APL	90%	85%

KPI Table: Strategic Objective 4 Programme 2 – Healthy Herds and Farms

### Background

Profitable pig producers are dependent on safeguarding the welfare, health and wellbeing of their pig herd while reducing input costs, improving productivity, and maintaining continual scrutiny of global information to identify potential biosecurity threats. APL acknowledges that Australia is a participant in a global trading environment that brings inherent risks, including the spread of exotic diseases. Australia's pig herd health status is dependent on strong science-based biosecurity arrangements at the border and on farm to protect against disease incursions that could decimate native herds and the industry. Our high herd health status is an asset that underpins the industry's reputation for quality and safety of pork produced.

During 2017-2018, this programme developed and implemented technologies, systems and management strategies in support of these science-based biosecurity arrangements.



## Achievements/outcomes

### Antimicrobial Stewardship (AMS)

Surveillance and reporting of Antimicrobial Resistance (AMR) and antibiotic usage in human medicine, veterinary medicine and agricultural production is a global health priority. The Australian Government has developed a high level AMS plan covering both human and animal health, with plans underway to develop a subservient livestock plan. As a partner in the Livestock Antimicrobial Stewardship Group, APL has been involved in the development of an Australian Livestock Industries AMS plan and the initiation of the inaugural Australian Veterinary Antimicrobial Stewardship conference to be held in November 2018.

For the pork industry, APL is developing strategies to underpin the industry's AMS programme, including AMR surveillance and an Australian Pork Industry AMS plan. This includes the development of metrics to support unified and accurate measures of AMR, standardisation of bacterial isolation, antimicrobial susceptibility testing and reporting. APL has successfully run proof of concept AMR surveillance testing. New robotic technologies are being developed through an RRnD4P project and will assist the management of diseases at the farm level and standardise methods for benchmarking, potentially leading to more targeted and successful AMS interventions.

The ambitious target of 50 per cent of the industry implementing AMS on farm was not met. The development of the industry's AMS plan during 2018-2019 will assist in improving the uptake of AMS plans on farm.

### Veterinary engagement

APL supported the Australian Veterinary Association's annual Australian Pig Vet Conference, held in September 2017 in Fremantle. The conference provided updates for current initiatives both internationally and domestically. Important stakeholders including veterinarians, animal health companies, state and government department representatives and members of the Pig Veterinary Referral Group (consisting of pig vet consultants) attended the conference promoting the dissemination and uptake of the latest research outcomes. APL is working towards improving its internal processes and communication to deliver higher levels of engagement with this important stakeholder group.

## 4.5.3 Programme 3 – Continuous Productivity Growth

Programme	KPI	Unit	2017-2018 Target	Result
Continuous Productivity Growth	Pork Produced Per Sow	Per cent increase in kg pork/sow/year	3%	5.8%
	Increasing Gilt Progeny Performance against Sow Progeny	Variation between gilt and sow progeny in volume of pork produced per sow per year as a percentage	2%	6%

KPI Table: Strategic Objective 4 Programme 3 – Continuous Productivity Growth



## Background

The Australian pig herd is classified as a closed genetic herd. The Australian pork industry strongly supports the pork biosecurity protocols so the importation of new genetic lines with higher productivity from overseas is prohibited. This prevents productivity improvements through the importation of genetics. The Australian pork industry therefore invests in programmes to underpin continuous productivity growth, with a focus on reproductive performance and progeny viability. This programme seeks to improve the number of piglets born and weaned per sow, investigate new technologies to increase the number of female pigs in each litter (to minimise boar taint), increase the growth performance of gilts and provide ongoing base funding of key research development and extension facilities as identified in the National Pork RD&E Strategy.

Improving sow longevity has been a longstanding goal for the Australian pork industry. Currently, only around 60 per cent of sows are retained to parity three. This is concerning as sows do not reach optimal reproductive efficiency until their third parity. The primary reason for premature culling of female pigs is due to reproductive inadequacy. Gilts are the most vulnerable age group to culling due to poor reproductive performance. This indicates that the current process for selecting breeding gilts is inadequate. Identifying biological markers in juvenile gilts of future reproductive success would be of great benefit to the industry. Recognising this, the objective was set by industry to increase sow retention at parity three to 70 per cent.

## Achievements/outcomes

### **Pork produced per sow**

The Australian pork industry has been in a profitability crisis, and this has been partly driven by an increase in the sow herd, improved productivity and larger carcass weights. The latter two impact on achievement of this KPI.

The industry investment in infrastructure as part of the GSF voluntary initiative has resulted in producers improving the management of the sow herd and therefore improved the number of piglets weaned per sow per year. In addition, the abattoir capacity constraints (particularly in short working weeks) and difficulties faced by the industry in sourcing markets for pigs has led to delays in getting pigs to slaughter and consequently, bigger pigs and heavier carcasses.

As a result of these influencing factors, this KPI was not just exceeded, but doubled.

### **Gilt performance**

Several studies were conducted to investigate the role of specific genes and hormones in reproductive performance and development of relevant biomarkers. Research is still ongoing and further investigations are required to identify appropriate biological markers for future reproductive success.



#### 4.5.4 Financial summary

STRATEGIC OBJECTIVE 4 – LEADING SUSTAINABILITY				BUDGET \$5,305,221		ACTUAL \$5,450,847	
PROGRAMME	NON R&D \$			R&D \$			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Addressing Societal Needs							
<i>Budget</i>	112,720	266,584	379,304	2,139,243	426,506	2,565,749	2,945,053
<i>Actual</i>	109,573	107,202	216,775	2,004,955	345,196	2,350,151	2,566,926
Healthy Herds and Farms							
<i>Budget</i>	334,500	214,465	548,965	476,523	259,456	735,979	1,284,944
<i>Actual</i>	251,469	151,727	403,196	214,931	302,243	517,174	920,370
Continuous Productivity Growth							
<i>Budget</i>	-	-	-	\$1,572,361	250,044	1,822,405	1,822,405
<i>Actual</i>	-	-	-	\$1,507,516	166,638	1,674,154	1,674,154
<b>TOTAL BUDGET</b>	<b>447,220</b>	<b>481,049</b>	<b>928,269</b>	<b>4,188,127</b>	<b>936,006</b>	<b>5,124,133</b>	<b>6,052,402</b>
<b>TOTAL ACTUAL</b>	<b>361,042</b>	<b>258,929</b>	<b>619,971</b>	<b>3,727,402</b>	<b>814,077</b>	<b>4,541,479</b>	<b>5,161,450</b>

## 4.6 Strategic Objective 5 – Improving Capability

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

### 4.6.1 Programme I – Applied Learnings

Programme	KPI	Unit	2017-2018 Target	Result
Applied Learnings	Technology Adoption	Percent of APL-invested subset of technologies adopted after two years of project completion	70%	Outcomes from independent technology transfer and adoption surveys expected November 2018
	Technology Awareness	Percentage of eligible production aware of a subsample of APL-invested technologies	95%	Outcomes from independent technology transfer and adoption surveys expected November 2018

KPI Table: Strategic Objective 5 Programme I – Applied Learnings

### Background

The communication of R&D outcomes to key stakeholders across the supply chain is essential. It drives practice change through the supply chain by ensuring stakeholder awareness and adoption of new technologies and practices. The variation in how stakeholders access information remains an ongoing challenge for the industry. APL uses a number of communication channels to deliver R&D outcomes in an effort to achieve more proactive uptake of technology. These include IT solutions, face to face meetings, newsletters, booklets, books, and factsheets.

‘Bringing Influencers Together’ supports events that enable direct communication between producers and industry experts. Investment in this activity assists APL to host and support a range of industry events to encourage valuable interactions amongst producers and key industry stakeholders. Increasing the capability and capacity of the private sector to influence uptake of R&D technologies by stakeholders, advisors and suppliers is critical to the overall success of the RD&E strategy. This activity also supports smaller state-based producer meetings.

### Achievements/outcomes

#### Facilitating Technology Transfer and Adoption (TT&A)

APL has continued to produce the research and innovation focused, quarterly publication *Pigs to Pork*. This publication is the primary method for highlighting APL’s R&D outcomes to the industry. The publication is mailed out to every commercial pig producer contact in APL’s database (not just producer members) as well as key industry stakeholders.

Several producer resources have been developed and delivered to industry including:

- Fostering Manual
- Understanding Energy in Australian Pig Production
- National Environmental Guidelines for Indoor Piggeries (updated)
- Rodenticide Stewardship Manual, and
- Yearly Piggery Planning Calendar.



These tools have been developed by combining findings from a number of APL R&D projects and are designed to increase the likelihood of technology adoption by pork producers.

The KPIs related to adoption and awareness were unable to be determined, with outcomes of a survey not to hand by the close of the financial year.

## 4.6.2 Programme 2 – Building Industry Image and Reputation

Programme	KPI	Unit	2017-2018 Target	Result
Building Industry Image and Reputation	APL Producer Members	Number of APL producer members	300	257
	Level of Membership	Membership levy as a % of total levies	>95%	93%
	APL Positive Image	Members positive perception of APL	>80%	70.1%

KPI Table: Strategic Objective 5 Programme 2 – Building Industry Image and Reputation

### Background

The projects under this programme are designed to expand the reach and impact of the work done by APL on behalf of its levy-paying producers. The projects are designed to enable and deliver open and frank dialogue, exchange of views, ideas and principles with and to key stakeholder audiences.

Ultimately, outcomes under this programme are designed to ensure the industry's reputation as a global leader in effective and responsible pork production.

### Achievements/outcomes

#### Membership

How APL communicates with its members is critical to effectively delivering relevant communications. APL undertook a review of the publications, communication tools and communication methods that we use to communicate and sought responses from our members and stakeholders. The action emerging from the review was to trial a consolidation of several publications into one monthly newsletter, the APL Update. Recommendations from this trial will be implemented during 2018-2019.

APL set a stretch KPI of 300 producer members for itself. While the stretch target was not achieved, APL fell short of the KPI by 43 producers, at 30 June 2018. APL has continued to pursue the target and the most recent measure was 257 producer members. APL had set a KPI target of membership as a percentage of production as 95 per cent. The achieved KPI was 93 per cent. While it is disappointing that we did not meet the target, the achievement was respectfully close.

APL had set a positive image target of greater than 80 per cent. The industry survey showed that members have a positive perception of membership services provided by APL. This is comprised of 70.1 per cent indicating they were completely satisfied, 21.7 per cent stating they were satisfied but believed APL could do better and 8.2 per cent were dissatisfied.

### 4.6.3 Programme 3 – Operational Effectiveness

Program	KPI	Unit	2017-2018 Target	Result
Operational Effectiveness	Staff Turnover	Percentage of staff leaving per annum	14%	20%
	Corporate Costs	Percentage of corporate cost increase per annum	1.4%	7.9%

KPI Table: Strategic Objective 5 Programme 3 – Operational Effectiveness

#### Background

This programme is focused on ensuring that producer levies and government matching funds are invested as efficiently and as effectively as possible to deliver the APL Strategic Plan outcomes. The projects and subsequent activities are designed to ensure APL has good corporate governance and best practice when meeting its statutory obligations, while at the same time providing a safe and fair work place for its employees.

#### Achievements/outcomes

The outcomes and achievements under this programme deliver ongoing business efficiencies that demonstrate to its membership base the actual value derived from being an APL producer member.

APL manages its human resources issues with the support of an expert external consultant. Activities include conducting staff surveys, monitoring of staff retention, regularly updating human resources policies and procedures and remaining abreast of legislative amendments at a state and federal level, which affect APL's human resources.

The two KPIs relating to this programme measure staff turnover and corporate costs. Staff turnover exceeded the target KPI, meaning there was higher staff turnover than was targeted. Staff have many reasons for leaving employment at APL, many of which are positive to the individual such as opportunities to improve careers.

With an ethos that levy funds are best expended on projects that benefit the producers, the Board regularly monitors corporate costs. The 7.9 per cent result in 2017-2018 is higher than the KPI target. Care should be taken in interpreting this result as it is measured as an increase from the comparative value of the prior year. The value at the end of 2016-2017 year was particularly low due to several vacant employee positions. Therefore, the result exceeded the target on this occasion. However, it should be noted that despite the result exceeding target, the result is within budget.



#### 4.6.4 Financial summary

STRATEGIC OBJECTIVE 5 – IMPROVING CAPABILITY				BUDGET \$2,763,075		ACTUAL \$2,606,862	
	NON R&D \$			R&D \$			
PROGRAMME	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Applied Learnings							
<i>Budget</i>	-	-	-	642,562	390,785	1,033,347	1,033,347
<i>Actual</i>	-	-	-	570,303	361,870	932,173	932,173
Building Industry Image and Reputation							
<i>Budget</i>	339,178	111,023	450,201	100,164	42,533	142,697	592,898
<i>Actual</i>	251,176	168,856	420,032	63,887	39,075	102,962	522,994
Operational Effectiveness							
<i>Budget</i>	206,649	73,372	280,021	852,334	459,502	1,311,836	1,591,857
<i>Actual</i>	223,878	78,230	302,108	400,025	367,512	767,537	1,069,645
<b>TOTAL BUDGET</b>	<b>545,827</b>	<b>184,395</b>	<b>730,222</b>	<b>1,595,060</b>	<b>892,820</b>	<b>2,487,880</b>	<b>3,218,102</b>
<b>TOTAL ACTUAL</b>	<b>475,054</b>	<b>247,086</b>	<b>722,140</b>	<b>1,034,215</b>	<b>768,457</b>	<b>1,802,672</b>	<b>2,524,812</b>

## 4.7 Overall financial summary by strategic objective

SUMMARY	BUDGET \$23,462,195			ACTUAL \$22,223,227			TOTAL
	NON R&D \$			R&D \$			
PROGRAMME	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
<b>Growing Consumer Appeal</b>							
<i>Budget</i>	5,987,417	923,488	6,910,905	265,000	256,381	521,381	7,432,286
<i>Actual</i>	6,108,557	969,287	7,077,844	212,700	437,391	650,091	7,727,935
<b>Building Markets</b>							
<i>Budget</i>	1,241,000	1,636,143	2,877,143	1,066,000	527,322	1,593,322	4,470,463
<i>Actual</i>	1,252,022	1,289,123	2,541,145	1,202,107	1,002,913	2,205,020	4,746,165
<b>Driving Value Chain Integrity</b>							
<i>Budget</i>	216,000	402,222	618,222	775,544	343,161	1,118,705	1,736,927
<i>Actual</i>	111,284	315,594	426,878	673,532	373,228	1,046,760	1,473,638
<b>Leading Sustainability</b>							
<i>Budget</i>	447,220	481,049	928,269	4,188,127	936,006	5,124,133	6,052,400
<i>Actual</i>	361,042	258,929	619,971	3,727,402	814,077	4,541,479	5,161,450
<b>Improving Capability</b>							
<i>Budget</i>	545,827	184,395	730,222	1,595,060	892,820	2,487,880	3,218,102
<i>Actual</i>	475,054	247,086	722,140	1,034,215	768,457	1,802,672	2,524,812
<b>Unallocated</b>							
<i>Budget</i>	-	-	-	-	-	-	552,018
<i>Actual</i>	-	312,145	312,145	-	277,079	277,079	589,227
<b>TOTAL BUDGET</b>	<b>8,437,464</b>	<b>3,627,297</b>	<b>12,064,761</b>	<b>7,889,731</b>	<b>2,955,690</b>	<b>10,845,421</b>	<b>23,462,195</b>
<b>TOTAL ACTUAL</b>	<b>8,307,959</b>	<b>3,392,164</b>	<b>11,700,123</b>	<b>6,849,956</b>	<b>3,673,145</b>	<b>10,523,101</b>	<b>22,223,227</b>



## 4.8 Reporting obligations

APL's FA with the Commonwealth of Australia imposes several reporting obligations on the company. The following statements are provided in response to these requirements.

### 4.8.1 Material variations to budget

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

### 4.8.2 Funds spent on R&D activities

Funds spent on each significant R&D and innovation activity and the calculation of the total Australian Government matchable expenditure is listed in Appendix B.

### 4.8.3 Funds spent on marketing and strategic policy development activities

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

### 4.8.4 Funds spent on national and Rural R&D Priorities

Funds spent on national and Rural R&D Priorities are listed in Appendix D.





# 5. Meeting industry and government priorities

## 5.1 Alignment with the Rural R&D Priorities

Rural Research & Development Priorities		Advanced Technology	Biosecurity	Soil, water and managing natural resources	Adoption of R&D	Other Research	National Research Priorities
Strategic Objectives	AOP Projects	●	●	●●●●	●●	●	○ Soil and water ○ Food ○ Energy ○ Environmental change Advanced manufacturing Transport Cybersecurity Health Resources
1	Transformational market growth						
1	Premium pork						
2	Differentiation						
2	Continuous data and advertising tracking						
3	PSCIP/Physi-Trace						
3	Globally competitive Australian meat value chains						
3	Food safety						
4	CCRSPI						
4	Animal welfare initiatives						
4	Environmental management						
4	Pork CRC						
4	Breeding females						
4	Environment and health						
4	PigPass						
4	Exotic disease and biosecurity						
4	Reproduction						
4	Growth and development						
4	Pork RD&E strategy						
5	Adoption						
5	Bringing influencers together						
5	Fostering new capability						
5	Building technical capacity						
5	Industry economic analysis						
5	Stakeholder Survey Management						
5	Industry engagements and events						
5	Communication and society						
5	Communication and industry promotions						
5	CRM systems integrity						
5	OmniPig						
5	Specialist groups/RDAC meetings						
5	AGM and conference						
5	CRRDC activities						
5	Benefit cost analyses						
5	ICT						
5	Human resource management						
5	Issues management and support						



## 5.2 National Primary Industries Research, Development and Extension Framework

APL and the Pork CRC have worked in collaboration over the past nine years to ensure that the pork industry investment in RD&E is focused, efficient and delivers outcomes in a timely manner. The collaboration between APL and the Pork CRC has ensured that there is no duplication in RD&E efforts.

To ensure the increased alignment and coordination of the various pork RD&E programmes, APL and the Pork CRC continued to operate as detailed in the comprehensive Pork RD&E Strategy. The strategy comprises several important components:

### Pork RD&E facilities and resources:

1. supporting experiment-ready facilities which, together with skilled technical personnel, are critical to meeting the current and future needs of the industry, and
2. providing certainty for these facilities by base funding them on a rolling two-year basis.

### Pork RD&E programmes:

1. moving from a project-by-project basis to a coordinated national programme approach, and
2. enhancing the development and retention of appropriate human resources and skills of RD&E programmes and activities.

The Pork RD&E Strategy has been implemented since 1 July 2009. The base funding of RD&E facilities for 2017-2018 is the second year of the fourth two-year cycle. As a result of reviewing the Pork RD&E Strategy in 2017-2018, the pork industry has realised a number of benefits, including:

- project savings
- retention of technical capability at base-funded facilities
- research conducted in the most suitable facility
- regional RD&E silos removed
- researchers and students received national exposure
- researchers and industry engagement increased
- timeliness of research outcomes was enhanced
- technology adoption was fast tracked, considering commercial RD&E facilities account for 40 per cent of production, and
- industry-to-industry collaboration was significantly enhanced.

In preparation for the agreement with the Commonwealth Government expiring on 30 June 2019, the pork industry has finalised its plan for a post Pork CRC environment, with the formation of the Australasian Pork Research Institute Limited (APRIL). APL is a member of APRIL and has two representatives on the APRIL Board. APRIL is a collaborative R&D entity with 14 partner organisations. It ensures the ongoing delivery of research outcomes to the Australian pork industry and generation of commercial outcomes to provide financial returns to APRIL for further RD&E investment. In conjunction with APL, APRIL will contribute to the base funding of core research providers into the future.



## 6. Collaboration and evaluation

### 6.1 Pork industry consultation

APL's investments benefit all pig producers, whether this be the industry marketing campaigns, R&D or representing pig producers to governments. Similarly, consultation efforts do target all levy-paying pig producers, regardless of membership. Pig producers are the focal point for specific programmes such as PigPass, while special interest groups such as abattoirs may benefit from other targeted consultation.

As part of APL's drive to engage more closely with producers, up to five young and five small producers are invited to be observers at delegates forums – in addition to representation from individual state farming/pork organisations (SFO/SPOs). Feedback suggests that this has been a worthwhile exercise for those who participate. APL continues to meet with the SFO/SPOs, with face-to-face meetings held to coincide with delegates forums. APL also attends state pork industry meetings to provide updates on issues and research of interest to the industry.

Producers and pork supply chain industry representatives are also involved in each of the four Specialist Groups to identify and prioritise R&D activities for potential support by the APL Board through APL's Annual Operating Plan.

A significant focus during 2017-2018 has been the additional consultation arising from the pork pricing crisis. This has included responding to producer inquiries and presentations to delegates forums, SFO/SPO meetings, and the additional interim delegates forum held in Canberra in August 2017.

### 6.2 Supply chain engagement

The Pork Processor Referral Group (PPRG) comprises the quality assurance representatives and management from all export establishments and key industry stakeholders. The PPRG continues to be an important engagement focus for our product integrity RD&E initiatives. The PPRG meets biannually to inform R&D direction (particularly in post-farm gate issues including traceability and quality assurance and food safety) and to discuss research findings and strategies to ensure safe pork for consumers. This also assists in providing clear signals from the market back to pig producers. APL also engages with the domestic pork processing sector, particularly through Australian Meat Processing Corporation (AMPC)/National Meat Industry Training Advisory Council (MINTRAC) Meat Inspection (MI) and Quality Assurance (QA) meetings and Australian Meat Industry Council's (AMIC)'s Queensland Country Meat Processor Association (QCMFA).

APL also has strong connections along the supply chain, including retailers and food service. The Board's MDC continues its collaboration between APL and senior representatives in the pork supply chain. A key area of work is the joint funded initiative between pork export establishments and APL to build commercial relationships in China, with the industry represented at the SIAL Shanghai Food Expo. An important milestone in 2017-2018 was the signing of the Strategic Framework Agreement on Food Safety and Trade Development Cooperation between APL and the China Entry-Exit Inspection and Quarantine Association (CIQA).



## 6.3 Government meetings

APL's Chairman, CEO and General Manager Policy regularly meet with federal and state government Ministers and senior government officials to keep them up to date with significant industry happenings and to discuss future policy issues and challenges. Those meetings during 2017-2018 included:

- meetings with the Federal Ministers, Assistant Minister and Shadow Ministers and/or their staff to discuss specific industry issues such as China market access, pork import data, labour agreements, trade and market access, office of animal welfare and other policy matters
- meetings with Federal Members of Parliament and Senators to discuss general industry issues
- meetings with senior officials and other representatives of DAWR regarding six-monthly FA reporting
- six-monthly meetings with the NRS team to discuss the residue monitoring programme
- meetings with the multi-jurisdictional committees such as the Animal Health Committee, Animal Welfare Task Group (AWTG), and the Australian Meat Regulatory Group (AMRG)
- meetings with the Department of Foreign Affairs and Trade (DFAT) to discuss Free Trade Agreements (FTA) and the Australian pork industry's trade preferences
- meetings with the Department of Immigration and Border Protection to discuss issues relating to labour reforms, including changes to the industry's Labour Agreement
- meetings with the Australian Competition and Consumer Commission (ACCC) to discuss APL's sow stall and outdoor bred terminology
- meetings with the ABS and ABARES to discuss pork industry data
- meetings with state government regulators relating to a range of policy issues, and
- meetings with state government primary industries or agriculture Ministers and advisers regarding general industry or specific state issues such as piggery licensing requirements.

In addition, APL is represented (either directly or via producers representing APL) on numerous government committees such as the:

- DAWR Export Meat Industry Advisory Committee and its sub-committees
- ACCC's Agriculture Industries Consultative Committee
- Biosecurity Roundtable
- NSW Intensive Agriculture Consultative Committee
- Victorian Government's Animal Industries Advisory Committee Reference Group
- Planning for Sustainable Animal Industries Implementation Reference Group, and
- a number of planning Technical Committees.

APL continues to work with Australian governments and has provided submissions on numerous issues and policies covering environment and planning, animal health and welfare, biosecurity, food safety and integrity, traceability, residues, labour, and trade and market access. A key focus is to reduce red tape and unnecessary regulatory burden by demonstrating, through a science-based approach, the risks and mitigation practices specific to the Australian pork industry.



## 6.4 Inter-organisational committees

During this reporting period, APL has been involved with the following inter-organisational committees and entities:

- Agribusiness Australia
- AUS-MEAT and various committees
- Australia China Business Council
- Australian Farm Institute
- Australian Food and Grocery Council
- Animal Health Australia Industry and Members' Forums, and its various project committees
- Animal Welfare RD&E Strategy
- Australian Institute of Company Directors
- Australian Meat Industry Council and reference groups
- Australian Meat Regulators Group
- Australian Renderers Association
- Australia Sino 100
- Bioenergy Australia
- China-Australia Chamber of Commerce (AustCham Beijing)
- China Cuisine Association
- China Entry-Exit Inspection and Quarantine Association (CIQA)
- Climate Change Research Strategy for Primary Industries Committee
- Cooperative Research Centre (CRC) for High Integrity Australian Pork
- Council for Rural Research and Development Corporations
- Export Council of Australia
- Export Meat Industry Advisory Committee and its various sub-committees
- Food Safety Information Council
- GIRA Food
- International Meat Secretariat and its various Committees
- Livestock Communications Network Group
- National Farmers' Federation and its various Committees
- National Press Club and Rural Press Club
- NSW Meat Industry Consultative Committee, and
- SAFEMEAT Executive and Policy Group and its various Committees.

## 6.5 Commercialisation

In 2017-2018, APL did not create any subsidiary companies.

APL continues its participation in PorkScan Pty Ltd, the company set up to commercialise carcass measurement technology. APL has two Directors representing its interest on the PorkScan Board and provides the company secretary to this Board. Opportunities to capture benefits from APL R&D investments are explored and pursued, wherever appropriate.



## 6.6 Agreements

The agreements entered into by the company are, in most cases, subject to commercial non-disclosure clauses. Most R&D activities are established under agreements, as are the major marketing activities. The financial input of these agreements and the future commitments to these agreements are disclosed in Note 18 in the attached financial statements.

## 6.7 Cross-sectoral initiatives

APL engages in several R&D cross-sectoral initiatives, which are outlined below.

Climate Change Research Strategy for Primary Industries (CCRSPI) is a collaboration between the RRDCs, the CSIRO, state and territory governments and DAWR. CCRSPI partners work together, sharing knowledge and experience, to shape research investments so that they deliver maximum value for primary industries. While the programme does not invest in research directly, it brings partners together to discuss their research activities and to identify priorities for future investment and collaboration.

Feed Grain Partnership is a collaboration between APL, Australian Egg Corporation Limited (AECL), Meat & Livestock Australia (MLA), Grains Research & Development Company (GRDC), Pork CRC, Dairy Australia, Rural Industries Research and Development Corporation (RIRDC) – Chicken Meat Program, and the Stock Feed Manufacturers' Council of Australia (SFMCA). The Feed Grain Partnership integrates and identifies collaborative R&D initiatives across participating R&D funding agencies involved with the feed grain and livestock supply chain.

National Animal Welfare RD&E Strategy (NAWRDE) is a collaboration between major investors and providers of animal welfare RD&E. The focal points of the strategy include animal welfare assessment, pain assessment and management, management, housing and husbandry, transport, euthanasia and slaughter, public attitudes, social science and the community, education, training and extension and policy and market access. APL manages the administration of the strategy on behalf of its partners as well as the issuing of research agreements on behalf of the strategy.

National Animal Biosecurity RD&E Strategy (Biosecurity RD&E) aims to ensure Australia's RD&E capacities are aligned with future needs, and to improve international collaboration. The strategy covers pests and diseases that pose a significant risk to livestock or affect trade and public health. During 2017-2018, the Biosecurity RD&E Strategy was reviewed and re-written. APL participated in the writing group. The Strategy will be managed by Animal Health Australia on behalf of its members.

APL is either project lead or collaborator in several RRnD4P projects:

- **Round 1**
  - Stimulating private sector extension in Australian agriculture to increase returns from R&D (completed)
  - Waste to revenue: novel fertilisers and feeds (lead RDC)
  - A profitable future for Australian agriculture: biorefineries for higher-value animal feeds, chemicals, and fuels
  - Market and consumer insights to drive food value chain innovation and growth, and
  - Accelerating precision agriculture to decision agriculture.



- **Round 2**
  - Advanced measurement technologies for globally competitive Australian meat (PorkScan)
  - Enhancing the profitability and productivity of livestock farming through virtual herding technology, and
  - Enhancing supply chain profitability through reporting and utilisation of peri-mortem information by livestock producers (lead RDC).
- **Round 3**
  - High throughput technology for defining AMR status of pork and chicken meat enterprises leading to a competitive advantage in the global market place (lead RDC)
  - Wastes to profits: value propositions for better management of wastes in animal supply chains, and
  - Forewarned is forearmed: managing the impacts of extreme climate events.

## 6.8 Evaluation of outcomes for industry and the community

Cost benefit analysis (CBA) is conducted on APL's R&D investment at an ex-ante and ex-post basis (at a project or programme level). This ensures the best possible investment decision making process and to test the quality of the assumptions decisions. Ultimately, the CBAs are measuring benefit to industry of the activities of APL and are thus reported to industry. Some of these CBAs are included within the annual R&D evaluation process conducted by the CRRDC.

ACIL Allen Consulting performed the ex-post CBA for two R&D programmes in 2017-2018. The benefit to cost ratio was 0.46:1 for nutrition R&D and 3.2:1 for exotic disease and biosecurity (where FMD was used as the central case), respectively. ACIL Allen Consulting was paid \$50,000 during the year ended 30 June 2018.





## 7. Statutory reports

### 7.1 Directors' report

Your directors present their report for the year ended 30 June 2018.

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

#### 7.1.1 Elected Directors



##### **Mr Andrew Johnson**

Mr Johnson is currently co-owner/manager of Mt Boothby Pastoral Company, a mixed family farming operation comprising a 1,000 sow farrow to finish operation, along with beef, lamb, wool, seed and mixed cropping in the southeast region of South Australia. Mr Johnson, a 2005 Nuffield Scholar, is also a Director of Nuffield Australia. Mr Johnson is an APL delegate who enjoys the challenges confronting family farming businesses. He is Deputy Chairman of Pork SA.

In his role on the APL Board, Mr Johnson chairs the APL Board Quality Assurance and Animal Welfare Committee and the NLIS Pigs Advisory Committee. He is also the Chairman of the PPPE committee.



##### **Dr Brian Luxford**

Dr Luxford has been employed at Rivalea, the largest Australian pork producer, since 1988 and currently manages the company's Research and Innovation, Demand Planning, Logistics and Quality Assurance. The position covers technical support, research, and management across all sectors of the supply chain: feed milling, pig production, pig processing and new product development. Dr Luxford has served as an APL delegate and on a number of APL research committees. He was a member of both of the Pork CRC steering committees and was Program Manager for Program 2 in the new CRC. Prior to the formation of APL, Dr Luxford was a Director of the Pig Research and Development Corporation and for ten years was a Director of PrimeGro, a biotech company based in Adelaide.

In his role on the APL Board, Dr Luxford is chair of the APL Research and Development Committee, and is a member of the Board's Audit, Risk and Corporate Governance and HR Committees.



### **Mr David Plant**

Mr Plant is General Manager of Monogastric Production and a member of the Executive Board for Milne AgriGroup. He is responsible for budgeting, profitability and strategic development of the pig and chicken businesses and works closely with the marketing team on branding and new product development. The meat division is integrated with production, slaughter and further processing capabilities all contributing to a range of branded fresh and further processed retail ready products. With more than 35 years' experience in Australian and European pig and poultry industries, Mr Plant has developed a passion for the pig industry and an in-depth knowledge of high welfare production systems. He has also gained a wealth of experience in staff management, commercial management and business development. In addition, his experience through value chain analysis work with major retailers including Tesco in the UK, Mr Plant has a good knowledge of supply chain management. Mr Plant has been an APL Elected Director for seven years and delegate for nine years. Mr Plant is also a Director of Harvey Pork Gourmet Foods, where his passion for quality food led to the creation of a regionally based gourmet food business supplying independent retail and quality butchers.

In his role on the APL Board, Mr Plant is a member of the Quality Assurance and Animal Welfare Committee.



### **Ms Edwina Beveridge**

B. Comm, former CA, GAICD

Ms Beveridge commenced her career as an accountant but her agricultural background drew her back to the agricultural industry. Ms Beveridge is a Director of Blantyre Farms Pty Ltd, which carries on a mixed farming enterprise including a 2,200 sow farrow to finish farm at Young in NSW. Ms Beveridge has a particular interest in emerging, innovative and disruptive technology and business methods. The Blantyre farming operations include a methane digestion system, power generation and recycling of food waste products for pig feed.

In addition to strategic and operational responsibilities for Blantyre Farms, Ms Beveridge is also involved in the industry as a Director of APRIL, Deputy Chair of NSW Farmers Pork Committee, Member of the NSW Primary Industries Ministerial Advisory Committee and Member of the NSW Farmers Biosecurity Committee. Ms Beveridge also represents other Australian pork producers as an APL delegate.

Consistent with her interest in renewable energy, Ms Beveridge is a Director of Hydro Power Pty Ltd.

In her role on the APL Board, Ms Beveridge is a member of the Audit, Risk and Corporate Governance Committee and a member of RDAC Specialist Group 3 – Environmental Management.



### **Mr Rod Hamann**

Mr Hamann is CEO of SunPork Farms – South. He retains Directorships for Auspork Limited, Big River Pork Abattoir and PorkScan Pty Ltd.

Mr Hamann is also a committee member of Pork SA and a member of their Pig Industry Fund Sub-Committee, charged with recommending funding for SA based research projects. Prior to his current roles in Australia, Mr Hamann spent 17 years in the pork industries of the USA and Britain where he held various technical, marketing and production operation roles including Executive VP Heartland Pork Enterprises, VP Production Murphy Farms, and PIC USA National Sales Manager, plus UK Technical Manager. He brings broad experience and knowledge across the whole pork supply chain from genetics through production into abattoir operations and customer needs.

In his role on the APL Board, Mr Hamann is a member of the Quality Assurance and Animal Welfare Committee and the Market Development Committee.

## 7.1.2 Specialist Directors



### **Mr David Lock (Chairman, appointed 1 July 2018)**

B.Comm, CA, FAICD

Mr Lock has extensive experience in the Australian pork industry, having been the Chief Executive of the Craig Mostyn Group (owner of Linley Valley Pork) for 12 years. Prior to that he held the roles of COO and CFO at the Craig Mostyn Group. In 2016 and 2017, Mr Lock was Managing Director and CEO of Mareterram Limited, an agribusiness company listed on the ASX.

Mr Lock is currently Chairman of Mareterram Limited and Chairman of the West Australian Meat Industry Association, Deputy Chairman of Water Corporation, a Director of Odeum Produce Pty Ltd, a director of Food Fibre Land International Pty Ltd and a member of the Curtin Business School Advisory Council. He is also Chairman of the Audit & Risk Committee of Water Corporation. He has previously been Chairman of the West Australian Food Industry Association. In 2012 Mr Lock was awarded the National Australia Bank Agribusiness Leader of the Year, and in 2013 he was recognised as an Australian Export Hero by the Export Council of Australia. Mr Lock is a Chartered Accountant with a background in insolvency and is a Fellow of the Australian Institute of Company Directors.



### **Mr Enzo Allara AM (Chairman, retired 30 June 2018)**

F CPA, FAIM

Mr Allara has been involved in the food and grocery industry, both in Australia and internationally, for more than 40 years with most of that time being with the Unilever Group of companies. His previous roles include Chairman CPC/Aji Asia in Hong Kong and Chairman of Unilever Australasia.

Mr Allara is also currently Chairman of the SunPork Group as well as Chairman of APL's Human Resource and Remuneration Committee. Over the years 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.

In June 2012, Mr Allara was recognized for his services to the food industry and the community through executive roles with Foodbank Australia and the food and processing industry, by being made a Member of the Order of Australia (AM).

In his role on the APL Board, Mr Allara is a member of the Human Resource and Remuneration Committee.



### **Mr Andrew Baxter (appointed November 2017)**

B.Bus (Mktg), FAMI, FAICD

Mr Baxter has successfully led major professional services firms for the past 11 years, most recently as the Chairman of Publicis Communications, one of the largest communications agency groups in the country. Mr Baxter also has over 30 combined years of Non-Executive Director experience. He is the Chairman of Deakin Business School and the Chairman of the Lord Mayor's Charitable Foundation. Mr Baxter also sits on the Board of the Sydney Symphony Orchestra and the Advisory Board of the NBL. Over two decades at Publicis, Ogilvy and Y&R, he has worked with the executive teams of many of Australia's largest companies and brands, as well as the state and federal governments. His previous role as CEO of Ogilvy Australia saw the agency create AAMI's "Rhonda and Ketut" and Coca-Cola's "Share a Coke" campaigns. Mr Baxter regularly writes about the future of marketing as The Australian's marketing columnist. He is one of LinkedIn's Top 40 Australian influencers and the winner of the Australian Marketing Institute's Sir Charles McGrath Award for his significant contribution to the field of marketing.

In his role on the APL Board, Mr Baxter is a member of the Market Development Committee and the Research and Development Committee.



### **Mr Geoff Starr**

B.A. Hons, Business Studies, Marketing Major, GAICD

Mr Starr has more than 35 years' experience in the food industry, including 15 at CEO level. Most recently, Mr Starr was Chief Executive of George Weston Foods. He is also a past Chairman and Board member of the Australian Food and Grocery Council and has broad experience building consumer markets in Australia, Asia and Europe through senior positions held with Mars Inc. and Unilever Australia. Mr Starr chairs the Market Development Committee and is a member of the Research and Development Advisory Committee. He was an industry advocate to the Australian Government for the Food and Beverage industry and is a Director of Food Innovation Ltd., the Agribusiness and Food Growth Centre, a Director of Birch and Waite, a Director of the Food Waste CRC, a Director of food charity Foodbank and is Chairman of Cannpal.

In his role on the APL Board, Mr Starr chairs the Market Development Committee and is a member of the Research and Development Committee.



### **Mrs Kathy Grigg**

B.Ec. .FCPA, FAICD

Mrs Grigg has a background in finance and operational management. She is currently the Chair of PorkScan Pty Ltd, a Director of Suncorp Portfolio Services Ltd, Chair of the Audit and Risk Committee of the Department of Treasury and Finance Victoria, a Director of Navy Health Ltd and a Deputy Chancellor of Deakin University. Previously she has held positions as Chair of CoINVEST Ltd, Deputy Chair of the Grape and Wine Research and Development Corporation, 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 CPA Australia and the Australian Institute of Company Directors.

In her role on the APL Board, Mrs Grigg is chair of the Audit, Risk and Corporate Governance Committee, a member of the Human Resource and Remuneration Committee and the Research and Development Committee.



### **Mrs Kay Carey (retired November 2017)**

B.Comm

Mrs Kay Carey has extensive experience in marketing and management, previously holding a number of senior positions including Brand Development Director of Unilever Australasia, Food Director of Unilever Indonesia, and Chairman of Unilever Singapore. She was also an independent member on the Board of Peter Lehmann Wines. Currently, Mrs Carey manages the Co-op Scholarship Program at the University of NSW (UNSW). 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.

In her role on the APL Board, Mrs Carey was a member of the Market Development Committee, Research and Development Committee and the Quality Assurance and Animal Welfare Committee.

## **7.1.3 Company Secretary**



### **Damien Howse**

B.Bus CA GAICD

General Manager, Corporate Services and Company Secretary

Mr Howse joined APL in March 2016 and was appointed Company Secretary in June 2016.



## 7.1.4 Directors meetings

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

Directors	Full Board		Audit, Risk and Corporate Governance Committee		Human Resource and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Andrew Johnson	7	7	-	-	-	-
Dr Brian Luxford	7	7	4	4	2	2
Mr David Plant	7	7	-	-	-	-
Mr Rod Hamann	7	7	-	-	-	-
Ms Edwina Beveridge	7	7	4	4	-	-
Mr Andrew Baxter	5	5	-	-	-	-
Mr Enzo Allara AM	7	7	-	-	2	2
Mrs Kay Carey	3	3	-	-	-	-
Mrs Kathy Grigg	7	7	4	4	2	2
Mr Geoff Starr	7	7	-	-	-	-
Mr David Lock	3	3	-	-	-	-

Directors	Quality Assurance and Animal Welfare Committee		Research and Development Committee		Market Development Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Andrew Johnson	3	3	-	-	-	-
Dr Brian Luxford	-	-	2	2	-	-
Mr David Plant	3	3	-	-	-	-
Mr Rod Hamann	3	3	-	-	3	4
Ms Edwina Beveridge	-	-	-	-	-	-
Mr Andrew Baxter	-	-	-	-	2	2
Mr Enzo Allara AM	-	-	-	-	-	-
Mrs Kay Carey	1	1	-	-	2	2
Mrs Kathy Grigg	-	-	1	2	-	-
Mr Geoff Starr	-	-	2	2	4	4

Eligible to attend: represents the number of meetings held during the time the director held office or was a member of the relevant committee.



## 7.1.5 Short and long-term objectives

APL is a unique rural industry service body for the Australian pork industry – a single, producer-owned company delivering integrated services that enhance the viability of producers. The framework for the company was established under the *Pig Industry Act 2001*. Operating and reporting guidelines are provided for in the FA with the Commonwealth of Australia and the Company's constitution.

The company's primary funding is derived from statutory pig slaughter levies collected under the *Primary Industry (Excise) Levies Act 1999*. The levy amounts to \$3.425 per carcass at slaughter, of which the Company receives \$3.25, consisting of \$2.25 for marketing and policy activities and \$1.00 for R&D activities. The remaining \$0.175 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 and Water Resources.

The levy allows the company to provide valuable industry services and benefits including 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.

The Company works closely 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

## 7.1.6 Strategy for achieving the objectives

The 2015–2020 Strategic Plan took effect from 1 July 2014 and is reported against in this 2017-2018 Annual Report.

There are five Strategic Objectives making up the 2015–2020 Strategic Plan:

1. Growing Consumer Appeal
2. Building Markets
3. Driving Value Chain Integrity
4. Leading Sustainability
5. Improving Capability.

The five Strategic Objectives govern specific programs for APL in order to deliver against the targeted outcome statements. The outcome statements and specific programs sought for each Strategic Objective are shown below.

### 1. Strategic Objective 1 – Growing Consumer Appeal

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

- Program 1: Better Pork
- Program 2: Pork Made More Popular
- Program 3: Increasingly Different.



## 2. Strategic Objective 2 – Building Markets

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

- Program 1: Market Insights
- Program 2: Domestic Market Development
- Program 3: International Market Development.

## 3. Strategic Objective 3 – Driving Value Chain Integrity

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

- Program 1: Trust in Pork Provenance
- Program 2: Pork Quality Assured
- Program 3: Fairness in Risk and Reward.

## 4. Strategic Objective 4 – Leading Sustainability

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

- Program 1: Addressing Societal Needs
- Program 2: Healthy Herds and Farms
- Program 3: Continuous Productivity Growth.

## 5. Strategic Objective 5 – Improving Capability

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

- Program 1: Applied Learnings
- Program 2: Building industry image and Reputation
- Program 3: Operational Effectiveness.

Operationally, the activities of APL are focused directly or indirectly on achieving the objectives of the 2015–2020 Strategic Plan.

### 7.1.7 Contributions on winding up

In the event of the company being wound up, ordinary members are required to contribute a maximum of \$1 each.

The total amount that members of the company are liable to contribute if the company is wound up is \$257, based on 257 current ordinary members.



### 7.1.8 Auditor independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



Mr David Lock  
Chairman  
Canberra, 9 August 2018



### 7.1.9 Directors' declaration

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

I. In the opinion of the Directors:

- a. the financial statements and notes of the company are in accordance with the *Corporations Act 2001* (Cth), including
  - i. giving a true and fair view of the company's financial position as at 30 June 2018 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 David Lock  
Chairman  
Canberra, 9 August 2018

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



### RSM Australia Partners

Equinox Building 4, Level 2, 70 Kent Street Deakin ACT 2600  
GPO Box 200 Canberra ACT 2601

T +61 (0) 2 6217 0300  
F +61 (0) 2 6217 0401

[www.rsm.com.au](http://www.rsm.com.au)

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN PORK LIMITED

#### Opinion

We have audited the financial report of Australian Pork Ltd. (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is 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 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

#### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 38 965 185 036

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

**RSM AUSTRALIA PARTNERS**

**GED STENHOUSE**  
Partner

Canberra, Australian Capital Territory  
Dated: 15 August 2018

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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## 7.3 Auditor's independence declaration to the Directors of Australian Pork Limited



### RSM Australia Partners

Equinox Building 4, Level 2, 70 Kent Street Deakin ACT 2600  
GPO Box 200 Canberra ACT 2601

T +61(0) 2 6217 0300

F +61(0) 2 6217 0401

[www.rsm.com.au](http://www.rsm.com.au)

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Australian Pork Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'G Stenhouse'.

GED STENHOUSE  
Partner

Canberra Australian Capital Territory  
Dated: 15 August 2018

### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 38 965 185 036

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## 7.4 Financial report 2017-2018

### AUSTRALIAN PORK LIMITED

# Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>LEVIES AND OTHER CONTRIBUTIONS</b>	<b>4</b>	<b>22,893,556</b>	<b>22,444,262</b>
Share of profits of associates accounted for using the equity method		22,244	4,689
Other income	<b>5</b>	226,367	253,326
Total income		23,142,167	22,702,277
<b>EXPENSES</b>			
Research and Innovation		(6,685,664)	(7,516,991)
Marketing		(10,918,025)	(11,536,771)
Policy		(1,645,211)	(1,414,344)
Board and CEO		(1,392,439)	(1,411,074)
Corporate Services		(1,581,888)	(1,673,157)
Total expenses		(22,223,227)	(23,552,337)
<b>Surplus/Deficit before income tax expense</b>		<b>918,940</b>	<b>(850,060)</b>
Income tax expense	<b>7</b>	-	-
<b>Surplus/Deficit after income tax expense for the year attributable to the members of APL</b>		<b>918,940</b>	<b>(850,060)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the members of APL</b>		<b>918,940</b>	<b>(850,060)</b>

The above Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

## AUSTRALIAN PORK LIMITED

# Statement of Financial Position

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,668,984	3,778,110
Trade and other receivables	9	2,372,615	2,936,394
Investments	10	5,068,297	1,143,522
Other	11	751,411	767,588
<b>TOTAL CURRENT ASSETS</b>		<b>9,861,307</b>	<b>8,625,614</b>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	12	78,810	56,566
Property, plant and equipment	13	194,651	175,502
Bank guarantees and rental bonds		59,340	59,422
<b>TOTAL NON-CURRENT ASSETS</b>		<b>332,801</b>	<b>291,490</b>
<b>TOTAL ASSETS</b>		<b>10,194,108</b>	<b>8,917,104</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	2,100,333	1,817,086
Employee benefits		576,463	548,233
Deferred lease incentives		12,108	20,757
Grant and co-funding income received in advance		1,767,000	1,042,793
Accrued expenses		41,868	679,342
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,497,772</b>	<b>4,108,211</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	12,502	28,394
Employee benefits		54,480	58,842
Deferred lease incentives		-	11,243
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>66,982</b>	<b>98,479</b>
<b>TOTAL LIABILITIES</b>		<b>4,564,754</b>	<b>4,206,690</b>
<b>NET ASSETS</b>		<b>5,629,354</b>	<b>4,710,414</b>
<b>EQUITY</b>			
Accumulated surplus		5,629,354	4,710,414
<b>TOTAL EQUITY</b>		<b>5,629,354</b>	<b>4,710,414</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



## AUSTRALIAN PORK LIMITED

# Statement of Changes in Equity

For the year ended 30 June 2018

	Accumulated Surplus \$	Total Equity \$
<b>Balance at 1 July 2016</b>	5,560,474	5,560,474
Deficit after income tax expense for the year	(850,060)	(850,060)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(850,060)	(850,060)
<b>Balance at 30 June 2017</b>	<b>4,710,414</b>	<b>4,710,414</b>

	Accumulated Surplus \$	Total Equity \$
<b>Balance at 1 July 2017</b>	4,710,414	4,710,414
Surplus after income tax expense for the year	918,940	918,940
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	918,940	918,940
<b>Balance at 30 June 2018</b>	<b>5,629,354</b>	<b>5,629,354</b>

*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 2018

	Note	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Statutory Authority and Industry		27,023,756	22,186,211
Payments to suppliers and employees		(25,175,372)	(20,650,567)
Interest received		121,560	142,301
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>1,969,948</b>	<b>1,677,945</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment	13	(140,338)	(43,918)
Proceeds from disposal of property, plant and equipment		1,935	614
Investments in term deposits		(3,924,779)	(1,957,435)
Other investments		-	(48,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(4,063,182)</b>	<b>(2,049,353)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liability		(15,892)	(8,977)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(15,892)</b>	<b>(8,977)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,109,126)</b>	<b>(380,385)</b>
Cash and cash equivalents at the beginning of the financial year		3,778,110	4,158,495
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	<b>1,668,984</b>	<b>3,778,110</b>

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 2018

### 1. Corporate Information

The financial statements cover APL as an individual entity. The financial statements are presented in Australian dollars, which is APL's functional and presentation currency.

APL is an unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 9 August 2018. The Directors have the power to amend and reissue the financial statements.

### 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) New or amended accounting standards and interpretations adopted

The Company has adopted all of the new or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

#### b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the AASB and the *Corporations Act 2001* (Cth), as appropriate for not-for-profit oriented entities.

##### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

##### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

#### c) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 2. Significant accounting policies

#### (Cont'd) – c) Current and non-current classification

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### d) Investments and other financial assets

Investments and other financial assets, other than investments in associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

##### *Impairment of financial assets*

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 2. Significant accounting policies

#### (Cont'd) – d) Investments and other financial assets

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

#### e) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. Value-in-use is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Company would, if deprived of the asset, replace its remaining future economic benefits.

#### f) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

#### g) Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost

#### h) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 2. Significant accounting policies

#### (Cont'd) – h) Employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 currency that match, as closely as possible, the estimated future cash outflows.

#### i) Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

#### j) Comparatives

Comparatives, where necessary, have been realigned to the current year presentation.

### 3. Critical 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, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 3. Critical accounting judgements, estimates and assumptions

#### *Estimation of useful lives of assets*

The Company determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Lease make good provision*

On 16 January 2012, the Company entered into a new lease agreement with The Salvation Army (New South Wales) Property Trust for an initial period of seven years with an option to renew for a further period of five years from 16 January 2019 plus a further five years from 16 January 2024. The lease agreement details the make good requirements at the end of the lease, with no make good required on exercise of the first option for a further period of five years. The Company intends to exercise the first option for a further period of five years. Therefore, no provision has been provided for in the financial statements.

### 4. Levies and other contributions

	2018 \$	2017 \$
Levies – marketing	12,139,140	11,488,190
Levies – research	5,320,386	5,105,865
Government contributions – matching	5,218,406	5,095,813
Other industry contributions and grants	215,624	754,394
<b>Levies and other contributions</b>	<b>22,893,556</b>	<b>22,444,262</b>

#### **Accounting policy for income recognition**

Income is recognised when it is probable that the economic benefit will flow to the Company and the income can be reliably measured. Income is measured at the fair value of the consideration received or receivable.

#### *Levies*

The ABS publishes production data which the Company uses to calculate levy income. Where ABS data lags the reporting period, the Company uses production numbers from its own production survey to calculate levy income.

#### *Government contributions – matching*

Government matches funding on a dollar by dollar basis on 50 per cent of the approved R&D project expenditure, up to a cap of 0.5 per cent of the gross value of pig production as determined by the Minister for Agriculture and Water Resources. Government matching funds are recognised as income as the eligible R&D program expenditure is incurred.

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 4. Levies and other contributions

#### *Other industry contributions and grants*

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 income statement over the expected useful life of the relevant asset by equal annual instalments.

### 5. Other income

	2018 \$	2017 \$
Interest	121,560	142,301
Royalties	19,773	20,306
Other income	85,034	90,719
<b>Other income</b>	<b>226,367</b>	<b>253,326</b>

#### **Accounting policy for other income recognition**

##### *Interest*

Interest income 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.

##### *Royalties*

Royalties are received from the sale of publications and the commercialisation of Intellectual Property charged as licence fees. Revenue is recognised when received.

##### *Other income*

Other income is recognised when it is received or when the right to receive payment is established.

### 6. Expenses

	2018 \$	2017 \$
<b>Surplus before income tax includes the following specific expenses:</b>		
<i>Rental expense relating to operating leases</i>		
Total rental expense relating to operating leases	306,024	276,685
<i>Superannuation expense</i>		
Defined contribution superannuation expense	522,526	571,858



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 6. Expenses

#### **Accounting policy for operating leases**

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

#### **Accounting policy for defined contribution superannuation expense**

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### 7. Income tax

#### *Accounting policy for income tax*

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 (ATO) has issued a Private Binding Ruling as formal confirmation.

### 8. Current assets – cash and cash equivalents

	2018 \$	2017 \$
Cash on hand	400	400
Cash at bank	1,668,584	1,083,381
Cash on deposit	-	2,694,329
	<b>1,668,584</b>	<b>3,778,110</b>

#### *Accounting policy for cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 9. Current assets – trade and other receivables

	2018 \$	2017 \$
Trade receivables	2,258,101	2,797,338
Other receivables	114,514	105,801
Goods and services tax recoverable	-	33,255
	<b>2,372,615</b>	<b>2,936,394</b>

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 9. Current assets – trade and other receivables

#### *Impairment of receivables*

The Company has recognised a loss of \$nil (2017: \$nil) in expenses in respect of impairment of receivables for the year ended 30 June 2018.

#### **Accounting policy for trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### 10. Current assets – investments

	2018 \$	2017 \$
Term deposits	5,068,297	1,143,522

Term deposits accrue interest at rates between 2.05% and 2.75% and mature progressively to December 2018 (2017: 2.48% - 2.50%).

### 11. Current assets – other

	2018 \$	2017 \$
Accrued levy income	709,932	617,737
Prepayments	41,479	149,851
	<b>751,411</b>	<b>767,588</b>

### 12. Non-current assets – investments accounted for using the equity method

	2018 \$	2017 \$
Investment in associate – PorkScan Pty Ltd	78,810	56,566



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 12. Non-current assets – investments accounted for using the equity method

#### **Interests in associates**

Information relating to associates that are material to the Company are set out below:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2018	2017
		%	%
PorkScan Pty Ltd	Australia	49.00	49.00

#### *Contingent liabilities*

PorkScan Pty Ltd had no contingent liabilities at 30 June 2018 or 30 June 2017.

#### *Commitments*

PorkScan Pty Ltd had no commitments at 30 June 2018 or 30 June 2017.

#### **Accounting policy for associates**

Associates are entities over which the Company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### 13. Non-current assets – property, plant and equipment

	2018 \$	2017 \$
Leasehold improvements – at cost	501,817	472,117
Less: accumulated depreciation	(430,900)	(359,578)
	70,917	112,539
Office furniture and equipment – at cost	148,242	148,242
Less: accumulated depreciation	(141,062)	(136,593)
	7,180	11,649
Computer equipment – at cost	285,560	358,576
Less: accumulated depreciation	(169,005)	(307,262)
	116,555	51,314
	<b>194,652</b>	<b>175,502</b>

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Leasehold improvement \$	Office furniture and fittings \$	Computer equipment \$	Total \$
Balance at 1 July 2017	112,539	11,649	51,314	175,502
Additions	29,700	-	110,638	140,338
Depreciation expense	(71,322)	(4,469)	(45,397)	(121,189)
<b>Balance at 30 June 2018</b>	<b>70,917</b>	<b>7,180</b>	<b>116,555</b>	<b>194,652</b>

#### Accounting policy for property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Term of lease
Office furniture and equipment	3 to 10 years
Computer equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### 14. Current liabilities – trade and other payables

	2018 \$	2017 \$
Trade payables	1,927,555	1,730,022
Other payables	172,778	87,064
	<b>2,100,333</b>	<b>1,817,086</b>

#### **Accounting policy for trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### 15. Non-current liabilities – borrowings

	2018 \$	2017 \$
Lease liability	12,502	28,394

#### *Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	2018 \$	2017 \$
Lease liability	12,502	28,394

#### *Assets pledged as security*

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

#### **Accounting policy for borrowings and leases**

##### *Borrowings*

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

##### *Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 15. Non-current liabilities – borrowings

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

### 16. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

#### **Accounting policy for fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market or, in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### 17. Contingent liabilities

	2018 \$	2017 \$
Bank guarantee	51,953	51,953
Rental bond	7,387	7,469
	<b>59,340</b>	<b>59,422</b>

The Company has provided a bank guarantee in relation to its Canberra head office lease agreement. The funds for the guarantee are held in an interest bearing term deposit.

The Company has a rental bond in relation to its Sydney office lease agreement. The funds are held by Audited Media Association of Australia.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### 18. Commitments

	2018 \$	2017 \$
<b>Lease commitments – operating</b>		
<b>Committed at the reporting date but not recognised as liabilities, payable:</b>		
Within one year	168,481	281,060
From one to five years	-	131,352
	<b>168,481</b>	<b>412,412</b>
<b>Research and development (R&amp;D) expenditure commitment</b>		
<b>Committed at the reporting date but not recognised as liabilities, payable:</b>		
Within one year	4,186,304	3,141,070
From one to five years	5,338,820	3,709,936
	<b>9,525,124</b>	<b>6,851,006</b>

#### *Operating*

The Company has entered into commercial leases on certain computer hardware and office premises. These leases have an average life of between six months and 24 months with respective renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

The ACT premises rental term expires in six months and have an option to extend for two five-year periods where a market review of any incremental rental increase will apply.

The NSW premises rental term expires in six months.

The Vic premises rental term expires in 12 months.

#### *R&D expenditure*

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.

### 19. Key management personnel disclosures

#### *Compensation*

The aggregate compensation made to Directors and other members of key management personnel of the Company is set out below:

	2018 \$	2017 \$
Aggregate compensation	1,753,190	1,540,073

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

## 20. Related party transactions

### Associates

Interests in associates are set out in Note 12.

### Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

### Significant influence

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

Mr Enzo Allara – Chair Sunpork Fresh Foods Pty Ltd,  
Mr Brian Luxford – General Manager R&I Rivalea (Australia) Pty Ltd,  
Mr Rod Hamann – CEO of Sunpork Farms, and  
Mr Andrew Baxter – Special Advisor to KPMG.

The Company is the major core participant with Pork CRC. The Company's CEO, Andrew Spencer, is a Director on the Pork CRC Board. The objectives of the two organisations are not contradictory.

Pork CRC is ceasing operations on 30 June 2019. APRIL will continue the important RD&E and commercialisation functions of the Pork CRC. APL Board member Edwina Beveridge and APL CEO Andrew Spencer are both directors of APRIL.

The Company's CEO, Andrew Spencer, is a Director on the PorkScan Pty Ltd Board. Board Director Kathy Grigg is the Chair of the PorkScan Pty Ltd Board.

### Transactions with related parties

The following transactions occurred with related parties:

	2018 \$	2017 \$
<b>Income</b>		
PorkScan Pty Ltd		
- Intellectual Property licence fees	17,000	17,000
- Management fees	12,105	20,000
<b>Project and program expenditure:</b>		
- Rivalea (Australia) Pty Ltd	132,343	27,448
- Sunpork Farms	118,130	38,500
- Pork CRC	1,909,600	1,798,931
- KPMG	84,563	-



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2018

### (Cont'd) – 20. Related party transactions

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2018	2017
	\$	\$
Current payables:		
Trade payables to related parties	84,563	-

### 21. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.





## 8. Appendices

### 8.1 Appendix A

#### Material variations to budget

	Initial budget \$	Actual result \$	Variation over/(under) \$	Comments and/or explanation of major variations
<b>Income</b>				
Levies	17,387,500	17,459,526	72,026	Actual slaughters were 22k more than budgeted.
Government contributions – matching claims	5,550,000	5,218,406	(331,594)	R&D matching expenditure was less than budget.
Other industry contributions	-	126,628	126,628	Consistent with past convention, grants from Dept. Agriculture including Waste to Revenue & Antimicrobial Resistance were not included in the budget.
Net other revenue	379,000	337,607	(41,393)	Net of various individually immaterial variances.
<b>Expenditure</b>				
Research & Innovation	6,421,069	5,245,267	1,175,802	Grant expenditure is offset by expensing income grant income (\$126,628). The difference is the offset of underspent program budgets (\$1,049,174).
Marketing	8,319,417	8,495,503	(176,086)	Approved mid-term variations to program budgets to contribute to the achievement of APL's strategic objectives.
Policy	1,074,220	857,412	216,808	Underspent program budgets.
Corporate Services	390,055	435,427	(45,372)	Net of various individually immaterial variances.
CEO/Board	122,434	124,564	(2,130)	n/a

## 8.2 Appendix B

### Funds spent on each significant R&D activity allowing identification of expenditure of matching payment

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:

- R&I division expenditures, excluding select items
- Specific project expenditures from other divisions that satisfy R&D expenditure criteria, and
- Attribution of Corporate Services and Board/CEO division expenditures.

The company has established a detailed methodology by which eligibility of matching expenditure is determined. For the 2017-2018 financial year, the significant expenses that were the basis for calculating the matching claim were as follows:

Research and Development expenditure by strategy		\$
Growing Consumer Appeal	Better Pork	320,485
	Pork Made More Popular	-
	Increasingly Different	329,606
Building Markets	Market Insights	1,992,613
	Domestic Market Development	-
	International Market Development	212,407
Driving Value Chain Integrity	Trust in Pork Provenance	279,747
	Pork Quality Assured	643,000
	Market Signal Clarity	124,013
Leading Sustainability	Addressing Societal Needs	2,350,151
	Healthy Herds and Farms	517,174
	Continuous Productivity Growth	1,674,154
Improving Capability	Applied Learnings	932,173
	Building Industry Image and Reputation	102,962
	Operational Effectiveness	767,537
Unallocated		277,079
<b>Total research and development expenditure</b>		<b>10,523,101</b>
Adjustments – accruals and other non-eligible research and development expenditures		(86,289)
<b>Total matchable expenditure</b>		<b>10,436,812</b>
Maximum Claim Allowable to GVP cap		12,587,577
<b>Australian Government contributions – matching (@ 50 per cent)</b>		<b>5,218,406</b>



## 8.3 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. Expenditure incurred on marketing and strategic policy development activities and other industry issues and attributed to each of the key core objectives, is summarised below:

Marketing expenditure by strategy		\$
Growing Consumer Appeal	Pork Made More Popular	6,389,385
	Increasingly Different	688,459
Building Markets	Market Insights	54,683
	Domestic Market Development	2,076,467
	International Market Development	132,934
<b>Total marketing expenditure</b>		<b>9,341,928</b>

Strategic policy development expenditure by strategy		\$
Building Markets	International Market Development	277,060
Leading Sustainability	Addressing Societal Needs	216,775
	Healthy Herds and Farms	394,886
Improving Capability	Building Industry Image	302,304
	Operational Effectiveness	15,070
<b>Total strategic policy development expenditure</b>		<b>1,206,095</b>

Other industry expenditure by strategy		\$
Driving Value Chain Integrity	Pork Quality Assured	426,878
Leading Sustainability	Healthy Herds and Farms	8,311
Improving Capability	Building Industry Image and Reputation	117,727
	Operational Effectiveness	287,037
Unallocated		312,145
<b>Total other industry expenditure</b>		<b>1,152,098</b>
<b>Total funds spent on marketing and significant strategic policy development activity as well as other industry issues</b>		<b>11,700,123</b>

## 8.4 Appendix D

### Funds spent on national and rural RD&E Priorities

		National Research Priorities									
Measure	AOP budget	Actual	Advanced Technology		Biosecurity		Soil, Water and Managing Natural Resources		Adoption of R&D		Other Research
			Advanced Manufacturing	Soil and Water	Transport	Cyber-security	Health	Resources	Food	Energy	
Objective 1. Growing Consumer Appeal	\$ 521,381	650,091	-	65,009	-	-	-	-	-	-	585,082
	% 5	6	-	1	-	-	-	-	-	-	6
Objective 2. Building Markets	\$ 1,593,322	2,205,020	-	-	-	-	-	-	441,004	1,764,016	-
	% 14.7	21.0	-	-	-	-	-	-	4.2	16.8	-
Objective 3. Driving Value Chain Integrity	\$ 1,118,705	1,046,760	-	314,028	-	523,380	-	-	209,352	-	-
	\$ 10.3	9.9	-	3.0	-	5.0	-	-	2.0	-	-
Objective 4. Leading Sustainability	\$ 5,124,133	4,541,479	-	1,362,444	-	908,296	-	999,125	1,271,614	-	-
	% 47	43	-	13	-	9	-	9	12	-	-
Objective 5. Improving Capability	\$ 2,487,880	1,802,672	-	90,134	-	108,160	-	90,134	1,009,496	504,748	-
	% 22.9	17.1	-	0.9	-	1.0	-	0.9	9.6	4.8	-
Unallocated	\$ -	277,079	-	-	-	-	-	-	-	277,079	-
	% 0.0	2.6	-	-	-	-	-	-	-	2.6	-
Totals *	\$ 10,845,421	10,523,101	-	1,831,614	-	1,539,836	-	1,089,259	2,931,466	3,130,925	-
Percentage	% 100	100	-	17	-	15	-	10	28	30	-

	AOP budget	Actual
	\$	\$
* Direct Project	7,889,731	6,849,956
Allocated Project	2,955,690	3,673,145
Total	10,845,421	10,523,101





## AUSTRALIAN PORK LIMITED

ABN 83 092 783 278

Level 2, 2 Brisbane Avenue, Barton ACT 2600  
PO Box 4746 Kingston ACT 2604 Australia

P: 02 6285 2200 F: 02 6285 2288  
E: [apl@australianpork.com.au](mailto:apl@australianpork.com.au)

[www.australianpork.com.au](http://www.australianpork.com.au)