



AUSTRALIAN PORK LIMITED

Annual Report

2018-2019



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

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I. Message from the Board and Management

Strategic Matters

Australian Pork Limited's (APL) strategic outlook is always shaped by the industry's operating environment, which is why the APL Board reviewed our 2015–2020 Strategic Plan, and released an amended version in July 2018.

As a result, a number of key strategic opportunities have been identified and prioritised. Headlining these priorities are modified strategies to increase demand for pork and recalibrating research and development investment.

Another high strategic priority is continued strong engagement with the community on issues of public interest, such as animal welfare and environmental impact. The amended Strategic Plan recognises APL's ambition of completing the phasing-out of sow stalls by mandating the relevant voluntary standards through the updated set of welfare standards and industry guidelines.

Biosecurity and disease prevention investment to maintain the high health status of the national pig herd was also confirmed as a key strategic priority. In line with biosecurity and disease imperatives, the maintenance of current pork import protocols and growing overseas market access for Australian pork were also given high prioritisation in the amended plan.

The 2018-19 period has, given the issues facing the industry, been a busy year for APL's engagement with the Federal Government. This collaboration was particularly close given the increasing threat and disruption posed by the global spread of African Swine Fever (ASF). The Commonwealth Department of Agriculture is responsible for protecting Australia from exotic diseases such as ASF. The Government—at both Departmental and Ministerial levels—remains focused on the threat ASF poses and will continue to do all it can to work with Industry to combat the ASF threat.

Another matter which required close work between industry and the Federal Government was the illegal import of pig semen to Western Australia, which authorities discovered in 2017. APL strongly and publicly supported the subsequent trial and court decision against a WA pork business and two individuals. APL is of the view that the illegal importation of semen for competitive advantage constitutes a deliberate and long-term biosecurity breach and poses unacceptable risks in terms of the potential transfer of foreign diseases and the health status of Australia's pig herd.

At a time when Australia's pork industry and the Australian Government are focused on keeping ASF out of Australia, APL's public statement responding to the sentencing of two WA farmers in August 2019 highlighted that one action or decision to contravene our biosecurity laws could put our entire industry at risk.

The sale of the assets of the pig farm in question challenged the status quo of the pork genetic landscape in Australia because the law – despite recognising the importation of the semen as illegal – made no allowance for the destruction of any progeny resulting from the illegal act. APL intends to work with government to ensure this perceived legal loophole is closed.

The impact of ASF, plus prevailing China/US trade tensions, is having a significant impact on the global pork trade. The ASF situation may represent a strategic opportunity to work more closely with the Chinese and Australian authorities in progressing the development of pork trade protocols between the two countries. APL is doing everything it can to facilitate this.



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Operational matters

2018-19 represented significant organisational change for APL and foreshadowed further, ongoing operational changes for the future.

In June 2018, APL's Chair, Mr Enzo Allara AM, resigned from the board after a thirteen-year tenure. Mr Allara, who held the specialist director position since 2004, made a lasting, positive contribution to the Australian pork industry, leaning on his extensive local and international food sector experience to help APL and our members navigate several significant threats to the future of our industry. Equally, Mr Allara's leadership helped position the industry to capitalise on opportunities as they arose – a critical element to the industry's resilience.

In July 2018, Mr David Lock was appointed as Chairman of the APL Board, bringing with him more than 20 years' experience as a senior executive in large, diverse agribusinesses, as well as several non-executive leadership roles. Mr Lock's appointment as Director and Chair was ratified at the industry's general meeting in November 2018.

In September 2019 – outside of this reporting period – Mr Lock resigned due to a business-related conflict of interest. Mr Andrew Baxter was confirmed as acting Chair on the basis of appointing a new Chair in due course. The APL Board thanked Mr Lock for his contribution during his term as Chairman, especially for his leadership during the transition between incumbent CEO Mr Andrew Spencer and his successor, Ms Margo Andrae, which was announced in June 2019 and took effect on August 1, 2019.

Mr Spencer advised the board in late 2018 that he did not intend to seek to renew his contract with APL, bringing to an end his 14-year tenure as APL CEO – a period in which he oversaw significant progress for the industry.

Ms Andrae is an experienced leader and rural advocate, with extensive business management skills across a range of agricultural fields, most recently as CEO at the Cattle Council of Australia, representing Australia's beef cattle producers. Ms Andrae has also held leadership positions at Agri-food Skills Australia and Rural Industries Research and Development Corporation.

Ms Andrae's commencement coincided with the development of APL's Strategic Plan 2020-2025 and the implementation of new operational processes and activities recommended through the marketing and innovation reviews.

A number of these changes arise from the review of APL's innovation and research and development (R&D) activities – undertaken with the assistance of an independent consultant. The review identified that there were new opportunities to pursue by changing the way APL operates in the R&D space. The review also identified the value of prioritising key projects which offer the potential to have a significant impact on the future success of the industry.

Accordingly, new procedures will be implemented with the aim of achieving more tangible outcomes from our R&D investments, therefore better leveraging the levy dollar. The changes will include



a higher level of collaboration with new R&D partners, the use of new pathways to generate innovation and the application of business principles to projects targeting major challenges and R&D opportunities.

The first suite of these significant programs or 'strategic intents', include: Increasing our international trade participation; Improving the eating quality of Australian pork; and Investigating the propensity of the consumer to support more Australian-sourced ham and bacon.

Major challenges and opportunities

Currently, our biggest challenge is the threat of ASF. APL will continue to prioritise effort toward keeping ASF out of Australia and concurrently direct effort toward planning for response to any incursion.

We look positively towards the future. With the development of our new strategic plan, 2019-20 and beyond will be an exciting period of change for the industry. There will be new ideas and new ways of doing things to continue to bring value to the industry.

Mr Andrew Baxter
Acting Chair

Ms Margo Andrae
Chief Executive Officer





2. Operational and Strategic Overview

2.1 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 carcase 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 (DA) 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.

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; and
- establishment of internal policies and procedures in key areas such as equal employment opportunities (EEO), workplace health and safety (WHS) and privacy.

2.2 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.



2.3 Core Values

APL's values are the organisation's essential and enduring guiding principles for interactions of the APL Board, management and business units with each other, members, industry stakeholders and the community. They 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.

2.4 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, and that members provide evidence of continued membership eligibility when requested. 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 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 2018-2019, 36 delegates represented APL levy-paying members, representing over 93 per cent of production. A delegate's term expires every three years at the same time that confirmation of continued membership eligibility is sought. Delegates may stand for re-election.

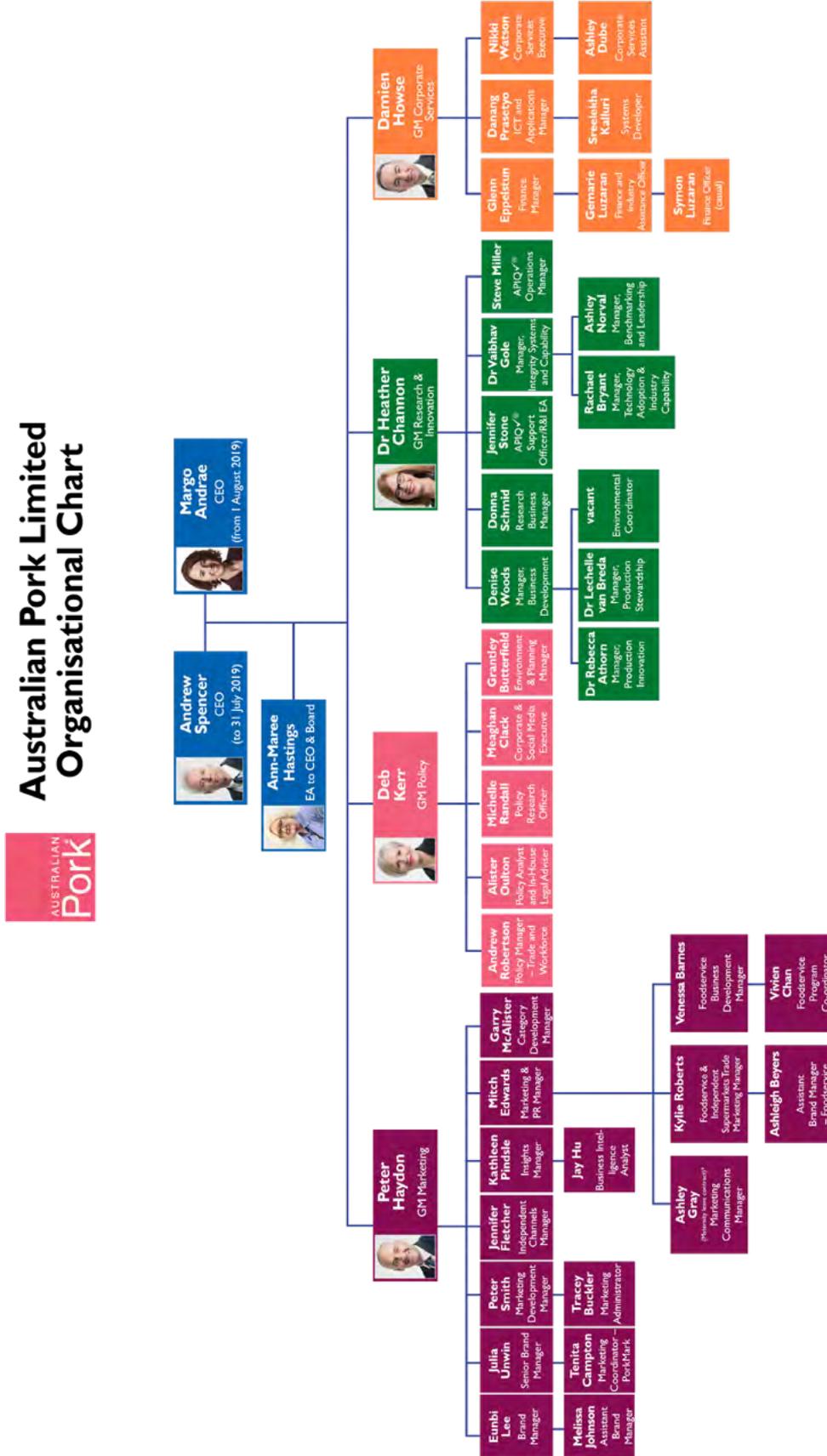
As of 30 June 2019, APL had 258 levy paying producer members representing 93 per cent of levies paid. There were an additional 16 associate producer members and 11 associate corporate members.

2.5 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.

2.6 Organisation Structure



Valid as at 30 June 2019

* Ashley Gray is employed under contract while Katana Smith is on maternity leave.
 ** Symon Luzaran is employed under contract while Ashley Dube is on temporary secondment to the Corporate Services Assistant role.



2.6.1 APL Senior Management



Andrew Spencer
Chief Executive Officer
(to 31 July 2019)



Margo Andrae
Chief Executive Officer
(from 1 August 2019)



Deb Kerr
General Manager, Policy



Dr Heather Channon
General Manager,
Research and Innovation



Peter Haydon
General Manager, Marketing



Damien Howse
General Manager, Corporate
Services/Company Secretary

2.6.2 Policy Division

APL's Policy division is unique amongst the rural research and development corporations (RRDCs). The Policy division's primary function is as the national representative body for the Australian pork industry. As such, 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 and a range of non-government organisations. 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 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, and the industry's transparency initiative, the Aussie Pig Farmers website: aussiepigfarmers.com.au

2.6.3 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, pork 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. The division manages scholarships, awards, and workshops for undergraduate and post-graduate students, leadership training initiatives, and the Australian Pork Industry Quality Assurance Program (APIQ[®]). Collaborative investment opportunities that address pork industry RD&E priorities are actively sought to leverage APL's RD&E funds.

2.6.4 Marketing Division

The Marketing division is responsible for growing demand for Australian pork, both domestically and internationally. A review of marketing operations and performance in late 2018 found that whilst fresh pork consumption has grown faster than other proteins, this was not adequate to counter the over-supply that caused low prices for pigs during the past two years. As a consequence, the Marketing division has evolved strategy in the early part of 2018, shifting resource into differentiating delicatessen meats such as ham, bacon and salami with an aim of commanding a premium for smallgoods using 100 per cent Australian pork. In addition, focus has been given to investigating international opportunities and pathways to new markets.

To support the strategy and increase demand, the division pro-actively engages in dialogues with consumers, retailers, processors, food service and farmers, recognising the areas of influence each group has, which allows alignment of efforts for mutually beneficial initiatives. In the course of 2018-2019, resources were added to both retailer and processor communications, in particular around the topic of improving eating experiences.

2.6.5 Corporate Services Division

The Corporate Services division 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 a comprehensive suite of corporate services to Australasian Pork Research Institute Limited (APRIL), secretariat services to the Council of Rural Research and Development Corporations (CRRDC), and company secretarial support to PorkScan Pty Ltd.

2.6.6 Staff

As at 30 June 2019 the company employed 35 full-time and eight part-time employees.

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

The Board is comprised of nine Directors, five producer directors elected by Delegates and four specialist directors elected by the APL Board and ratified by Delegates. The Board is responsible for recruiting (for ratification by Delegates) the four Specialist Directors to ensure an appropriate balance of skills and expertise as required by APL's constitution and APL's funding agreement with the Department of Agriculture. All Directors are required to retire every three years but are eligible for re-election.



2.7 Developing Strategic Directions

The current 2015–2020 Strategic Plan is effective from 1 July 2014 to 30 June 2020. The Strategic Plan includes five strategic objectives.

The Board reviews the Strategic plan annually. As an outcome of the mid-term review in 2018, the 2015–2020 Strategic Plan was amended, adopted by the Board, endorsed by the Department of Agriculture and reissued as the *'Amended 2015–2020 Strategic Plan'*. 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.

2.7.1 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.

2.7.2 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.

2.7.3 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.

2.7.4 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.

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

2.8 Governance

2.8.1 APL Board

Role

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

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
- considering and 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

The constitution includes a provision which allows the Board to establish 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. The terms of reference of each committee 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.

- **Investment Committee**

The Investment Committee succeeds the Research and Development Advisory Committee (RDAC). The committee considers proposed investment opportunities in the context of the achieving the company's strategic objectives.

- **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.

- **People and Culture Committee**

This committee succeeds the Human Resources and Remuneration Committee. The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management. When required, it will also act as a nominations committee.

- **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 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.

An independent review of the Board's performance was last undertaken in November 2017. Reviews are part of the Board's commitment to continued good corporate governance and the Board is, with the assistance of an experienced Board advisor, undertaking a self-review. The review will also ensure that newly-elected members to the Board have a greater understanding of how the company operates.

A director induction programme exists for new directors. The induction provides 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 maintains 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.

2.8.2 Corporate Social Responsibility

Corporate social responsibility is imbued into APL's operations and strategic planning. APL's commitment to and practise of corporate social responsibility is observable 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[✓]® 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 environments in which the company operates

- undertaking projects for environmentally sustainable piggeries
- 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[®], 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
- Benchmarking programme
- 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.





3. Report on Performance

3.1 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 following table 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	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 habits
		Advertising Recall	Fresh pork more familiar for Australians
	3. Increasingly Different	Differentiate on Quality Assurance	An agreed quality assurance plan from farm to shelf
		PorkMark Awareness	Improved ability for Australians to identify ham and bacon made with Australia meat
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 Sales Value	Increased international demand for Australian pork
		International Premium Position	Find ways to create product differentiation versus other sources of pork
	Driving Value Chain Integrity	1. Trust in Pork Provenance	Physi-Trace™ system commercialisation
Physi-Trace™ commercialisation			System operation meets operational targets for processor coverage, traceback costs, accuracy and timeliness
2. Pork Quality Assured		APIQ [®] Uptake	Enhanced pig welfare, health and care on-farm
		APIQ [®] Annual Systems Audit	Enhancement of industry reputation for implementation of responsible practices Improved integrity systems Robust quality assurance program
3. Fairness in Risk and Reward		Eating quality system uptake	Improved consistency of pork eating quality
		Lean Meat Yield technologies	Improved carcass pricing clarity

Strategic Objective	Programme	KPIs	Outcomes	
Leading Sustainability	1. Addressing Societal Needs	Movement reporting within two days	Enhanced traceability reduces the risks of exotic and endemic disease outbreaks Reputation for responsible practices Industry preparedness, rapid response and recovery	
		GSF Uptake – APIQ [✓]	Verification of industry commitment to move away from gestation stalls to group housing Reputation for responsible practices	
		2. Healthy Herds and Farms	Antimicrobial Stewardship enterprise plan uptake	Improved producer awareness of antimicrobial resistance Increase interactions with veterinarians Deliver high animal health and welfare standards
	Australian pig vets receive industry updates and are engaged in industry initiatives		Increased communication and engagement Improve ongoing relationships	
	3. Continuous Productivity and Growth	Pork produced per sow	Increased productivity of the breeding herd Lower input costs	
		Increasing replacement gilt retention	Bring gilt progeny performance in to line with that of sow progeny Reduce overall cost of production	
		Improving Capability	1. Applied Learnings	Technology Adoption
	Industry Certificate III penetration			Increased proportion of piggery staff completing Certificate III in Pig Production training
	Technology Awareness			Increased awareness of APL RD&E initiatives
2. Building Industry Image and Reputation	APL Producer Members		Increased number of APL producer members	
	Level of Membership		Increased portion of industry that become APL producer members	
	APL Positive Image		More positive evaluation of APL's performance	
3. Operational Effectiveness	Staff Turnover	Balancing, maintaining and refreshing corporate knowledge		
	Corporate Cost Control	Continuous efficiency improvement		



3.2 Strategic Objective I – Growing Consumer Appeal

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

3.2.1 Programme I – Better Pork

Program	KPI	Unit	2018-2019 Target	Result
Better Pork	Eating Quality Pathways Performance	Product fail rate percentage in best sales Channel	5.11%	5.65%
		Bad taste/ Smell Dry/Chewy/Tough	8.63%	9.87%
	Pork Image Attributes	Percentage agreement with: “Pork is low in fat” and “Australian pork is a valuable source of iron”	18%	17%
		“Easy to cook”	50%	49%
		“Pork is versatile”	52%	47%

KPI Table: Strategic Objective I Programme I – Better Pork

Background

The latest consumer usage research demonstrates that, overall, consumers are slightly less “in love” with meat. This research showed pork was the only species that had maintained its attractiveness.

Consumers determine what to cook at home based on habit and in addition to a consumers’ recipe repertoire. Product experience, product range and presentation on-shelf are the most powerful influences on meat choice. Therefore, based on declines in consumer eating experiences with pork last year, APL has re-written the eating experience improvement plan.

Achievements/Outcomes

Eating experience has become worse although consumer perceptions of pork’s nutritional value, ease of cooking and versatility have remained constant. The declines in eating experience have coincided with pigs being slightly heavier during the oversupply period from 2017 until 2019.

The review of our approach to eating quality is based on newly published pork eating quality data which we plan to communicate to industry in the coming financial year.

3.2.2 Programme 2 – Pork Made More Popular

Program	KPI	Unit	2018-2019 Target	Result
Pork Made More Popular	Quantity of Regular Consumers	26 or more times per year	4.3%	4.4%
		13 or more times per year	20.2%	20.3%
	Advertising Recall	% metro consumers recalling pork advertising	80%	77%

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

Background

Australians are less familiar with pork and it is not as top-of-mind as beef or chicken, with many households eating chicken breast, beef mince or sausages most weeks. This programme focuses on retaining existing customers and seeks to encourage them to consume more fresh pork by providing options to substitute other proteins with pork and unlock new meal opportunities.

Achievements/Outcomes

Over the course of 2018-2019, purchase frequency targets have been achieved through constant, on-going consumer communications across a variety of media. The advertising recall goal was ambitious and whilst it has not been achieved, it stands at the second highest level of recall despite spending circa 15 per cent less on consumer communications in 2018-2019 than the previous year.

3.2.3 Programme 3 – Increasingly Different

Program	KPI	Unit	2017-2018 Target	Result
Increasingly Different	Differentiate on Quality Assurance	An agreed plan exists	Yes	No
	PorkMark Awareness	% of Australians aware of PorkMark	60%	61%

KPI Table: Strategic Objective I Programme 3 – Increasingly Different

Background



In reference to smallgoods such as bacon, ham and salami, 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 Country of Origin Labelling (CoOL) legislation, that came into effect on 1 July 2018, has seen APL working with brand owners to maintain our mark's presence on-packs with consumers and we continue to focus on differentiating Australian pork.

Achievements/Outcomes

The changes to APL's approach to eating experience, outlined in section 4.2.1 Programme I: Better Pork have meant that the KPI around quality assurance was superseded during the year by new information. However, the efforts of the PorkMark and consumer communication teams have been rewarded with recognition of the PorkMark growing.

It seems that awareness of the new CoOL is low and in the absence of a Government public awareness campaign, APL is planning to trial an awareness activity of our own.



3.2.4 Financial Summary

STRATEGIC OBJECTIVE I – GROWING CONSUMER APPEAL				BUDGET \$7,583,757		ACTUAL \$7,585,167	
	NON R&D \$			R&D \$			
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Better Pork							
<i>Budget</i>	-	-	-	223,000	128,246	351,996	351,996
<i>Actual</i>	-	-	-	64,675	119,934	184,609	184,604
Pork Made More Popular							
<i>Budget</i>	5,587,944	559,158	6,147,102	-	-	-	6,147,102
<i>Actual</i>	5,916,369	609,202	6,525,571	-	-	-	6,525,571
Increasingly Different							
<i>Budget</i>	300,000	468,299	768,299	260,000	56,360	316,360	1,084,659
<i>Actual</i>	135,892	341,317	477,209	182,511	215,267	397,778	874,987
TOTAL BUDGET	5,887,944	1,027,457	6,915,401	483,750	184,606	668,356	7,583,757
TOTAL ACTUAL	6,052,261	950,519	7,002,780	247,186	335,201	582,387	7,585,167

3.3 Strategic Objective 2 – Building Markets

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

3.3.1 Programme 1 – Market Insights

Program	KPI	Unit	2018-2019 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 monitors markets to provide useful pig market data – such as the latest prices, supply and demand factors and history. It provides outlooks on possible future events and the programme also guides all APL marketing activity, as market orientation drives marketing strategy.

The final area that this programme operates in is providing trends and an in-depth perspective on how consumers perceive the industry, which is beneficial in influencing all other APL initiatives. For example, the team track trends in consumer perceptions of social licence, it reconciles production with levies collected, and contributes 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 2018. These are outlined below and have seen APL adjust the strategy to address each:

1. Australians' positive attitudes to meat generally have declined, albeit from a high base. The indications are that meat is considered less healthy and price restrictive. The relative appeal of pork is positive, this is due to the appeal of most meats declining while the appeal of pork remains stable.
2. Principle Protein Selectors (one of APL's consumer segments) have grown in size with our research tracking them as representing 14 per cent of the population in 2011 to 22 per cent now. This growing group are hard to reach but are having an influence on total meat consumption.
3. Principle Protein Selectors have been renamed Sceptical Protein Selectors. They appear to be made up of 3 sub-segments, all with some scepticism about meat and life-style choices. This is a major meat industry challenge and APL is trying to engage with other meat organisations, both at home and internationally, on this.
4. Pork performs strongly in traditional media due to our strong advertising schedule, but was under-represented on recipe websites, in retail catalogues, in store (i.e. the last 5 metres before purchase) and underperforms in product experience.
5. The differentiation research has highlighted that until consumers are aware of the high percentage of ham and bacon made from imported meat, they will not be motivated to consciously consider choosing Australian.



3.3.2 Programme 2 – Domestic Market Development

Program	KPI	Unit	2018-2019 Target	Result
Domestic Market Development	Pig Prices	\$/kg HSCW Gate Average:		
		Baconer (Latest Week)	\$3.10	\$3.51
		All Pigs (Year-To-Date – June Estimate)	\$3.10	\$2.96
	Fresh Pork Consumption	CWE kg fresh pork per person	11.85	11.57

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

Background

This programme is focused on converting desire for Australian pork into sales. This involves collaborating with supermarket and eating out chains, individual butchers and independent supermarket owners, as well as individual restaurants and chefs. These sales increase demand for pigs and the price the producer receives.

Achievements/Outcomes

As the over-supply of the past two years passed, particularly on the eastern seaboard, demand and preference for Australian pork has started to move into balance with supply. This helped rebuild prices received by producers and for some, the drought drove grain costs up too far, restricting supply. After much discounting in retail, prices for Australian pork rose towards June 2019 at all stages in the value chain.

3.3.3 Programme 3 – International Market Development

Program	KPI	Unit	2018-2019 Target	Result
International Market Development	International Australian Pork Sales Value	A\$ millions	150.0	133.7
	International Premium Position	Agreed Business Plan in Korea & Japan	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 objective to a growth objective. APL continues 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.

Achievements/Outcomes

The policy of a regular presence in China received some encouragement at SIAL in Shanghai in May 2019. APL continues having to build relationships and offer support as China wrestles with an African Swine Fever outbreak. APL continues to partner with our export supply chains and government departments to achieve trade protocols for China.

Adjustments to marketing strategy and priorities have occurred in 2019, as the industry responds and seeks to avoid the over-supply of the last two years. This includes allocating more time and resources to investigating what a portfolio of South-East Asian countries has demand for, particularly searching for premium niches.

3.3.4 Financial Summary

STRATEGIC OBJECTIVE 2 – BUILDING MARKETS				BUDGET \$4,506,250		ACTUAL \$4,478,015	
PROGRAM	NON R&D \$			R&D \$			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Market Insights							
<i>Budget</i>	-	163,650	163,650	721,425	1,004,567	1,725,992	1,889,642
<i>Actual</i>	-	-	-	763,687	1,214,836	1,978,523	1,978,523
Domestic Market Development							
<i>Budget</i>	1,144,000	995,559	2,139,559	-	-	-	2,139,559
<i>Actual</i>	1,029,099	1,125,110	2,154,209	-	-	-	2,154,209
International Market Development							
<i>Budget</i>	160,000	167,870	327,870	60,000	89,181	149,181	477,051
<i>Actual</i>	68,455	154,033	222,488	38,127	84,668	122,795	345,283
TOTAL BUDGET	1,304,000	1,327,079	2,631,079	781,425	1,093,748	1,875,173	4,506,250
TOTAL ACTUAL	1,097,554	1,279,143	2,376,697	801,814	1,299,504	2,101,318	4,478,015



3.4 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.”

3.4.1 Programme 1 – Trust in Pork Provenance

Program	KPI	Unit	2018-2019 Target	Result
Trust in Pork Provenance	Physi-Trace™ System Commercialisation	Commercialisation model developed	Commercialisation model agreed and implemented	Progress impacted by divisional resourcing issues during 2018-19 Commercialisation opportunities through licensing of data analysis and interrogation software programmes developed for APL being progressed during 2019-20
	Physi-Trace™ Commercialisation	System operation meets operational targets for processor coverage (% of production), trace back costs, accuracy and timeliness. (both raw and processed)	90% of production; \$5-7K per fresh pork traceback (with information); 100% accuracy; Results delivered 7 days from date samples received by laboratory	Accuracy and timeliness criteria achieved with three tracebacks conducted during 2018-2019 as part of Physi-Trace project™ Production coverage remains a work in progress – impacted by divisional resourcing issues

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

Background

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

Achievements/Outcomes

The strategic plan for Physi-Trace™ is now in place and providing clear direction to industry on the future application and commercialisation of the Physi-Trace™ system for raw pork, ham and bacon. Progress extending processor coverage to at least 90 per cent of production and developing the commercialisation plan for Physi-Trace™ was impacted by internal resourcing issues. These activities will be addressed during 2019-20.

The second component of the software package required for data interrogation and delivery of robust data interpretation was completed. Training will be conducted in September 2019. This package is reducing/removing the reliance on highly trained expert scientists as well as knowledge and experience with advanced statistics. This software has been designed for the purposes of investigating unknown pork samples by comparing them to known samples in the Physi-Trace™ data base. The software provides the analyst with “best-fit” results to the samples in the reference Physi-Trace™ database.

3.4.2 Programme 2 – Pork Quality Assured

Program	KPI	Unit	2018-2019 Target	Result
Pork Quality Assured	APIQ [✓] Uptake	Percentage APIQ [✓] certified enterprises of all pig farm enterprises	90%	88.8%
	APIQ [✓] Annual Systems Audit	Number of non-conformances and observations	≤1 Non-conformance ≤5 Observations	1 Non-conformance 7 Observations

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

Background

APIQ[✓] is an independently audited, industry managed, voluntary quality assurance programme, which verifies producer compliance with management, food safety, animal welfare, biosecurity, traceability, environment and transport standards. This programme provides confidence to consumers, regulators, markets and the Australian public that our pig production standards are of a high level.

A producer can be certified as:

- APIQ[✓] which indicates that pigs are primarily indoors
- APIQ[✓] Free Range, which means pigs are outdoors at all times with access to feed and shelter
- APIQ[✓] 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[✓] Gestation Stall Free and Customer Specifications Coles (CPC) which enables producers to verify their compliance to the five-day industry standard for the use of gestation stalls and to standards specific to supplying Coles Supermarkets.

APL also undertakes food safety R&D activities to underpin the Pork – Australian Export Meat Inspection System (Pork AEMIS) which enable the Australian pork industry to maintain market access and assure the safety of Australian pork and pork products. Studies in two pork establishments are underway to trial a standardised language for the recording of an agreed list of disease-related carcass and offal condemnation information by processors, with data from ~300,000 carcasses collected to date as part of a Department of Agriculture-funded Rural R&D for Profit cross-sectoral project.

Achievements/Outcomes

A new version of the APIQ[✓] Standards was released on 1 January 2019 as a result of a minor review that covered outdoor production, specifically the confinement and husbandry practices utilised by APIQ[✓] certified outdoor producers. The revised APIQ[✓] Standards for outdoor production provide stakeholders with a clearer understanding of outdoor production requirements.

APIQ[✓] coverage of the Australian sow herd declined by 0.7 per cent (from 89.5 to 88.8 per cent) during the 2018-19 financial year. The number of APIQ[✓] certified sites also declined, from 507 to 452 sites. The loss of 55 sites (33 farrow to finish and 22 grow-out sites) from APIQ[✓] were



largely due to the industry downturn and through producers consolidating sites under one property identification code (PIC). The majority of site losses came from the 51 to 500 sow categories (20 sites). Losses in the higher herd category ranges were primarily due to PIC consolidation rather than exiting the industry.

APIQ [✓] Breeder Site Coverage	2018	2019	Change
Pig Keeper 3–7 sows	1	-	-1
Small Holder 8–50 sows	26	23	-3
Small Commercial 51–150 sows	59	49	-10
Medium Commercial 151–500 sows	105	95	-10
Large Commercial 501–1000 sows	59	55	-4
Giant Commercial 1001 + sows	73	68	-5
APIQ [✓] sow sites	323	290	-33
APIQ [✓] Grower Site Coverage	2018	2019	Change
Grower/Contract Grower Sites	184	162	-22
Summary	Farrow to finish	Grow-out	Total
TOTAL APIQ [✓] SITE LOSSES	-33	-22	-55

In April 2019, the annual Systems Audit was conducted by QMS audits (Natasha Bowe). The Systems audit identified 7 non-conformances in total and 7 observations. Of the non-conformances, only one related to APIQ[✓] directly with 6 raised against AUS-MEAT.

APIQ [✓] Systems Audit	2018	2019
APIQ [✓] (Target <1 non-conformance)	1 non-conformance	1 non-conformance
	7 observations/recommendations	7 observations/recommendations
AUS-MEAT (Target <20 Observations)	2 observations/recommendations	0 observations/recommendations
	6 non-conformances	6 non-conformances

3.4.3 Programme 3 – Fairness in Risk and Reward

Program	KPI	Unit	2018-2019 Target	Result
Fairness in Risk and Reward	Eating Quality System Uptake	Number of supply chains implementing eating quality model	5	0 – The preliminary model derived from Pork CRC funded R&D and proposed commercialisation and adoption plan has been presented to all major pork supply chains to gain ongoing support with commercial implementation.
	Lean Meat Yield Technologies	Number of abattoirs where PorkScan LMY system is validated	3	0 – LMY prediction algorithms were revised and use of laser scanning measures to predict P2 fat depth has been explored. Commercial validation studies to commence in August-September 2019.

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

Background

PorkScan Plus is being developed by PorkScan Pty Ltd to measure lean meat yield (LMY) of pork carcasses using 3D scanning technologies, with some support from the Advanced Livestock Measurements (ALMTech) RRnD4P project. APL manages the day to day technical and administrative operations of PorkScan under a management agreement between the PorkScan Pty Ltd Board and APL. The ALMTech project is also supporting work to investigate the use of objective measurement technologies to predict the eating quality of pork.

Achievements/Outcomes

Commercial validation of the LMY system will be conducted during 2019-20 to demonstrate the benefits and value arising from the use of LMY information by supply chain partners. A number of objective measurement technologies will be evaluated to determine their effectiveness in predicting pork eating quality attributes, with sensory data obtained to be used, where appropriate, to strengthen the prediction model for pork eating quality.

3.4.4 Financial Summary

STRATEGIC OBJECTIVE 3 – DRIVING VALUE CHAIN INTEGRITY				BUDGET \$1,512,189		ACTUAL \$1,305,494	
PROGRAM	NON R&D \$			R&D \$			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Trust in Pork Provenance							
<i>Budget</i>	-	-	-	500,000	113,145	613,145	613,145
<i>Actual</i>	-	-	-	406,004	112,240	518,244	518,244
Pork Quality Assured							
<i>Budget</i>	115,000	365,584	480,584	215,000	203,460	418,460	899,044
<i>Actual</i>	258,160	431,186	689,346	56,029	41,875	97,904	787,250
Market Signal Clarity							
<i>Budget</i>	-	-	-	-	-	-	-
<i>Actual</i>	-	-	-	-	-	-	-
TOTAL BUDGET	115,000	365,584	480,584	715,000	316,605	1,031,605	1,512,189
TOTAL ACTUAL	258,160	431,186	689,346	462,033	154,115	616,148	1,305,494



3.5 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.”

3.5.1 Programme I – Addressing Societal Needs

Program	KPI	Unit	2018-2019 Target	Result
Addressing Societal Needs	Movement Reporting within Two Days	% closed PPNVDs reported within two days	90%	70%
	GSF Uptake – APIQ [✓] [®]	Percentage of industry sows housed under APIQ [✓] [®] GSF definition	80%	78%

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 social licence. Our environmental R & D initiatives address 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.

There is also 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.

Achievements/Outcomes

A number of recently completed research projects generated outcomes that positively contribute to social licence for Australian pork producers. These include:

- release of the National Environmental Guidelines for Indoor Piggeries
- development of the Pork Water Balance Model, a relatively simple daily water balance model for Australian piggeries
- continuing development of a piggery wastewater treatment prototype (that can sterilise piggery waste water in small volumes and neutralise pathogens)
- updates made to the Pathogens in Piggery Effluent report to validate the reuse of effluent and manure guidelines
- anaerobic pond sludge characteristics and behaviours to assist producers manage pond sludge accumulation
- finalisation of the Rural Research and Development for Profit (RR&D4P) Stage I Project: Waste to Revenue (novel fertilisers and feeds) which has also informed further research funding applications
- successful funding from Round 4 Department of Agriculture RR&D4P programme to investigate the use of the Black Soldier Fly to add value to agricultural waste, further develop frass (castings) by-products into soil conditioners and develop high quality organic fertilisers that can then potentially act as a carbon sink.

Reporting of PigPass NVDs remained a largely voluntary system. During the year, South Australian and NSW had implemented legislative requirements for mandatory reporting. As such there is no legal imperative in most jurisdictions to report with the required timeframe. Since July, the WA arrangements have been completed, and Victoria will be in place in early 2020 and will improve future achievement of this KPI.

3.5.2 Programme 2 – Healthy Herds and Farms

Program	KPI	Unit	2018-2019 Target	Result
Healthy Herds and Farms	Antimicrobial Stewardship (AMS) Plan Uptake	Percentage of production implementing an AMS plan	50%	21%
	Australian Pig Vets Receive Industry Updates and are Engaged in Industry Initiatives	Percentage of pig vets in Australia regularly engaged with APL	98%	85%

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

Background

The health status of Australia’s pig herd depends on strong, science-based biosecurity arrangements at the border, and on farm, to protect against disease incursions that could decimate our native pig herds and the industry, more broadly. Australia is a participant in a global trading environment that brings inherent risks, including exotic diseases. Our high herd health status is an asset that underpins the industry’s reputation for producing quality, safe pork. It is the backbone to supporting profitable pig production. Identifying and mitigating new risks is ongoing.

During 2018-19, this programme has implemented technologies, surveillance systems and management strategies in support of these science-based biosecurity arrangements.

Achievements/Outcomes

Exotic Disease and Biosecurity R&D

This programmes’ activities collectively identify potential associated emergency animal disease risks to the Australian pork industry associated with emergency animal diseases. Surveillance activities, including the Evidence of Absence project and the Animal Health Livestock Surveillance pilot project (funded by the Department of Agriculture), are providing evidence to demonstrate Australia’s freedom from significant exotic diseases, supporting market access, improving the understanding of on-farm biosecurity practices and identifying gaps and opportunities for improvement. APL’s Biosecurity Strategic Review Panel, chaired by Dr Gardner Murray, was re-established during 2018-19. The Panel includes pig veterinarians and representatives from the Department of Agriculture and Animal Health Australia and therefore provides biosecurity advice to APL from industry, government and a cross-sectoral perspective.

In May 2019, APL co-ordinated an African Swine Fever summit in Adelaide, chaired by Dr Mark Schipp, Australia’s Chief Veterinary Officer. It involved all state and territory Chief Veterinary Officers, Animal Health Australia, the Australian Veterinary Association, and representatives from the broader pork supply chain.



Antimicrobial Stewardship

The World Health Organization (WHO) considers antimicrobial resistance (AMR) to be one of the key global health issues facing our generation. Surveillance and reporting of AMR and antibiotic usage in human medicine, veterinary medicine and agricultural production is a global health priority. APL has developed the Antimicrobial Stewardship strategy for the Australian pork industry in conjunction with pig veterinarians and commenced its implementation during 2018-19.

One of the most important initiatives was the establishment of the Veterinary Antimicrobial Stewardship committee to direct antimicrobial stewardship adoption within industry, with APL playing a supporting role. This committee is chaired by Dr Ross Cutler and is made up of key pig veterinary specialists who will be instrumental in managing the balance between mitigating disease risk and ensuring a sustainable industry. The pork industry was the first animal industry to publish antimicrobial prescribing guidelines, with Dr Ross Cutler and Dr Bernie Gleeson integrally involved in their development. These guidelines are freely available on both APL's and the Australian Veterinary Association's websites.

APL and AgriFutures Australia are collaborating in the APL-led Round 3 Rural R&D for Profit project which is developing robotics to cost-effectively provide AMR surveillance services and data to assist veterinarians and producers with treating disease issues in pigs.

Measuring and providing data on antimicrobial use in pigs will ensure Australia remains competitive on a global scale. To do this, the industry needs insight and understanding of how other countries, including the UK, have halved their antimicrobial use in two years. APL has supported Dr Mandy Nevel from the Agriculture and Horticulture Development Board (ADHB) UK to be the keynote speaker at the Australian Pig Veterinarian's annual conference in Cairns in July 2019. Dr Nevel presented these key learnings to pork producers at meetings across the country.

Collaboration between the Australian livestock sector in the form of the Livestock Antimicrobial Stewardship Group remains ongoing. This group includes APL, Australian Chicken Meat Federation, Australian Lot Feeders Association, Australian Eggs and Meat and Livestock Australia. Two key outcomes from this group during 2018-19 were the initiation and organisation of the inaugural Australian Veterinary Antimicrobial Stewardship (AVAMS) conference held in November 2018, and the establishment of an Antimicrobial Stewardship RD&E strategy.

APL continues to focus on effective engagement with pig veterinarians during 2018-19 to gain support and input into the industry's key biosecurity initiatives, including antimicrobial stewardship. Whilst our targeted level of 98 per cent of pig veterinarians regularly engaged with APL was not met for 2018-19, the involvement of Dr. Ross Cutler to provide technical veterinary advice is assisting with this.

Only 21 per cent of producers who responded to the Annual Industry Survey indicated that they had implemented an AMS plan, which was lower than our ambitious target of 50 per cent. Some delays in initiating our AMS efforts were experienced with staff changes which did impact on this result. This was addressed during 2018-19 and activities are now underway to support pig veterinarians efforts to improve producer understanding of AMS and increase on-farm adoption rates. These extension materials will be made available throughout 2019-20.

Animal Health Australia (AHA)

AHA has responsibility for the coordination of Australia's preparedness for disease incursions, with involvement of all Australian governments and the livestock industries. APL continues to be actively involved through the Industry and Membership Forums. Work in this area is also enabling ongoing confidence in APL's emergency management readiness to deal with an FMD incident by training of industry personnel in real-time FMD training, participating in AUSVETPLAN writing groups to provide input into updating the manuals, as well as AHA training for industry consultants as regards EADRA protocols.

3.5.3 Programme 3 – Continuous Productivity Growth

Program	KPI	Unit	2017-2018 Target	Result
Continuous Productivity Growth	Pork Produced Per Sow	Per cent increase in kg pork/sow/year	3%	2.3%
	Increasing replacement gilt retention	Percentage of sows retained in the herd at third parity	60%	40%

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 which prohibit the importation of new genetic lines with higher productivity from overseas. APL continued to invest in programmes to underpin continuous productivity growth, focussing on: reproductive performance, progeny viability, new protocols for the cost-effective use of currently available and alternative technologies, demonstrating the use of real time technologies to improve pig management and, vaccine variability and efficacy.

This programme also provided ongoing base funding of key research development and extension facilities as identified in the National Pork RD&E Strategy.

Achievements/Outcomes

The percentage of sows retained in the herd at third parity remained static at 40 per cent. During 2019-20, APL will be publishing and distributing a “Best practice gilt management for fertility and longevity” manual that will provide recommendations to support producers with reducing average annual replacement rates and improve sow productivity and longevity.

Increasing litter size (without increasing the variability of individual piglet birthweight) as well as overall increase in piglet birthweight are important drivers for increased productivity. Two recently completed projects have provided nutritional solutions to enhance the number of pigs born alive and increase piglet birthweights. The first of these looked the addition of 5 per cent dextrose in the wean-to-mate diet increased litter size without affecting within litter birth weight variation. Per 100 sows bred, the number of piglets born alive improved from 931 to 1118 using dextrose during the wean-to-mate period. Feeding 5 per cent dextrose also resulted in fewer piglet removals, and higher growth rates in piglets born to sows mated in winter (lactated in summer). While this may suggest that feeding 5 per cent dextrose in wean to mate sow diets improved piglet vigour, this remains to be confirmed.

The second study investigated whether increasing essential amino acid levels in late gestation diets, rather than just energy per se, can improve litter birth weight in multiparous sows. Increasing essential amino acid levels in late gestation increased gestational weight gain of sows by 8.8 per cent but did not influence the number of total born or born alive. However, piglets born to sows fed the higher essential amino acid diets were heavier, with individual live birth weight increasing by 47 grams. Therefore, the weight gain observed in sows was due to an increase in concepta weight rather than sow bodyweight. An increase in sow bodyweight is regularly seen when dietary energy levels are increased rather than just essential amino acid content. Increased sow weight in late gestation has implications for lactation performance and usually results in decreased lactation feed intake and thus poorer progeny performance.



3.5.4 Financial Summary

STRATEGIC OBJECTIVE 4 – LEADING SUSTAINABILITY				BUDGET \$6,056,993		ACTUAL \$5,859,988	
PROGRAM	NON R&D \$			R&D \$			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Addressing Societal Needs							
<i>Budget</i>	193,720	176,212	369,932	1,991,347	361,774	2,353,121	2,723,053
<i>Actual</i>	127,499	196,821	324,320	1,723,360	389,744	2,113,104	2,437,424
Healthy Herds and Farms							
<i>Budget</i>	205,156	151,036	356,192	739,886	320,191	1,060,077	1,416,269
<i>Actual</i>	622,466	215,458	837,924	676,660	192,143	868,803	1,706,727
Continuous Productivity Growth							
<i>Budget</i>	-	-	-	1,696,668	221,005	1,917,673	1,917,673
<i>Actual</i>	-	-	-	1,450,316	265,521	1,715,837	1,715,837
TOTAL BUDGET	398,876	327,248	726,124	4,427,901	902,970	5,330,871	6,056,993
TOTAL ACTUAL	749,965	412,279	1,162,244	3,850,336	847,408	4,697,744	5,859,988

3.6 Strategic Objective 5 – Improving Capability

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

3.6.1 Programme I – Applied Learnings

Program	KPI	Unit	2018-2019 Target	Result
Applied Learnings	Technology Adoption	Percentage of APL-invested subset of technologies adopted after two years of project completion	70%	64% of respondents to the 2018 Monitoring and Evaluation Survey (n=301) intended to research further and/or make practice changes based on APL products/services. (84% of large producers, 49% of small producers)
	Industry Certificate Three Penetration	Percentage of staff with Certificate III	>50%	42% average, but equivalent to 65% of respondents when weighted by production
	Technology Awareness	Percentage of eligible production aware of subsample of APL-invested technologies within two years of project completion	95%	Outcomes from independent technology transfer and the Monitoring and Evaluation Survey results showed that resources/publications are reaching respondents responsible for >90% of the total sow herd expected November 2018

KPI Table: Strategic Objective 5 Programme I – Applied Learnings

Background

Ensuring primary stakeholders are aware of the latest R&D outcomes is essential to continuing industry development through the implementation of new technologies, practices, and management strategies. APL use a variety of communication channels to do this – including *Pigs to Pork*, the APL corporate website, face to face meetings and events, and other resources and publications. According to the 2018 Monitoring and Evaluation Survey, APL’s extension products/services received an average rating of 6.3/10, with good awareness (93 per cent of respondents) and usage (81 per cent of respondents). The challenge (as reflected by the above KPI figure) is in converting this usage and awareness into practice change and being able to track this.

The percentage of staff having a Certificate III in Pork Production training also remains a challenge. While the curriculum is available online, TAFEs operate on a state basis rather than as a national entity. This means that they do not share educational/supporting materials with each other. There are currently 9 registered training organisations (RTO) qualified to deliver this training, but the Certificate III course is also only run through TAFEs if demand is high enough, which limits availability.

Achievements/Outcomes

APL continues to use the quarterly *Pigs to Pork* publication to communicate research outcomes to all of industry. It is mailed out to all active producers as well as other key stakeholders and is also made available online. According to the 2018-19 Industry Survey, 59 per cent of respondents found the content useful, 11 per cent did not, and 30 per cent claimed to not receive it at all. In the Monitoring and Evaluation survey results, *Pigs to Pork* received a rating of 5.3/10, and was used by 59 per cent of the respondents. Changes to APL’s extension and engagement approach are being made to communicate results to producers. The monitoring and evaluation of APL’s online interactions is now taking place.



During 2018-19, APL supported WA and VIC by providing resources that they can incorporate into their Cert III programmes. APL also supported industry attendance at the Roseworthy Pig Course, which provides producers and production staff with another avenue to receive relevant training.

The Australian Pork Industry Leadership Program (APILP) Course 2 participants completed their first workshop in Canberra in May 2019. The second workshop, 'overseas expedition', is scheduled to be held in Denmark from 15–27 October 2019. Industry is already starting to see success of the programme, with two of the Course 1 participants expressing interest in nominating for delegate election this year.

The Australian pork industry benchmarking programme has moved from Pork CRC to APL. The programme has attracted a number of new participants and retained the majority of previous participants. Recruiting efforts continue, with 38 per cent of the Australian sow herd represented in the programme. Data from the previous programme has been transferred from the Pork CRC. Data has been collected from producers and analysed, with the annual benchmarking meeting occurring in August 2019 in Melbourne.

3.6.2 Programme 2 – Building Industry Image and Reputation

Program	KPI	Unit	2018-2019 Target	Result
Building Industry Image and Reputation	APL Producer Members	Number of APL producer members	300	258
	Level of Membership	Membership levy as a percentage of total levies	>95%	94%
	APL Positive Image	Members positive perception of APL	>80%	78%

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

Background

The membership projects within this programme are designed to expand APL's reach to the Australian pork production industry.

The positive image 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

APL again set a stretch KPI of 300 producer members for itself. The stretch target was not achieved as APL fell short of the KPI by 42 producers, at 30 June 2019. However, the total number of producer members was consistent with last year (2018 – 257 producers). The total number of producers was maintained despite a number of producers exiting the industry. As communicating with members is one way that APL can improve the reach of its communications with industry, increasing producer membership continues to be a critical objective for APL.

APL had set a KPI target of membership as a percentage of production as 95 per cent. The achieved KPI was 94 per cent. The achievement an improvement from the same measurement last year (2018 – 93 per cent).

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 during the year ending 30 June 2018. One outcome of the review was the introduction of a consolidation of several publications into one monthly newsletter, the APL Update. The latest industry survey result was that 77 per cent survey respondents found the publication useful.

APL had set a positive image target of greater than 80 per cent. The industry survey showed that 78 per cent of members have a positive perception of membership services provided by APL. The result achieved (78 per cent) is an improvement of eight percentage points from the 70 per cent result the previous year.

3.6.3 Programme 3 – Operational Effectiveness

Program	KPI	Unit	2018-2019 Target	Result
Operational Effectiveness	Staff Turnover	Percentage of staff leaving per annum	14%	9.5%
	Corporate Costs	Percentage of corporate cost increase per annum	1.1%	5.7%

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 was less than the target KPI, meaning there was a lower staff turnover than was targeted. Staff have many reasons for staying with or 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. While the 5.5 per cent result in 2019 exceeded the target, it is nonetheless significantly less than the 7.9 per cent result in 2018. 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 2018 year was particularly low due to several vacant employee positions. Therefore, the result exceeded the target on this occasion because there has been an increase in staff employed. However, it should be noted that despite the increase in staff and consequently an increase in total corporate costs, to some extent, the additional staff have driven reduced project costs because some activities previously outsourced have been brought in-house.



Three-Year Performance Review

During this reporting period, APL was required to undertake a Three-Year Performance Review of the company in accordance with its 2015-19 Funding Agreement with the Commonwealth of Australia.

The Review assessed how well APL has met its obligations to levy payers and other stakeholders, as set out in the Funding Agreement and in the *Pig Industry Act 2001* (Cth) and identified valuable continuous improvement opportunities which APL will act on.

APL received thirteen recommendations, none of which were considered critical to meet APL's legal and regulatory obligations. Of the thirteen, four were recommended to deliver significant impact to the industry and the remaining nine recommendations were relatively minor adjustments expected to deliver incremental performance improvements.

Many recommendations laid out in the Review were already a focal point for APL. In this sense, the review reinforces the belief that the current systems and processes identify and support continuous improvement.

APL's Independent Performance Review was completed in February 2019 by Forest Hill Consulting. An executive summary, full report and response to the review can be found on the APL website, as well as the previous performance review reports.

3.6.4 Financial summary

STRATEGIC OBJECTIVE 5 – IMPROVING CAPABILITY				BUDGET \$3,828,014		ACTUAL \$2,981,900	
PROGRAM	NON R&D \$			R&D \$			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Applied Learnings							
<i>Budget</i>	-	-	-	543,756	500,875	1,044,631	1,044,631
<i>Actual</i>	-	-	-	605,147	445,021	1,050,168	1,050,168
Building Industry Image and Reputation							
<i>Budget</i>	489,525	133,327	622,852	162,164	26,958	189,122	811,974
<i>Actual</i>	477,671	205,819	683,490	87,070	69,471	156,541	840,031
Operational Effectiveness							
<i>Budget</i>	1,040,502	115,644	1,156,146	532,637	282,626	815,263	1,971,409
<i>Actual</i>	354,671	151,601	506,272	334,847	250,958	585,805	1,091,701
TOTAL BUDGET	1,530,027	248,971	1,778,998	1,238,557	810,459	2,049,016	3,828,014
TOTAL ACTUAL	831,966	357,420	1,189,386	1,027,064	765,450	1,792,514	2,981,900

3.7 Overall Financial Summary by Strategic Objective

SUMMARY				BUDGET \$24,089,500		ACTUAL \$22,838,606	
	NON R&D \$			R&D \$			
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Growing Consumer Appeal							
<i>Budget</i>	5,887,944	1,027,457	6,915,401	483,750	184,606	668,356	7,583,757
<i>Actual</i>	6,052,261	950,519	7,002,780	247,186	335,201	582,387	7,585,167
Building Markets							
<i>Budget</i>	1,304,000	1,327,079	2,631,079	781,425	1,093,748	1,875,173	4,506,250
<i>Actual</i>	1,097,554	1,279,143	2,376,697	801,814	1,299,504	2,101,318	4,478,015
Driving Value Chain Integrity							
<i>Budget</i>	115,000	365,584	480,584	715,000	316,605	1,031,605	1,512,189
<i>Actual</i>	258,160	431,186	689,346	462,033	154,115	616,148	1,305,494
Leading Sustainability							
<i>Budget</i>	398,876	327,248	726,124	4,427,901	902,970	5,330,871	6,056,993
<i>Actual</i>	749,965	412,279	1,162,244	3,850,336	847,408	4,697,744	5,859,988
Improving Capability							
<i>Budget</i>	1,530,027	248,971	1,778,998	1,238,557	810,459	2,049,016	3,828,014
<i>Actual</i>	831,966	357,420	1,189,386	1,027,064	765,450	1,792,514	2,981,900
Unallocated							
<i>Budget</i>	-	-	317,312	-	-	284,979	602,291
<i>Actual</i>	-	343,056	343,056	-	284,986	284,986	628,042
TOTAL BUDGET	9,235,847	3,296,339	12,849,498	7,646,633	3,308,388	11,240,000	24,089,500
TOTAL ACTUAL	8,989,906	3,773,603	12,763,509	6,388,433	3,686,664	10,075,097	22,838,606



3.8 Reporting Obligations

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

3.8.1 Material Variations to Budget

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

3.8.2 Funds Spent on Research and Development 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.

3.8.3 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.

3.8.4 Funds Spent on National and Rural Research and Development Priorities

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





4. Meeting Industry and Government Priorities

4.1 Alignment with the Rural Research and Development 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	🟡	🟡	🟢	🟡	🟡	<ul style="list-style-type: none"> 🟢 Soil and water 🟡 Food 🔴 Energy 🟢 Environmental change Advanced manufacturing Transport Cybersecurity Health Resources
1	Transformational market growth						
1	Advanced measurement technology						
2	Continuous data and advertising tracking						
2	Eating quality commercialisation						
2	In market understanding and activities						
3	PSCIP/Physi-Trace						
3	Food safety R&D						
4	CCRSPI						
4	Animal welfare initiatives						
4	Environmental management						
4	Pork CRC						
4	Breeding females						
4	Environment and health						
4	Pig tag options						
4	SG4 T&A Activities						
4	Exotic disease and biosecurity						
4	Virtual herding						
4	Transforming production efficiencies						
4	Forewarned is forearmed						
4	SG2 TT&A Activities						
4	Improving herd feed conversion						
4	Growth and development						
4	Pork RD&E strategy						
5	Adoption						
5	Bringing influencers together						
5	Fostering new capability						
5	Building technical capacity						
5	APL Benchmarking Program						
5	Innovation Review						
5	Industry Engagement and Events						
5	Issues management support						
5	Building our social licence						
5	Human resource management						
5	ICT						
5	Performance review and funding agreement						
5	CRRDC activities						
5	AGM and conference						
5	Specialist groups/RDAC meetings						
5	Benefit cost analyses						
5	Investment fund						



4.2 National Primary Industries Research, Development and Extension Framework

APL and the Pork CRC have worked in collaboration over the past ten 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. The Pork CRC finalised its operations on 30 June 2019. With the formation of the Australasian Pork Research Institute Limited (APRIL) and the commencement of its operations on 1 July 2018, there will be similar arrangements between APL and APRIL. APRIL's objective is to support research and adoption that improves sustainable production and efficiency in the pork value chain for the Australian and New Zealand industries. APRIL is a collaborative R&D entity with 16 foundation members and 5 associate members. 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. APL is a member of APRIL and has two representatives on the APRIL Board.

During 2018-19, APL directed funding contributions for pork RD&E programmes and Pork RD&E facilities and resources to APRIL rather than to the Pork CRC.

Although these changes were made to RD&E funding arrangements by APL, APL and APRIL 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. support experiment-ready facilities which, together with skilled technical personnel, are critical to meeting the current and future needs of the industry; and
2. provide certainty for these facilities by base funding them on a rolling two-year basis.

Pork RD&E programmes:

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

The Pork RD&E Strategy was implemented on 1 July 2009. The base funding of RD&E facilities for 2018-2019 is the first year of the fifth two-year cycle. The base funding model continues to realise 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
- national exposure of researchers and students
- increased engagement between researchers and industry
- enhanced timeliness of delivery of research outcomes
- fast tracking of technology adoption, given that commercial RD&E facilities account for 40 per cent of production, and
- enhanced industry-to-industry collaboration.



5. Collaboration and Evaluation

5.1 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 whether producers chose to become an APL member. 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 this effort, APL continues to invite a number of young and small producers, and representatives from individual state farming/pork organisations (SFO/SPOs) to be observers at delegates forums. Feedback suggests that this is worthwhile. APL continues to meet face to face separately with the SFO/SPOs. APL also attends state pork industry meetings to provide updates on issues and research of interest to the industry. During 2018-19, APL held a number of roadshows across Australia to meet with producers to discuss the ongoing market conditions. APL will be continuing this in 2019-20.

A significant focus during 2018-2019 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, along with dedicated producer meetings across Australia. Despite some producers expressing their frustrations with the ongoing market conditions, these meetings proved to be beneficial.

In September 2018, a review of APL's Innovation and RD&E investment model against current and future industry needs was undertaken by Anwen Lovett Consulting. This required extensive consultation with producers, pork supply chain industry representatives, research providers, veterinarians and regulators. The review addressed:

- whether APL's current RDE model was fit for purpose given the rapid
- changes and advancements in industry ag-tech occurring worldwide
- whether APL is missing opportunities due to its current approach to investment
- where and what are the opportunities to invite new collaborators, and
- how APL increases the impact of its investments through partnerships.

In February 2019, the APL Board accepted the recommendations from the review. A new RDE investment model, Industry Solutions and Industry Horizons, focused on responding to the immediate needs of industry while continuing to strategically invest in significant or transformational opportunities will commence in 2019-20. Industry consultation to inform RD&E priorities will be undertaken as part of APL's 2020-25 Strategic Planning process commencing in August 2019.

5.2 Supply Chain Engagement

The Pork Processor Referral Group (PPRG) is comprised of 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 and post-farm gate policy initiatives. The PPRG meets biannually to inform R&D direction, particularly in post-farm gate issues including traceability and quality assurance and food safety. It discusses research findings and strategies to ensure safe pork for consumers. PPRG 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 (QCMPA).

APL also has strong connections along the supply chain, including retailers and food service. The Board's Marketing Development Committee 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 inaugural China Import Export Expo and SIAL Shanghai Food Expo.

5.3 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 2018-19 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
- Federal Members of Parliament and Senators to discuss general industry issues
- senior officials and other representatives of the Department of Agriculture regarding six-monthly Funding Agreement reporting
- the NRS team to discuss the residue monitoring programme every six months
- multi-jurisdictional committees such as the Animal Health Committee, Animal Welfare Task Group (AWTG), and the Australian Meat Regulators Group (AMRG)
- the Department of Foreign Affairs and Trade (DFAT) to discuss Free Trade Agreements (FTA) and the Australian pork industry's trade preferences
- the Department of Immigration and Border Protection to discuss issues relating to labour reforms, including changes to the industry's Labour Agreement
- the ABS and ABARES to discuss pork industry data
- state government regulators relating to a range of policy issues, and
- 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:

- Department of Agriculture Export Meat Industry Advisory Committee and its sub-committees
- ACCC's Agriculture Industries Consultative Committee
- Biosecurity Roundtable
- NSW Intensive Agriculture Consultative Committee
- 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 how the industry is mitigating risks through science based approaches and solutions.

5.4 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
- Australian Institute of Company Directors
- Australian Meat Industry Council and reference groups
- 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)
- Council for Rural Research and Development Corporations
- 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, and
- SAFEMEAT Partners and Policy Group and its various Committees.

5.5 Commercialisation

In 2018-19, 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.



5.6 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.

5.7 Cross-Sectoral Initiatives

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

- Climate Research Strategy for Primary Industries (CRSPI) is a collaboration between the RRDCs, the CSIRO, state and territory governments and the Department of Agriculture. CRSPI 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, Agrifutures Australia – 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. The Strategy will be managed by Animal Health Australia on behalf of its members.

During 2018-19, APL was either project lead or collaborator in several RRnD4P projects:

ROUND 1

- Waste to revenue: novel fertilisers and feeds (completed)
- A profitable future for Australian agriculture: biorefineries for higher-value animal feeds, chemicals, and fuels (project was extended until 30 June 2020)
- Market and consumer insights to drive food value chain innovation and growth (completed), and
- Accelerating precision agriculture to decision agriculture (completed).

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.

ROUND 4

- Advanced measurement technologies for globally competitive Australian meat II, and
- Closing the loop – Black Soldier Fly technology to convert agricultural waste into high quality fertiliser and soil improvers (lead RDC)

5.8 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 assumption's 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.

AgTrans Research and Consulting have been contracted to undertake the impact assessment for 2018-19, focusing on APL's environmental management R&D. This will be completed by December 2019.





6. Statutory Reports

6.1 Directors' Report

APL's directors present their report for the year ended 30 June 2019.

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.

6.1.1 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 regions 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.



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 the Pork Cooperative Research Centre steering committees and was Programme Manager for Programme 2 in the 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 Investment Committee (previously known as the Research and Development Advisory Committee), and is a member of the Board's Audit, Risk and Corporate Governance and People and Culture 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 over 35 years' experience in Australian and European pig and poultry industries; Mr Plant has 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 eight years and Delegate for ten years. In his role on the APL board, with his passion for the pig industry and knowledge of high welfare production systems, Mr Plant was elected as a member of the Board's 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 Limited 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 & 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 Director; Australasian Pork Research Institute Ltd (APRIL); Deputy Chair NSW Farmers Pork Committee; Ms Beveridge 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.



Mr Rod Hamann

Mr Hamann is Executive GM of SunPork Farms. He retains Directorships for 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 Operations roles including Exec 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.

6.1.2 Specialist Directors



Mr David Lock (Chairman, appointed 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, Chairman of Odeum Produce Pty Ltd, a member of the Curtin Business School Advisory Council, member of Board of Trustees of Marine Stewardship Council, Director of CBH Group and Chairman of Audit and Risk for CBH. 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.

In his role as Chairman of the APL Board, Mr Lock is a member of the People and Culture Committee.



Mr Andrew Baxter

B. Bus (Mktg), FAMI CPM, 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 Tjapukai 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. He is also a Senior Advisor to both KPMG and BGH Capital, and an Adjunct Professor at the University of Sydney Business School. Over two decades at Publicis, Ogilvy and Y&R, he worked with the executive teams of many of Australia's largest companies and brands, as well as the State and Federal Governments. Mr Baxter's 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 has been named as 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 Quality Assurance and Animal Welfare Committee.



Mr Geoff Starr

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

Mr Starr has over 35 years' experience in the food industry, with 15 of these years 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 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 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 Advisory 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 and the People and Culture Committee and a member of the Research and Development Advisory Committee.

6.1.3 Company Secretary



Damien Howse (B. Bus, CA, GAICD) is the General Manager, Corporate Services and Company Secretary.

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

6.1.4 Meetings of Directors

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 2019, and the number of meetings attended by each Director are detailed below.

Directors	Full Board		Audit, Risk and Corporate Governance Committee		People and Culture	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Andrew Johnson	7	7	-	-	-	-
Brian Luxford	7	7	4	4	2	2
David Plant	5	7	-	-	-	-
Rod Hamann	6	7	-	-	-	-
Edwina Beveridge	7	7	4	4	-	-
Andrew Baxter	6	7	-	-	-	-
Kathy Grigg	6	7	4	4	2	2
Geoff Starr	7	7	-	-	-	-
David Lock	7	7	-	-	2	2

Directors	Quality Assurance & Animal Welfare Committee		Investment Committee		Marketing Development Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Andrew Johnson	2	2	-	-	-	-
Brian Luxford	-	-	1	1	-	-
David Plant	2	2	-	-	-	-
Rod Hamann	2	2	-	-	3	3
Edwina Beveridge	-	-	-	-	-	-
Andrew Baxter	1	1	-	-	1	3
Kathy Grigg	-	-	-	1	-	-
Geoff Starr	-	-	1	1	3	3

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



6.1.5 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 Funding Agreement 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 research and development 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.

6.1.6 Strategy for achieving the objectives

The 2015–20 Strategic Plan took effect from 1 July 2014 and is reported against in this 2018-19 Annual Report.

There are five strategic objectives making up the 2015–20 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 in order to deliver against the targeted outcome statements. The outcome statements and specific programmes 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.”

- Programme 1: Better Pork
- Programme 2: Pork Made More Popular
- Programme 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.”

- Programme 1: Market Insights
- Programme 2: Domestic Market Development
- Programme 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.”

- Programme 1: Trust in Pork Provenance
- Programme 2: Pork Quality Assured
- Programme 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.”

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

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

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.



6.1.8 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
15 August 2019
Canberra

6.1.9 Directors' declaration

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

- the financial statements and notes comply with the *Corporations Act 2001* (Cth), the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- 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 Directors

Mr David Lock
Chairman
15 August 2019

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



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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 2019, 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 2019 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 2019, but does not include the financial report and the auditor's report thereon.

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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. This description forms part of our auditor's report.

RSM AUSTRALIA PARTNERS

GED STENHOUSE
Partner

Canberra, Australian Capital Territory
Dated: 15 August 2019

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



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Australian Pork Limited for the year ended 30 June 2019, 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.

RSM AUSTRALIA PARTNERS

GED STENHOUSE
Partner

Canberra Australian Capital Territory
Dated: 15 August 2019

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6.4 Financial Report 2018-2019

AUSTRALIAN PORK LIMITED

Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
REVENUE			
Levies and other contributions	4	22,763,838	22,893,557
Share of profits of associates accounted for using the equity method		25,659	22,244
Other income	5	336,978	226,370
Total income		23,126,475	23,142,171
EXPENSES			
Research and Innovation		(6,994,250)	(6,685,665)
Marketing		(10,762,610)	(10,918,028)
Policy		(1,601,793)	(1,645,211)
Board and CEO		(1,397,373)	(1,392,438)
Corporate Services		(2,082,580)	(1,581,887)
Total expenses		(22,838,606)	(22,223,229)
Surplus/Deficit before income tax expense		287,869	918,942
Income tax expense	7	-	-
Surplus/Deficit after income tax expense for the year attributable to the members of APL		287,869	918,942
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the members of APL		287,869	918,942

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 2019

	Note	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	8	3,141,584	1,668,982
Trade and other receivables	9	1,908,679	2,372,615
Investments	10	5,628,551	5,068,297
Other	11	571,629	751,411
TOTAL CURRENT ASSETS		11,250,443	9,861,305
NON-CURRENT ASSETS			
Investments accounted for using the equity method	12	104,469	78,810
Property, plant and equipment	13	128,695	194,652
Bank guarantees and rental bonds		51,953	59,340
TOTAL NON-CURRENT ASSETS		285,117	332,802
TOTAL ASSETS		11,535,560	10,194,107
CURRENT LIABILITIES			
Trade and other payables	14	2,699,837	2,100,333
Employee benefits		622,332	576,462
Deferred lease incentives		-	12,108
Grant and co-funding income received in advance		2,041,562	1,767,000
Accrued expenses		150,175	41,868
TOTAL CURRENT LIABILITIES		5,513,906	4,497,771
NON-CURRENT LIABILITIES			
Leases	15	-	12,502
Employee benefits		104,430	54,480
TOTAL NON-CURRENT LIABILITIES		104,430	66,982
TOTAL LIABILITIES		5,618,336	4,564,753
NET ASSETS		5,917,224	5,629,354
MEMBER FUNDS			
Retained surplus		5,917,224	5,629,354
TOTAL MEMBER FUNDS		5,917,224	5,629,354

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 2019

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

	Accumulated Surplus \$	Total Equity \$
Surplus after income tax expense for the year	5,629,354	5,629,354
Other comprehensive income for the year, net of tax	287,869	287,869
Total comprehensive income for the year	-	-
Balance at 30 June 2019	5,917,223	5,917,223

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 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Statutory Authority and Industry		26,173,688	27,023,756
Payments to suppliers and employees (inclusive of GST)		(24,225,066)	(25,175,372)
Interest received		143,687	121,560
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		2,092,309	1,969,944
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(42,230)	(140,338)
Proceeds from disposal of property, plant and equipment		-	1,935
Investments in term deposits		(560,254)	(3,924,779)
Other investments		7,387	-
NET CASH (USED IN) INVESTING ACTIVITIES		(595,097)	(4,063,182)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		(24,610)	(15,892)
NET CASH (USED IN) FINANCING ACTIVITIES		(24,610)	(15,892)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,472,602	(2,109,130)
Cash and cash equivalents at the beginning of the financial year		1,668,982	3,778,110
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	3,141,584	1,668,980

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 2019

1. General Information

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

Australian Pork Limited is an unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 August 2019. 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.

The following Accounting Standard and Interpretations are most relevant to the company:

AASB 9 Financial Instruments

The company has adopted AASB 9 from 1 July 2018. There was no material impact.

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 Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, 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.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2019

(Cont'd) – 2. Significant accounting policies

c) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on 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 date; 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 2019

(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 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 of 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 2019

(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 rate 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, 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 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 2019

(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 lease agreement with the Salvation Army (New South Wales) Property Trust for an initial period of seven years with an option to enter into a new lease 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 has exercised the first option for a further period of five years. Therefore, no make good provision has been provided for in the financial statements.

4. Levies and other contributions

	2019 \$	2018 \$
Levies – marketing	11,912,737	12,139,141
Levies – research	5,294,550	5,320,386
Government contributions – matching	5,018,132	5,218,406
Other industry contributions and grants	538,419	215,624
Levies and other contributions	22,763,838	22,893,557

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 2019

(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

	2019 \$	2018 \$
Interest	143,687	121,560
Royalties	1,824	19,773
Other income	191,467	85,037
Other income	336,978	226,370

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 by license 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

	2019 \$	2018 \$
Surplus before income tax includes the following specific expenses:		
<i>Rental expense relating to operating leases</i>		
Total rental expense relating to operating leases	319,338	306,024
<i>Superannuation expense</i>		
Defined contribution superannuation expense	535,898	522,526



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2019

(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 has issued a Private Binding Ruling as formal confirmation.

8. Cash and cash equivalents

	2019 \$	2018 \$
Cash on hand	400	400
Cash at bank	2,622,435	1,668,582
Cash on deposit	518,749	-
	3,141,584	1,668,982

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. Trade and other receivables

	2019 \$	2018 \$
Trade receivables	1,572,446	2,258,101
Other receivables	148,162	114,514
Goods and services tax recoverable	188,071	-
	1,908,679	2,372,615

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2019

(Cont'd) – 9. Trade and other receivables

Impairment of receivables

The Company has recognised a loss of \$nil (2018: nil) in expenses in respect of impairment of receivables for the year ended 30 June 2019

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. Investments

	2019 \$	2018 \$
Term deposits	5,628,551	5,068,297

Term deposits accrue interest at rates between 1.72% and 2.6% and mature progressively to December 2019 (2018: rates between 2.05% and 2.75%)

11. Other current assets

	2019 \$	2018 \$
Accrued levy income	473,830	709,933
Prepayments	97,799	41,478
	571,629	751,411

12. Investments accounted for using the equity method

	2019 \$	2018 \$
Investment in associate – PorkScan Pty Ltd	104,469	78,810



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2019

(Cont'd) – 12. 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	
		2019	2018
		%	%
PorkScan Pty Ltd	Australia	49.00	49.00

Contingent liabilities

PorkScan Pty Ltd has no contingent liabilities at 30 June 2019 or 30 June 2018.

Commitments

PorkScan Pty Ltd has no commitments at 30 June 2019 or 30 June 2018.

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 2019

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

	2019 \$	2018 \$
Leasehold improvements – at cost	477,598	501,817
Less: accumulated depreciation	(450,185)	(430,900)
	27,413	70,917
Office furniture and equipment – at cost	148,242	148,242
Less: accumulated depreciation	(144,070)	(141,062)
	4,172	7,180
Computer equipment – at cost	316,430	285,560
Less: accumulated depreciation	(219,320)	(169,005)
	97,110	116,555
	128,695	194,652

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 2018	70,917	7,180	116,555	194,652
Additions	3,946	-	38,283	42,229
Depreciation expense	(47,450)	(3,008)	(57,728)	(108,186)
Balance at 30 June 2019	27,413	4,172	97,110	128,695

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 2019

14. Trade and other payables

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.

	2019 \$	2018 \$
Trade payables	2,585,027	1,927,555
Other payables	114,810	172,778
	2,699,837	2,100,333

15. Leases

	2019 \$	2018 \$
Lease liability	-	12,502

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 leases

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.

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.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2019

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 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

	2019 \$	2018 \$
Bank guarantee	51,953	51,953
Rental bond	-	7,387
	51,953	59,340

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 in APL's name.

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2019

18. Commitments

	2019 \$	2018 \$
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	247,477	168,481
From one to five years	801,846	-
	1,049,323	168,481
Research and development (R&D) expenditure commitment		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,741,224	4,186,304
From one to five years	5,566,094	5,338,820
	9,307,318	9,525,124

Operating

The Company has entered into commercial leases on certain computer hardware and office premises. These leases have an average life of between 6 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 15/01/2024 and APL has an option to enter into a new lease on the same terms as the existing lease for a further five-year period where a market review of any incremental rental increase will apply.

The NSW premises rental term expires in 30/01/2022.

R&D expenditure

These R&D expenditure commitments relate to several research and innovation projects which align 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:

	2019 \$	2018 \$
Aggregate compensation	1,790,893	1,753,190

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2019

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.

Brian Luxford - General Manager R&I Rivalea (Australia) Pty Ltd

Rod Hamann - Executive General Manager of Sunpork Farms

Andrew Baxter - Special Advisor to KPMG

The Company is the major core participant with Pork CRC. The Company's Chief Executive Officer, Andrew Spencer, was a Director on the Pork CRC Board. The objectives of the two organisations are similar.

Pork CRC ceased operations as of 30 June 2019. Australasian Pork Research Institute Ltd (APRIL) will continue the important RD&E and commercialisation functions of the Pork CRC. Australian Pork Limited's (APL) Board member Edwina Beveridge is a director of APRIL; and APL's former CEO Andrew Spencer was a director of APRIL until 31 July 2019.

The Company's former Chief Executive Officer, 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:

	2019 \$	2018 \$
Income		
PorkScan Pty Ltd		
- Intellectual Property licence fees	-	17,000
- Management fees	20,000	12,015
PorkScan Pty Ltd		
- Intellectual Property licence fees	106,169	-
Project and program expenditure:		
- Rivalea (Australia) Pty Ltd	132,343	132,343
- Sunpork Farms	118,130	118,130
- Pork CRC	1,909,600	1,909,600
- KPMG	84,563	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:

	2019 \$	2018 \$
Current receivables:		
Trade receivables from related parties	7,043	-
Current payables:		
Trade payables to related parties	578	84,563

21. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 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.





7. Appendices

7.1 Appendix A

Material Variations to Budget

	Initial Budget \$	Actual Result \$	Variation Over/(Under) \$	Comments and/or Explanation of Major Variations
Income				
Levies	17,452,500	17,207,287	(245,213)	Actual slaughters were 45k less than budgeted.
Government contributions - matching claims	5,620,000	5,018,132	(601,868)	R&D matching expenditure was less than budget.
Other industry contributions	0	508,839	508,839	Consistent with past convention, grants from Dept. Agriculture including Enhancing Supply Chain Profitability & Antimicrobial Resistance were not included in the budget.
Net other revenue	417,000	392,226	(24,774)	Net of various individually immaterial variances.
Project Expenditure				
Research & Innovation	5,945,407	5,631,849	313,558	Grant expenditure is exactly offset by grant income (\$508,839). The difference is the offset of underspent program budgets \$822,397.
Marketing	8,293,373	8,104,681	188,692	Underspent program budgets.
Policy	928,876	673,416	255,460	Underspent program budgets.
Corporate Services	733,685	891,595	(157,910)	Approved mid-term variations to program budgets to contribute to the achievement of APL's strategic objectives.
CEO/Board	981,139	76,798	904,341	Budget was allocated to the Marketing Division

7.2 Appendix B

Funds Spent on Each Significant Research and Development Activity Allowing Identification of Expenditure of Matching Payments

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

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

The company has established a detailed methodology by which eligibility of matching expenditure is determined. For the 2018–2019 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	184,609
	Pork Made More Popular	
	Increasingly Different	397,778
Building Markets	Market Insights	1,978,523
	Domestic Market Development	
	International Market Development	122,795
Driving Value Chain Integrity	Trust in Pork Provenance	518,244
	Pork Quality Assured	97,904
Leading Sustainability	Addressing Societal Needs	2,113,104
	Healthy Herds and Farms	868,802
	Continuous Productivity Growth	1,715,837
Improving Capability	Applied Learnings	1,050,169
	Building Industry Image and Reputation	156,541
	Operational Effectiveness	585,804
Unallocated		284,986
Total research and development expenditure		10,075,096
Adjustments – accruals and other non-eligible research and development expenditures		(38,832)
Total matchable expenditure		10,036,264
Maximum Claim Allowable to GVP cap		6,075,601
Australian Government contributions – matching (@ 50 per cent)		5,018,132

Note: APL total non-direct project expenditure for the 2018–2019 financial year was \$7,460,267 which was 33 percent of total expenditure. Of this total non-direct project expenditure, \$3,686,663 (49 per cent) was attributed to Research and Development



7.3 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	6,525,571
	Increasingly Different	477,209
Building Markets	Market Insights	
	Domestic Market Development	2,154,209
	International Market Development	122,795
Total Marketing Expenditure		9,279,783

Strategic Policy Development Expenditure By Strategy		\$
Building Markets	International Market Development	99,694
Leading Sustainability	Addressing Societal Needs	324,320
	Healthy Herds and Farms	375,896
Improving Capability	Building Industry Image	267,199
Total Strategic Policy Development Expenditure		1,067,109

Other Industry Expenditure By Strategy		\$
Driving Value Chain Integrity	Pork Quality Assured	689,346
Leading Sustainability	Healthy Herds and Farms	462,029
Improving Capability	Building Industry Image and Reputation	416,290
	Operational Effectiveness	505,897
Unallocated		343,056
Total Other Industry Expenditure		2,416,618
Total Funds Spent on Marketing and Significant Strategic Policy Development Activity as well as Other Industry Issues		12,763,510

7.4 Appendix D

Funds Spent on National and Rural Research and Development Priorities

Rural Research & Dev Priorities	National Research Priorities											
	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		
Measure												
Objective 1. Growing Consumer Appeal	\$ 668,356	\$582,387	58,239	-	-	-	-	-	-	-	524,148	-
	% 6	6	1	-	-	-	-	-	-	-	5	-
Objective 2. Building Markets	\$ 1,875,173	2,101,318	-	-	-	-	-	-	420,264	-	1,764,016	-
	% 16.7	20.9	0.0	-	-	-	-	-	4.2	-	17.5	-
Objective 3. Driving Value Chain Integrity	\$ 1,031,605	616,148	184,844	308,074	-	-	-	-	123,230	-	-	-
	% 9.2	6.1	1.8	3.1	-	-	-	-	-	-	-	-
Objective 4. Leading Sustainability	\$ 5,330,871	4,697,744	1,409,323	939,549	1,033,504	-	-	-	1,315,368	-	-	-
	% 47	47	14	9	10	-	-	-	13	-	-	-
Objective 5. Improving Capability	\$ 2,049,016	1,792,514	89,626	107,551	89,626	-	-	-	1,003,808	-	501,904	-
	% 18.2	17.8	0.9	1.1	0.9	-	-	-	10.0	-	5.0	-
Unallocated	\$ 284,979	284,986	-	-	-	-	-	-	-	-	284,986	-
	% 2.5	2.8	-	-	-	-	-	-	-	-	2.8	-
Totals *	\$ 11,240,000	10,075,097	1,742,032	1,355,174	1,123,129	-	-	-	2,862,669	-	3,075,054	-
Percentage	% 100	100	17	13	11	-	-	-	27	-	31	-

	AOP Budget	Actual
	\$	\$
* Direct Project	7,646,633	6,388,433
Allocated Project	3,593,367	3,686,664
Total	11,240,000	10,075,097



8. Acronyms

AA	Animals Australia	CODEX	Codex Alimentarius Commission
AAHL	Australian Animal Health Laboratory	CoOL/COOL	Country of Origin Labelling
AAPV	Australian Association of Pig Veterinarians	CRC	Cooperative Research Centres
AAT	Administrative Appeals Tribunal	CRM	Customer Relationship Management
AAWS	Australian Animal Welfare Strategy	CSIRO	Commonwealth Scientific and Industrial Research Organisation
ABARE	Australian Bureau of Agricultural and Resource Economics	CSR	Corporate Social Responsibility
ABS	Australian Bureau of Statistics	CTM	Certified Trade Mark
ACCC	Australian Competition and Consumer Commission	CVO	Chief Veterinary Officer
AEC	Australian Egg Corporation	DAWR	Department of Agriculture and Water Resources
AGAL	Australian Government Analytical Laboratories	DDGS	Dried Distillers Grain Solubles
AGM	Annual General Meeting	DFAT	Department of Foreign Affairs and Trade
AHA	Animal Health Australia	DIFOT	Delivered in full and on time
AHC	Animal Health Committee	DPI	Department of Primary Industries (various state departments)
AHG	Australian HomeGrown	EAD	Emergency Animal Disease
AMIC	Australian Meat Industry Council	EADRA	Emergency Animal Disease Response Agreement
AMRG	Australian Meat Regulators Group	EDN	Ethane-Dinitrile
AL	Animal Liberation	EEP	Environmental Principles for Piggeries
ANZFRMC	Australian and New Zealand Food Regulation Ministerial Council	EMP	Environmental Management Plan for Piggeries
AOP	Annual Operating Plan	ESI	Export Slaughter Interval
APIQ [✓] [®]	Australian Pork Industry Quality Program	ESP	Environmentally Sustainable Piggeries
APSA	Australasian Pork Science Association	EU	European Union
APL	Australian Pork Limited	F&A	Facilitator & Auditor (APIQ [✓] [®])
AQIS	Australian Quarantine and Inspection Service	FAO	Food and Agriculture Organisation
AUSFTA	Australia-United States Free Trade Agreement	FBT	Fringe Benefits Tax
AVA	Australian Veterinary Association	FCP	Fraud Control Plan
AVR	Australian Veterinary Reserve	FIS	Farm Impact Statements
AWB	Australian Wheat Board	FMD	Foot-and-Mouth Disease
AWCG	Animal Welfare Consultative Group	FOI	Freedom of Information
AWI	Australian Wool Innovation	FRDC	Fisheries Research and Development Corporation
AWSCCG	Animal Welfare Supply Chain Consultative Group	FSANZ	Food Standards Australia and New Zealand
AWWG	Animal Welfare Working Group	FSC	Food Standards Code
BA	Biosecurity Australia	FTA	Free Trade Agreement
BRS	Bureau of Rural Sciences	GATT	General on Tariffs and Trade
BSE	Bovine Spongiform Encephalopathy (Mad Cow Disease)	GBS	Global Benchmarking Study
BTG	Boar Taint Group	GHD	Gutteridge Haskins and Davey Pty. Ltd.
BAWC	Board Animal Welfare Committee	GM	General Manager
CAPE	Confederation of Australian Pork Exporters	GM	Genetically Modified
CCEAD	Consultative Committee on Emergency Animal Diseases	GMO	Genetically Modified Organism
CDM	Communications Design and Management Pty. Ltd.	GRDC	Grains Research and Development Corporation
CIWF	Compassion in World Farming (Animal welfare organisation)	GVP	Gross Value of Production
CMR	Critical Incident Management and Recovery Plan (PorkSafe)	HACCP	Hazard Analysis Critical Control Point (APIQ [✓] [®])
		HGP	Hennessy Grading Probe
		HOB	Ham on the Bone
		HSCW	Hot Standard Carcase Weight

ICIP	Industry Co-operative Innovation Program	PMWS	Post-Weaning Multi-Systemic Wasting Syndrome
ICT	Information and Communication Technology	POS	Point of Sale
ILO	Industry Liaison Officer	PPPE	Pan Pacific Pork Expo
IMR	Issues Reference and Management Response Manual	PPQA	PigPass Quality Assurance
IRA	Import Risk Assessment	PRRS	Porcine Reproductive and Respiratory Syndrome
IRAAP	Import Risk Assessment Appeals Panel	PSCIP	Pork Supply Chain Integrity Programs
IWG	Implementation Working Group	QA	Quality Assurance
JETACAR	Joint Expert Technical Advisory Committee on Antibiotic Resistance	QEAC	Quarantine and Export Advisory Committee
KPI	Key Performance Indicators	QPPI	Queensland Pork Producers Inc
LCA	Life Cycle Analysis	QSR	Quick Service Restaurant
LDCC	Local Disease Control Centre	RABQSARAB	Quality Society of Australia – a company specialising in personnel and training certification
LFGUG	Livestock Feed Grain Users Group		
LRS	Levy Revenue Service	R & D	Research and Development
MAP	Modified Atmosphere Packaging	R & I	Research and Innovation
MAT	Moving Annual Total	RDC	Rural Research and Development Corporation
MBM	Meat and Bone Meal	RFID	Radio Frequency Identification Tags
MCOP	Model Code of Practice	RIRDC	Rural Industries Research and Development Corporation
MDC	Market Development Committee	RIS	Regulatory Impact Statement
MI	Moisture Infused	RMAC	Red Meat Advisory Council
MLA	Meat and Livestock Australia	RMP	Risk Management Plan
MRL	Maximum Residue Limit	RSPCA	Royal Societies for the Prevention of Cruelty to Animals
NAHIS	National Animal Health Information System	SCARM	Standing Committee on Agriculture & Resource Management
NCCAW	National Consultative Committee on Animal Welfare	SECTSE	Special Expert Committee on TSEs
NCIG	The National Pork Industry Critical Incident Group	SEW	Segregated Early Weaning System
NFF	National Farmers Federation	SKU	Stock Keeping Unit
NLIS	National Livestock Identification System	SPS	Sanitary and Phytosanitary
NMG	National Management Group	SFO	State Farming Organisation
NMI	National Measurement Institute	SOP	Standard Operating Procedures
NPD	New Product Development	TBT	Technical Barriers to Trade
NRA	National Registration Authority	The Code	Model Code of practice for the Welfare of Animals for the Pig Industry
NRAC	National Rural Advisory Council		
NRS	National Residue Survey	TSE	Transmissible Spongiform Encephalopathies
NVD	National Vendor Declaration	UQ	University of Queensland
OCVO	Office of the Chief Veterinary Officer	WEA	Wheat Export Authority
OIE	Office International des Epizooties (World Organisation for animal health)	WHP	Withholding Period
PC	Productivity Commission	WSPA	World Society for the Protection of Animals
PCV2	Porcine CircoVirus 2	WTO	World Trade Organisation
PeTA	People for the Ethical Treatment of Animals		
PHMS	Pig Health Monitoring Service		
PIMC	Primary Industry Ministerial Council		
PIRSA	Primary Industries & Resources South Australia		
PISC	Primary Industry Standing Committee		
PM	Prime Minister		
PMC	Porcine Myocarditis Syndrome		



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