

Independent performance review: Final report

Williams, Pattinson, Wilcox, Ball



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DISCLAIMER

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CONTACT DETAILS

PO Box 465 Creswick VIC 3363

Scott Williams: +61 413 059 190, scott@foresthillconsulting.com.au

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EXECUTIVE SUMMARY

This report presents the findings of an independent performance review of Australian Pork Limited (APL). The review has assessed how well APL has performed against the performance principles of the Statutory Funding Agreement 2020-2030 (SFA) between APL and the Australian Government.

The review involved the examination of a large number of relevant documents, including policies and procedures, plans, reports, and evaluations (listed in Appendix 1) and a series of in-depth consultations with stakeholders, conducted face-to-face, by videoconference or by telephone. Fifty stakeholders were interviewed, drawn from the APL board and management, pork producers and processors, the Department of Agriculture, Fisheries and Forestry (DAFF), research providers, consultants, and other collaborators. Some of those interviewed for this review were also interviewed in the previous review in 2019 to provide a longitudinal assessment. A dedicated web page was set up and communicated to stakeholders and an open invitation extended for any interested party to make a submission to the review (although none were received).

There have been significant changes within APL and to its operating environment since the review team completed the previous performance review of APL in 2019. Pork prices have substantially improved but labour availability, biosecurity, animal welfare and other social licence issues have become more prominent. A new Chief Executive Officer was appointed in August 2019. There has been a significant turnover of board membership, the executive team has been reduced in size and there is a new dedicated Producer Relations Team.

APL has delivered demonstrated benefits to its stakeholders (although APL has not quantified the economic benefits from all of its major functions and investments) and it has met a majority of its 2021/22 performance targets. Stakeholders interviewed for the review spoke positively of APL's handling of labour issues during Covid, its responses to various biosecurity issues, the Australian Pork Industry Quality Assurance Program, and pork promotional campaigns. There is no evidence of APL having failed to fulfil, or being at risk of not fulfilling, all of its obligations under the SFA. Governance is strong. Planning and reporting are generally robust, despite the most recent strategic planning process alienating some stakeholders. APL has a strong record of collaboration with other rural research and development corporations (RDCs) and other organisations. The delegate system continues to be a highly valuable mechanism for engagement with levy payers and APL has an excellent relationship with government.

Clearly, the main concern of stakeholders with respect to APL is its Research & Innovation (R&I) division and the delivery of RD&E initiatives. The development of an innovation plan and the two elements of 'solutions' and 'horizons', whilst commendable, has not yet achieved the outcomes that industry requires from RD&E. Fulfilment of the role of executive manager for R&I has been problematic for APL for over five years. An appointment was made but that person has since resigned, and APL is currently recruiting again for this senior position. Several stakeholders expressed concerns about APL's technical expertise and experience in pig production systems, and therefore its capacity to successfully lead the pork industry's response to emergency animal disease (EAD) threats and potential changes in animal welfare standards. APL is addressing this problem and needs to treat it as a matter of urgency. There is an opportunity, too, for APL to work more closely with the Australasian Pork Research Institute Limited (APRIL).

Other issues identified by the review include a high level of staff turnover, largely due to factors outside APL's control, and opportunities to improve the setting of key performance indicators, monitoring and evaluation of performance, and stakeholder engagement in R&I and policy prioritisation in particular.

A high-level summary of the review findings against the performance principles is provided below.

PERFORMANCE PRINCIPLE	SUMMARY
<p><i>To engage stakeholders to identify [research, development and extension] RD&E priorities and activities that provide benefits to the Industry</i></p>	<p>APL streamlined its RD&E procurement in response to an external review. This has improved efficiency and turnaround but there is a perception among some interviewees of reduced stakeholder engagement in the process. APL has reference groups or technical panels to advise on EADs, animal welfare, and environment. It is also considering the addition of external expertise to the Investment Committee which currently comprises only board directors and staff. This is commendable, as are moves to increase alignment with APRIL. APL urgently needs to appoint a new executive manager of R&I to increase industry confidence.</p> <p>The delegate structure is a highly valued and an important engagement vehicle for APL. It allows direct information exchange with member representatives twice per year and assists in review of policy, marketing, and RD&E activities. Initiatives to include smaller-scale and younger producers in delegate forums are important and should be continued.</p>
<p><i>To ensure RD&E priorities and activities (and Marketing Activities) are strategic, collaborative and targeted to improve industry profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a Balanced Portfolio</i></p>	<p>The Strategic Plan 2020-2025 is a sound document that clearly articulates APL's directions. It would however benefit from the inclusion of APL-specific key performance indicators (KPIs). APL also has an Innovation Plan 2020-2025, which describes the company's intentions to shift its balance of RD&E investment from 'solutions' (shorter-term and lower risk) projects towards 'horizon' (longer-term, transformative) projects. Both are valuable guidance documents for the company and industry.</p> <p>APL has not clearly reported on the balance of investment between investment types and should do so, because stakeholders are vitally interested in APL's decision-making and performance in this respect.</p>
<p><i>To undertake strategic and sustained cross-industry and cross sectoral collaboration that addresses shared challenges and draws on experience from other sectors</i></p>	<p>APL is a strongly collaborative organisation. It is an active and valued contributor to the Council of Rural Research & Development Corporations and more recently Agriculture Innovation Australia. It has been an active partner in the Emerging National Rural Issues and grow^{AG} platform managed by AgriFutures Australia. It has invested in several cross-sectoral Rural Research and Development for Profit projects as well as the National Animal Welfare RD&E and National Animal Biosecurity RD&E Strategies.</p> <p>Since December 2019, APL has successfully managed the development and implementation of the National Feral Pig Action Plan 2021-2030 on behalf of the Australian Government.</p>

PERFORMANCE PRINCIPLE	SUMMARY
<i>For governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent and proper use and management of Funds</i>	<p>APL’s governance continues to be strong. The Company Secretary and most board members are highly experienced and board dynamics are reported to be constructive. The board is evaluated or evaluates itself every two years at a minimum. With a few minor exceptions, corporate documentation appears sound. Compliance monitoring appears thorough, and APL has provided comprehensive reports to DAFF as required by the SFA. The annual reports have met the content requirements stipulated by the SFA and the Corporations Act.</p>
<i>To demonstrate positive outcomes and delivery of RD&E (and marketing) benefits to Levy Payers and the Australian community in general, and show continuous improvement in governance and administrative efficiency</i>	<p>APL’s strategic plan includes a basic evaluation framework describing how it will monitor, evaluate, and report on its activities. This framework would benefit from some elaboration.</p> <p>APL regularly commissions <i>ex post</i> impact assessments of its R&I investments. These have been undertaken by a reputable economist following good RDC practice, although some recommendations for improvement have been made by the provider which APL should consider. Assessments undertaken during the review period have shown a healthy return on investment.</p> <p>APL uses a variety of indicators to assess the benefits from its marketing activities but does not apply a full impact assessment methodology. Policy investments do not appear to be evaluated. APL would benefit from a consistent, structured approach to assessing all its investments.</p> <p>There is evidence of a continuous improvement approach to governance and administrative efficiency in APL. Examples include the regular program of board evaluation, recent board prognostications on the company’s risk appetite, and the creation of the operations leadership team within the organisational structure to reduce silos and improve succession planning. Reporting on corporate expenditure KPIs to industry would enhance overall transparency of efficiency.</p>

The review has identified several areas in which improvements might be made to the performance of APL. Fourteen draft recommendations are made. These are listed below, and each is given one of the following ratings:

- ⊕ Critical: should be implemented as a matter of urgency in order for APL to meet its legal and regulatory obligations.
- ⊕ Important: actions that are expected to deliver significant benefits to the organisation and industry.
- ⊕ Better practice: expected to deliver incremental performance improvements.

No recommendations are rated as ‘critical’, in the sense that APL is at risk of not meeting legal or regulatory obligations, but the need to address stakeholder concerns about R&I through the appointment of a respected executive manager is considered to be at the top end of the ‘important’ rating.

RECOMMENDATION		SECTION	RATING
1	APL should review and update its board manual in line with current governance standards	4.2	Better practice
2	APL should add to each board committee terms of reference the effective date, next revision date, and responsible officer, to manage version control	4.3	Better practice
3	As a matter of some urgency, APL needs to appoint an executive manager to oversee R&I activities of the company. This appointment should be made in close consultation with APRIL	4.6	Important
4	APL should consider appointing independent members to the Investment Committee to strengthen the committee's ability to effectively evaluate RD&E investment opportunities	6.1.1	Important
5	APL should consider conducting an external benefit-cost impact assessment of the base funding program to provide greater transparency of direct and industry benefits	6.1.2	Important
6	APL and APRIL should consider developing a statement of intent for RD&E that signals lead organisation, operational activities, and expected impact from combined RD&E investment for the period 2023-2025	6.1.3	Important
7	APL should implement the findings of the extension and adoption review, especially the recommendation to develop a separate extension and adoption strategy that clearly shows how APL will maximise adoption by different segments of the pig industry. This should be done in close consultation with APRIL	6.1.6	Important
8	APL should upgrade its evaluation framework, in association with the development of the next strategic plan, to provide more detailed information about how monitoring, evaluation and reporting will be conducted. This process should include review and agreement on all of APL's KRAs and KPIs with the Board and Delegates and consideration of the inclusion of company specific KPIs in the new strategic plan. It should also include reporting on the balance of APL's investment portfolio across the five themes and between 'solutions' and 'horizons', and how APL will report on progress against its stated 'audacious goal' to add \$1 billion to farm gate value by 2025	6.6	Important
9	APL should modify the COPP estimator to include the cost of on-farm implementation of RD&E projects to provide a truer reflection of the net benefits arising from the current and prospective projects and a truer measure of the aggregate COPP saving against the strategic plan target of 48 c/kg saving	8.2.1	Important

RECOMMENDATION		SECTION	RATING
10	APL should develop a clear schedule for <i>ex ante</i> assessment for future RD&E investments and implement this schedule as soon as practicable	8.2.1	Better practice
11	APL should ask its impact assessment researchers to provide more detailed commentary on the likely distribution of benefits from projects between sectors of the Australian pig industry, notably between pig producers and processors	8.2.2.1	Better practice
12	APL should conduct an independent, formal benefit-cost impact assessment of all its marketing investments	8.3.1	Important
13	APL should communicate the results from all of its impact assessments to stakeholders using clear, simple language in its annual report, in presentations to the Delegates forum, in newsletters and communications to levy payers and members, and on the APL website. This should include case studies where appropriate	8.5	Better practice
14	APL should consider commissioning a robust yearly or biennial survey, including questions on levy payer perceptions of value, and those results be analysed and reported by size of operation. APL should also consider whether a more deliberative survey methodology than that currently adopted would deliver better data	8.6	Better practice

ACRONYMS AND ABBREVIATIONS

The Act	<i>Pig Industry Act 2001 (Cth)</i>
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
ALMTech	Advanced Livestock Measurement Technologies
AGM	Annual general meeting
AICD	Australian Institute of Company Directors
AOP	Annual operating plan
APL	Australian Pork Limited
APIQ[✓][®]	Australian Pork Industry Quality Assurance Program
APRIL	Australasian Pork Research Institute Limited
AMPC	Australian Meat Processor Corporation
AMR	Antimicrobial resistance
ARCGC	Audit, Risk and Corporate Governance Committee
ASF	African swine fever
ASX	Australian Securities Exchange
AWI	Australian Wool Innovation
AWRG	Animal Welfare Reference Group
BCA	Benefit-cost analysis
BCR	Benefit-cost ratio
CATI	Computer-assisted telephone interviewing
CEO	Chief Executive Officer
CFO	Chief Financial Officer

COO	Chief Operating Officer
COP(P)	Cost of production (and processing)
CRC	Cooperative Research Centre
CRRDC	Council of Rural Research and Development Corporations
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CTO	Chief Technology Officer
CWE	Carcase weight equivalent
DAFF	Department of Agriculture, Fisheries and Forestry (Cth)
DAWE	Department of Agriculture, Water and the Environment (Cth) (now DAFF)
DAWR	Department of Agriculture and Water Resources (Cth) (now DAFF)
E&A	Extension and adoption
EADTP	Emergency Animal Disease Technical Panel
ETP	Environment Technical Panel
FAO	Food and Agriculture Organization
FRDC	Fisheries Research & Development Corporation
FTE	Fulltime equivalents (staff)
FY	Financial year
GM	General Manager
GRDC	Grains Research & Development Corporation
HFC	Herd feed conversion
HR	Human resources
HSCW	Hot standard carcass weight
IP	Intellectual property
IRR	Internal rate of return

KPI	Key performance indicator
KRA	Key result area
LCA	Life cycle analysis
MER	Monitoring, evaluation and reporting
MIRR	Modified internal rate of return
MLA	Meat & Livestock Australia
NFPAP	National Feral Pig Action Plan 2021-2030
NPV	Net present value
NVD	National vendor declaration
OECD	Organisation for Economic Co-operation and Development
OLT	Operations Leadership Team
PPPE	Pan Pacific Pork Expo
PRG	Policy Reference Group
PRT	Producer Relations Team
PQS	Pork Quality System
R&D(&E)	Research and development (and extension)
R&I	Research and Innovation (Division of APL)
RDAC	Research and Development Advisory Committee
(R)RDC	(Rural) Research and Development Corporation
RFQ	Request for quotation
SARDI	South Australian Research and Development Institute
SFA	Statutory Funding Agreement 2020-2030
SRA	Sugar Research Australia
TOR	Terms of reference

1. INTRODUCTION

1.1 PURPOSE OF THE REVIEW

Clause 10.1 of the Statutory Funding Agreement 2020-2030 (SFA) between Australian Pork Limited (APL) and the Australian Government requires Australian Pork Limited (APL) to ‘...at all times act in accordance with and uphold this Agreement, including the Guidelines and the Performance Principles [of the SFA]...’. The performance principles are defined as:

- (a) *‘to engage stakeholders to identify [research, development and extension] RD&E priorities and activities that provide benefits to the Industry;*
- (b) *to ensure RD&E priorities and activities (and Marketing Activities) are strategic, collaborative and targeted to improve industry profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a Balanced Portfolio;*
- (c) *to undertake strategic and sustained cross-industry and cross sectoral collaboration that addresses shared challenges and draws on experience from other sectors;*
- (d) *for governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent and proper use and management of Funds; and*
- (e) *to demonstrate positive outcomes and delivery of RD&E [research, development and extension] (and marketing) benefits to Levy Payers and the Australian community in general, and show continuous improvement in governance and administrative efficiency.’ (clause 10.2).*

The SFA (clause 10.6) also allows that the Commonwealth ‘may, from time to time, (but no more often than once every three years) request APL to obtain...an independent review on APL’s performance against the Performance Principles.’

In commissioning this review, APL also specified in its terms of reference that ‘...as a minimum, the review should assess:

1. *the performance of APL in meeting its obligations under [the] Agreement and the Act;*
2. *APL’s development and implementation of its Strategic, Annual Operational, Risk Management, Fraud Control and Intellectual Property Management Plans and APL’s effectiveness in meeting the priorities, targets and budgets set out in those plans;*
3. *the Efficiency with which APL has implemented those plans;*
4. *the Efficiency and Effectiveness of APL’s investments; and*
5. *the delivery of benefits to members, Levy Payers, and the broader community foreshadowed by those plans, including an assessment of the degree to which APL’s investments have met the needs of members, Levy Payers, and the broader community.’*

1.2 CONDUCT OF THE REVIEW

The review was conducted as follows. Note that the desktop review, consultation, and reporting stages were overlapping.

1. Inception meeting: an inception meeting involving the consultancy team and the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and external consultant who was assisting APL with this review was

held by teleconference. The meeting confirmed the scope of the review, APL input requirements (including access to documentation, personnel, stakeholders to be interviewed), output and reporting requirements and finalisation of timeframes.

2. Establishment of communication channels: a dedicated page for the review was created on the Forest Hill Consulting website (www.foresthillconsulting.com.au/apl-performance-review/). The page gave the background to the review and detailed the terms of reference. The site also provided an email address by which any stakeholders could provide a submission to the review or seek further information. The purpose of the site was to provide a communication channel with stakeholders that was clearly independent of APL.

The review was publicised by APL through its Australian Pork Update on 28 October 2022, but no submissions were received via the designated email address.

3. Desktop review: a large number of relevant documents were made available to the consultants via a secure portal and were progressively reviewed. A list of the documents reviewed is provided in Appendix 1.
4. Consultation: a list of interviewees for the review was drawn up in consultation with APL. The list included individuals from among the current and past APL executive team and other managers and staff, members of the APL board, individual pork producers and processors and other related businesses (e.g., private consultants, veterinarians, and nutritionists), the Department of Agriculture, Fisheries and Forestry (DAFF), and service providers to APL (research agencies, consultants and others). APL was asked to provide a long list from which a sample was drawn by the consultants, to provide a cross-section of different regions, business sizes and types. Some of those interviewed had been interviewed in the previous review to enable a longitudinal assessment.

The majority of the APL staff and the DAFF interviews were conducted face-to-face. The remainder were conducted by videoconference or telephone. A semi-structured questionnaire was used as the basis for discussions. Interviewees were assured that their comments would be treated in confidence and, if reported, would be presented in way that did not allow the source to be identified.

A total of 50 individuals were interviewed, comprising (with number of people interviewed in brackets):

- ⊕ APL management and staff: 10
- ⊕ APL directors and past directors: 11
- ⊕ Members: 20
- ⊕ DAFF: 2
- ⊕ Other industry stakeholders: 7.

Names of the individuals interviewed have not been reported in order to protect confidentiality.

5. Presentation of interim findings: the interim findings from the review were presented to the CEO and the CFO in order to test the findings for accuracy and completeness.
6. Report preparation: the draft report was submitted and presented to the APL board and provided at the same time to DAFF. Feedback on the draft was considered by the review team and changes made where required to correct factual errors. The report was then finalised.

2. OVERVIEW OF AUSTRALIAN PORK LIMITED

2.1 OVERVIEW

APL is the pork industry's services body. It was established in 2000 as the successor to three previous organisations. Its stated purpose is 'to enable a thriving pork industry', through its activities and investments in marketing, policy, and research. APL is one of 15 rural research and development corporations (RDCs) in Australia. It is unique among the RDCs in that it also functions as the industry's peak representative body.

A person who is a pig producer and pays the pig slaughter levy is entitled to become a member of APL. APL reports the number of members, and the estimated proportion of total levies represented by these members, each year in the annual report. APL also undertakes a triennial 'membership drive' in which it confirms the membership eligibility of its members and precisely quantifies the proportion of levies paid by members. The 2019 membership drive showed that APL had 195 levy-paying producer members representing 85.6 per cent of levies paid. This was a sharp reduction from the 258 members representing an estimated 93 per cent of levies at the end of 2018/19 (Table 1). We understand there are now 149 members representing 89 per cent of levies, demonstrating the consolidation trend experienced by the industry.

Table 1: APL member numbers and proportion of total levy represented by members

	2018/19	2019/20	2020/21	2021/22
Members	258	195	206	183
% levies paid	93	85.6	91	90

Source: Annual reports

2.2 LEGAL FRAMEWORK

APL is the declared industry services body for the pig industry under the *Pig Industry Act 2001* (Cth) (the Act). Under the Act, the Minister for Agriculture, Fisheries and Forestry may enter into a contract with APL so that the Commonwealth may make marketing, research and development (R&D) and matching payments to it (see section 2.3). The Act provides that APL as the eligible body must be registered under the *Corporations Act 2001* (Cth) as a company limited by guarantee. APL was formally registered as a company on 23 May 2000.

The contract entered into by the Commonwealth and APL is known as the funding agreement. The objective of the funding agreement is to ensure that any Commonwealth payments will be invested by APL only in accordance with the Act on activities that will benefit the Australian pig industry and the broader Australian community. The first funding agreement with APL came into effect in 2001. Two funding agreements are of relevance to the review period: the Funding Agreement 2015-19, and the current SFA, which came into effect on 24 June 2020.

As noted above, APL is unique among the RDCs in that the Act allows APL to use marketing levies to fund strategic policy development or other activities for the benefit of the Australian pig industry, that is, to be the industry's representative body. There is an important constraint on this function, however. Like other RDCs, APL is prohibited from using funds to engage in 'agri-political activity', defined in the SFA as 'engaging in, or

financing with Levy Funds or Matching Payments, any form of external or internal political influencing'. The current SFA provides examples of the types of activities that meet this definition and are therefore prohibited. These examples are a new addition to the definition found in the Funding Agreement 2015-19.

The SFA also lists activities *'that do not, on their own, constitute Agri-Political Activity:*

- (a) *APL undertaking strategic policy development, funding or commissioning research, or publishing a report relating to research in the Industry;*
- (b) *APL making public statements or providing information to the Industry on matters related to APL's objects in the proper performance of APL's functions; and*
- (c) *another person, engaged in agri-political activity or advocacy, using a report or other publication prepared or financed by APL in accordance with this Agreement.'* (Definitions)

Interestingly, these exclusions are defined somewhat differently in the Funding Agreement 2015-19, although there appears to be little if any practical implication of the wording changes from an APL perspective.

The statutory pig slaughter levies that fund APL are collected by DAFF under the *Primary Industries (Excise) Levies Act 1999* (Cth).

2.3 FUNDING

APL's main source of revenue is the levy paid on each pig slaughtered. The pig slaughter levy has not changed since the time of the last performance review, remaining at \$3.425 per carcass, made up of the following components:

- ⊕ \$2.25 for marketing – received by APL;
- ⊕ \$1.00 for R&D – received by APL; and
- ⊕ \$0.175 – retained by DAFF to fund the pork component of the National Residue Survey.

The Australian Government provides matching contributions to APL for eligible R&D expenditure. These contributions are capped at the lesser of 0.5 per cent of the industry's gross value of pig production, as determined by the Minister for Agriculture, Fisheries and Forestry, or the amount of R&D levy collected by the government. Government matching funds are recognised as income by APL as the eligible R&D program expenditure is incurred.

Table 2 summarises key APL financials over the review period. As the table shows, total revenue has risen by about \$2 million since the start of the review period. This has come primarily from an increase in levy (number of pigs slaughtered) and matching government revenue and also other industry contributions and grants.

Table 2: Key APL financials for the review period

FINANCIAL SUMMARY		2018/19	2019/20	2020/21	2021/22
		\$	\$	\$	\$
REVENUE					
Levies – marketing		11,912,737	11,795,330	12,414,480	12,291,723
Levies – research		5,294,550	5,242,369	5,517,547	5,462,988
Government contributions – matching		5,018,132	4,555,885	5,912,898	6,457,515
Other industry contributions and grants		538,419	812,450	1,240,091	1,025,590
<i>Subtotal – Levies and other contributions</i>		<i>22,763,838</i>	<i>22,406,034</i>	<i>25,085,016</i>	<i>25,237,816</i>
Share of profits of associates		25,659	13,082	17,960	15,435
Other income [#]		336,978	369,325	196,047	130,471
TOTAL INCOME		23,126,475	22,788,441	25,299,023	25,383,722
EXPENDITURE					
Marketing	(10,762,610)	Marketing – Brand	(6,019,264)	(7,794,409)	(8,626,880)
		Marketing – Category	(2,918,545)	(2,617,211)	(2,890,726)
Research and Innovation	(6,994,250)	Research and Innovation	(6,493,159)	(6,903,746)	(7,216,446)
Policy	(1,601,793)	Policy	(1,210,134)	(837,932)	(1,070,097)
		Communications	(1,697,215)	(1,867,733)	(1,743,888)
		Business Innovation	-	(312,954)	(261,299)
		Producer Relations	-	(1,238,362)	(1,606,791)
<i>Subtotal – Operations</i>		<i>Subtotal – Operations</i>	<i>(18,338,317)</i>	<i>(21,572,347)</i>	<i>(23,416,127)</i>
Board and Chief Executive Officer	(1,397,373)	Board and Executive Operations	(1,546,332)	(1,850,549)	(1,856,382)
Corporate Services	(2,276,760)	Corporate Services	(1,490,448)	(1,718,035)	(1,499,032)
TOTAL EXPENDITURE	(22,838,606)		(21,375,097)	(25,140,931)	(26,771,541)
SURPLUS BEFORE INCOME TAX	287,869		1,413,459	158,092	(1,387,819)

– including interest and royalties
 Source: Annual reports

It is important to note that eligible R&D expenditure is not confined to the activities undertaken by the Research and Innovation (R&I) division. Matching funds can be claimed for any activity meeting the definition of 'R&D' in the SFA. This could include market research, for example.

3. OPERATING ENVIRONMENT

3.1 INDUSTRY SNAPSHOT

The Australian pork industry produces pork for the domestic fresh pork market, for use in processed products such as ham and bacon, and for export. The majority of production goes to the domestic fresh meat market. The industry gross value of production in 2021/22 was \$1.565 billion, up slightly from \$1.557 billion in 2020/21¹. The Australian Bureau of Statistics (ABS) reports that in 2020/21 there were a total of 2.578 million pigs and 268,561 breeding sows in Australia on 1,218 registered properties².

A total of 5.49 million pigs were slaughtered in Australia producing 438,627 tonnes of pigmeat in 2021/22³. This compares with a total of 2,994,151 tonnes of red meat produced and a total of 4,356,056 tonnes of all meat (including chicken meat). Pigmeat production accounts for 10 per cent of all meat produced in Australia, well behind the 43 per cent for beef and veal and 31 per cent for chicken meat, and behind the 16 per cent for lamb and sheepmeat.

Pigmeat exports from Australia totalled of 38,631 tonnes in 2021/22, or 8.8 per cent of total production, with a value of \$148.8 million. Sales to the domestic market, therefore, accounted for around 91 per cent of total Australian production in 2021/22.

There was 185,277 tonnes shipped weight of pigmeat imported into Australia in 2021/22, with the Netherlands, Denmark, USA, and Canada being the major sources of these imports⁴. Imports place significant pressure on the competitive position of Australian processed pork in the domestic market resulting in over 75 per cent of processed pork consumption being from imported product. Due to legislated quarantine restrictions, all fresh pork consumed in Australia is of Australian origin.

All states have some pig production, with sow numbers distributed between the mainland states. Tasmania has the smallest proportion of the Australian sow herd, while Queensland has the largest number of sows (Figure 1).

¹ ABS, Value of Agricultural Commodities Produced, Australia, 2021-22, January 2023 and Value of Agricultural Commodities Produced, Australia, 2020-21, July 2023

² ABS, Agricultural Commodities, Australia 2020/21, July 2022. No updated data for 2021/22 is available.

³ ABS, Livestock Products, Australia, September 2022

⁴ APL, Import and export report BI database. <https://www.australianpork.com.au/market-reports>

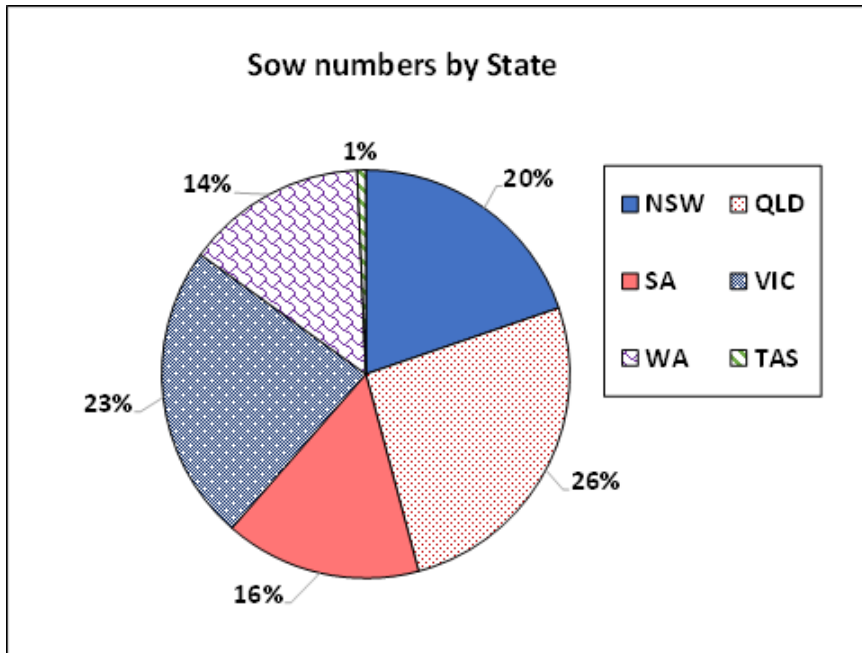
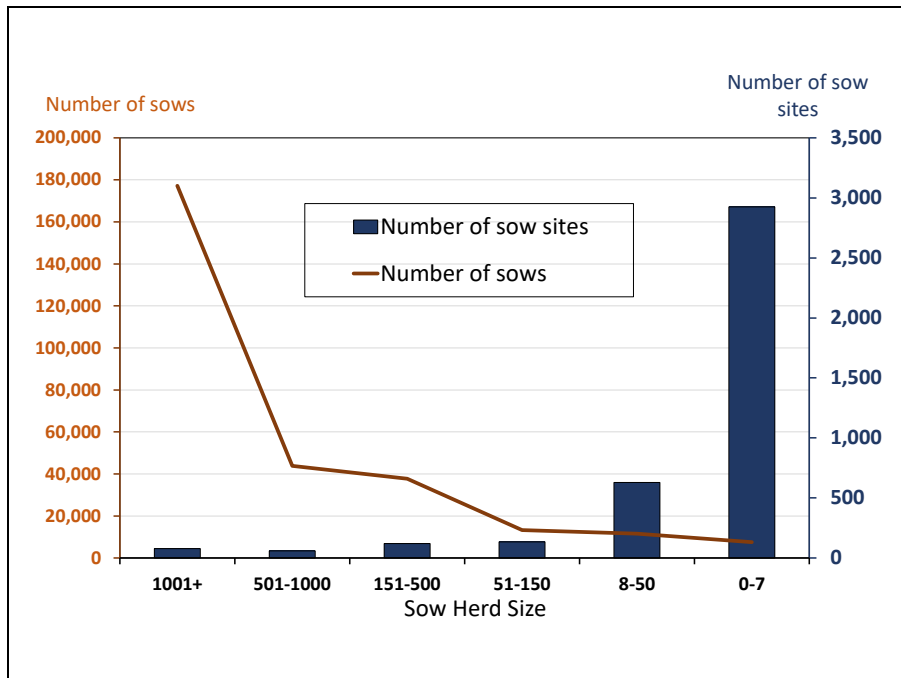


Figure 1: Sow numbers by state

Of the 3,945 sow sites recorded by APL, 74 per cent have up to seven sows but only account for 2.6 per cent of the sow herd, while 2 per cent of sow sites have 1,000 or more sows and account for 61 per cent of the sow herd⁵. Figure 2 shows the distribution of sow sites and sow numbers for different sow herd size categories.

⁵ APL, Industry Structure statistics, August 2022



Source: APL

Figure 2: Sow sites and sow numbers by sow herd size

Pig production in Australia can be either indoors or outdoors. There are three recognised types of pig farming system in Australia⁶:

1. Indoor: in which pigs are kept inside throughout their life cycle;
2. Outdoor-bred: in which adult pigs live in outdoor environments with piglets weaned onto bedding such as straw in an indoor facility for finishing; and
3. Free-range: in which all pigs live outdoors with access to shelters.

A little over 79 per cent of sows are registered as indoor under the Australian Pork Industry Quality Assurance Program (APIQ[®]), with 5.8 per cent of sows registered as outdoor bred and 5.8 per cent registered as free range. The remaining 10 per cent are classified as small producers which use a variety of systems⁷. Ninety per cent of Australian pork production is under APIQ[®].⁸

In terms of consumption, Australia consumers eat approximately 26 kg of pork per capita per annum of which about 40 per cent (10.2 kg) is fresh meat and 60 per cent is processed product such as bacon, ham, and

⁶ APL, <https://www.australianpork.com.au/about-pig-farming>

⁷ APL, Industry Structure statistics, August 2022

⁸ APL, Annual Report 2021-2022

smallgoods⁹. Fresh pork consumption per capita has been increasing over recent years (by 4.7 per cent since 2015) while processed pork consumption per capita has increased by 5.4 per cent.

3.2 TRENDS IN PRODUCTION, PRICES, AND MARKETS

World production of pork was relatively steady at 170 to 176 million tonnes in the years between 2013 and 2018 according to data from the Food and Agriculture Organization (FAO) of the United Nations¹⁰, but then dropped very sharply in 2019 to 151.7 million tonnes mainly due to the outbreak of African swine fever (ASF) in China. China, which accounted for 55 per cent of the world pig herd in 2018¹¹, first reported ASF in August 2018. China's pig herd dropped by 28 per cent in 2019, and the world pig herd contracted by 12 per cent. China's share of the global pig population fell to 48 per cent. According to the FAO, world pork production fell by 22 million tonnes in 2019 and China's pork production fell by 11.5 million tonnes as the result of the drop in herd numbers, causing consumers in China and around the world to substitute to other sources of protein.

Pig numbers in China recovered rapidly in 2020 and this continued into 2021. China's pig herd numbers jumped by 31 per cent in 2020 and by a further 11 per cent in 2021¹² to 449 million head, above the level seen in 2017. World pig numbers were also above the 2017 level in 2021. This increase in herd numbers caused world pork production to rise by 16 per cent in 2021, driven mainly by a 28 per cent surge in China's production.

The sharp decline in pork supplies in China in 2019 resulted in a sharp increase in pork prices, which led Chinese consumers to substitute towards imported meats. The volume of China's pork imports doubled, poultry rose by 77 per cent, beef by 72 per cent and sheep meat by 42 per cent. The increase in import demand from China pushed up global protein prices in China and globally.¹³ According to the Organisation for Economic Co-operation and Development (OECD), the annual average world price for pork increased by 10 per cent in 2019, before steadying in 2020¹⁴ as supplies returned to normal. The average annual world price increased by 22% in 2021.

The Australian pig herd and pork production represent a very small proportion of the world market, accounting for just 0.18 per cent of the world herd and 0.25 per cent of world production in 2021¹⁵. Australian sow and pig herd numbers recovered from the low seen in the early and mid-2000s, with the sow herd stabilising at around 265,000 head in recent years¹⁶. Australian pig slaughter and pork production has followed this trend, as can be seen in Figure 3.

⁹ APL, Strategic Plan 2020-2025

¹⁰ Food and Agricultural Organisation of the United Nations, FAOSTAT statistics database.
<https://www.fao.org/faostat/en/#data/QCL>

¹¹ Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), Agricultural Outlook, December 2022. <https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/african-swine-fever>

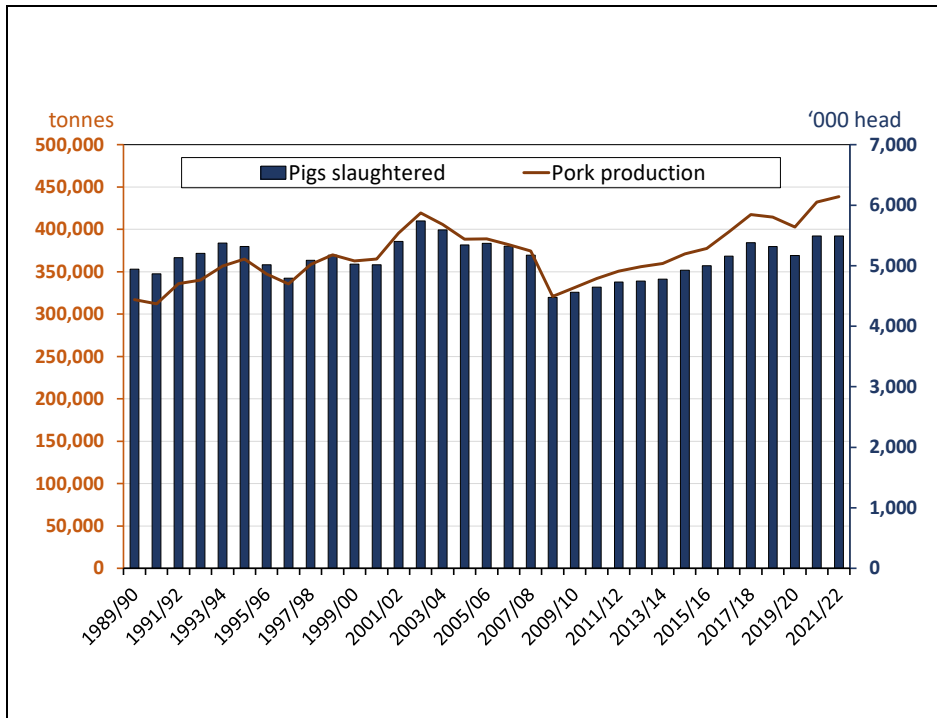
¹² FAO, FAOSTAT statistics database

¹³ ABARES, Agricultural Outlook, December 2022

¹⁴ OECD, 'OECD-FAO Agricultural Outlook 2022-2031' database.
https://stats.oecd.org/Index.aspx?DataSetCode=HIGH_AGLINK_2022#

¹⁵ FAO, FAOSTAT statistics database

¹⁶ APL, State of the Industry Report 2021. A report prepared by Thomas Elder Markets, September 2021

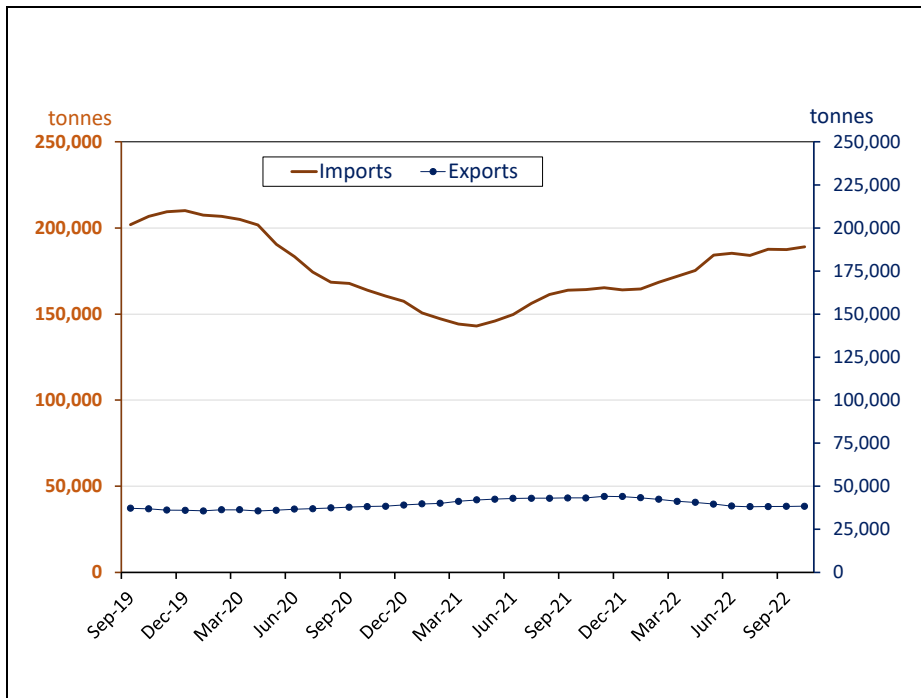


Source: ABS

Figure 3: Pigs slaughtered and pork production in Australia

Imports into Australia have remained relatively constant as a share of the domestic market between 2009 and 2019, after a rapid increase in share from the mid-1990s¹⁷. More recently, imports declined through 2020 and into 2021, in part as a result of the ASF outbreak in China and in part due to Covid. Imports have since increased, although remain below pre-2020 levels, as shown in Figure 4. Australia’s exports increased in 2021 but eased back in 2022.

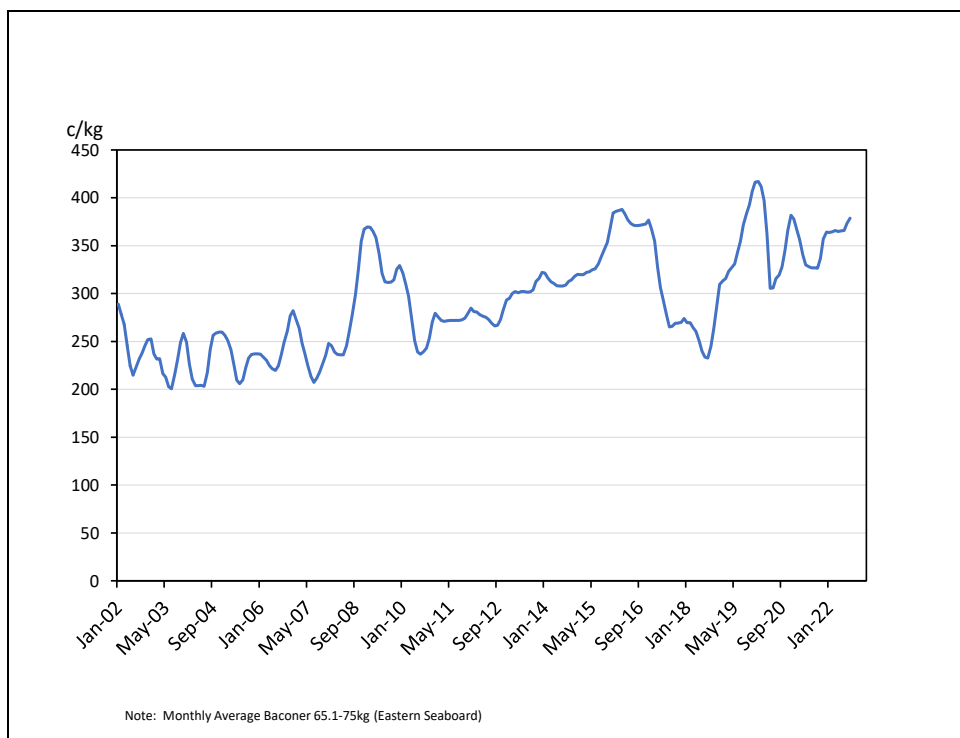
¹⁷ APL, State of the Industry Report 2021. A report prepared by Thomas Elder Markets, September 2021



Source: APL

Figure 4: Australian pigmeat imports and exports (12-month moving aggregate)

Following the steep decline between 2017 and 2019, pork prices in Australia rebounded sharply before a period of volatility through 2020 and into 2022 (Figure 5). In spite of the volatility seen in the past two years, there is an overall upward trend in nominal prices, which would encourage producers.



Source: APL

Figure 5: Pork prices (saleyard)

3.3 INDUSTRY ISSUES AND DEVELOPMENTS

The Australian pork industry faces many significant challenges. The industry and APL are clearly aware of these and have plans and activities in place to address them. These challenges are very similar to the issues identified for the last performance review and include:

- ⊕ **Consumer and community confidence in the pork industry (social licence).** This is a high priority and represents a key strategic theme within APL’s strategic plan. Key areas of focus include biosecurity leadership, industry sustainability and climate friendly farming, leadership in animal care and food safety. A key emerging issue is the development of the next iteration of the Australian Animal Welfare Standards and Guidelines for Pigs which many stakeholders see as both an opportunity and threat for the industry.
- ⊕ **Industry integrity.** APL and industry investments into APIQ[✓]® and the PigPass national vendor declaration (NVD) are designed to improve and demonstrate the pork industry’s food safety credentials to the broader Australian community.
- ⊕ **Biosecurity.** Maintaining a high level of biosecurity of both registered pig production sites and of the whole industry remains a key issue for the Australian pork industry. The recent outbreak of Japanese encephalitis and the ever-present threat of ASF and foot-and-mouth disease highlight the importance of maintaining strict biosecurity protocols both nationally and on-farm. Effective biosecurity is also one of the key mechanisms in protecting the position for Australian fresh pork.

- # **Cost of production.** It is estimated that Australia's cost of production (COP) is over \$1 more per kilo than that of the US (the Australian COP is circa A\$2.80/kg) and processing costs double those of the US¹⁸. Improving reproductive efficiency and further increasing carcass weights are key platforms to continuous improvement in productivity.
- # **Eating quality.** This is also a priority in a bid to further increase consumer satisfaction. The percentage of consumers eating pork who reported that they have a bad experience with the meal was higher than for beef or chicken¹⁹. The key focus is on improving intramuscular fat through breeding and management interventions.
- # **Grain price and availability.** Grain is the main component of an intensive pig diet and grain prices have a significant effect on profitability. The Russia/Ukraine war has had an impact on global grain prices and further strengthens the priority for improvements in productivity, and/or the development of alternative feed sources.
- # **Labour availability.** The pandemic has greatly impacted the Australian labour market and is a cause of some concern for labour in piggeries and processing facilities.

¹⁸ Innovation Plan 2020-25

¹⁹ Innovation Plan 2020-25

4. GOVERNANCE AND PEOPLE

4.1 STRUCTURE AND COMPOSITION OF THE BOARD

Under the APL Constitution, the board may comprise up to nine directors. Five directors are elected by the delegates ('elected directors') while four are specialist directors. Candidates for specialist director positions are recommended by the People & Culture Committee and approved by the board, with any such appointment to be ratified by a majority of delegates at the next general meeting. A director's term extends until the third annual general meeting (AGM) following appointment and a maximum of three terms may be served.

There has been a significant turnover in board membership over the review period. In total there have been 19 directors of APL between January 2019 and December 2022 (Table 3). Of the current nine members, only one was serving as an APL director at the time of the previous review in 2019. Turnover was particularly high during 2021/22 when two specialist directors and one elected director retired mid-term. All were replaced. One further elected director retired at the 2022 AGM and was replaced.

Table 3: Directors of APL during the review period

YEAR*	2018-19	2019-20	2020-21	2021-22	2022-
Andrew Johnson	X	-	-	-	
Brian Luxford	X	X	-	-	
David Plant	X	X	-	-	
Rod Hamann	X	X	X	-	
Edwina Beveridge	X	X	X	X	
Andrew Baxter	X	X	X	X	X
Kathy Grigg	X	-	-	-	
Geoff Starr	X	X	X	To May	
David Lock	X	-	-	-	
Mark McLean		X	X	X	X
Gerard Davis		X	X	To Feb	
Gail Owen		X	X	X	X
Dawson Bradford			X	X	X
Mark McKenzie			X	To Mar	

YEAR*	2018-19	2019-20	2020-21	2021-22	2022-
Kenton Shaw				X	X
Richard Horsham				From Mar	X
Bronwyn Harch				From Jun	X
Tony Lowings				From May	X
Tim Kingma					X

* Between AGMs in November of each year

The current chair, a specialist director, was elected to the position by the board in September 2019 following the retirement of a specialist director who had held the role for 12 months. (The departure of the previous chair is discussed further in section 4.2.) There has been no deputy chair throughout the review period.

There does not seem to be any particular concern among industry about the recent turnover of directors at APL, nor is there any suggestion that it was triggered by systemic dissatisfaction with the company. The current board members are highly capable individuals and are generally held in high regard by industry stakeholders. Some industry stakeholders expressed concern about the visibility of the board. With Covid restrictions no longer in place, there is an opportunity for directors to increase their interactions with producers.

Under the constitution (rule 14.5(e)), the board must endeavour to ensure that it will collectively have skills and experience in corporate governance; pig production; production or processing of pig meat; product promotion and retail marketing; market development and international trade; R&D, technology transfer, commercialisation of R&D and innovation; conservation and management of natural resources; administration of R&D; and business and financial management. These disciplines appear to have been well covered by the collective board membership over the review period.

In the board performance evaluation of 2020 (see section 4.2), directors identified accounting and advocacy, and experience in the broader ‘agricultural / agri-food / processing’ domain as gaps. With the possible exception of advocacy, recent appointments appear to have filled these gaps. There is no specialist accountant, but all members have strong budget management experience, and the finances of APL are relatively uncomplicated.

Board diversity was also discussed in the 2020 review. Membership of the board has changed significantly since that evaluation, but the observations at the time that the board is not balanced for gender and has almost no cultural diversity still hold true. These are difficult imbalances to correct when they likely reflect the demographics of the pork industry itself, and we note that the specialist director appointments do show gender balance. There is comprehensive geographic diversity among directors, including very strong international experience.

4.2 BOARD PRACTICE

APL’s board performance review policy stipulates that an evaluation of board effectiveness and the contribution of directors will be undertaken in September every two years as a minimum, with every alternate evaluation to

be carried out by external party. The APL board has undertaken three evaluations of its performance during the review period, following a comprehensive external review in 2017:

- ⊕ In September 2019, a 'light-touch' evaluation was undertaken involving an analysis of two self-assessment surveys by the expert who conducted the 2017 review. The reviewer concluded that the board was highly functional, demonstrating constructive interactions, a willingness to improve, and a record of having implemented the findings of the 2017 review. Six relatively minor recommendations for improvement were made by the reviewer.
- ⊕ In November 2020, an external evaluation was completed by a different consultant, who interviewed directors, reviewed important board-related documents, and facilitated the completion of a diversity matrix. This evaluation was positive in its assessment of the board and noted a number of recent improvements that had been made to its performance and operations.
- ⊕ In September 2022, a self-evaluation, facilitated by a different external party, was undertaken. The report from the evaluation generally showed positive results in respect to strategy and direction, organisational culture, effective leadership, stakeholder engagement, expectations of members and delegates, risk management and compliance, financial results, evaluation and improvement, board organisation, meeting attendance, and meeting efficiency.

The results of the board evaluations, and the insights gained from interviews with current and former directors for this current review, indicate a generally high level of satisfaction with the dynamics and operation of the APL board (noting that half of the current directors have been on the board for less than twelve months). Directors are very conscious of the need to effectively manage conflict of interest, the potential for which is inevitably high in a company serving a relatively small and highly concentrated industry. An example of APL's management of conflict of interest occurred in 2019. The chair at the time proposed to enter into business dealings that presented the potential for conflict of interest with their role on the APL board. Following discussions with the executive and board, the chair elected to retire from the board.

Because of the high proportion of relatively new directors, refresher training in the management of conflict of interest has been scheduled for the February 2023 board meeting. For the same reason, the Company Secretary may also wish to check that all directors feel fully inducted into their roles. There was some commentary to the review that, due to Covid restrictions, not all recently appointed directors have had the opportunity to go through a full induction process, and therefore feel they have insufficient understanding of APL's policies and processes.

Board activities are guided by a board manual. The Australian Securities Exchange (ASX) Corporate Governance Council recommends that boards of listed entities '*have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management*'²⁰. The 2017 external board evaluation noted that the manual contained '*much of the information generally contained within a [board] Charter*'. The manual summarises key elements of the constitution and the code of conduct, procedures, and policies with immediate relevance to the board.

²⁰ ASX Corporate Governance Principles and Recommendations, 4th, edition 2019. Whilst APL is not a listed company, the 'ASX Principles' are considered by DAFF the benchmark for governance standards in RDCs.

The board manual was last updated in November 2020. Given the rapid evolution of ethical and legal obligations of companies, and changes within APL (for example, the replacement of Research & Development Advisory Committee (RDAC) with the Investment Committee – see below) it would be appropriate to review and update the board manual.

RECOMMENDATION: APL SHOULD REVIEW AND UPDATE ITS BOARD MANUAL IN LINE WITH CURRENT GOVERNANCE STANDARDS

It seems clear that there is a strong and constructive relationship between the chair and CEO. However, we note the observation by certain directors of a tendency among senior management to respond defensively at times to board enquiries or feedback.

4.3 COMMITTEES

The board has five committees:

- ⊕ Audit, Risk and Corporate Governance (ARCGC);
- ⊕ Investment;
- ⊕ Industry Marketing;
- ⊕ People and Culture; and
- ⊕ Industry Integrity.

The committee structure has evolved somewhat since 2019 when the previous performance review was carried out, with only ARCGC unchanged in name. Most notably, the Investment Committee replaced the previous Research & Development Advisory Committee (RDAC) and has quite a different structure and remit. A fuller discussion on RDAC is provided in section 6.1.1. The Industry Integrity Committee is the new name for the former Quality Assurance & Animal Welfare Committee.

The most recent board performance evaluation to examine committees was completed in 2020. That review found that *'most Board members and the Executive believe there are the right number of Committees with appropriate terms of reference that are working effectively'*. It noted that a series of individual issues had been raised, including a suggestion to increase diversity and skills on the committees through the use of external personnel, and for more flexibility in committee meeting frequency.

In relation to meeting frequency, the Industry Marketing and Industry Integrity Committees are only required to meet twice per year as a minimum under their terms of reference (TOR), and People and Culture three times. In some years these committees have in fact only met twice. It can be challenging to maintain the constructive dynamics of a committee when it meets this infrequently, particularly when there is high director turnover, and one director interviewed for this review suggested that certain committees needed to meet more often. This is a matter for the respective committees and the board to consider, and we do note that most of the committees met more frequently in 2021/22 than they had previously.

We understand that all of the committee TORs are reviewed annually (in February), and this is consistent with the recommendation of the Australian Institute of Company Directors (AICD)²¹. However, these revision dates are not shown on the document itself. We suggest that APL consider including at the top of each committee TOR a table showing effective date, next revision date, and responsible officer, to manage version control.

RECOMMENDATION: APL SHOULD ADD TO EACH BOARD COMMITTEE TERMS OF REFERENCE THE EFFECTIVE DATE, NEXT REVISION DATE, AND RESPONSIBLE OFFICER, TO MANAGE VERSION CONTROL

4.4 DELEGATES

The APL Constitution (rule 10) establishes a group of delegates to represent APL members at general meetings of the company. Delegates are appointed every three years. Members' voting power in the election of delegates is directly proportional to the quantum of pig slaughter levy that they have paid. Prior to each election, APL calculates a 'delegate levy amount' according to a formula prescribed in the constitution. This number is the amount of levy paid that is required by a nominee to gain appointment. Members who have paid multiples of the delegate levy amount may elect that number of delegates, and any 'surplus' votes may be redirected to other nominees. A nominee who receives votes insufficient for election may also redirect their votes to another nominee. Delegates may, but need not be, a member or a director of APL.

Delegate elections were held in 2019, when 32 delegates were elected, and in 2022, when 36 were elected.

Delegates have important rights and responsibilities in the governance of APL. They are entitled to attend and speak at general meetings and to vote on any matter '*other than matters reserved to Members under the APL Constitution or the Law*' (rule 10.5(b)). Importantly, the delegates elect the elected directors of APL and ratify the specialist director appointments. Delegates also participate in delegate forums held in May and November each year, the latter in conjunction with the annual general meeting. Delegate forums are normally face-to-face, although from November 2020 to May 2022 were held online due to the restrictions of the pandemic. The delegate forums are important mechanisms for both the representation of members' views to APL, and the conveyance of information from APL to members, via the delegates.

As intended by its design, the delegate system favours large members. Sunpork and JBS Rivalea, for example, can automatically elect several delegates. A smaller producer or other interested party who wishes to nominate as a delegate must commit a considerable degree of effort to assemble the necessary votes. There is some concern that, with further consolidation, the delegate structure will become even more weighted towards large producers. Both the 2014 and 2019 performance reviews of APL noted a sense of disenfranchisement among smaller producers in relation to the delegate system. The 2019 review reported a number of efforts by APL to include a broader demographic (by gender, geography, production system and size) in the delegate forums. These initiatives were well received. They were continued in both of the 2019 and the May 2020 forums and

²¹ www.aicd.com.au/content/dam/aicd/pdf/tools-resources/director-tools/board/board-committees-director-tool.pdf

were re-instituted in the November 2022 forum, the first to be held face-to-face post-Covid. In our view these are important initiatives and we commend their continuation.

4.5 RISK MANAGEMENT AND COMPLIANCE

APL has a composite Risk Management and Fraud Control Plan. This document describes APL's approach to risk management and includes a risk register that systematically identifies, analyses, and describes controls for (currently 23) risks to the business. APL also has a Business Continuity and Disaster Recovery Plan.

The Risk Management and Fraud Control Plan is reviewed every six months by the ARCGC and adopted annually by the board. The plan was last reviewed in November 2022. Management reviews the 'severe', 'high', and 'major' risks quarterly and updates the ARCGC biannually.

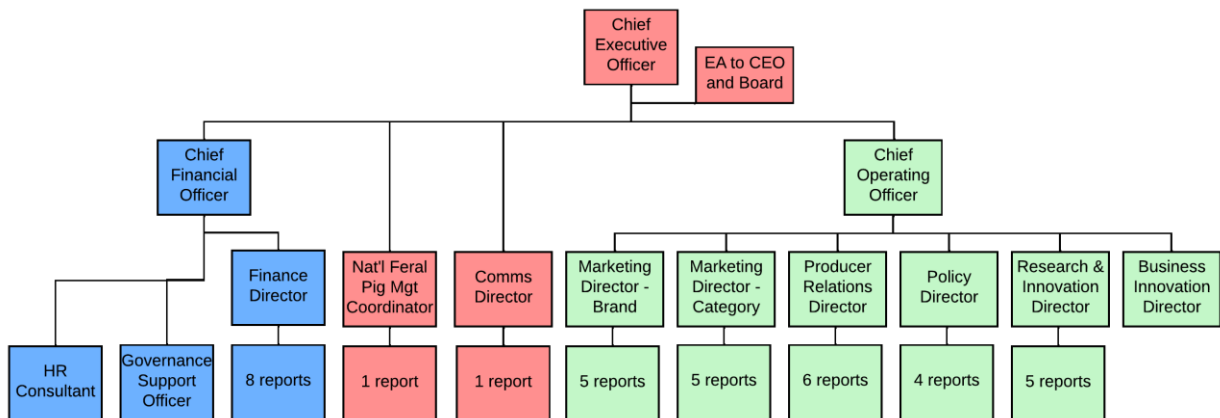
APL's risk management was reviewed by the internal auditor, KPMG, in July 2020. The audit found that APL *'...have a good understanding of risk management and are committed to creating a strong culture of risk management at all levels within the organisation. In practice, the maturity of risk management policy and documentation is varied with opportunities to better align their risk management artefacts to their five-year Strategic Plan.'*

The audit resulted in 11 recommendations for improvement, including that APL develop a risk management policy and framework, and risk appetite statement, and that all these be aligned with and support the strategic plan. There has been considerable discussion since the KPMG report among the board in relation to these recommendations, and in particular that concerning the risk appetite statement, and these are ongoing.

There is a thorough approach to compliance at APL. A compliance status report is provided as a standing item at each board meeting by the CFO. This report systematically identifies the obligations imposed by the constitution, the SFA, and the Australian Securities and Investment Commission, as well as critical contract dates such as office lease expiry, showing previous action date, due date, action status, person responsible, and any additional commentary. SFA meetings between APL and DAFF include a briefing on APL's compliance with the provisions of the agreement. Compliance audit reports and compliance certification reports have been provided each year to DAFF as required under the SFA.

4.6 MANAGEMENT TEAM AND ORGANISATIONAL STRUCTURE

The executive team comprises the CEO; the Chief Operating Officer (COO), responsible for Operations; and the CFO / Company Secretary, who heads the Corporate Division of APL. The Communications Director reports directly to the CEO as does the National Feral Pig Management Coordinator (Figure 6).



Note that several positions were vacant as of December 2022

Figure 6: APL organisational chart as at 7 September 2022

A series of ‘directors’ form the next layer of management. In the Operations division, these directors²² comprise the Operations Leadership Team (OLT). The formation of the OLT was agreed among the executive, in an effort to break down silos, improve cross-functionality between groups, and strengthen succession. These concerns were noted in the 2019 review. The OLT meets twice per month and members are exposed to the board where their speciality warrants it. There has been significant turnover among the OLT, as there has been across the organisation as a whole (see below).

Notably, since the last review, APL has established a Producer Relations Team (PRT) headed by a director reporting to the COO. The purpose of the PRT is to strengthen APL’s engagement with its member base. The PRT is further discussed in section 7.1.1.

The current organisational structure is quite different to that of 2019, when there were five ‘C-suite’ executives, with General Managers (GMs) for Research & Innovation (R&I), Marketing, Policy, and Corporate Services divisions reporting to the CEO. The restructure was instituted soon after the current CEO joined APL in August 2019. We understand that one of the reasons for the creation of the COO position was to allow the CEO to take a predominantly outward facing role.

We also note that the current organisational structure is not reflective of the intended longer-term structure, which will see a head of R&I (referred to internally as a Chief Technology Officer (CTO)) to the executive team. A GM R&I was appointed in 2020, although the position was later demoted to be subordinate to the COO, which created some concern among industry. The appointee left the organisation in November 2022.

²² We find the use of the title ‘director’ among staff to be quite confusing, and this confusion also clearly exists among some stakeholders. APL might consider changing this title to ‘senior manager’ or similar which is commonly used by other RDCs.

In our view, and that of a number of interviewed industry stakeholders, the current triumvirate arrangement creates a lopsided organisational structure and needs to be rebalanced as soon as possible. The Operations division comprises two-thirds of APL staff and is very diverse in its functions, covering brand and category marketing, producer relations, policy, R&I, and business innovation. This, and the general understanding that the COO is effectively a deputy CEO, leads to a power imbalance within the executive team. Executive teams perform best when there is a good balance of voices and views.

The other obvious problem with the current structure is that the COO cannot possess all of the technical skills required to execute the role. Indeed, the incumbent COO has acknowledged marketing skills but no background in RD&E, so R&I is not well represented at executive level. This is clearly an issue of contention among several of the stakeholders interviewed for the review.

A recruitment process is currently in progress to identify a new CTO. We note, however, that APL has struggled to identify a long-term leader for R&I since the longstanding GM departed the company in 2016²³. APL is seeking a pig scientist of international standing for this position. The company acknowledges that an individual of this stature, who is available and willing to take the position when large private companies can offer very competitive packages, will be hard to find.

We wonder if APL may be 'aiming too high' and should adjust its expectations. Research funders like APL do not have to be the source of all innovative ideas; they need to know where to find those ideas and how to prioritise the investments whose outcomes will best serve their industry. An individual with good experience in the pork industry (or even another livestock industry), a solid research background but above all a comprehensive understanding of livestock production systems could be a very competent manager of R&I at the executive level.

In any case, we believe that APL needs to address the lack of a senior R&I leader as soon as possible in order to maintain the confidence of industry that APL is placing sufficient priority on RD&E. The inclusion of a CTO²⁴ would also go a long way to addressing the current imbalance in the executive team and the organisation as a whole. There are broader concerns about R&I, however, that are unlikely to be fixed quickly by a new leader (see section 6.1).

RECOMMENDATION: AS A MATTER OF SOME URGENCY, APL NEEDS TO APPOINT AN EXECUTIVE MANAGER TO OVERSEE R&I ACTIVITIES OF THE COMPANY. THIS APPOINTMENT SHOULD BE MADE IN CLOSE CONSULTATION WITH APRIL

²³ This is discussed in section 4.6 of the 2019 performance review.

²⁴ We would also encourage APL to consider whether 'CTO' is the most appropriate title for the R&I leader. 'Technology' usually conveys an applied science or engineering focus, and in most companies the CTO is an internally focused role concerned mainly with information and communications technology. APL supports basic and strategic research whose outcomes would not generally be regarded as 'technologies' – for example, R&D on animal welfare.

4.7 STAFFING

As of 31 December 2022, APL had 44 staff (43.1 fulltime equivalents or FTE), with four further vacant positions in the process of being filled. The 2019 performance review noted that as of 30 June 2018, APL employed 38 full-time and five part-time staff, so there has been a moderate increase in staff numbers over the last 4.5 years.

Staff turnover is a major challenge for APL. The 2019 performance review noted that staff turnover was high during the period of that review (2015-2018) and in excess of the target set by APL in its strategic plans. APL has not reported turnover as a KPI in its annual report since 2018/19. The company has advised that, during 2021/22, employee-initiated attrition rate was 26.1 per cent, and in just the first half of 2022/23 was 15.9 per cent. Average length of service as of 30 June 2022 was 4.78 years.

The Corporate division has been particularly affected by the loss of staff, which is not surprising given the ready transferability of skills such as finance. Corporate appears to have been significantly under-staffed over the last two to three years. The number of staff hours available annually to fill the corporate function decreased from 15,525 to 8,625 between 2020 and 2022 (although partly due to reduced responsibilities), which led to staff working long hours and a corresponding impact on morale. Recent appointments should reduce this strain.

As noted in the previous performance review, APL has found it difficult to compete with public service rates of pay, and its small size means that career paths are limited. Poor treatment by an APL member apparently also contributed to the departure of at least one member of staff.

We are not in a position to judge whether these factors explain all of the apparent difference between the turnover of APL and similar organisations or whether other factors are also at play. There is concern in government circles that APL's recent high staff turnover is above what other Canberra-based organisations and RDCs seem to be experiencing. That same concern was expressed by several industry stakeholders. It is difficult however to make comparisons with other RDCs we have reviewed. Only two of the other 14 RDCs (Fisheries Research & Development Corporation (FRDC) and Grains Research & Development Corporation (GRDC)) are located in Canberra. Both are quite different to APL; for example, GRDC is much bigger and does not provide a marketing function, while FRDC does not serve an agricultural industry and plays important public good roles. Also, both are statutory rather than industry-owned RDCs.

We understand that APL has recently increased the salaries it offers and is now close to meeting market rates. APL has also started to recruit outside Canberra and to allow flexible working by staff. A small group of staff operate primarily out of Sydney, including the COO. These are commendable developments. RDCs, like many organisations and companies, have become increasingly flexible in their workplace arrangements. Most or all have staff working remotely from the main office and often interstate (Meat & Livestock Australia (MLA), AgriFutures Australia, and GRDC, to give just three examples). A distributed workforce does present some challenges in maintaining company culture and cohesion, but these are generally outweighed by the ability to recruit the right talent.

Meetings of all staff are held via Microsoft Teams every week, hosted by the CEO. These meetings are reported to be valuable in keeping staff aware of what is happening and assisting them to feel connected.

Due to its size, APL uses a human resources (HR) consultant in preference to an internal position. The HR consultant is very experienced but does not appear to be as integrated into the business as they could be. For example, they do not run the staff survey, which would normally be an HR function. The CEO has regular

meetings with the HR consultant although we were surprised that the HR function reports to the CFO rather than directly to the CEO. It is invaluable for a CEO to have a direct conduit to matters concerning staff.

4.8 CORPORATE CULTURE

Our interviews with staff indicated that the culture at APL is generally positive. Interviewees described the workplace as hard-working, committed, and friendly, and noted the mentoring of staff as a feature. The company specifically recruits for cultural fit as well as skills. The 2019 performance review also found a largely positive culture at APL, although there were some tensions between the R&I and Policy groups and some silo behaviour. We found no evidence of these negative behaviours from interviews for the current review, possibly due to personnel changes and the restructuring described above.

APL historically conducted a biennial staff survey. This survey is now done annually. Consistent with the interviews for this review, the results of the 2022 survey indicate a constructive culture.

5. PLANNING AND REPORTING

5.1 INTRODUCTION

The current SFA came into effect from 24 June 2020 and will expire on 23 June 2030. Some of the review period was under the operation of the previous funding agreement, however this was for a limited time, so only the requirements of the new SFA will be considered for this review.

APL's planning and reporting functions are prescribed by the SFA and the Act. There are three principal documents that are relevant to the planning and reporting functions of APL. These are:

- ⊕ The five-year strategic plan;
- ⊕ Annual operating plans (AOPs); and
- ⊕ Annual reports.

The Strategic Plan 2020-2025 largely spans the period of this review. Four AOPs have also been prepared (2019/20 to 2022/23 inclusive) and three associated annual reports (2019/20 to 2021/22 inclusive). APL also developed and released an Innovation Plan 2020–25.

Two other APL documents of note in relation to planning are the APL Stakeholder Consultation 2022 plan and APL's Sustainability Framework 2021-2030.

5.2 INNOVATION PLAN

Following an external review of innovation and the R&D model for industry investment conducted in 2018²⁵, APL developed a new Innovation Plan 2020-2025. There were some specific changes to the way APL managed its innovation portfolio as a result, including a move to:

- ⊕ More 'horizon' projects (70%); and
- ⊕ Fewer 'solutions' projects (30%).

'Horizon' projects are transformational, long-lasting, and riskier industry investments whereas 'solutions' projects may be either pro-active or responsive and typically carry low technical risk.

Another significant change signalled in the plan was the discontinuation of the specialist groups which operated for specific industry issues (Marketing Development, Production and Welfare, Environmental Management, and Biosecurity and Product Integrity) and the RDAC, and the formation of a new Investment Committee to oversee R&D investments (see sections 4.3 and 6.1.1).

It appears that one of the drivers for change arose from a 2019 report, commissioned of Ernst & Young by the Department of Agriculture and Water Resources (DAWR)²⁶, that included a recommendation (one of five) of

²⁵ Anwen Lovett Consulting, APL Review of Innovation and R&D Model, February 2019

²⁶ Ernst and Young, Agricultural Innovation - A National Approach to Grow Australia's Future, 2019

‘Balancing funding and investment to solve short-term challenges as well as targeting transformational and cross-commodity outcomes’.

The innovation plan also provides considerable detail on the rationale for and focus of APL’s R&D investments. It is a very useful document that helps guide staff and the Investment Committee.

5.3 STRATEGIC PLAN

As noted earlier, APL’s SFA came into effect on 24 June 2020 and is for the period 2020 to 2030. The new funding agreement differs from the previous one in that it is far less prescriptive. The previous agreement contained detailed provisions on the required elements of APL’s strategic plan (in section 12.8 (six points) and section 12.10 (16 points)). Section 13 of the new agreement now simply states:

13.1 The Parties acknowledge that, as at the date of this Agreement, APL has, and will maintain, an approved Strategic Plan that has regard to the Performance Principles and Guidelines.

13.2 APL must maintain the Strategic Plan for its portfolio and must:

- a. consult with the stakeholders and the Commonwealth to ensure that its Strategic Plan has regard to the Principles and Guidelines; and*
- b. publish the Strategic Plan (and any updates) on its public website.*

It is evident from the ‘Message from the board’ at the start of the current strategic plan that, for the creation of the 2020-25 strategic plan, APL sought to do something different. The strategic planning consultation approach for 2020-25 was loosely inspired by the adage that *‘if you do something the same way as before, you’ll get the same results’*. The plan notes that *‘...APL deliberately took a different approach to the consultation [on the strategic plan], asking stakeholders to identify possible futures and how those futures might be created or avoided’*.

While the actual strategic plan that was created is a good document, it appears from consultations for this review that the process, and the facilitator used, to develop the strategic plan were not appreciated by industry. This resulted in disengagement with the strategic plan by key stakeholders and members.

The outcome from the strategic planning process resulted in *‘a new purpose for APL – to enable a thriving pork industry’*. The plan is built around five new strategic themes (introduced in 2020/21) that had some similarities with those of the earlier (2015-20) plan. A comparison of the strategic themes between the two plans is given in Table 4. The table is colour coded to show similar themes across the two plans (not white).

Table 4: Comparison of strategic themes of APL plans

2015-2020 STRATEGIC PLAN	2020- 2025 STRATEGIC PLAN
Growing consumer appeal	Market and product differentiation
Building markets	Manage volatility for viable farms
Driving value chain integrity	Drive consumer demand
Leading sustainability	Leading community social licence
Improving capability	Building industry shared vision

The plan itself is well written and gives a degree of detail about what elements fall under each of the strategic themes. The plan has high-level, Australian pork industry key result areas (KRAs) but no APL key performance indicators (KPIs). The industry-level KRAs are reproduced in Table 5.

Table 5: Australian pork industry KRAs listed in the APL Strategic Plan 2020-2025

STRATEGIC THEME	INDUSTRY OUTCOME	MEASURE	TARGET OBJECTIVE	
			2020	2025
Market and product differentiation	Increased domestic preference for pork as a protein source	Frequency of retail purchase per annum	9	11
	Increased diversity of markets and products	Number of new markets worth \$50m revenue (includes premium)	0	5
Manage volatility for viable farms	Price stays within historic trend range	Price variation adjusted for inflation (A\$/kg HSCW*)	3.14 – 3.64	3.40 – 3.90
	Reduce cost of production	Indexed cost of production at constant grain price	100	85
Drive consumer demand	Increased domestic popularity of pork	Per capita fresh pork consumption (HSCW kg)	10.2	11.1
	Increased international demand for Australian pork	Australian pork international sales (A\$m)	137.9	240.0

STRATEGIC THEME	INDUSTRY OUTCOME	MEASURE	TARGET OBJECTIVE	
			2020	2025
Leading community social licence	Demonstrated leadership on social licence issues	Social licence leadership positions taken	1	3
	Maintaining Australia's biosecurity credentials	Number of new exotic diseases detected	0	0
Building industry shared vision	Meaningful member engagement	Members who know their primary APL contact name (%)	60	90
	Increased on-farm adoption	Members who can recall APL adoption this year (%)	30	80
	Effective research extension	Producers who consumed APL information (%)	20	50

* Hot standard carcass weight

Many agricultural sectors have an industry-level strategic plan 'owned' by the peak body. The strategic plan of the industry's services body/ies then has KRAs and targets that contribute to the achievement of the industry-level plan. A prominent example is the Meat Industry Strategic Plan, to which the MLA, the Australian Livestock Export Corporation and the Australian Meat Processor Corporation (AMPC) strategic plans are essentially subordinate. Wine, cotton, and wool have similar approaches. This hierarchy of strategic plans recognises that industry services bodies are subservient to the needs of the broader industry but at the same time not responsible for all of the activities required to deliver on industry ambitions.

Pork is different to other sectors because its peak body and services body are the same organisation. There is no natural 'owner' of an industry-level strategic plan for the pig industry except APL. APL is therefore to be commended for including industry KRAs in its strategic plan, as it was commended in the previous performance review.

The plan could be improved by the inclusion of APL-specific KPIs. The plan itself notes that APL has limited influence over several of the KRAs (see also section 5.4 on AOPs), so it can only be held partially accountable for them. The plan should define clear performance measures and targets, which contribute to the KRAs, and for which APL is directly responsible. Some of the current KRAs could be APL-specific KPIs (for example, 'Members who know their primary APL contact name'). A recommendation to this effect is made in section 6.6.

The strategic plan could also include expanded commentary in the section on collaboration about APL's considerable investment in Rural R&D for Profit programs. There is good alignment between APL's strategies and both the National Science and Research Priorities and the National Primary Industries Research Development and Extension Framework. There is also good coverage of financial forecasts and corporate governance and compliance statements.

Portfolio balance is also referred to in the plan and again the 70 per cent ‘horizon’ and 30 per cent ‘solutions’ target is reiterated. It is unclear from planning documents how well APL has achieved that balance (see also section 6.1.5).

5.4 ANNUAL OPERATING PLANS

Under the previous SFA, APL was required to prepare and submit to the Commonwealth an AOP prior to 1 July of each financial year, in compliance with the terms in sections 12.17 to 12.20 of the agreement. There is now no mention of AOPs in the revised SFA, although it is good corporate governance to prepare one annually, which APL has routinely done.

AOPs from 2019/20 to 2022/23 inclusive were reviewed (the 2018/19 AOP was reviewed in the previous performance review). We note that the 2019/20 and 2020/21 AOPs were titled ‘summary’, but these documents seem to cover all the elements of an AOP and are of similar detail to the 2021/22 and 2022/23 documents which do not use the title ‘summary’.

The 2019/20 plan was well prepared and clear. It stated (and this is a very valid point):

‘The APL Amended Strategic Plan 2015–2020 includes aspirations for industry achievements. The activities of APL are designed to positively contribute to achievement of these aspirations. These aspirations are described as “Key Result Areas” and include measures such as the consumption of pork, the value of the industry at the farm gate, industry productivity measures and shifts in production systems. While APL does not have control over achievement of these industry aspirations, it is clear that we have some influence.

Using a mixture of internally focussed Key Performance Indicator measurements in conjunction with the externally focussed Key Result Area measures, APL can develop an informed objective view about the wellbeing of the industry and the scale of APL’s contribution to it.

Previous performance reviews of APL have queried the relevance of measuring the performance of APL through the industry’s success in achieving these externally focussed Key Result Areas. We have a strong belief that our performance culture is one that can discriminate between what we can fully control and what we can only partially impact, and that partial impact is not a reason to avoid making a positive contribution.’

The 2019/20 plan states that the focus for the first year of the 2020-25 strategic plan would be biosecurity (particularly industry engagement regarding the ASF readiness plan) and bolstering R&D planning in the areas of ‘Eating experience’, ‘Biosecurity leadership’ and ‘Cost of production and processing’. The rationale for these three initial investments is clearly outlined in the innovation plan.

The AOP for 2019/20 is a well-prepared document that provides considerable detail in relation to the KPIs it is seeking to achieve in each of the investment themes. The relationship with some industry KRAs is not immediately obvious.

By contrast, the 2020/21 plan is much briefer and does not provide any indication of organisational KPIs or budgets. These were reintroduced in 2021/22, although the linkage between strategic plan KRAs and operational plan KPIs is not as clear as it could be, as indicated in Table 6, which reproduces the ‘Market and product differentiation’ component of the table from the AOP.

Table 6: Example KRA and KPI table from 2021/22 AOP

STRATEGIC THEME	STRATEGIC KRA	AOP KPI	MEASURE	FY 2021 ESTIMATE	FY 2022 ESTIMATE
Market and product differentiation	Increased diversity of products and markets		Number of new markets or incremental revenue opportunities worth over \$50m revenue (includes premium) in a full year identified	7	Further 10 identified
	Increased diversity of products and markets	\$50m+ markets entered	Number (in addition to Japan and South Australian Experiment)	0	1
		Consistent consumer eating experience	% of carcasses outside target pH range	23%	10%
	Valuable provenance of Australian	Publicise the story of Australian pork	Stakeholder opportunities to see	N/A	30 million

The 2022/23 AOP follows a similar layout to that of the 2021/22 AOP. It is of note that the KRA / KPI table has been further refined in the current year. Table 7 shows how the KRAs and KPIs for the same strategic theme vary across the 2021/22 and 2022/23 AOPs. Consistency between years and the relationship back to the strategic plan targets would be advantageous.

Table 7: Example KRA and KPI table from 2022/23 AOP

STRATEGIC THEME	STRATEGIC KRA	AOP KPI	MEASURE	FY 2022 ESTIMATE	FY 2023 ESTIMATE
Market and product differentiation	Increased preference for Australian pork as a protein source		Frequency of retail purchase per annum	8	8
	Increased diversity of products and markets		Number of new markets entered worth \$50m revenue (includes premium)	0	1

It appears to us that the published AOPs are more summary documents than documents that staff can use to plan activities (projects) over the year. Also, they do not really indicate what is new or different between plans. We understand that APL has more detailed internal documents relating to AOPs that lead to budget development. We suggest that APL consider providing more detail about projects to be undertaken for each strategic theme in its published AOPs.

5.5 ANNUAL REPORTS

Section 12.1 of the SFA states that by 31 October of each year, APL must prepare and publish on its public website an annual report for the preceding financial year. The annual report must comply with the financial reporting and other reporting requirements in chapter 2M of the Corporations Act, and must also include some 15 separate elements including:

- (a) sources of income allowing for separate identification of Levy Funds, Matching Funds and Voluntary Contributions;*
- (b) significant R&D Activities and transactions undertaken in the year in the conduct of APL functions as the Industry Services Body; ...*
- (d) progress made in implementing the Strategic Plan and Performance Principles including progress against any key performance indicators;*
- (e) key RD&E and marketing deliverables and associated outcomes achieved; ...*
- (h) how APL responded to any directions or Rural Research and Development Priorities given by the Minister under the Agreement or the Guidelines; ...and*
- (m) corporate governance practices in place during the Financial Year'*

Three annual reports were examined as part of this review (2019/20 to 2021/22 inclusive) and each is considered to comply with section 12.1 of the SFA. Indeed, of the planning and reporting documents seen during this review, the annual reports are probably the most clearly presented.

The 2019/20 annual report was based on the previous (2015-20) strategic plan. Amongst other things it provided a solid assessment of APL's performance against its industry KRAs and its organisational KPIs. It also made assessments of how well, or otherwise, APL met targets as evidenced by excerpts taken from tables in the 2019/20 annual report. Where APL did not meet the target, it said so. We note, however, that KRAs and KPIs can differ in both measures and targets for the same strategic theme, and this is illustrated in Table 8 and Table 9.

Table 8: Example of APL's reporting against industry KRAs in the 2019/20 annual report

	INDUSTRY KRA	MEASURE	TARGET	PERFORMANCE	ACHIEVED OR NOT
Growing consumer appeal	Better pork	Supply Chains actively engaged in executing pork eating quality improvement	5	6	✓
	Pork made more popular	The % of households eating fresh pork more than: ⊕ 26 times pa ⊕ 13 times pa	3.7% 16.9%	5.9% 20.7%	✓
	Increasingly different	The % increased sales of Australian pork in ham and bacon in the planned Adelaide trial	10%	Unknown	?

Table 9: Example of APL's reporting against organisational KPIs in the 2019/20 annual report

	APL KEY PERFORMANCE INDICATOR	MEASURE	TARGET	PERFORMANCE	ACHIEVED OR NOT
Growing consumer appeal	Better pork	Percentage agreement with: ⊕ "Pork is low in fat" and "pork is a valuable source of iron"	15	12	?
		⊕ Easy to cook	41	50	✓
		⊕ Pork is versatile	50	48	X
	Pork made more popular	% of Australians recalling pork advertising	68	80	✓
Increasingly different	The % of Australians aware of the main message in the planned Adelaide trial	40	41	✓	

The 2020/21 annual report follows a similar approach of reporting against both industry KRAs and organisational KPIs. This is to be commended. Table 10, Table 11, and Table 12 compare the KRAs in the strategic plan and annual reports, and KPIs in annual reports for an example strategic theme.

Table 10: Example KRA from the 2020-25 strategic plan for a strategic theme

	INDUSTRY OUTCOME	MEASURE	TARGET	
			2020	2025
Market and product differentiation	Increased domestic preference for pork as a protein source	Frequency of retail purchase per annum	9	11
	Increased diversity of markets and products	Number of new markets worth \$50m revenue (includes premium) in a full year	0	5

Table 11: Example KRAs reported in the 2020/21 annual report for a strategic theme

	INDUSTRY OUTCOME	MEASURE	MEASURE	TARGET	PERFORMANCE
Market and product differentiation	Increased domestic preference for pork as a protein source	No. of retail purchases on average per household per annum	10.29	10.60	✓
	Increased diversity of markets and products	No. of new markets or incremental revenue opportunities worth over \$50m revenue (includes premium) in a full year	6	7	✓

Table 12: Example KPIs reported in 2020/21 annual report for a strategic theme

	KPI MEASURE	TARGET	PERFORMANCE	ACHIEVED
	% of Australian pork supply chains that achieves PQS* of 60+ in ‡ HSCW meat volume (%)	20%	29%	✓

Market and product differentiation	⊕ Supply Chains (%)	25%	62%	✓
	Identify two more compelling reasons to buy identified Australian Ham or bacon	3	3	✓

* Pork Quality System

A comparison of the three tables above raises a few issues:

- ⊕ There is a close relationship between the KRAs (industry outcomes) included in the strategic plan and those in the 2020/21 annual report;
- ⊕ Measures and targets do vary considerably for KRAs and it is not clear why (see for example targets for 'No. of new markets or incremental revenue opportunities worth over \$50m revenue (includes premium) in a full year'); and
- ⊕ While there are no KPIs in the strategic plan, a comparison shows the measures and targets are again quite variable between KPIs in AOPs and KRAs.

From the examination of organisational KRAs and KPIs for APL as reported in the 2020/21 annual report the following observations are also made:

- ⊕ APL has no influence whatsoever on some KRAs (e.g., 'number of new exotic disease outbreaks or detections'); while
- ⊕ Some KPIs, at face value, would seem to be very easily achieved (e.g., identify two more compelling reasons to buy identified Australian ham or bacon).

The 2021/22 annual report followed the same template as the 2020/21 report, as is to be expected. However, one major difference was the addition of a table which rated APL's performance against industry KRAs and organisational KPIs. It is again noteworthy that some minor refinements were made to KRAs, performance measures and targets.

Interestingly, there is no reporting of progress against APL's 'audacious goal' of 'sustainably adding \$1 billion to farm gate value by 2025'²⁷ in any of the reports viewed. We note and have been advised by APL that this goal represents an increase in farm gate value of \$200 million per annum over the life of the strategic plan. We also understand that APL believes that it is on track to meet this goal, although this has not been publicly reported, except to delegates. Stakeholders would find it very pertinent for APL to report on the progress of APL towards this goal. We have made a recommendation to this effect in section 6.6.

5.6 OVERALL PERFORMANCE AGAINST PLANS

As noted above, the most recent 2021/22 annual report included a table dedicated to rating APL's performance against industry KRAs and organisational KPIs (pages 16 and 17). Seventeen indicators were assessed, of

²⁷ APL Strategic Plan 2020-2025

which APL reported that '10 have been achieved, 2 were achieved but cannot be counted as fully achieved, 1 has been partially achieved (considering changes in circumstance) and 4 have not been achieved'.

As noted earlier, APL is to be commended for producing such a table. It demonstrates transparency and a willingness to honestly share with levy payers the areas in which APL has fallen short.

The indicators, measures, targets, and outcomes are reproduced in Table 13.

Table 13: Performance against industry KRAs and AOP KPIs – 2021/22

STRATEGIC THEME	INDUSTRY KRA	AOP KPI	MEASURE	FY22 TARGET	FY 2022 OUTCOME	STATUS
Market and product differentiation	Increased diversity of products and markets		Number of new markets or incremental revenue opportunities worth over \$50m revenue (includes premium) in a full year identified	Further 10 identified	27	✓
	Increased diversity of products and markets	\$50m+ markets entered	Number (in addition to Japan & South Australian experiment)	1	0	✗
	Valuable Provenance of Australian pork	Publicise the story of Australian pork	Stakeholder opportunities to see	30 million	52.1 million	✓
Manage volatility for viable farms		Timely relevant through the chain information	Deploy integrated information platform as an industry decision making support	Exists	Does not exist	✗
	Cost of production and kill fee		Reduction in cost of production index from 2020 benchmark (exc. grain market changes)	94	85	✓
	Cost of production and kill fee	Build a portfolio of projects with the potential to deliver impact	cents per kilo	20	47	✓
Drive consumer demand	Fresh pork consumption		Kg HSCW per Australian* Old method vs new method	11.0 9.6	10.9 10.2	Not quite achieved
		Increase “Everyday Meals” association	% of Australians making association	35%	33%	✗
		Charted way forward in ham & bacon	Agreed way forward with funding source	Exists	Exists	✓
		Farm gate revenue	Realise 4% meat volume growth @ an average price of \$3.46/kg CWE*	4.0% \$3.46	+0.2% \$3.62	✓

STRATEGIC THEME	INDUSTRY KRA	AOP KPI	MEASURE	FY22 TARGET	FY 2022 OUTCOME	STATUS
Leading community social licence	Social license leadership positions taken		Number	3	1	X
		Climate friendly farming	% of national herd covered by LCA**	20%	53%	✓
	New exotic disease outbreaks		Number	0	0	Not quite achieved-zoonotic
		ASF appropriate on-farm biosecurity plan complete	60% sows covered by industry agreed Voluntary enhanced biosecurity plans	60%	89%	Not quite achieved – not voluntary
Building industry shared vision	Increased on farm adoption		% of Members adopted some extended R&D in the last decade	36%	77%	✓
		Members are aware of the specific list of adoption opportunities (10 from 18/19 to 21/22 research)	% of Members	60%	100%	✓
	% of members who can recall APL adoption this year	Member adoption rate of from the specific list in the last 12 months	% of Members	10%	77%	✓

* Carcase weight equivalent

** Life cycle analysis

We note that some KPIs and targets are marginally different in Table 13 compared to the AOP, but this is not unexpected as some refinement will take place. Also, the intent of some KRAs / KPIs is not totally clear to the reader (e.g., 'cost of production and kill fee', 'build a portfolio of projects with the potential to deliver impact' (with a measure of cents per kilogram), and 'social license leadership positions taken').

Equally, we note that there was some discussion about the validity and verification of some KRAs and KPIs at the November 2022 delegates forum. This was also raised by some stakeholders in the consultation phase of this review. It is important that APL's performance indicators and targets are fully transparent and accepted by industry. APL should consider how it can refine its KRAs and KPIs in discussion with the delegates.

Whilst APL has a strong monitoring and evaluation culture (for example, the board regularly receives a 'dashboard' that summarises progress against KRAs and KPIs) it is also noted that there is no updated monitoring and evaluation framework. Such a framework is an important planning and reporting tool. This is discussed in greater detail in section 6.6.

6. OPERATIONS

6.1 RESEARCH & INNOVATION

6.1.1 INVESTMENT PRIORITISATION, PROCUREMENT AND OVERSIGHT

Since the previous external performance review there has been a significant shift in APL's RD&E ideation, evaluation, and procurement process. These changes have occurred in direct response to an independent review completed in 2018 by Anwen Lovett Consulting²⁸. That review examined the functionality and fitness-for-purpose of the APL RD&E model and found that although APL implemented a process that was robust, accountable, and appropriately governed, it lacked agility due to the 18-month procurement process that involved the specialist groups and approval from the RDAC. In addition, the review found that the investment portfolio was weighted heavily towards incremental, shorter-term, applied activities rather than addressing the more strategic, longer-term challenges faced by the Australian pork industry.

APL developed an Innovation Plan 2020-2025 that explains the background and changes required in R&I at APL ('conversion steps'); how the innovation process and the research program would be managed; and the initial innovation programs for 2020-25 (see section 5.2). Essentially, the innovation plan implemented the primary recommendation from the Lovett review of a model of RD&E focussed on two key portfolios known as industry 'solutions' and 'horizon'.

The solutions portfolio was established to solicit RD&E that targets the immediate needs of the pig industry. An important shift in procurement by APL was towards a year-round open call for proposals, with the innovation plan stating, '*At any time, possible Solutions projects are identified by Reference Working Groups who represent industry and technical expertise (e.g., ASF Industry Technical Panel; Eating Quality Technical Reference Group; Australian Pig Vets and/or APL Research Program Managers)*'. In practice it appears that, at times, specific R&D providers are identified to submit a proposal in response to a target research priority whereas at other times, requests for quotation (RFQs) are developed and made available publicly. However, the timing of these RFQs is often unknown, which was raised as a concern by certain R&D providers who found it difficult to predict when opportunities and resources might become available.

The move to the mixed model of a targeted and open call process has been seen as positive as it has taken away the significant 18-month lead time and now allows R&D providers to submit proposals that align with the strategic and annual operating plans. However, the model is subject to additional administrative costs associated with review and approval of projects (given they can occur year-round) and potentially the notification of rejected proposals. Also, some R&D providers noted that they found difficulty in aligning proposals with APL's RFQ requirements.

The second and more ambitious element is known as the horizons portfolio. This portfolio is guided by a small number of 'strategic intents' that offer the potential for strategic and transformational outcomes for the industry.

²⁸ Anwen Lovett Consulting, APL Review of Innovation and R&D Model, February 2019

Strategic intents are developed through a process of engagement and prioritisation with industry based on the themes of the strategic plan.

The innovation plan lists the first three priorities (strategic intents) set by the board in 2020 as being Cost of production and processing (COPP), Eating quality, and Biosecurity. There are several strategic actions that fall within each broad area of strategic intent. All three strategic intents have very thorough and well-constructed programs for investment that provide strong signals to both R&D providers and industry on likely investment targets and desired impacts. This program approach through the development of strategic intents has strong attributes (continuity, clear direction, stated outcomes and impacts) and should be continued.

Another significant change in response to the Lovett review has been the split in investment (portfolio balance) between the two portfolios, with a shift towards the horizons portfolio (70% nominally) and away from solutions (30% nominally). This split was challenged by several industry interviewees and some board members who noted that there are a number of research areas where incremental improvements can still be made in productivity or costs (and in fact the base funding R&D projects are strong examples of projects focussed on incremental improvements – see section 6.1.2). The innovation plan notes that this shift will allow APL to seek more collaborations with venture capitalists, entrepreneurs, and international R&D providers, although to date there is little evidence to suggest that this has occurred.

(We understand that, at its November 2022 meeting, the board moved to change the investment mix from 70/30 to 40/40/20, the '20' being for 'innovation' projects. These are apparently higher risk / higher return projects than others in the horizon portfolio.)

The innovation plan also states that the plan itself needs to evolve each year in sub-strategies and possible innovation projects. There is a nominated process of forming ideation workshops with stakeholders to build these innovation projects. This is an important activity in that it allows APL to demonstrate agility and responsiveness, however there is no evidence that this has occurred in the last three years and none of the stakeholders interviewed could recall participation in an ideation workshop. It is an activity that should be considered (particularly with delegates) given the changes that have occurred in the operating environment, especially the emergence of animal welfare and biosecurity challenges.

Another notable change from the Lovett review is in the evaluation and approval of RD&E projects. As noted in section 4.3, APL established an Investment Committee of the board to oversee and recommend board approval of all R&I expenditure. The Investment Committee is chaired by a board member and comprises members of the board, the CEO, and the Director R&I. This committee has replaced the function and roles of the RDAC and specialist groups.

The innovation plan states that the roles of the Investment Committee in relation to APL's investments are to:

- ⊕ *Ensure industry priorities align with Commonwealth Government's National Research Priorities and Rural Research and Development priorities.*
- ⊕ *Oversee the implementation of APL's R&D investments in the Industry Solutions and Horizons model and non-R&D investments made within the Horizons stream.*
- ⊕ *Critically evaluate the business plan for each funded Horizon program according to each Strategic Intent (within the Horizons stream) to allow a recommendation to be provided to the APL Board that the business plan be supported and required resources allocated.*
- ⊕ *Evaluate the performance of APL's investment model, alignment with APL's Strategic Plan and progress towards milestones, budget adherence, key deliverables, and investment value (with*

appropriate safeguards for commercially sensitive information) and report these to the APL Board; and,

- ✦ *Is responsive to specific Board directives and provide[s] feedback to APL Management for use in strategy development.*

Whilst the specialist groups no longer exist, there is an Animal Welfare Reference Group (AWRG), Emergency Animal Disease Technical Panel (EADTP) and Environment Technical Panel (ETP) that provide input to the Investment Committee. The AWRG is chaired by a board director and comprises representatives from each of the states, several animal welfare researchers and vets, and additional producers. The EADTP is more technically based in its composition (comprising mainly company, private and government veterinarians) and is currently chaired by a former state Chief Veterinary Officer. Membership of the ETP includes a number of experts in bioenergy, biodiversity, and climate, from commercial industry, research, and policy backgrounds.

The Lovett review found that some specialist groups had relatively few producer members and low turnover and that some group participants believed research and government people dominated research prioritisation. Our interviews revealed a belief among members that, notwithstanding these shortcomings, the previous RD&E model was thorough and highly consultative. This was due to the high number of stakeholders involved in either the RDAC (nine members) or the specialist groups (five x 15 members) and the comprehensive business plans that were developed by the specialist groups. There are now strong concerns across industry that the R&I process has become less functional and is delivering fewer opportunities and outcomes from R&I than the previous model. Several APL members indicated that the R&I process is now the ‘Achilles heel’ of APL and suggested that whilst the review and changes had produced some positives (such as reduction in lead time), there needed to be more transparency and greater industry engagement in setting R&I priorities, as well as greater agility in project ideation and development. It may be that members do not have a good understanding of the new reference groups and technical panels. They were not raised unprompted in our interviews.

Effective consultation and engagement in the formation of RD&E priorities is one of the performance principles of the SFA. The delegate structure is a key resource that could be further utilised by APL to provide industry input and oversight of potential RD&E investments and a review of current RD&E performance. Selected delegates could also be co-opted into specialised groups to provide the ideation of next generation transformational projects. Expanding the remit of the delegate forums to include more detailed critique of the progress of current RD&E investments and to provide specialised industry knowledge to assist with ideation of future investments would strengthen APL’s engagement with industry and specifically with RD&E evaluation.

In addition, whilst board members believe that the Investment Committee is operating well and provides the appropriate level of oversight and governance, there are industry concerns that it is insular and potentially lacks independent scrutiny, particularly in terms of R&D evaluation. Furthermore, the use of ‘independent’ industry specialists in the review process prior to submission to the Investment Committee was questioned as in practice there are very few ‘independent’ reviewers due to the small and highly integrated nature of the Australian pig industry.

APL would benefit from the appointment of two or three independent personnel with strong RD&E experience to the Investment Committee. Whilst there are challenges in identifying completely independent personnel, their membership of the Investment Committee would at least be transparent to industry and provide a consistency of approach, when compared to the retention of experts on a case-by-case basis. We understand that APL is currently considering the inclusion of external subject matter specialists in the Investment Committee and commend this initiative.

RECOMMENDATION: APL SHOULD CONSIDER APPOINTING INDEPENDENT MEMBERS TO THE INVESTMENT COMMITTEE TO STRENGTHEN THE COMMITTEE'S ABILITY TO EFFECTIVELY EVALUATE RD&E INVESTMENT OPPORTUNITIES

A review of the Investment Committee minutes indicates that, in general, the information presented to the committee is thorough and logical with good explanations of the project proposal and adequate internal and external evaluations (but see below). Board members of the Investment Committee believed that they were afforded all relevant information and that the committee provided effective recommendations to the board. All thought that the committee met its objectives and obligations.

A loss from the decision-making process since the last review, however, has been the lack of consistent application of *ex ante* benefit-cost analysis (BCA) in project evaluation. BCA is a tool that offers a framework for thinking critically about the justification for a project, particularly in terms of adoption potential and impact. There is an internal spreadsheet that appears to be used at times and has some merit but requires refinement in terms of estimation of direct costs and those associated with adoption / implementation (see section 8.2.1).

6.1.2 BASE-FUNDED R&D FACILITIES

In 2010 APL, together with the Pork Cooperative Research Centre (CRC), established a funding model to support 'core' pork RD&E at research and commercial facilities across Australia. There are currently four organisations that partner with APL in base funding:

- ⊕ JBS Rivalea;
- ⊕ South Australian Research and Development Institute (SARDI);
- ⊕ Sunpork; and
- ⊕ University of Melbourne.

The base funding program provides access to infrastructure and technical support at each facility. For each facility there is a funding agreement that describes a series of discrete projects to be undertaken at the facility. Each funding agreement lasts for between 12 and 18 months. Intellectual property (IP) and project outcomes generated within each of the funding agreements must be made available to all of industry. All final reports are available which allows producers and private service providers to gain direct access to the R&D information that is generated.

Most of the base funding falls with the solutions portfolio, as the primary focus is on applied R&D and evaluation of outcomes under commercial conditions. Base funding allows APL to engage directly with its two largest levy payers (JBS Rivalea \$321,980 in 2021/22; Sunpork \$383,172 in 2021/22) which effectively results in improvements in adoption of technology and practices. All four partners strongly value and appreciate the continued availability of base funding and believe that it provides important medium- to long-term access to infrastructure resources for RD&E that would not otherwise be available. The base funding program also forms a very effective co-investment model for RD&E as all partners provide significant in-kind within the funding agreements.

One concern mentioned was the delays and complications in contracting base funding agreements. We note that several of the agreements are backdated, by up to six months.

Whilst the base funding model is a very positive initiative and well suited to the highly integrated nature of the Australian pork industry, there remains criticism from other members in the pork industry that APL's base funding model favours the two largest levy payers and produces R&D outcomes that best suit those very intensive and well-managed operations as well as the genotypes that they use. Whilst this criticism is valid, the positives associated with directly interfacing with over 50 per cent of production are significant and justify the investments made through base funding.

Given the length of time the program has been in place, the magnitude of investment involved and the industry scrutiny that base funding attracts, APL should consider whether an independent external evaluation of the base funding program is warranted. This would achieve two objectives. It would improve transparency of program outcomes with the wider levy-payer audience, as well as providing metrics on the rates of technology and best practice adoption within the base funding partners in comparison to other levy payers.

RECOMMENDATION: APL SHOULD CONSIDER CONDUCTING AN EXTERNAL BENEFIT-COST IMPACT ASSESSMENT OF THE BASE FUNDING PROGRAM TO PROVIDE GREATER TRANSPARENCY OF DIRECT AND INDUSTRY BENEFITS

6.1.3 INTERACTION AND COLLABORATION WITH APRIL

The Australasian Pork Research Institute Ltd. (APRIL) was established in 2019 to continue the investment momentum created by two previous CRCs in R&D, education and training, and commercialisation activities focused on priorities and deliverables that ensure the sustainability of Australasian pork production. APRIL is an independent, member-based organisation that has 16 member and five associate member organisations from the public and private sectors. APL is a member of APRIL and contributes approximately \$1 million per year (approximately 40 per cent of APRIL's revenue) towards RD&E activities. Notably, the APL CEO and one of the APL directors sit on the board of APRIL and APL's Director R&I is a committee member of the R&D Advisory Committee of APRIL, which reviews project submissions. These crossovers should help align the two organisations.

Despite these strong connections there is widespread industry and some concerns among both APL and APRIL board members that the operational collaboration between the two organisations is not as strong as it should be in an industry the size of Australian pork. Specifically, the alignment between the innovation plan of APL and the APRIL Strategic Plan 2022-2025 was questioned. There are important and distinct differences between APL and APRIL, but the ability of APRIL to leverage APL investment through CRC Projects (CRC-P) and Australian Research Council Linkage grants, and to undertake direct commercialisation activities (a stated objective of APRIL), mean that every effort is put into ensuring direct unhindered collaboration.

A way forward that may provide industry with the confidence that APL and APRIL are collaborating to the optimal extent would be to produce a combined 'statement of intent' or similar that allows APL and APRIL to articulate clear leads on applied and strategic elements of RD&E. An example could be in the area of transformational R&D (horizon), where both companies are planning or undertaking activities of a similar

nature. This should extend to extension and adoption activities where leverage of APRIL's working relationships with key intermediaries (service providers and consultants) and commercial partners would be of significant value to APL. The additional advantage from a combined approach to RD&E would be that APL would have greater access to and utilisation of the technical capacity and industry knowledge residing within the staff of APRIL.

We note that APL and APRIL have scheduled a joint planning session for February 2023. This is a positive development.

RECOMMENDATION: APL AND APRIL SHOULD CONSIDER DEVELOPING A STATEMENT OF INTENT FOR RD&E THAT SIGNALS LEAD ORGANISATION, OPERATIONAL ACTIVITIES, AND EXPECTED IMPACT FROM COMBINED RD&E INVESTMENT FOR THE PERIOD 2023-2025

6.1.4 PROJECT MANAGEMENT

Feedback from research providers that have current contracts with APL was positive, noting that APL staff were helpful and responsive and that, when required, appropriate flexibility was evident particularly with interruptions and delays caused by Covid. There was some concern about the length of time between submission of an RFQ and the signing of contracts, with staff turnover apparently being an issue. Milestone reporting and submission of final reports were all seen as straightforward, with the system that APL uses presenting few obstacles. Publication of final reports was noted to be varied (time taken to publish and availability), however the search function on the web was seen as useful in accessing final reports.

6.1.5 PORTFOLIO DIMENSIONS AND BALANCE

As mentioned previously, APL has deliberately changed the balance of its investments to place greater emphasis on horizon and innovation research. Within the strategic plan, the five themes clearly show APL investments that are allocated against the triple bottom line objectives of economic, environmental, and social responsibility.

APL has clearly planned for and reports on the balance of its investments (portfolio) across the five themes (see the strategic plan and the annual reports) which is commendable. However, there appears to be no comparative analysis of the balance of return on investments within each of the five themes and whether the allocation between themes still reflects the priorities that were initially established within the strategic plan or strategic intents within the innovation plan. These analyses would effectively provide APL management with the agility to move funds to areas which are achieving higher rates of returns. Also, despite the desired investment balance between portfolios, there is no actual measurement of allocation between solutions and horizon projects, and particularly within each of the themes. A recommendation to this effect is made in section 6.6.

6.1.6 EXTENSION AND ADOPTION

Extension and adoption (E&A) of R&D outcomes is one of the most critical elements of RDC performance. The previous external performance review recommended that APL develop an E&A strategy that clearly shows how it will maximise adoption by different segments of the producer base. This was primarily in recognition of the diversity of scale, intensity and production type that exists within the Australian pork industry, and therefore the very different RD&E needs of various producer segments.

In 2021, APL retained a consultant to review its extension and adoption function²⁹. The consultant's report made 12 recommendations, one of which is that:

'APL should develop and implement an adoption strategy (based on producer segmentation) to maximize the adoption of R&D outcomes and provide structure, consistency and alignment with APL's strategic objectives. A cohesive adoption strategy would ensure that all R&D projects feed into an identified adoption pathway and align with associated packages of work.'

This recommendation is entirely consistent with the recommendation of the previous performance review. The other 11 recommendations from the E&A review, such as targeting and tailoring engagement, and engaging private sector providers to enhance adoption, are also worthy of APL's full attention.

APL has not developed a company-wide E&A strategy. It does have a two-page 'extension roadmap' that contains some elements of a strategy. We continue to believe that a focussed and explicit E&A strategy is an important document for any RDC to develop and follow.

APL does have a very comprehensive adoption plan for a part of its portfolio. The National Animal Health and Disease Extension and Adoption Strategy³⁰ specifically addresses key aspects such as objectives, activities, responsibilities, timeframes, nominated tools, target audiences, pathways, and partners. A similar strategy across the whole APL RD&E portfolio would be highly beneficial. Another example for APL to consider is the Wine Australia Extension and Adoption Strategy 2020-25.

RECOMMENDATION: APL SHOULD IMPLEMENT THE FINDINGS OF THE EXTENSION AND ADOPTION REVIEW, ESPECIALLY THE RECOMMENDATION TO DEVELOP A SEPARATE EXTENSION AND ADOPTION STRATEGY THAT CLEARLY SHOWS HOW APL WILL MAXIMISE ADOPTION BY DIFFERENT SEGMENTS OF THE PIG INDUSTRY. THIS SHOULD BE DONE IN CLOSE CONSULTATION WITH APRIL

Whilst APL has no extension and adoption strategy *per se*, there is a very clear focus on producer engagement and technology adoption within the Strategic Plan 2020-2025. Theme 5, 'Building industry shared vision', has direct activities and KPIs associated with increased on-farm adoption:

²⁹ Martin Amidy, Strategic planning for effective extension and adoption of industry research, APL project 2020/0076

³⁰ GHD, APL Project 2021/0036

- ⊕ 'Members who can recall APL adoption this year' (target 30 per cent in 2020 and 80 per cent in 2025); and
- ⊕ 'Producers who consumed APL information' (20 per cent in 2020 and 50 per cent in 2025).

During the review period, APL has commissioned two surveys to examine on-farm adoption rates. The first survey was conducted in October 2020 and asked about the adoption of *'the 10 best things APL have done in the last 10 years'*. Of the 107 participants there was an average adoption rate of 38.6 per cent across those 10 items. The second survey, in May 2021, asked about the next 10 most important (best) things APL have done. Average adoption rate was 28.5 per cent across 90 participants. This produced an overall adoption rate (an average of the 20 individual adoption activities) of 33.6 per cent across 141 participants. These results show that there is improvement in adoption levels on farm, but still significantly short of the targeted 80 per cent.

Despite the positive adoption rates, we note that the expenditure on direct extension and adoption appears to be low (1.8 per cent of R&D expenditure) compared to other RDCs which often spend between 10-20 per cent on adoption. The significant expenditure on producer relationships of \$1.606 million could be added to this direct expenditure figure, but the total would still represent only 6.85 per cent of total expenditure in 2021-22. We do note the base funding agreements target adoption and therefore a proportion of those projects could potentially be allocated to adoption.

As noted in the previous review, a high proportion of APL extension activities (webinars, newsletters, delegate forums, state-based meetings etc) are focused at the 'awareness' end of the practice change spectrum. Most RDCs and the Drought Innovation Hubs have moved beyond awareness towards facilitated trialling and evaluation (see for example the MLA Producer Demonstration Sites, the AgriFutures Producer Technology Uptake Program, and the Drought Hub producer programs). Whilst recognising the complexity of on-farm trialling and group activities, it is likely that smaller growers and free-range outdoor groups would benefit from a program focussed at on-farm trialling of technology and practices. Interviewees from those segments suggested similar activities. The establishment of trial sites was also a recommendation of the Amidy review in 2021.

To assist the adoption of technologies and practices, RDCs have also focussed on the development of a range of decision support tools in areas such as genetics, best practice management, animal health and welfare and animal feed demand. Such tools are extremely detailed, have had significant input from industry and have significant impact when adopted. We were unable to find any similar decision tool development by APL. Consideration of such tools and their development may assist with adoption, particularly with smaller growers that are time and resource sensitive.

A key group of adoption influencers that appears to have been overlooked to some extent by APL are the intermediaries or service providers of the pig industry. The small number of these intermediaries (although servicing a significant proportion of industry) we spoke to argued that they saw little value from APL R&D. Private and company vets and nutritionists are heavily used across all on-farm sectors of the pig industry and are important conveyors of information and technology adoption. Having direct materials and services that target that group would allow APL to potentially reach higher adoption levels, and this should be an important consideration in the development of the E&A strategy recommended above.

There also appears to be an opportunity for APL to improve the way it engages the small number of exceptionally large vertically integrated pork producing and processing companies³¹. These large levy payers (members) have very different expectations from on-farm RD&E (and marketing), in several respects, from those of smaller growers or even large family-owned enterprises. For example, they are more likely to have a strict focus on return from investment, have their own capacity to conduct RD&E (although the base funding partnerships allows APL to assist with this) and tend to be interested in and seek new technologies and practices where scale is an advantage.

Interviewees from the largest companies indicated that they tend to operate outside of the APL framework. In general, they indicated that they receive most of their information and advice from in-house expertise or from looking at innovations implemented elsewhere (particularly overseas affiliates or other industries). These very large levy payers are interested in the outcomes from the more strategic R&D investments, such as on-farm and processing automation, blockchain, big data and genomics, which they can potentially implement earlier and more effectively than can smaller-scale farms. Our interviews indicated that this group of levy payers are currently less engaged and less satisfied with APL and its performance than in previous years. Given the size and influence of these stakeholders, maintaining very good relationships is paramount to the success of APL.

We understand that some RDCs have targeted engagement programs involving their largest levy payers, usually involving periodic meetings between CEOs and senior managers of both parties to discuss priorities for this segment of the levy payer base. APL would benefit from a similar initiative, perhaps involving a 'key account' function within the organisation. This could be readily implemented within the base funding model.

Overall, whilst adoption rates are positive, improvements could be obtained by focusing on the trialling phase of adoption with smaller growers, targeting the key intermediaries and service providers, and working more strategically with the larger levy payers, potentially by extending the base funding model to look at more transformational aspects of production with end users that have the resources and capacity to change.

6.1.7 INTERNAL R&I TEAM CAPACITY

At the time of this review, the R&I team comprised an Acting Director R&I and four R&D managers (one of which positions is currently vacant), supported by one administrative staff member. The Acting Director R&I reports to the COO. Given the small size of the organisation, the allocation of portfolios among R&D managers pragmatically aligns with key areas of production innovation, integrity systems, climate friendly farming and animal health stewardship.

There is widespread and strong industry concern about the capacity and capability of the APL R&I team. Without denigrating the qualifications and skills of current R&I team members, the recent departure of the permanent Director R&I and the turnover of staff has meant that the current team is small, relatively inexperienced and lacking corporate memory. Several industry stakeholders (large corporates, private veterinarians and delegates) interviewed for the review felt strongly that the scientific knowledge and on-farm

³¹ We understand that pork processing companies within Australia contribute levies to AMPC which invests in R&D activities for livestock processing. We also understand that APL and AMPC work collaboratively through initiatives such as Advanced Livestock Measurement Technologies (ALMTech).

production system understanding within APL had declined and that this presents a major obstacle for future RD&E investment and outcomes.

This reduced confidence in APL's R&I capacity is of particular concern because of the upcoming development of Australian Animal Welfare Standards and Guidelines for Pigs. There was widespread comment to this review that this is one of the most critical challenges and risks facing the industry (citing the experience in New Zealand). Members believe that APL needs to be more proactive in leading, and particularly in engaging all sectors of the industry, in the development of the standards. The free-range / outdoor sector was particularly concerned as were larger corporate members.

Another noteworthy industry concern is the fact that R&I has been placed operationally with the COO, whose remit also includes brand marketing, category marketing, policy, and producer relationships, some of which also conduct 'R&D'³² projects. Stakeholders expressed the view that, given the importance of R&I to APL and to the industry, it should have a direct voice on the executive. It was also felt that the expansive workload of the COO might not allow effective leadership in ideation and innovation within the R&I portfolio as the COO's skills and background are in marketing. We note that APL has commenced the process of recruitment of a CTO with strong R&D and technical credentials. If APL is successful in recruiting someone with these skills, they will be highly valued and appreciated by industry. There was, however, some concern expressed about the potential to find a suitable candidate and what contingency plans APL may have in place if the appropriate candidate is not found. See further discussion of this appointment in section 4.6.

6.2 MARKETING

APL's largest area of investment is in marketing – both brand and category – with brand marketing expenditure being approximately three times that of category marketing expenditure. The marketing division is headed by the highly experienced COO. The board has an Industry Marketing Committee (section 4.3) that includes some board members and external personnel with relevant experience. Several of the industry's KRAs and organisational KPIs relate to the marketing division as noted in section 5. We also note the direct marketing experience and expertise of the chair and some board members.

APL's marketing received mixed reviews among interviewees. Most saw merit in generic marketing focussing on improvements in consumer awareness of Australian pork and corresponding meal solutions, although there was some questioning of whether there has been any return on APL's investments and how APL measures those returns. We do note that the visibility of marketing investments by APL to members may be limited as many members live in regional locations and potentially do not see the metropolitan media campaigns.

Investments in developing international markets were questioned (based on previous success rates and volatility), with some members indicating that international market development should be the remit of the integrated (large) and some specialist companies that have the capacity to service those markets.

Some members believed that future marketing investments should be centred on high value cuts and premium for high quality cuts. They also expressed the belief that APL should be more aggressive in focusing on the

³² That is, activities meeting the definition of 'R&D Activities' in the SFA and therefore eligible for matching funds from the Commonwealth.

provenance of Australian pork and the value that could generate in the processed pork market. The recent investments in South Australia were highlighted as being positive, although little information is available on the impact of that marketing initiative.

The market information (collected from surveys) appears to be highly valued and there is a view that the accuracy and therefore utility of that information has improved. Some members still questioned the transparency of information, although they believed that APL was doing the best it could with information provided. Outdoor and free-range pig producers saw little value in this information as it is heavily skewed to intensive production.

Delegates who were interviewed indicated that they would welcome more information on the overall impact of marketing expenditure. In our previous review we noted that a finding from an external review of marketing by KPMG stated that:

'There is a lack of transparency into APL's marketing, insights and analysis operations from a producer's point of view. The infrequent, inconsistent and often one-way communication from APL has a direct impact on the APL-producer relationship from a trust and integrity standpoint.'

While it is not the role of this review to comment on the nature of the marketing undertaken by APL, we do note that no comprehensive *ex post* assessments of the value of marketing projects have been undertaken. We still firmly believe that external *ex post* evaluations of the marketing investments and socialisation of those results with APL members is critical to improving producer relationships with APL. Further commentary about the impact of APL's marketing activities is provided in section 8.3.

6.3 POLICY

As noted previously, APL is unique in that it performs the role of a service provider for marketing and RD&E as well acting as the industry peak body for policy development, implementation, and advocacy. The board and CEO have put a significant amount of time, effort, and resource into improving the capacity and capability of APL as an industry representative body with members noting that in general the relationship with government is positive, particularly in the areas of labour requirements and biosecurity. Members noted that APL has the difficult task of having to lead industry at critical times, requiring quick and decisive responses, whilst at the same time ensuring it adequately consults all pig industry stakeholders, which is time-consuming.

APL has a Policy Reference Group (PRG) to support its internal policy team to identify, develop, and review policy positions and priorities for APL. The PRG comprises up to five producer representatives from industry and up to five from state farming organisation pork committees or state pork organisations. APL's policy development process includes technical input as needed; industry input from the PRG and the delegates forum; review by the relevant committee of the board; and, finally, endorsement by the board itself. The work of the AWRG and EADTG (see section 6.1.1) also informs policy.

The effectiveness of the PRG, AWRG and EADTG as engagement vehicles is further discussed in in section 7.1.1.

6.4 COLLABORATION

Clause 10.2(c) of the SFA requires APL *'to undertake strategic and sustained cross-industry and cross sectoral collaboration that addresses shared challenges and draws on experience from other sectors'*.

In general APL has met this obligation through a range of activities and co-investments. APL is regarded as a strongly collaborative organisation that has an effective working relationship with the majority of RDCs. APL is an active and valued contributor to the Council of Rural Research & Developments Corporations (CRRDC) and continues to provide corporate services to CRRDC. APL has taken an active lead in emergency animal disease preparedness, particularly with regards to ASF. APL is an investor in and a steering committee member of the cross-sectoral National Animal Welfare RD&E and National Animal Biosecurity RD&E Strategies.

APL has, during the period of this review, invested in the Climate Change Research Strategy for Primary Industries, a collaboration between the RDCs, Commonwealth Scientific and Industrial Research Organisation (CSIRO), state and territory governments, and the Australian Government; and in the Feed Grain Partnership, a collaboration between APL, Australian Egg Corporation Limited, MLA, GRDC, APRIL, Dairy Australia, AgriFutures Australia and the Stock Feed Manufacturers' Council of Australia.

APL also participated in several Rural Research and Development for Profit projects over the review period. These are:

- ⊕ Challenge-led innovation as a vehicle to help drive solutions to industry issues;
- ⊕ Forewarned is forearmed: managing the impacts of extreme climate events;
- ⊕ Enhancing supply chain profitability through reporting and utilisation of peri-mortem information' (Health4Wealth);
- ⊕ High throughput technology for defining antimicrobial resistance (AMR) status in pork and chicken;
- ⊕ Closing the loop: black soldier fly technology to convert agricultural waste;
- ⊕ Waste to Profit; and
- ⊕ Advanced Livestock Measurement Technologies (ALMTech).

APL has been an active partner and contributor to the Emerging National Rural Issues and grow^{AG} platform that are managed by AgriFutures Australia, although it is noted that the number of commercial opportunities listed on grow^{AG} by APL has been limited. APL has been a key partner in several cross-sectoral projects including with other RDCs including:

- ⊕ Community Trust program;
- ⊕ Refining the ability of livestock industries to mitigate AMR on-farm with improved biosecurity;
- ⊕ National framework for environmental enrichment for livestock industries; and
- ⊕ A common approach to sector-level greenhouse gas accounting for Australian agriculture.

In addition, APL is a member and contributor to projects managed by Agriculture Innovation Australia and has provided board representation and company secretariat to that organisation. We also note that APL has direct contacts with several of the drought innovation hubs and partners within each of those hubs.

In December 2019, the Australian Government provided \$1.4 million over 3.5 years to APL to support the National Feral Pig Management Coordinator. Feral pigs are estimated to cost Australian agriculture \$106.5 million annually. The coordinator role was filled by an experienced R&D manager from within APL in late 2019. The primary role of the coordinator was to develop and implement the National Feral Pig Action Plan 2021-2030 (NFPAP). The NFPAP has been highly successful in providing a blueprint for stakeholder consultation and engagement, effective investment and raising awareness of feral pig issues at national, regional, and local levels. The project has recently completed a RD&E gap analysis that positions the plan for investments through

to 2030. To date, engagement with and support of the NFPAP and the coordinator's role has been high which has been demonstrated by strong stakeholder responses in national surveys. Functionally the project appears to perform well within the APL environment.

6.5 INTELLECTUAL PROPERTY MANAGEMENT

APL's approach to intellectual property (IP) management is largely unchanged since the previous performance review. There is an IP management plan, reviewed and approved annually by the board. The plan articulates six objectives and principles in relation to IP, the overarching one of which is that the company's IP management serves to generate maximum benefit to the Australian pork industry rather than APL itself. This is an important principle. The commercial implications of any project are assessed from the application stage and appropriate steps (such as a call for potential licensees) are built into the project plan. There are normal provisions to recognise and value background and project IP in collaborative projects.

The CTO (or equivalent thereof) is responsible for managing APL's IP interests in consultation with the CEO. The CTO maintains the IP register. The IP management plan and register are reviewed annually by the ARCGC, and an annual active IP register report is provided to the board.

6.6 MONITORING AND EVALUATION

Under the previous funding agreement, APL was obliged to develop an evaluation framework that in turn supported a program framework. The Strategic Plan – Amended Version – 2015-2020 (Amended July 2018) included a program and evaluation framework as part of its compliance statements.

The 2019 performance review recommended that APL upgrade its evaluation framework, *'to provide more detailed information about how monitoring, evaluation and reporting will be conducted'*. A number of suggested improvements were put forward, such as the addition of definitions for terms such as 'output' and greater detail on how, when and by whom evidence of performance against targets would be gathered and reported.

An evaluation framework was again included in the Strategic Plan 2020-2025, in an appendix. This framework is almost identical to the version in the preceding plan. There are some minor wording changes but no additions of substance.

APL is clearly aware of the importance of monitoring, evaluation, and reporting (MER) and has various MER activities in place (see for example the discussion on *ex post* impact assessments of R&I investments in section 8.2.2). However, APL's overall approach to MER across all of its activities would not be clear to stakeholders. For example, the evaluation framework does not explain how marketing or policy investments are evaluated.

The current SFA does not explicitly require that APL develop an evaluation framework like the previous one did. The guidelines that accompany the SFA do however state under the performance principle of monitoring and evaluation that RDCs must: *'Demonstrate positive outcomes and delivery of RD&E [and marketing] benefits to Levy Payers and the Australian community in general, and continuous improvement in governance and administrative efficiency...[have] suitable mechanisms and processes in place that enable regular impartial reviews of performance, and identify improvement opportunities.'*

In our view, APL should revisit our recommendation from 2019, restated below – and we note that APL indicated its agreement with the recommendation at the time. It would make sense to bolster the MER framework at the same time that the KPIs and KRAs are reviewed, as recommended in section 5.6.

RECOMMENDATION: APL SHOULD UPGRADE ITS EVALUATION FRAMEWORK, IN ASSOCIATION WITH THE DEVELOPMENT OF THE NEXT STRATEGIC PLAN, TO PROVIDE MORE DETAILED INFORMATION ABOUT HOW MONITORING, EVALUATION AND REPORTING WILL BE CONDUCTED. THIS PROCESS SHOULD INCLUDE REVIEW AND AGREEMENT ON ALL OF APL'S KRAS AND KPIS WITH THE BOARD AND DELEGATES AND CONSIDERATION OF THE INCLUSION OF COMPANY SPECIFIC KPIS IN THE NEW STRATEGIC PLAN. IT SHOULD ALSO INCLUDE REPORTING ON THE BALANCE OF APL'S INVESTMENT PORTFOLIO ACROSS THE FIVE THEMES AND BETWEEN 'SOLUTIONS' AND 'HORIZONS', AND HOW APL WILL REPORT ON PROGRESS AGAINST ITS STATED 'AUDACIOUS GOAL' TO ADD \$1 BILLION TO FARM GATE VALUE BY 2025

6.7 EFFICIENCY

The terms of reference for this review require an assessment of '*the efficiency with which APL has implemented [its] plans, and...the efficiency and effectiveness of APL's investments*'. The performance principles of the SFA also include the need '*to show continuous improvement in governance and administrative efficiency*'.

The previous performance review examined APL's corporate costs over the review period, showing that they ranged between 28.41 and 34.32 per cent over the period 2014/15 to 2017/18. Growth in actual corporate costs was -3.13, 7.90 and 5.53 per cent year-on-year. The Annual Report 2018-19 shows an increase in corporate costs of 5.7 per cent against a target of 1.1 per cent. APL has not reported on the KPI 'percentage of corporate cost increase per annum' since 2018/19.

The relative efficiency of an RDC is a difficult parameter to estimate. The CRRDC has previously conducted information-sharing exercises among RDCs in an effort to benchmark their cost structures, but these were of limited value, as the various organisations differ widely in their *modus operandi* and in their operating environments. For example, RDCs who use relatively few staff in favour of outsourced project management – which can be recorded as a project cost rather than 'overhead' – may artificially appear to be relatively efficient compared with those RDCs that prefer in-house management.

We would expect APL's corporate costs to have varied substantially over the last few years, depending on the number of unfilled staff positions, and the employment of staff at higher levels of remuneration. These factors muddy any assessment of 'efficiency'.

We did not identify any particular inefficiencies in APL's operations. If anything, the distinct impression is that at least some areas of APL have been understaffed, notably Corporate Services (see section 4.7). However, we note that some members have concerns that APL's corporate costs and staffing levels have increased relative to the previous review period. APL should be aware of this and consider providing information on the breakdown of corporate costs to the delegates.

7. ENGAGEMENT WITH STAKEHOLDERS

7.1 ENGAGEMENT WITH LEVY PAYERS AND INDUSTRY

Clause 10.2(a) of the SFA requires APL 'to engage stakeholders to identify RD&E priorities and activities that provide benefits to the Industry'. APL has a clear focus within the Strategic Plan 2020-2025 on consultation with industry with one of the five themes being on 'Building a shared vision'. That theme has a key metric for producer relations with a target of increasing the proportion of members that know the name of their primary APL contact from 60 to 90 per cent. APL has produced a document entitled APL Stakeholder Consultation 2022 which contains a thorough explanation of the ways in which APL consults and communicates with members and other stakeholders.

7.1.1 GENERAL LEVY PAYER COMMUNICATIONS

A major change in APL's conduct of broader industry consultation has been the establishment of the Producer Relations Team (PRT). Each member of the team is assigned a group of APL members to contact regularly (six-weekly) with APL updates and information. That assignment also ensures that every APL member has a direct APL contact.

The concept of such direct engagement is commendable and sound. However, the response to this strategy has been mixed. Smaller producers interviewed for the review indicated that they appreciated the early interactions and having a direct contact within APL but believed that more recent contacts had not delivered much value. They preferred that APL should contact them only when something of importance needs to be communicated or updated, rather than being on a fixed time schedule. Larger and corporate members saw little value in the PRT, noting that often the staff member had limited pork production knowledge and provided little benefit or insight. They indicated that their contact needed to be with people who can provide technical or high-level policy experience. Staff turnover within the PRT has not helped the situation.

The Stakeholder Consultation 2022 document lists several communication vehicles and services designed to inform members. These include:

- ⊕ Weekly APL Update email;
- ⊕ Emergency animal disease updates;
- ⊕ Quarterly member surveys;
- ⊕ Australian Pork newspaper (monthly);
- ⊕ Biannual producer forums and webinars;
- ⊕ Podcasts, social media; and
- ⊕ The APL website.

Notably, there has been a significant rationalisation of communication products since the last performance review. This makes sense, as APL formerly produced a very wide range of publications for such a small organisation. Most members who were interviewed believed that if they wanted to find information from APL they could.

However, in general, members believed that communications had declined since the last performance review despite the formation of the PRT. One example that highlighted the concern around communications involved

the Pan Pacific Pork Expo (PPPE), a biennial two-day conference and trade event on the Gold Coast that attracts around 500 participants. Several members cited complexities in dealing with APL and its lack of flexibility in respect to a proposal by suppliers to merge the PPPE with the Poultry Information Exchange / Australasian Milling Conference, also held on the Gold Coast. As a result, the PPPE has been cancelled. This appears to be a key industry engagement vehicle for APL that has been lost.

There was some concern (particularly among large corporates and veterinary consultants) that for key areas such as biosecurity, welfare, and sustainability, and despite the existence of the PRG, AWRG, EADTG and ETG, APL needs to be more consultative to ensure that its policies and investments are optimal for the pig industry. These groups have strong industry representation and well-structured TORs, yet they were not highlighted in any of the interviews for this review as vehicles for APL engagement. APL may need to publicise more widely the membership of these groups and their outcomes. We also believe that membership composition and tenure on these groups needs to be clearly defined to ensure there is strong continuity of membership and that the most appropriate external skills (people) are sourced.

One area of APL activity that was noted as having a high level of engagement and therefore success is the APIQ[✓][®], where there is a strong focus on awareness of and compliance with practices and technologies that deliver enhanced product integrity and on-farm biosecurity. Adoption of APIQ[✓][®] is very high and there is widespread industry belief and confidence that the pig industry leads other livestock industries in its preparedness for disease incursion and management. Several members stated that they thought that APIQ[✓][®] was much more stringent than any other livestock integrity program and they appreciated this high level of industry integrity. APIQ[✓][®] is a key vehicle for industry engagement with APL. APIQ[✓][®] is also one of the most recognised APL activities among members.

As noted in section 6.1.6, some members see the need for APL to increase engagement with external consultants (particularly vets and nutritionists) who heavily influence R&D adoption.

Whilst APL performs the role of the national industry representative body, most states have organisations that represent the interests of pig growers. It appears that APL may have lost some engagement and momentum with those state organisations, particularly in South Australia and Western Australia (which have been historically strong advocates). Given these organisations have significant overlapping membership with APL, having strong connections is important, and some effort should be placed into rebuilding those relationships.

7.1.2 DELEGATES

The delegate structure (see section 4.4) is a highly valued and important feature of the APL model, for its role as a vehicle through which growers can communicate the contemporary views of the Australian pork production industry to APL at least twice per annum.

Delegates appear to appreciate the ability to network and to put forward views to other delegates and to APL staff at the delegate forums. However, there was some concern that less time is being allocated at the forums for effective strategic oversight and planning. There is a distinct sense that the forums are increasingly becoming an exercise in one-way communication from APL and that there is inadequate time given to review and critique of programs and initiatives, particularly R&D and marketing. Delegates also wanted more feedback on project results and outcomes. The lack of independent facilitation was noted and may be one option that APL should consider.

As noted in the previous performance review, there is considerable variation in the way that delegates communicate outcomes and information from the forums back to other pig producers. Some delegates are

very proactive, whereas others appear to provide little feedback to the members they represent. In addition, the concern remains amongst the smaller grower members about the dominance of the large corporates in the delegate structure, which reduces the ability for those smaller growers to have an active voice. As noted in section 4.4, we understand that APL is continuing with commendable initiatives to help address this imbalance.

7.2 ENGAGEMENT WITH RD&E PROVIDERS

APL's engagement with public sector R&D providers is generally regarded as positive. Researchers who were interviewed believed that the strategic plan, the innovation plan, and the AOPs provide appropriate guidance on APL's investment priorities and the outcomes APL expects from RD&E that is commissioned within each of the priorities. The RFQs that have been developed have been well constructed and where the researchers have been directly targeted, they have found the development of projects relatively straightforward.

In contrast, private sector R&D providers (those within the larger companies and private consultants) believed that the RD&E process had become more difficult and that access to funding was reduced due to the increased focus on horizon projects. Some frustrations were expressed with the RD&E process and identifying priorities. Significant contract delays (12 months) were also cited. Most researchers asked for greater transparency around RD&E and marketing, particularly funding and allocation of funding across themes. All indicated that there is less communication between APL and researchers than in previous years, but this was also a function of the high staff turnover within the R&I team.

It is important to note that APRIL receives approximately \$1 million per annum (approximately 20 per cent of annual RD&E expenditure) from APL and provides a key RD&E resource. As described above, it is important that the APRIL / APL working relationship is optimised for the benefit of pig producers in Australia.

7.3 ENGAGEMENT WITH GOVERNMENT

Clause 11.1 of the new SFA requires that the Chair, or in the Chair's absence a director nominated by the Chair, must arrange a meeting between the APL and DAFF at least once per financial year (an 'annual performance meeting') to:

- a) *'demonstrate to the Commonwealth APL's performance and achievement of the Performance Principles;*
- b) *discuss and demonstrate implementation of measures taken to address any underperformance identified in the independent review, Annual Performance Meetings, and/or other fora;*
- c) *discuss issues relating to APL's compliance with the Act, this Agreement and the Guidelines; and*
- d) *discuss other matters relevant to APL or its Industry.'*

Clause 10.6 also states:

- d) *'The Commonwealth and APL will meet and discuss any areas of underperformance identified in the independent review and agree on an approach for APL to address any such areas of underperformance; and*
- e) *APL must implement any agreed actions and comply with any reasonable directions issued by the Commonwealth in relation to addressing areas of underperformance.'*

We understand that the chair, CEO and Company Secretary / CFO usually meet with senior departmental staff twice per year, often in May (sometimes just the CFO) and November. These discussions are wide-reaching and cover key achievements against the performance principles including stakeholder engagement, RD&E

activities, collaboration, governance, and monitoring and evaluation. APL and the Commonwealth also hold strategic conversations around APL's plans and current priorities.

APL and the Commonwealth Government appear to have a strong working relationship. Being Canberra based means that APL and DAFF can liaise face to face easily if need be. Otherwise, there is regular fruitful contact between the two organisations, often involving the CFO and / or CEO.

8. DELIVERY OF BENEFITS

8.1 INTRODUCTION

One of the challenges for rural RDCs such as APL is demonstrating the value and impacts of its activities and investments to its levy payers (both members and non-members), the community and the government. APL has an additional challenge not faced by many RDCs which is to demonstrate the value of its marketing programs. The performance principles under the SFA explicitly require APL ‘...to demonstrate positive outcomes and delivery of RD&E (and marketing) benefits to Levy Payers and the Australian community in general’. There are other RDCs with this same issue of demonstrating benefits from marketing as well as RD&E, including Wine Australia, MLA, Australian Wool Innovation (AWI), Dairy Australia and Forest & Wood Products Australia. APL has a unique challenge of demonstrating value for its policy activities, as other RDCs do not have a policy function.

Private businesses rely on profit, dividends, and share prices to show the value they produce. Rural RDCs, including APL, instead depend on other measures of value and impact through both quantitative economic measurement and qualitative assessments, as well as tracking surveys to monitor marketing and promotion programs where appropriate. This value and impact go beyond economic benefits and include impacts which cannot have a dollar estimate attached and notably include environmental and social benefits.

8.2 ASSESSMENT OF R&I INVESTMENT

As explained in more detail in section 6.6, APL has developed and maintains an evaluation framework. This Evaluation Framework is part of APL’s 2020-25 Strategic Plan and supports APL’s Program Framework. The Evaluation Framework includes:

- ⊕ Evaluation of possible projects in the Program (*ex ante* assessment);
- ⊕ Ongoing evaluation of projects through the life of the Program; and
- ⊕ Evaluation of projects at the end of the life of the Program (*ex post* assessment) and dissemination of outcomes.

8.2.1 EX ANTE EVALUATION OF R&I PROJECTS

According to APL’s strategic plan, during the evaluation stage of possible project investments ‘...the expected benefits to Australian pork producers is estimated.’ In the past, APL maintained and used an Excel® spreadsheet to assess *ex ante* the benefit and costs of potential projects as part of its project proposal assessment process. The use of this spreadsheet was ceased around 2020. In the past two years APL has developed a replacement Excel® spreadsheet to use for *ex ante* assessment to assist with priority setting and to assist in the business case for project proposals in cost of production R&I. This is called the ‘Cost of Production Project (COPP) ex ante savings estimator’ (hereon called the COPP estimator).

APL says that this COPP estimator ‘...is the first of a series of assessments that APL has developed to attempt to quantify the return of investment into R&I programs.’³³ To date, this is the only assessment that has been developed, although others are being considered. The COO has advised that APL has ‘...focussed on COPP as it has accounted for around 70% of the R&I investment decisions (by value) over 2021-22 and 2022-23. APL intend to trial methods, prove they work, then roll them out’.

The COPP estimator focuses on feed cost, and in particular using the herd feed conversion (HFC) metric, as feed cost is the largest impact on cost of production for piggeries. The spreadsheet is comprehensive with detailed assumptions for a variety of production measures (such as farrowing rate, birth rate, survival rate, weaning age, weight gain) as well as input costs (notably feed). Results from the spreadsheet are standardised to 2020 production performance and feed costs. Likely impacts from prospective RD&E projects are inserted into the spreadsheet to assess the impact (saving) on HFC. These savings are then aggregated to show the total savings in COPP.

In addition to guiding investment decisions by APL in individual project proposals, the COPP estimator is also used to assess how APL is tracking against Strategic Plan 2020-2025 target outcome of savings in COPP of 48c/kg. Based on the results from the COPP estimator, APL estimates that ‘the cumulative cost saving of all current and completed projects into COPP by APL and APRIL has an Ex-ante Realizable savings of \$0.23/kg savings in COPP’ by 2025. We note that an analysis included in APL’s innovation plan estimates that ‘...the COP&P portfolio...is capable of delivering post-adoption \$0.20/kg in reduced costs of production and processing by 30 June 2022.’

The development of the COPP estimator is commendable and a significant improvement on *ex ante* methods used by APL previously. However, the estimator suffers from a significant omission which calls into question the benefits arising from individual projects as well as the cumulative cost saving cited by APL. The COPP estimator excludes the costs incurred by piggeries in implementing the RD&E outputs. The COPP estimator therefore only measures the gross benefits arising from both individual projects and the COPP program overall, not the net benefits. This may mean that projects with high costs of on-farm implementation are funded while those with low on-farm implementation costs are not. It also raises questions about the aggregate savings measure against APL’s strategic plan target of 48 c/kg. A further issue is that the COPP does not estimate the benefits for the outdoor and free-range sectors.

RECOMMENDATION: APL SHOULD MODIFY THE COPP ESTIMATOR TO INCLUDE THE COST OF ON-FARM IMPLEMENTATION OF RD&E PROJECTS TO PROVIDE A TRUER REFLECTION OF THE NET BENEFITS ARISING FROM THE CURRENT AND PROSPECTIVE PROJECTS AND A TRUER MEASURE OF THE AGGREGATE COPP SAVING AGAINST THE STRATEGIC PLAN TARGET OF 48 C/KG SAVING

While APL says that the COPP estimator approach will be extended and used for assessment of other programs, as noted above, there is no firm schedule for this extension. APL has advised that the Biosecurity or Eating Quality programs are in line for this *ex ante* assessment. Given the significant industry risk and impact

³³ Cost of Production Project Impact Assessment, 2022, unpublished internal document

of biosecurity issues, our view is that the Biosecurity program should be the next program to undergo the *ex ante* assessment.

RECOMMENDATION: APL SHOULD DEVELOP A CLEAR SCHEDULE FOR *EX ANTE* ASSESSMENT OF THE R&I PROGRAMS AND IMPLEMENT THIS SCHEDULE AS SOON AS PRACTICABLE

Furthermore, the COPP estimator approach, even with the inclusion of the on-farm implementation costs is not a formal *ex ante* benefit-cost analysis, as it does not include timeframes for adoption of the outcomes from each prospective RD&E project, which may vary between projects. Some projects may see quick uptake and adoption of outcomes, but smaller benefits (for example, smaller per kg cost benefits) than other projects which take longer to adopt but involve larger benefits (for example, larger per kg cost benefits). These differences influence the investment decision. The most recent impact assessment prepared for APL in June 2022 recommended that ‘...APL consider the inclusion of independent *ex ante* analyses for key areas of future RD&E investment and/or high value potential projects within the APL Evaluation Framework’³⁴. This is a worthy recommendation which APL should consider carefully.

In 2021, APL jointly funded with its partners (MLA, AMPC, Agriculture Victoria and SARDI) an *ex ante* BCA and business case of Health4Wealth by Frontier Economics. The report was delivered in November 2021³⁵. Health4Wealth aims to develop a standardised approach to data collection and producer feedback for visible disease-related carcass and offal condemnations for sheep, cattle, pig, and goat meat. The project by Frontier Economics assessed the benefits and costs of a national rollout of the Health4Wealth program, in total and across the supply chain. It also developed a business case for this rollout. The assessment concluded that the pilot trial delivered value to processors, but it was too early to identify the value of the pilot to producers. For the *ex ante* assessment of the national rollout, Frontier Economics developed a methodology to quantify the potential producer benefit. The results from the *ex ante* assessment for the national rollout are shown in Table 14. The results show a good return on the investment over 20 years, with producers realising a major share of the total benefits.

³⁴ ACRE Economics, An Impact Assessment of Investment in APL Cost of Production RD&E, report to APL, 3 June 2022

³⁵ Frontier Economics, Cost Benefit Analysis of Health4Wealth. A report for the Health4Wealth Project Steering Committee, 12 November 2021

Table 14: Summary of benefit-cost analysis results of a national rollout of Health4Wealth

	PRESENT VALUE OF BENEFITS \$MILL	PRESENT VALUE OF COSTS \$MILL	NET PRESENT VALUE \$MILL	BENEFIT-COST RATIO
PRODUCERS	461.80	75.85	385.95	6.09
PROCESSORS	297.79	134.53	163.26	2.21
TOTAL	759.59	210.39	549.21	3.61

Source: Frontier Economics, Cost benefit analysis of Health4Wealth, page 9

The *ex ante* benefit cost assessment of Health4Wealth illustrates the significant advantages of conducting *ex ante* BCAs prior to decisions on significant project investments. This report also provides advice on encouraging adoption of the outcomes.

8.2.2 EX POST IMPACT ASSESMENTS OF R&I PROJECTS

As part of its Evaluation Framework, APL has had three impact assessments prepared by independent consultants between 2020 and 2022. These independent impact assessments of RD&E projects evaluate the benefits APL’s investment delivers to members, levy payers, industry, and the broader community under a triple-bottom-line framework addressing economic, environmental, and social impacts. The assessments provide input to APL’s annual reporting to the Australian Government, reporting to stakeholders, and contribution to the performance assessment of RDCs compiled by the CRRDC.

Agtrans Research conducted impact assessments on completed projects for APL in 2020 and 2021, while ACRE Economics conducted the most recent impact assessment in 2022. The same principal researcher, an experienced economist specialising in RDC benefit-cost analysis, led all three assessments.

The three impact assessments were prepared on a total of 47 projects funded by APL. Table 15 provides background information on the three impact assessments conducted over the review period, including the number of projects that were assessed, the total nominal investment by APL and the total nominal investment in the projects assessed. Each impact assessment used a cluster approach, which for each RD&E program included all projects funded in the relevant time period. The approach necessitates relatively broad assumptions about the impacts and adoption rates across each program.

It is noted that these three impact assessments and the methodology used is a vast improvement on the impact assessments conducted for APL when the review team appraised APL in 2019.

Table 15: Impact assessments completed – June 2020 to June 2022

DATE DELIVERED	RD&E PROGRAM ASSESSED	PROVIDER	PERIOD COVERED ¹	NUMBER OF PROJECTS	APL INVESTMENT ² \$MILL	TOTAL INVESTMENT ² \$MILL
June 2020	Environment	Agtrans Research	1 July 2014 to 30 June 2019	21	\$2.284	\$3.648
August 2021	Processing	Agtrans Research	August 2015 to February 2021	10	\$0.580	\$0.667
June 2022	Cost of Production	ACRE Economics	1 July 2015 to 30 June 2021	16	\$2.402	\$10.042

1 Period covered shows the earliest project completion date to the most recent project completion date for projects included in the assessment.

2 Nominal

One thing to note from the table is that there is inconsistency in the timeframes between the impact assessments. The first two assessments included projects completed over an approximately five-year period, while the most recent assessment included projects which were completed over a seven-year period.

It would be preferable if all assessments used a consistent time period for projects to be considered, with projects selected using consistent, established selection criteria. It is suggested that future impact assessments should use a consistent time period (such as five years) and use consistent, established selection criteria for projects in the assessment.

APL has advised that it is undecided which RD&E Program will next be assessed for impact. As noted previously with regard to *ex ante* assessment, given the significant industry risk and impact of biosecurity issues, our view is that the Biosecurity program should be the next program to undergo a formal *ex post* impact assessment.

8.2.2.1 MEASUREMENT METHODOLOGY

The methodology followed by Agtrans Research and ACRE Economics for APL is sound and robust, producing conservative estimates of the economic benefits of projects. Both Agtrans Research and ACRE Economics follow a clear, set routine in conducting the impact assessments in line with the CRRDC guidelines.

These assessments are compared with a counter-factual – that is, what would otherwise have occurred if the project was not done. This acknowledges that the world does not stand still. The counter-factuals included in the Environment and the Cost of Production impact assessments are very broad. In both cases, the counter-

factual is ‘...without the investment in the APL Environment RD&E Program, the benefits estimated would not have been realised.’³⁶

In contrast, the counter-factuals for the Processing impact assessment are defined specifically for each of the three impacts identified (industry-wide benefits; processing cost reduction; and consumer health and wellbeing). This is the preferable approach, rather than the broad assumptions used for the other two impact assessments.

Each of the assessments report on key economic investment measures: net present value (NPV), benefit-cost ratio (BCR), internal rate of return (IRR) and modified internal rate of return (MIRR) for various time periods after the last year of investment (0, 5, 10, 15, 20, 25 and 30 years). Each assessment also reports on the sensitivity of the results to a limited number of key assumptions. In addition, each report includes a table of confidence ratings (high, medium, or low) of the coverage of benefits and of the assumptions.

The principal researcher who conducted the three assessments advised that the project selection methodology varied between assessments³⁷, from a selection system which was jointly developed between the provider and APL (for the Processing program impact assessment) to APL simply providing a list of projects to be assessed (for the Cost of Production Program impact assessment).

As well, the methodology used for each of the three impact assessments included all completed projects under each program as a cluster for assessment. While the cluster approach used has the advantage of including all completed projects funded in each program, it complicates the decisions used for inputs into the analysis (such as the specific impacts, the adoption rates used and other key factors), in estimating the net benefits from the investment. While the assumptions used in each impact assessment are said to be conservative, some of the audience may question the broad-brush assumptions that need to be used as a result of the cluster approach.

An alternative would be to do a random selection of projects from each program and conduct a detailed benefit-cost assessment of each randomly selected project. This may give the audience greater comfort. As well, it would provide APL management greater depth of information about the specific benefits from specific projects, to aid future decision making and help guide and improve future *ex ante* assessments. Furthermore, it is noted that the Department of Agriculture, Water and the Environment (DAWE) Guidelines for SFAs includes a KPI under its monitoring and evaluation principle that states: ‘*Impact (cost - benefit) assessment of a random sample of RD&E [and marketing] investments undertaken annually*’. APL should ask its impact assessment provider to use random sampling for selecting RD&E projects for assessment.

One issue with the impact assessments prepared by both Agrans Research and ACRE Economics is that the comments provided about the distribution of benefits are simply a broad statement that impacts are likely to be eventually distributed along the supply chain. A considered assessment of the distribution of the benefits (such as between pork producers and processors), that takes into account the supply and demand elasticities, would be more valuable, as was done for the impact assessment for the Health4Wealth project. Pork producers, as levy payers, and processors are likely to be interested in the approximate portion of the impacts

³⁶ Agrans Research, An Impact Assessment of Investment in the APL Environment RD&E Program, report to APL, June 2020 (page 66) and Agrans Research An Impact Assessment of Investment in APL Cost of Production RD&E, report to APL, 3 June 2022 (page 27)

³⁷ Talia Hardaker (ACRE Economics), personal communication, 17 November 2022

that may accrue to each sector. An example of such commentary can be seen in the AgriFutures Australia report 'Impact assessment of investment in the Agrifutures Rice Program'³⁸.

Furthermore, commentary on likely distribution of benefits between groupings of producer sizes and between production methods (indoor, outdoor, and free range) would also be helpful, although this would be more difficult than between sectors of the supply chain.

RECOMMENDATION: APL SHOULD ASK ITS IMPACT ASSESSMENT RESEARCHERS TO PROVIDE MORE DETAILED COMMENTARY ON THE LIKELY DISTRIBUTION OF BENEFITS FROM PROJECTS BETWEEN SECTORS OF THE AUSTRALIAN PIG INDUSTRY, NOTABLY BETWEEN PIG PRODUCERS AND PROCESSORS

8.2.2.2 DEMONSTRATED BENEFITS

The aggregate investment results for the projects funded by APL that were assessed in the three impact assessments were all strongly positive (Table 16). The aggregate BCR ranged from 4.3:1 in the most recent assessment on the Cost of Production program to 5.1:1 for the assessment prepared in 2021 on the Processing program. APL currently does not have a target BCR for impact assessments of its RD&E program, even though the BCR results of between 4.3:1 and 5.1:1 are convincing, indicating a good return on APL investment. Furthermore, the aggregate MIRR of between 8.0% for the Cost of Production program, to 8.3% for the Environment program to 10.9% for the Processing program indicate a strong rate of return on the investment.

These robust economic returns on the investments in the three impact assessments were accompanied by social and environmental benefits which could not be quantified but are also important. These are listed in each report.

³⁸ Agrifutures Australia, Impact assessment of investment in the Agrifutures Rice Program, report prepared by Poimena Analysis, March 2021. <https://agrifutures.com.au/product/impact-assessment-of-investment-in-the-agrifutures-rice-program/>

Table 16: Summary of ex post impact assessments of APL-funded projects (total investment – lower bound)

ECONOMIC MEASURE	YEAR AND PROGRAM OF ASSESSMENT		
	2020 Environment (21 projects)	2021 Processing (10 projects)	2022 Cost of Production (16 projects)
Present value of benefits (\$m)	\$23.14	\$4.51	\$61.40
Present value of costs (\$m)	\$5.00	\$0.88	\$14.32
NPV (\$m)	\$18.15	\$3.62	\$47.08
BCR	4.63	5.10	4.29
IRR (%)	22.8%	31.3%	15.1%
MIRR (%)	8.3%	10.9%	8.0%

Notes: Measures over 30 years discounted at 5%, in real terms based on total investment
Net present value is the present value of benefits less the present value of costs.

Sources: Agtrans Research (2020), 'An Impact Assessment of Investment in the APL Environment RD&E Program'. Report to APL, June 2020
Agtrans Research (2021), 'An Impact Assessment of Investment in the APL Processing RD&E Program'. Report to APL, August 2021
ACRE Economics (2022), 'An Impact Assessment of Investment in the APL Cost of Production RD&E'. Report to APL, June 2022

One feature of the most recent report, prepared by ACRE Economics, is that it contains five recommendations for consideration by APL³⁹. In summary, these are:

1. Review of project application and reporting requirements and possible inclusion of elements of outcome and impact M&E to improve APL’s ability to identify, measure and report on project level benefits;
2. Implementation of independent *ex ante* analyses of key future APL RD&E investments;
3. Ongoing support for collection of industry data and benchmarking studies;
4. Assessment of environmental and social impact studies for pork and/or livestock RD&E⁴⁰; and
5. Economist input to future monitoring and evaluation processes.

Given the recent changes in senior management in the R&I team of APL, these recommendations have not yet been given full consideration. APL is urged to review these five recommendations and provide a considered

³⁹ ACRE Economics, An Impact Assessment of Investment in APL Cost of Production RD&E, report to APL, 3 June 2022 (pages 35-36)

⁴⁰ Talia Hardaker (personal comm) suggested that this could be a joint research project between APL, MLA and AWI, using a similar approach used by the Agtrans Research and NCEconomics for FRDC

response once new senior management of the R&I team is resolved. The first recommendation in particular is strongly supported. Having a formal M&E framework, as recommended in section 6.6, would provide a firm foundation.

8.3 ASSESSMENT OF MARKETING INVESTMENT

8.3.1 MEASUREMENT METHODOLOGY

APL's marketing and promotion investment, such as television, radio, and print advertising campaigns, is assessed through various measures, by means of consumer tracking surveys (lead measure), targeted consumer research on specific promotion campaigns and continuous tracking of consumer purchases (lagged measure). The advertising awareness tracking and consumption surveys include data on fresh pork as well as on other major meat competitors (beef, chicken, and lamb).

Furthermore, some of APL's marketing programs are subject to rigorous assessment prior to investment being made. Examples of these are APL's 'Australian Valuable Provenance' program, which aims to differentiate Australian pork from imported pork when used in processed products (such as ham and bacon), and the 'Unlocking Growth in Fresh Pork' usage and attitude study conducted in 2022. Quantitative and qualitative market research projects were used to guide the investment in marketing and promotion.

We note that APL does not conduct independent *ex post* impact assessments or BCAs of its marketing program. This would be possible for the Australian pork industry through the development of a partial equilibrium economic model of the supply and demand of the industry⁴¹, as recommended in the 2019 independent performance review. The APL board considered this recommendation, and while agreeing with it in principle, noted that '*...other options may achieve the desired strategic outcome more effectively*'⁴². There are other methods which could be used, such as the approach used by Marsden Jacob Associates in assessing AWI's China marketing campaign⁴³.

While the consumer surveys used by APL are useful, APL should consider conducting a formal benefit-cost impact assessment of its marketing campaigns, such as the one prepared for AWI. This would provide an objective assessment of the net benefits to levy payers of the expenditure on marketing by APL. As previously noted, the DAWE Guidelines for SFAs includes a KPI under its monitoring and evaluation principle which specifically of '*Impact (cost - benefit) assessment of a random sample of RD&E [and marketing] investments undertaken annually*'.

It is noted that in 2018, APL commissioned a major, detailed assessment of its marketing and promotion programs by KPMG. The conclusions from this rigorous assessment provided the basis for APL's current

⁴¹ A partial equilibrium economic model is a model of the supply and demand of just one industry (such as the pig industry) which assumes that the prices of all substitutes and complements for that industry's products (such as the price of beef, lamb and chicken) as well as consumer income levels are taken as given.

⁴² Response to Recommendations: Independent Performance Review 2019, page 5

⁴³ Marsden Jacob Associates, China Campaign – Impact Assessment, final report to AWI, August 2021

marketing and promotion strategy and assessment. Nevertheless, APL should do more to ensure a clear economic impact assessment of its marketing investment.

RECOMMENDATION: APL SHOULD CONDUCT AN INDEPENDENT, FORMAL BENEFIT-COST IMPACT ASSESSMENT OF ALL ITS MARKETING INVESTMENTS

8.3.2 DEMONSTRATED BENEFITS

Measuring the value to levy payers of APL's marketing and promotion programs and activities is challenging. While the BCA methodology developed to assess the RD&E activities could be used to assess the marketing and consumer education programs, it is difficult. Nevertheless, as noted above, it is possible to prepare an impact assessment without developing a partial equilibrium model as recommended in the previous performance review, as demonstrated by the assessment prepared on for AWI's China marketing campaign by Marsden Jacob Associates.

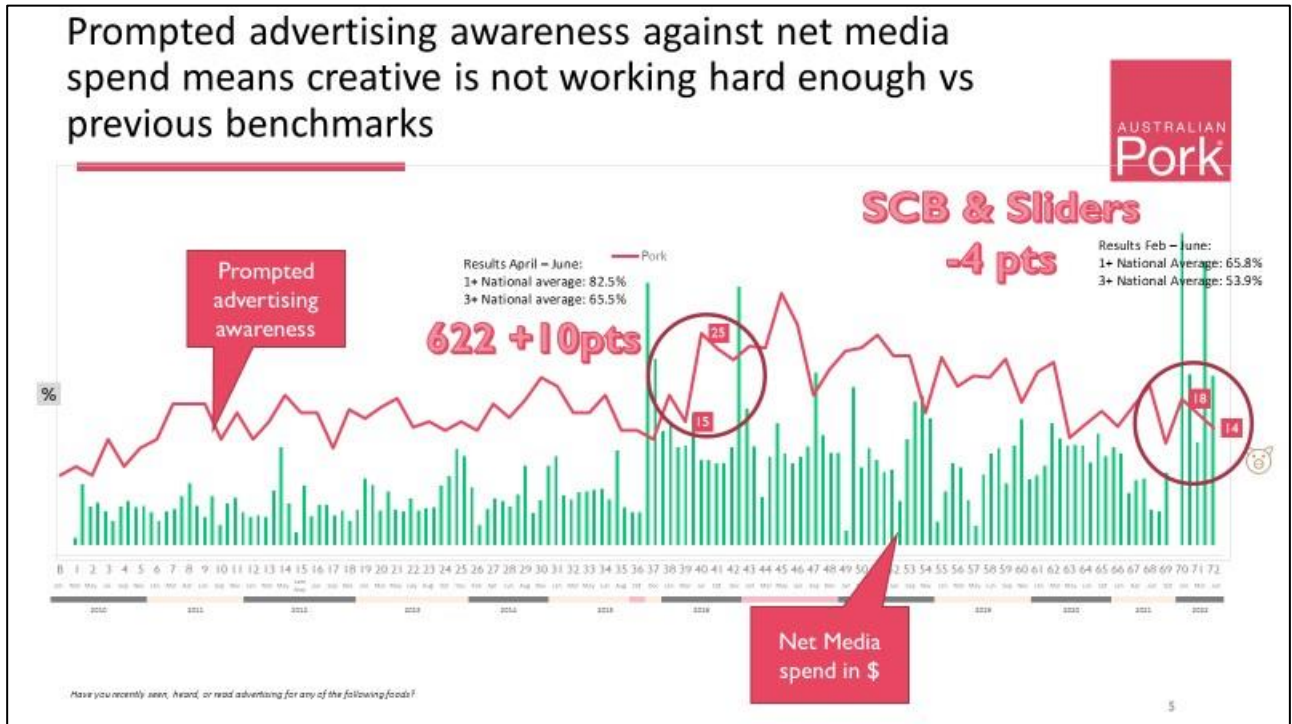
As well, these marketing activities have intangible benefits which support the Australian pork industry and its levy payers by reinforcing positive views about Australian pork products among Australian consumers and countering existing and future negative opinions. These programs also create a positive view among Australian pig producers about their continued participation in the industry. In essence, these marketing programs help ensure the sustainability of the industry from both a consumer and producer perspective. The magnitude of these benefits is almost impossible to measure directly.

One way of indirectly measuring the value of these programs to levy payers is to assess consumer attitudes. APL does this regularly. It also uses a number of KRAs which explicitly address the purpose of marketing programs which include measures of consumption of Australian pork. These KRAs and associated KPIs are:

- ⊕ Increased preference for Australian pork as a protein source, with an explicit target number of retail purchases per consumer per annum in 2023;
- ⊕ Pig price stays within historic trend range, with an explicit target average per kg price for 60-75 kg pig in 2023;
- ⊕ Increased domestic popularity of pork, with an explicit target of consumption of fresh pork per person;
- ⊕ Increased use of pork in everyday meals, with an explicit % target of Australians making the association based on consumer surveys;
- ⊕ Increased international demand for Australian pork (explicit target export value); and
- ⊕ Consumer understands the Story of Pork, with a measure of accumulated number of opportunities to see 'Story of Pork' stories ('explicit media mentions' target).

An example of the monitoring and assessment by APL of its advertising programs is given by the results of media spend compared with prompted media awareness. This is shown in Figure 7, which tracks APL net media spend against prompted media awareness over the past 12 years. The figure shows trends in net media spend (the green bars) and trends in prompted advertising awareness. The two circled areas show (a) when prompted advertising awareness jumped after an increase in net media spend in 2016 and into 2017 then (b)

when prompted advertising awareness continued to slide despite an increase in net media spend at the start of 2022.



Source: Peter Haydon, APL

Figure 7: Prompted media awareness versus net media spend by APL

8.4 ASSESSMENT OF POLICY INVESTMENT

APL is unique among RDCs in having an endorsed policy role. However, APL does not conduct a formal assessment of the impact and benefits of its policy activities. As noted in section 6.6, a formal M&E framework would include such an assessment and provide valuable information to levy payers, the industry and government about the impact and value of these activities.

8.5 COMMUNICATING THE DEMONSTRATED BENEFITS

The results from the three sets of impact assessments on the RD&E programs demonstrate that APL’s RD&E activities are delivering economic, social, and environmental value to the industry. This may not be evident to all in the industry, in part due to a lack of understanding about the benefit-cost methodology leading to scepticism about the results. This is always a challenge for RDCs, so a focus needs to be on clear communication of the methodology and the results, perhaps using case studies.

APL's reporting of the results from the impact assessments of its RD&E program to stakeholders is limited. There has been no improvement in the communication of the results since the previous performance review in 2018/19. Despite recommendations in that review which aimed to improve this communication and despite APL's positive response to these recommendations⁴⁴, APL has not made any of the suggested changes.

Only the full report from the 2020 impact assessment on the Environment RD&E program is available on the APL website in the 'Completed projects' subsection of the 'Research' section. In addition, a very short summary of the 2021 impact assessment on Processing RD&E program is available in the same subsection, although confusingly it is titled 'Impact assessment of APL Product Integrity investment'. The full report from the 2021 impact assessment is not available.

Furthermore, finding the information on the APL website regarding the two impact assessments on the APL is difficult, requiring a user either to trawl through the list of 'Completed projects' or to enter a search term such as 'impact assessment', 'benefit cost' or 'cost benefit'. The report on the *ex ante* BCA of Health4Wealth is available on the APL website in the 'Health4Wealth' subsection of the 'Completed projects' section. There is no mention on the website of the 2022 impact assessment on the Cost of Production RD&E program, even though the report was completed in June 2022.

The results from the 2020 impact assessment on the Environment RD&E program were reported briefly in APL's Annual Report 2019/20. The reporting consisted of a single paragraph stating that '*...the 21 projects evaluated created benefits to a value of 4.6 times the \$5 million invested. Even when all of the assumptions of benefit were halved, the program still had a positive return to producers and to Australia*'. APL's 2020/21 Annual Report included considerably more detail on the 2020 impact assessment on the Environment RD&E program. The results were reported in the Annual Highlight section of the Report (pages 38 and 39) in the reporting of both Principle 2 (Research, development and extension activities) and Principle 5 (Monitoring and evaluation). Appendix D also included an overview of the process used by APL for evaluating the efficiency and efficacy of its investments. This coverage is a marked improvement on previous years.

The results of the 2021 impact assessment on the Processing RD&E program have not been included in any of APL's annual reports reviewed.

The results of the 2022 impact assessment of the Cost of Production RD&E program were committed to a short section on page 68 of the 2021/22 annual report titled 'Efficiency and efficacy of our investments'. The section included a summary paragraph from the report on the 2022 impact assessment, summarising the present value of costs of the projects, the present value of the benefits, the NPV, the BCR and the IRR. This was a reversal from the improved reporting seen in the 2020/21 annual report.

As APL does not have a target BCR from the impact assessments included in its KRAs, the BCR result is not included in the table in the annual report which summarises APL's progress against its KRAs. Reporting of the results from the impact assessments conducted on APL's RD&E programs would be a useful addition to this summary table of progress against KRAs.

⁴⁴ Response to Recommendations: Independent Performance Review 2019

There is no evidence of any other reporting of the results from the three impact assessments of RD&E investments, even at a high level, to the annual meeting, at the delegates forums or via APL newsletters and emails to members.

While communicating the triple bottom-line results from the *ex post* impact assessments to levy payers and other stakeholders provides challenges, some RDCs have been successful by providing case studies to explain the benefits to an individual company in the industry. A good example is the Annual Report 2021/22 of Sugar Research Australia (SRA) which provides clearly communicated case studies as part of its reporting on the results from the impact assessments conducted which were also compared with its target⁴⁵. While this involves more than simply reporting a selected metric, such as the BCR, it provides interested participants in the industry a richer understanding of the benefits from the RD&E investment.

It is acknowledged that the full reports may be difficult for the casual reader and layperson to read and understand, but easy-to-read summaries reports should be made available on the APL website, at a minimum. An example of a single page summary of the 2022 impact assessment was prepared by ACRE Economics and provided to APL⁴⁶. It appears that APL has not used this summary for its communications to stakeholders.

RECOMMENDATION: APL SHOULD COMMUNICATE THE RESULTS FROM ALL OF ITS IMPACT ASSESSMENTS TO STAKEHOLDERS USING CLEAR, SIMPLE LANGUAGE IN ITS ANNUAL REPORT, IN PRESENTATIONS TO THE DELEGATES FORUM, IN NEWSLETTERS AND COMMUNICATIONS TO LEVY PAYERS AND MEMBERS, AND ON THE APL WEBSITE. THIS SHOULD INCLUDE CASE STUDIES WHERE APPROPRIATE

APL communicates the assessment of its marketing and promotion spend to APL delegates at the regular delegates forums, as well as to the AGM. It also reports its performance against its KRAs and targets to the same meetings and in the annual report.

8.6 LEVY PAYER PERCEPTIONS OF VALUE

Most of the RDCs commission regular stakeholder surveys to track stakeholder satisfaction and to gather feedback on matters such as the quality and type of engagement by the organisation. APL is no different in this respect.

APL undertook a significant survey in December 2019 to identify the issues affecting the industry over which APL has some influence and to evaluate its research and communications activities. One hundred and seventeen responses were received, an estimated response rate of 13 per cent. The survey was conducted online using APL's Microsoft Dynamics® 365 database and via a paper questionnaire and contained 52

⁴⁵ SRA, Annual Report 2021-22, pages 22 to 24

⁴⁶ Talia Hardaker (ACRE Economics), personal communication, 17 November 2022

primary questions, with some questions containing supplementary parts. Seventy-five per cent of respondents were members of APL.

In relation to levy perceptions of value, 72 per cent of total respondents were satisfied with the membership services APL provided. The reasons that producers do not become members remained unclear from the data but could include that producers are unaware of or uninterested in the benefit of membership.

Eighty-three per cent of respondents were satisfied with the frequency of APL communications while 10 per cent preferred more and 4 per cent wanted less. Three per cent did not receive any communications from APL.

Sixty-four per cent of respondents reported that they thought APL was using producer levies effectively and 77 per cent reported they thought APL was doing a good job overall. Fifty-seven per cent of respondents thought APL provided a direct or indirect benefit to their business. This represented 85 per cent of industry when weighted against sow numbers.

We understand that there were no surveys undertaken in 2020 due to the pandemic and that a different approach was taken in 2021 so there is no time series available. The new approach only attracted a low 56 responses, so the representativeness of the sample is questionable. The research was conducted by Blisspoint Research between November 2020 and March 2021. While the survey included small, medium, and large producers, none of the responses were especially stratified. Key findings from this survey were:

- ⊕ The change of management was generally viewed positively but the ‘honeymoon’ period was coming to a close (or had closed);
- ⊕ Producers would now be looking for results, rather than plans;
- ⊕ Ratings of importance were Advocacy > Research > Marketing. This was somewhat surprising for us, as we would have thought marketing would rate higher;
- ⊕ Smaller producers tended to be less positive about APL;
- ⊕ There was essentially a 20-30 per cent ‘tail’ who were quite negative about APL, no matter what the measure. While this may have been smaller producers in the main, if one or two were very large producers this would be a very concerning result, and there is no way to tell from the analysis;
- ⊕ 46 per cent of producers rated APL poorly (0 – 5) on at least one measure;
- ⊕ There was concern about the loss of expertise from APL; and
- ⊕ Research output was generally rated poorly.

In 2022, it was decided to do the stakeholder survey in four quarterly chunks rather than one long questionnaire. We understand that with the occurrence of Japanese encephalitis in 2022 the survey process was delayed and so far, only the first component has been completed, in the period July to September 2022. The survey was undertaken by Thrive Insights and attracted 74 responses. The survey looked at employment (numbers, training, staff shortages etc), production (expansion plans, infrastructure, spare capacity) and environmental planning (land area, energy source, recycling etc). It had no measures of levy payer perceptions.

APL’s survey structure has varied quite considerably over the review period and, in our view, this is less than optimal. We suggest that APL design a robust survey that is repeated yearly so that its performance (and industry characteristics) can be monitored over time. APL may also need to consider adopting a more deliberative survey methodology such as computer-assisted telephone interviewing (CATI) in order to reach a sufficient and sufficiently representative sample of the producer population. We are aware of several RDCs

using CATI providers that are highly reputable and experienced in dealing with farmer audiences. Such approaches are more expensive but likely to deliver much more useful outcomes. A high-quality biennial survey might meet APL's needs.

RECOMMENDATION: APL SHOULD CONSIDER COMMISSIONING A ROBUST YEARLY OR BIENNIAL SURVEY, INCLUDING QUESTIONS ON LEVY PAYER PERCEPTIONS OF VALUE, AND THOSE RESULTS BE ANALYSED AND REPORTED BY SIZE OF OPERATION. APL SHOULD ALSO CONSIDER WHETHER A MORE DELIBERATIVE SURVEY METHODOLOGY THAN THAT CURRENTLY ADOPTED WOULD DELIVER BETTER DATA

The qualitative feedback from interviews with stakeholders for this review was reasonably consistent with the survey results, although views were very mixed. Some interviewees who had benefited from close interaction with APL rated APL positively and believed it delivered value for money. At the other end of the spectrum, there were a number of interviewees (from large corporates to smaller family operations) who thought that APL has performed poorly and that there was, at best, questionable value from the levies paid.

In respect to APL's specific activities, there were also varied opinions. The RD&E program was clearly the most contentious for members. This sentiment was most marked among free-range and outdoor growers who believed they saw little return from their levy investment in production orientated RD&E. On the other hand, areas such as eating quality, animal health and emergency animal disease preparedness were acknowledged as having whole-of-industry benefit. Appreciation and support for APIQ[✓][®] stood out across the interview sample (see section 7.1).

APL's performance in its marketing and industry representative roles was generally rated higher than for RD&E. Most members were highly appreciative of the role APL played in facilitating access to labour resources during Covid and specifically in lobbying for access to appropriate work visas and programs. Members also indicated that APL liaises well with government and that there appears to be a stronger focus on setting policy and improving the relationship between industry and government. However, there are concerns that APL has not consulted well in some key areas of policy, particularly on targets towards net zero, ASF preparedness and food waste. APL is in a difficult position, as it can be criticised for being too forward in its views in some areas, and then criticised for lack of leadership in other areas. Regardless, having effective and consistent industry engagement is key to finding the appropriate balance.

9. IMPLEMENTATION OF RECOMMENDATIONS OF 2019 PERFORMANCE REVIEW

Under section 14.1 of the Funding Agreement 2015-19, which was valid at the time of the completion of the previous review, APL was required to develop a response to the review report and a proposed implementation plan, including dates and milestones, for the implementation of the review recommendations within three months of the board's acceptance of the report. It was also required to provide the response to DAFF within 30 days of board acceptance, to report to the Commonwealth on implementation progress in its regular meetings, and to publish the report and APL's response to it on the APL website.

APL's response to the performance review was provided to DAFF and published on the website as required. No standalone implementation plan was created, but a series of actions and milestones was developed. Progress against these was systematically reported to DAFF at the six-monthly meetings (see section 7.3) until April 2020, when the format of these meetings was altered, partly due to the change of SFA. A summary of progress was also included in an appendix to the agenda of the June 2021 meeting, but it is not clear that this document was provided to DAFF. We understand that APL intends to revert to a process of systematic reporting of performance review recommendations to DAFF following the current review (and indeed a more systematic reporting format was adopted for the December 2022 meeting).

We note that the new SFA has different provisions for follow-up of the performance review. Instead of publishing a formal response and implementation plan, APL must meet with the Commonwealth to '*...discuss any areas of underperformance identified in the independent review and agree on an approach for APL to address any such areas of underperformance [and]...implement any agreed actions and comply with any reasonable directions issued by the Commonwealth in relation to addressing areas of underperformance*' (Section 10.6(d-e)). In our view, this is a better and more flexible way to manage the findings of any such reviews.

The recommendations of the 2019 performance review and APL's response to those recommendations are listed in Table 17. The table also includes commentary on the implementation of the recommendations during the current review period. Note that the recommendations have been listed in the order adopted by APL in its response to the review recommendations, which groups them by functional areas of APL.

Table 17: Recommendations from 2018 performance review and APL response (as grouped by APL)

	RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
Function 1: Strategic planning				
5	APL should continue with the general format and structure of its strategic plan but consider making some enhancements as suggested by this review.	Better practice	APL agrees with this recommendation. APL’s recent performance, innovation and marketing reviews will significantly influence the 2020-25 Strategic Plan. In principle and in practice, APL is committed to maintaining a high standard of governance complemented by an approach of continuous improvement. Effective governance is critical to efficient, effective delivery of projects and activities and to maintain the trust and confidence of stakeholders. This recommendation’s clear focus on continuous improvement aligns well with APL’s existing approach.	The intent of the recommendation has largely been implemented. APL took a very different approach to preparing its 2020/25 strategic plan as outlined in section 5.3. This recommendation was suggesting greater focus on a summary document, extension / communication, and portfolio balance. The former is covered by recommendation 6 while the latter two were covered within the new strategic plan (see also recommendation 1). Further information on portfolio balance is also included in the innovation plan.

	RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
8	<p>APL should prepare strategic and operating plans that explicitly and transparently address how APL's strategies and activities take into account the pig cycle.</p>	<p>Better practice</p>	<p>APL agrees in principle with this recommendation, however in practice, external factors limit the extent to which it can be implemented. APL supports activities which provide transparency and help ensure peace of mind and business stability for our stakeholders. APL recognises that, while the pig cycle is often top-of-mind at an operational level within APL, this has not been reflected in planning documents. This is largely due to the inability to accurately predict the timing and volatility of the pig cycle due to unmeasured volatile external factors.</p>	<p>The intent of the recommendation has been implemented. APL explicitly mentions the pig cycle in its 2020-2025 strategic plan with one of the strategic themes within that plan being 'manage volatility for viable farms'.</p>

	RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
9	<p>APL should consider contracting an experienced agricultural economist to construct a partial equilibrium economic model of the Australian pork industry. This model could be used as part of the development of an industry strategic plan to help guide the whole industry. It would also aid significantly the assessment of benefits flowing to the industry from APL's marketing and RD&E activities.</p>	Better practice	<p>APL agrees in principle with this recommendation, however other options may achieve the desired strategic outcome more effectively. This recommendation will be considered and evaluated in comparison to other available options to achieve the same outcome. When considering the options available, APL will evaluate the additional knowledge gained in each method and how that would have affected APL actions and strategic planning during both the 2007-08 and 2017-18 profit crises, as well as how it might affect future events.</p>	<p>The intent of the recommendation has been implemented. The APL board considered this recommendation in detail and, combined with industry consultation during the development of the 2020-2025 Strategic Plan, decided to address the measurement of benefits through improving data utilisation and producer relations. The present review makes further recommendations on measurement of benefits flowing from APL's marketing activities.</p>
Function 2: Project evaluations				
3	<p>APL should upgrade its evaluation framework, in association with the development of the next strategic plan, to provide more detailed information about how monitoring, evaluation and reporting will be conducted.</p>	Important	<p>APL agrees with this recommendation. APL recognises the value of a robust and rigorous evaluation framework, and that this activity would be best conducted in parallel with the development of the next strategic plan.</p>	<p>The current strategic plan includes an 'investment evaluation framework' that has minor changes from the framework that appeared in the Strategic Plan 2015-2020. The new framework does not include or address any of the improvements suggested by the 2019 review. The current review again includes a recommendation that APL improve its MER framework.</p>

	RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
4	<p>APL should conduct full-scale impact assessments of selected RD&E programs each year that are consistent with the CRRDC guidelines and ensure that the contracted independent economic consultant follows the CRRDC guidelines or reports on what deviations were taken and the reasoning. These impact assessments should take account of and comment on the potential impact of productivity-improving RD&E on supply of fresh pork and on pork prices in Australia and should include commentary on the likely distribution of benefits from the project clusters between regions and/or sectors of the Australian pig industry.</p>	Important	<p>APL agrees with this recommendation. APL acknowledges the value of full-scale impact assessments prepared in accordance with CRRDC guidelines, which also enables cross-sectoral impact assessments to be undertaken. A particular outcome of a full-scale impact assessment will be a measure of the value selected RDE programmes added to the Australian pork industry. Independent economic consultants who are engaged to prepare full-scale impact assessments for APL must comply with CRRDC guidelines and reporting requirements and provide, as part of the report, suitable case studies that may be further used by APL in its publications to demonstrate benefits arising from its investments. The full suite of RDE programmes funded by APL, including those directly managed by marketing and policy, will be considered for evaluation through impact assessments.</p>	<p>The recommendation has largely been implemented. Between 2020 and 2022, APL has had three impact assessments prepared by an experienced economist specialising in RDC benefit-cost analysis, following the established CRRDC guidelines, using conservative assumptions and including sensitivity analyses. The impact assessments did not explicitly comment on the impact of productivity changes on pig prices, nor did they include significant detail or commentary on the likely distribution of benefits from the project clusters between regions and/or sectors of the Australian pig industry. The current review provides a further recommendation in this regard.</p>

	RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
7	APL should develop instructions and guidelines for the use of the <i>ex ante</i> benefit-cost calculator used by APL staff, and ensure staff are fully trained to improve efficiency and ensure consistency in its use and application across programs.	Better practice	APL agrees with this recommendation. In principle and in practice, APL is committed to a high standard of governance with an approach of continuous improvement. Effective governance – including efficiency and consistency – is critical to the delivery of projects and activities for the benefit of producers. APL will engage an economist to review our <i>ex ante</i> methodology required to inform RDE investment decisions with this information included into business case documentation for board review. Training of staff to understand and apply APL’s <i>ex ante</i> analysis framework will also be conducted, with reference guides developed as part of this.	The intent of the recommendation has been implemented. APL ceased use of the <i>ex ante</i> benefit-cost calculator around 2020. In the past two years APL has developed a replacement Excel® spreadsheet to use for <i>ex ante</i> assessment to assist with priority setting and to assist in the business case for project proposals in COPP RD&E. This is called the ‘Cost of Production Project <i>ex ante</i> savings estimator’ which APL is trialling and plans to roll out for other RD&E Programs. Training of staff on the application of this COPP <i>ex ante</i> tool is still a high priority. The current review provides a further recommendation in regard to the <i>ex ante</i> tool.
10	APL should consider including the annual impact assessment results in the annual report and in a short annual performance evaluation report. This reporting could include case studies or other mechanisms for making outcomes more relatable to the average levy payer.	Better practice	APL agrees with this recommendation. APL supports activities to improve communications which increase effective engagement and transparency with our levy payers. These actions will encourage this and maximise the dissemination of investment outcomes to producers.	This recommendation is still to be pursued. The annual impact assessments results have been given limited coverage in the annual reports providing the high-level results from the 2020 and 2022 impact assessments. The results from the 2021 impact assessment have not been reported. It appears that case studies have not been included in the reporting.

	RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
11	APL should make all relevant documents including detailed impact assessments available on the APL website in a separate, clearly identified 'Performance Evaluation' section, in order to improve performance reporting.	Better practice	APL agrees in principle with the recommendation, to the extent that it does not impact market stability and competition. APL notes that consideration may be required to account for the market sensitivity of many of the documents used in performance evaluation. APL supports activities that improve both transparency and performance reporting, provided this does not impact market stability and competition.	This recommendation is still to be pursued. A limited number of summary documents from the three impact assessments prepared between 2020 and 2022 are available on the APL website, but they are difficult to find. The full reports from the three assessments do not appear to be available on the website.
12	In addition to reporting the benchmarked measures of its marketing and promotion activities against its target KPIs, APL could also investigate how measures of marketing and promotion activities can be incorporated into the structured impact assessment methodology used for RD&E projects for <i>ex post</i> assessment.	Better practice	APL agrees with this recommendation. This is a broadly stated recommendation, and APL acknowledges the value of effective measures and utilising existing methodologies for consistency and value. This recommendation has been addressed through Recommendation 4, principally through ensuring that the selection criteria for ex post assessment are inclusive of all projects funded by APL.	This recommendation is still to be pursued. APL uses indirect measures of the value of marketing and promotion activities such as consumer attitudes and purchase intentions. It appears that APL has not investigated how marketing and promotion activities could be incorporated into the structured impact assessment methodology used for RD&E projects for <i>ex post</i> assessment.

RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
Function 3: Communicating with stakeholders			
<p>1 APL should consider creating a dedicated corporate communications division within its organisational structure, to ensure a more strategic and coordinated approach to APL's engagement with growers and other stakeholders.</p>	<p>Important</p>	<p>APL agrees in principle with this recommendation, however other approaches may achieve the desired strategic outcome more effectively. As strategy determines resourcing required to implement the strategy, any related organisational structural change will be determined after the strategic plan has been developed. Therefore, consideration of a dedicated corporate communications division will be reviewed in parallel with the development of the 2020-25 Strategic Plan. Alternative structural amendments that have the same effect as creating a corporate communications division are also likely to be assessed. Meanwhile, interim resources and support will continue to be provided to the cross-divisional communications team to improve communications outcomes.</p>	<p>The intent of the recommendation has been implemented. APL has advised that it conducted an internal review of the resources required to deliver the 2020-25 Strategic Plan in January 2021. This review resulted in the establishment of the Producer Relations Team.</p>

	RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
2	APL should develop an extension strategy that clearly shows how it will maximise adoption by different segments of the producer base.	Important	APL agrees with this recommendation. As an outcome of a separate RDE & Innovation Model Review (which occurred concurrently with the Performance Review), APL intends to engage a specialist consultant to develop an extension strategy with the goal of providing structure, consistency and alignment with APL's strategic objectives.	The intent of the recommendation has been partially implemented. APL retained a consultant to review its extension and adoption function and has developed an extension roadmap. However, the roadmap is not a complete strategy.
6	APL should consider publishing short summaries of its key documents – the strategic plan, annual operating plan and annual report – both as part of the respective documents and as standalone products, to enhance the company's transparency in planning and reporting.	Better practice	APL agrees with this recommendation. The short summaries referenced in this recommendation already exist or are in production; for example, the 2017-18 Annual Report was summarised in the 2017-18 Year in Review, with similar summaries planned for other key corporate communications. Under APL's continuous improvement approach, these documents will be reviewed for opportunities to make them more concise and to enhance reader engagement.	APL has indicated its preference to prepare concise documents from the outset rather than spend resources on two similar documents. This may be a reasonable assessment and use of resources. However, APL used to prepare a 'Year in Review' to support the annual report. This was a good document and should once again be considered.

	RECOMMENDATION	PRIORITY	APL RESPONSE	COMMENT
13	APL should consider broadening its annual industry survey to collect more information on producer perceptions of its performance, comfort in paying the levy and satisfaction with expenditure on marketing compared with RD&E.	Better practice	APL agrees in principle with this recommendation, however other approaches may achieve the outcome more effectively. This is a broadly stated recommendation, with a clear focus on providing value for the Australian pork industry, while balancing the commitments of APL stakeholders. APL acknowledges the value of effective measures and utilising existing methodologies for consistency and value. APL also acknowledges that surveys require a significant time commitment for producers. As such, broadening the survey may have a negative impact on the quality and completeness of survey responses, and also the participation rate. This risk will be carefully considered each time the annual survey is prepared.	Cancellation and delays caused by the pandemic and changes in survey methodology have resulted in less information on producer perception of APL performance than is optimal. A further recommendation has been made in this review.

10. CONCLUSIONS AND RECOMMENDATIONS

There is no evidence of APL having failed to fulfil, or being at risk of not fulfilling, its strict obligations under the SFA.

APL has delivered measured benefits to its stakeholders and has met a majority of its 2021/22 performance targets, although it has not quantified the economic benefits from all of its major functions and investments. Corporate governance is strong. The strategic and annual operating plans are generally robust, although the process to develop the current strategic plan alienated some stakeholders, and there is a lingering memory of this. The annual reports are comprehensive. APL has a good record of collaboration with RDCs and other organisations. The delegate system continues to be a strong mechanism for engagement with levy payers and APL has an excellent relationship with government.

Stakeholders interviewed for the review spoke positively of APL’s handling of labour issues during Covid, its responses to various biosecurity issues, APIQ✓®, and pork promotional campaigns.

The main concern of stakeholders with respect to APL is its Research & Innovation (R&I) division and the delivery of RD&E outcomes. APL developed a very good innovation plan and has streamlined its RD&I procurement process. However, stakeholders expressed serious concerns about APL’s record of delivery in RD&E and its technical expertise and experience in pig production systems. APL is once again seeking to recruit an executive manager for R&I after the most recent incumbent left after a short tenure. Filling this role is and should be a matter of urgency for APL, especially given stakeholder expectations that APL will lead the pork industry’s response to emergency animal disease threats and potential changes in animal welfare standards. There is an opportunity, too, for APL to work more closely with APRIL.

Other issues identified by the review include a high level of staff turnover, largely due to factors outside APL’s control, and opportunities to improve the setting of key performance indicators, monitoring and evaluation of performance, and stakeholder engagement in R&I and policy prioritisation in particular.

Fourteen recommendations are made as a result of the review. These are listed below, and each is rated either:

- ⊕ Critical: should be implemented as a matter of urgency in order for APL to meet its legal and regulatory obligations.
- ⊕ Important: actions that are expected to deliver significant benefits to the organisation and industry.
- ⊕ Better practice: expected to deliver incremental performance improvements.

No recommendations are rated as ‘critical’, in the sense that APL is at risk of not meeting legal or regulatory obligations, but the need to address stakeholder concerns about R&I through the appointment of a respected executive manager is considered to be at the top end of the ‘important’ rating.

RECOMMENDATION		SECTION	RATING
1	APL should review and update its board manual in line with current governance standards	4.2	Better practice

	RECOMMENDATION	SECTION	RATING
2	APL should add to each board committee terms of reference the effective date, next revision date, and responsible officer, to manage version control	4.3	Better practice
3	As a matter of some urgency, APL needs to appoint an executive manager to oversee R&I activities of the company. This appointment should be made in close consultation with APRIL	4.6	Important
4	APL should consider appointing independent members to the Investment Committee to strengthen the committee's ability to effectively evaluate RD&E investment opportunities	6.1.1	Important
5	APL should consider conducting an external benefit-cost impact assessment of the base funding program to provide greater transparency of direct and industry benefits	6.1.2	Important
6	APL and APRIL should consider developing a statement of intent for RD&E that signals lead organisation, operational activities, and expected impact from combined RD&E investment for the period 2023-2025	6.1.3	Important
7	APL should implement the findings of the extension and adoption review, especially the recommendation to develop a separate extension and adoption strategy that clearly shows how APL will maximise adoption by different segments of the pig industry. This should be done in close consultation with APRIL	6.1.6	Important
8	APL should upgrade its evaluation framework, in association with the development of the next strategic plan, to provide more detailed information about how monitoring, evaluation and reporting will be conducted. This process should include review and agreement on all of APL's KRAs and KPIs with the Board and Delegates and consideration of the inclusion of company specific KPIs in the new strategic plan. It should also include reporting on the balance of APL's investment portfolio across the five themes and between 'solutions' and 'horizons', and how APL will report on progress against its stated 'audacious goal' to add \$1 billion to farm gate value by 2025	6.6	Important
9	APL should modify the COPP estimator to include the cost of on-farm implementation of RD&E projects to provide a truer reflection of the net benefits arising from the current and prospective projects and a truer measure of the aggregate COPP saving against the strategic plan target of 48 c/kg saving	8.2.1	Important
10	APL should develop a clear schedule for <i>ex ante</i> assessment for future RD&E investments and implement this schedule as soon as practicable	8.2.1	Better practice

RECOMMENDATION		SECTION	RATING
11	APL should ask its impact assessment researchers to provide more detailed commentary on the likely distribution of benefits from projects between sectors of the Australian pig industry, notably between pig producers and processors	8.2.2.1	Better practice
12	APL should conduct an independent, formal benefit-cost impact assessment of all its marketing investments	8.3.1	Important
13	APL should communicate the results from all of its impact assessments to stakeholders using clear, simple language in its annual report, in presentations to the Delegates forum, in newsletters and communications to levy payers and members, and on the APL website. This should include case studies where appropriate	8.5	Better practice
14	APL should consider commissioning a robust yearly or biennial survey, including questions on levy payer perceptions of value, and those results be analysed and reported by size of operation. APL should also consider whether a more deliberative survey methodology than that currently adopted would deliver better data	8.6	Better practice

APPENDIX 1: DOCUMENTS REVIEWED

All documents listed are authored by APL unless otherwise indicated.

CORPORATE AND GOVERNANCE

- ✦ *Primary Industries (Excise) Levies Act 1999*
- ✦ *Pig Industry Act 2001*
- ✦ *Corporations Act 2001*
- ✦ Statutory Funding Agreement 2020-2030
- ✦ Companion to Rural Research & Development Corporations Funding Agreement (DAWE), undated
- ✦ Statutory Funding Agreement Performance Principle Guidelines and Key Performance Indicators, undated
- ✦ Funding Agreement 2015-19
- ✦ Constitution, November 2015
- ✦ Board Manual, November 2020
- ✦ Risk Management and Fraud Control Plan, November 2022
- ✦ Intellectual Property Management Plan and Register, January 2022
- ✦ Schedule of Financial Delegations, 10 February 2021
- ✦ Policies and Procedures Manual, June 2022
- ✦ Compliance status and corporate governance reports from Company Secretary to board, February 2019, August 2019, February 2020, February 2021, August 2021, February 2022, August 2022
- ✦ Corporate governance and general updates to DAFF, November 2018, September 2019, April 2020, November 2021
- ✦ Various other board and committee papers
- ✦ APL Board Performance Review, September 2019
- ✦ APL Board Performance Review, November 2020
- ✦ APL Director Self Evaluation Report, September 2022 (Sirdar)
- ✦ Risk Management Review APL: Final Report, July 2020 (KPMG)
- ✦ Research and Development Expenditure Audit Outcomes APL, October 2022 (Parbery) (and accompanying emails)
- ✦ Terms of reference for ARCG, IM, II, and P&C Committees, undated
- ✦ Independent performance review 2019 (Forest Hill Consulting) and Response to Recommendations
- ✦ ASX Corporate Governance Principles and Recommendations 4th edition, 2019 (ASX Corporate Governance Council)

MANAGEMENT AND STAFF

- ✦ Organisational charts, 5 February 2021 and 7 September 2022
- ✦ Australian Pork Ltd Staff Survey Results and Insights, September 2021 and August 2022 (Culture Zone)

- ✚ Various board papers

PLANS, ANNUAL REPORTS

- ✚ Sustainability Framework 2021-2030
- ✚ Innovation Plan 2020-25
- ✚ Strategic Plan 2015-2020 (original and amended 2016-17)
- ✚ Strategic Plan 2020-2025
- ✚ Annual operating plan summaries 2018/19, 2019/20, 2020/21, 2021/22, 2022/23
- ✚ AOP planning process summaries, 2022/23, 2023/24
- ✚ AOP process flow (Powerpoint® slide), undated
- ✚ AOP recommendation 2022-24, 21 April 2022 (board presentation)
- ✚ Annual reports 2018/19, 2019/20, 2020/21, 2021/22

OPERATIONS

- ✚ APL Review of Innovation and R&D Model, Final Report, February 2019 (Anwen Lovett Consulting)
- ✚ Investment Committee meeting notes, 9 May 2022 and 6 September 2022
- ✚ Board reporting dashboards, July 2021 and August 2022
- ✚ Base funding agreements: Sunpork 2020-21, 2021-22, 2022-23 (draft); Rivalea 2020-21 (x2), 2021-22, 2022-23; University of Melbourne 2020-21, 2021-22; SARDI 2020-21, 2021-22, 2022-23
- ✚ Pork Supply Chain Biosecurity fact sheet, undated (Pork SA)
- ✚ National Animal Health and Disease Extension and Adoption Strategy, Final Report, April 2022 (GHD)
- ✚ BMP Tool Kit: Extension and Adoption Outcomes (Powerpoint® presentation), undated
- ✚ APL R&I collaborative research July 2019-present (Excel® spreadsheet)
- ✚ Strategic Planning for Effective Extension and Adoption of Industry Research, Final Report, undated (Martin Amidy)
- ✚ APL's Extension Program (roadmap), 2022
- ✚ Adoption (Powerpoint® presentation), undated
- ✚ APRIL strategic plans 2019-22, 2022-25
- ✚ APRIL Annual Report 2022
- ✚ Usage and Attitudes Project – various proposals, November 2021 and project reports, June 2022
- ✚ Project Imprint – Story of Pork and social licence tracking – brief and submitted various proposals, October 2022
- ✚ Australian Ham and Bacon Choice Modelling Project – reports, December 2021
- ✚ Australian Ham and Bacon VR Project (II) – brief, February 2023
- ✚ Get Some Pork on Your Fork Marketing Update (Powerpoint® presentation), 19 August 2021

EVALUATION

- # An Impact Assessment of Investment in the APL Environment RD&E Program, Final Report, June 2020 (Agtrans Research)
- # An Impact Assessment of Investment in the APL Processing RD&E Program, Final Report, August 2021, (Agtrans Research)
- # An Impact Assessment of Investment in APL Cost of Production RD&E, Final Report, June 2022 (ACRE Economics)
- # Cost Benefit Analysis of Health4Wealth, 12 November 2021 (Frontier Economics)
- # COPP impact assessment tool (Excel® spreadsheet), September 2022
- # COPP impact assessment methodology guide, December 2022
- # Benefits of APL Investment in Cost of Production RD&E (summary sheet), June 2022 (ACRE Economics)

ENGAGEMENT

- # APL Stakeholder Consultation 2022
- # Year in Review 2018-19
- # APL Producer Webinar (Powerpoint® presentation master deck for webinar), 20 October 2022
- # Communications Brief: Social License Campaign for the Australian Pork Industry, 6 October 2022
- # Story of Pork Update (Powerpoint® presentation), 25 October 2022
- # Various APL Updates (emails)

INDUSTRY SURVEYS AND STATISTICS

- # ABARES Agricultural Commodities Reports, March 2022 and September 2022
- # ABS Agricultural Commodities and Value of Agricultural Commodities Produced, Australia 2020-21 and 2021-22 (preliminary) (Excel® spreadsheets)
- # ABS Australian production data for beef, chickenmeat, lamb, mutton, pig slaughter, pigmeat, veal, red meat from 1972 (Excel® spreadsheets)
- # FAO pig population and production data
- # OECD-FAO Agricultural Outlook 2022-2031
- # OECD pig population and production data
- # USDA Livestock and Poultry: World Markets and Trade, April, July and October 2022
- # Production Survey Charts (Powerpoint® presentation to delegates forum), November 2022
- # APL Import and Export Report (Powerpoint® presentation), August 2022
- # State of the Industry Report 2021 (Thomas Elder Markets)
- # Global Pork Update (Powerpoint® presentation to delegates forum), November 2022 (Rabobank)
- # Impact of COVID-19 on the Australian Pork Industry, article in Animal Frontiers, vol. 11 no. 1, January 2021 (D'Souza and Dunshea)
- # Annual industry surveys 2017, 2019-20, 2022 – questionnaires, data and reports

AMR & AMS: Understanding Producer Use and Awareness (Powerpoint® presentation), undated



FORESTHILL
CONSULTING