



AUSTRALIAN PORK LIMITED

Year in Review

2016-17



INDUSTRY PROFILE



Gross Value of Production

\$1.277b

PRODUCTION[^]

397,000 tonnes

UP 5.2%



2,700
REGISTERED
PIG PRODUCTION
SITES



230
MEMBERS
REPRESENT

92%
OF LEVIES

36
DELEGATES
REPRESENT

84%
OF LEVIES



PRODUCTION[^]


FRESH **230,400 TONNES**
PROCESSED **91,200 TONNES**



EXPORTS **35,500 TONNES**

IMPORTS **282,400 TONNES**

ANNUAL HIGHLIGHTS



TOTAL INCOME

\$22.7m

LEVIES

MARKETING **\$11.4m**

RESEARCH **\$5.1m**

INVESTMENT			
RESEARCH AND INNOVATION	\$7.5m	POLICY	\$1.4m
MARKETING	\$11.5m	PLANNED DEFICIT	\$850K

GOVERNMENT CONTRIBUTIONS (MATCHING) **\$5.1m**

OTHER INCOME **\$754K**

[^]Carcass Weight Equivalent



FROM THE CEO

The year to June 2017 has been a very challenging one for the Australian pork industry. Despite increasingly positive consumer attitudes towards our product, a perfect storm of events collapsed farm gate pig prices and with them, profitability for Australia's pig producers has in too many cases gone missing.

The role of APL in this pricing crisis has been to take the lead in trying to restore prices to a reasonable level. This is not an easy task considering that we have limited levers to pull. We don't set production levels, nor do we have the capacity to turn imports on and off like a tap. Our job remains to make a positive difference, giving levy payers an attractive return on investment. This can be cold comfort to a financially stressed pig producer, just attempting to stay afloat.

In operational terms, APL posted a deficit for the year of around \$850K, which was planned and resulted from increased marketing efforts in trying to alleviate the impact of low pig prices. Despite the deficit, our retained earnings remain healthy with reserves well above our minimum, self-mandated levels.

Our producers entrust us at APL to use their hard-earned levy funds responsibly and positively for the



benefit of the industry and their businesses. I'd like to thank them for their trust in us to carry this out, especially in difficult times like those that we are experiencing now.

We have an enthusiastic and skilled team motivated to deliver for industry and I'd also like to thank them for the efforts they make, and for caring at the end of the day about those to whom they provide a service.

Andrew Spencer
Chief Executive Officer

YEAR IN REVIEW

Pork supply and pig prices

- Pig prices peaked in 2016 at an average of around \$3.75 per kilogram carcase weight equivalent but dropped steeply and deeply from Christmas 2016
- Official figures to the end of May 2017 show a 3.2 per cent increase in pig slaughters compared to the previous year
- Pigmear production was up 5.2 per cent, showing that average carcase weights have increased during the past 12 months

Import competition

- Import volumes of middles and boneless legs for bacon and ham production remained relatively constant
- High wholesale prices for some pork cuts during 2015 and 2016 encouraged importers to consider innovative approaches to the market, including retorted bone-in ribs with an unrefrigerated shelf life of up to two years

International marketing

- APL continued to work with the supply chain to investigate the attributes and attractiveness of our product for Asian markets
- A formal request for pork protocols was presented to the Chinese regulators by the Australian Government

Consumer demand

- Fresh pork per capita consumption reached 10.8 kg per annum in carcase weight equivalent terms
- This is up from around 8.5 kg per annum in 2010

Industry innovation

- APL continued to invest in value adding research and development in traditional productivity, welfare and housing, environmental and energy issues, meat science, food safety, quality assurance and eating quality
- The Pork CRC is due to wind up mid-2019. The successor body, Australasian Pork Research Institute Ltd (APRIL), is now active

Strategy review

- A strategy review highlighted 5 key areas of APL focus:
 - generate more demand for our products
 - identify a quantum leap reduction in production costs
 - maintain export market development
 - retain the health status of our pig herd through strong biosecurity practices
 - continually improve animal welfare standards

Policy Development

- Mandatory pig movement reporting using PigPass will commence in February 2018
- With the scrapping of the 457 visa system from next year, APL worked to ensure an appropriate replacement for the hundreds of 457 visa holders employed in the Australian pork industry

Community engagement

- APL launched the updated Australian Pig Farmers website (www.aussiepigfarmers.com.au)



LOOKING AHEAD

APL continues to provide high level support to pork producers. Some of the critical industry issues we're currently focusing on include:

- Assisting Australian producers improve profitability by developing and transferring technology to industry, which will improve production efficiency and effectiveness
- Continuing to grow demand for Australian pork by developing domestic and international markets, with a focus on gaining market access to China
- Creating further demand for Australian pork by seeking to understand the source, nature and impact of imported pork. APL will respond with demand creating strategies for Australian pork and regulatory interventions where appropriate
- Maintaining and improving the Australian pork industry's positive animal welfare reputation
- Enabling producers to reinvest in the industry by enhancing planning regulations
- Improving communication with producers by providing information which is relevant to them through channels that are convenient
- Maintaining and improving the Australian pork industry's enviable evidence based biosecurity by continuing to invest in relevant biosecurity research and uptake of the PigPass traceability system.



OPERATIONAL HIGHLIGHTS

The activities of APL are focused directly or indirectly on achieving the objectives of the 2015–2020 Strategic Plan. Outlined are the key achievements and expenditure for each objective during 2016–17.



STRATEGIC OBJECTIVE 1

Growing Consumer Appeal

\$8.66m
2016-17

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

Program 1
Better Pork

Program 2
Pork Made More Popular

Program 3
Increasingly Different

- Fresh pork is the fastest growing protein, driving pork to overtake beef as the second most consumed meat according to ABARES
- Increased advertising investment of \$900,000 to drive demand faster
- Advertising recall increased from 60 per cent to 73 per cent



STRATEGIC OBJECTIVE 2

Building Markets

\$4.44m
2016-17

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

Program 1
Market insights

Program 2
Domestic Market Development

Program 3
International Market Development

- Fresh pork consumption increased to 10.8kg per capita
- Draft protocol lodged with Chinese government for Australia to export pork to China
- Close collaboration with pork supply chains to drive volume sales, fastest growth in several years



STRATEGIC OBJECTIVE 3

Driving Value Chain Integrity

\$2.00m
2016-17

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

Program 1

Trust in Pork Provenance

Program 2

Pork Quality Assured

Program 3

Fairness in Risk and Reward

- More than 90 per cent of commercial sows have APIQ✓® certification
- Gap analysis of technical and regulatory requirements for the export of Australian pork into China completed
- Investigation and trialing of Third Party Auditing (TPA) for APIQ✓® certification



STRATEGIC OBJECTIVE 4

Leading Sustainability

\$5.45m
2016-17

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

Program 1

Addressing Societal Needs

Program 2

Healthy Herds and Farms

Program 3

Continuous Productivity Growth

- Health management of Australian pigs is not responsible for the development of resistance to antibiotics important for human health
- Gestation Stall Free (GSF) compliance reached 75.7 per cent (all sows)
- Formation of the Australian Livestock Antimicrobial Stewardship (AMS) Group and development of an Australian Livestock Industries AMS plan



STRATEGIC OBJECTIVE 5

Improving Capability

\$2.60m
2016-17

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

Program 1

Applied Learnings

Program 2

Building Industry Image and Reputation

Program 3

Operational Effectiveness

- 900 copies of pork educational units distributed to schools
- 71 per cent of sponsored post-graduate students employed within pork industry
- ProHand™Pigs and ProHand™Abattoir training programs relaunched



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