



AUSTRALIAN PORK LIMITED

Annual Report

2013-2014



VISION

A competitive, responsible and sustainable Australian pork industry.

PURPOSE

Drive profitability and sustainability for pork producers through the provision of programs and services to the Australian pork industry.

VALUES

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

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Mr Enzo Allara AM
Chairman

Message from the Chairman

As Chairman, I present to you on behalf of the Australian Pork Limited (APL) Board, the company's 2013–2014 Annual Report.

This is the final year of operating under the guidance of the 2010–2015 Strategic Plan and APL has continued to deliver strong outcomes against the key objectives.

Sow numbers and slaughter numbers have been relatively stable with the growth in carcase weights increasing the availability of supply. This has enabled the supply of fresh pork to meet the growing consumer demand which has also resulted in an increase in the per capita consumption of fresh pork. This, together with the increased number of fixed price contracts between buyer and seller, has underpinned the relative stability in pig prices. A good supply of feed grains has kept prices in the southern part of Australia relatively competitive, whereas the drought conditions in many parts of Queensland and northern NSW has had a significant impact on feed prices and therefore farm profitability.

The APL promotional program PorkFest is now in its fourth year and has continued to aid market stability by encouraging more and more consumers to increase their fresh pork consumption during the peak production months of April/May. Other equally successful campaigns throughout the year have been Ham and Bacon Weeks. The success of these events indicates Australian consumers continue to show strong support for Australian-grown pork.

The Australian Pork industry only exports about 10 per cent of its production and there is a need to increase the levels of export if the industry is to continue to grow. Earlier in the year the Australian Government through the Dept. of Foreign Affairs and Trade organised an Australia Week in China event to highlight the opportunities of export into China. APL was well represented but at this stage Australian pork does not have market access into China so our first challenge is to address this issue.

The work that APL began a couple of years ago to differentiate Australian pork from imports and other proteins continues, even though some of the programs will take time to demonstrate their full impact.

It is pleasing to see that:

- The move away from confinement of sows in gestation stalls continues with the latest numbers indicating at least 65 per cent of sows have moved to “gestation stall free” status which means that the sows are loose housed for a minimum of 90 per cent of their pregnancy;
- About 90 per cent of production is now covered by the very well-structured and managed quality assurance program APIQ✓®;
- Significant Research and Development (R&D) is being undertaken to understand the drivers of meat quality and cooking; and
- A very accurate traceability system, Physi-Trace is now available and being used in a good part of the industry.

On top of its normal activities, APL also underwent its Three Year Performance Review as well as the development of a new five year Strategic Plan 2015–2020.



The Performance Review is undertaken by an independent consultant every three years and is a requirement under our Statutory Funding Agreement. This is the fourth time that APL has been evaluated and the purpose is to independently assess APL's performance and, in particular, reassure its key stakeholders about its efficiency and effectiveness. I am pleased to report that over the review period APL has performed well against its obligations and its governance arrangements, practices and procedures have met the standards required. In addition, the organisations operational structure was well aligned with the Strategic Plan and the stakeholders consulted identified the existence of a skills-based and cohesive APL Board, which is supported by an efficient and effective organisational structure.

After extensive consultation across the total supply chain, the Strategic Plan 2015–2020 framework has now been developed and is focused on moving the industry, over the next five years, from a position of improving earnings to a more attractive position of improving certainty of earnings. It is certainly going to be an exciting period, especially when future export opportunities start to develop. The direction the new Strategic Plan is taking will give APL and the Australian pork industry plenty of challenges and opportunities to further grow market share for Australian pork and I would like to thank those who were involved in this consultation process over the extended period.

R&D is fundamental to the industry's long-term competitiveness and sustainability. The Australian pork industry's research and development portfolio continues to be jointly managed by the Pork Co-operative Research Centre (CRC) and APL in a manner that brings both short and long-term benefits to the industry. This is supported by active programs within APL associated with technology transfer and adoption where research is communicated to producers and service providers. An important link in that communication chain is the biennial industry event Pan Pacific Pork Expo (PPPE). This year saw record numbers of industry attend the event to listen, discuss and debate research and development outcomes.

One of the highlights of PPPE was APL's launch of the Education Resources Kits. This exciting initiative comprises a series of educational resources aimed at various ages of students. The Kits are designed to fit the new Australian school curriculum in Technologies, Science and Geography and propose to teach the children of today about where and how their food is grown, as well as the way food is processed and prepared for eating. It was trialled in 20 schools before release and is proving very popular among teachers and students.

I would like to take the opportunity to thank the APL Board, management and staff for their ongoing leadership, innovation and commitment throughout the year. It is that dedication and drive that will continue to deliver further growth, profitability and value to our stakeholders.



Enzo Allara AM
Chairman



Andrew Spencer
Chief Executive Officer

Message from the CEO

The past year for the pork industry has been characterised as one of divergent extremes. On the one hand, our progress in building trust in our on-farm production practices, our supply chain, our consumer relationships and the popularity of our pork as food continues to gain momentum in a very positive way. On the other hand, attacks on our industry from vegan extremists through farm invasions has confronted too many of our producers and shocked us with their tactics and fanaticism.

Production and Pricing

The dynamics of pig production in Australia are hidden in the relatively flat processed pig numbers showing up in the statistics. A cursory look at the figures shows an industry with roughly constant production numbers of around 4.75 million pigs during 2013–14, but behind that figure our industry intelligence tells us that there continues to be rationalisation of pig farmer numbers. The exiting pig farmers from our domestic industry are having their pig production volumes replaced by expansion in some of our larger production units, leading to a relatively flat overall outcome in production volumes.

Considering that we can normally count on Australia's population increasing annually by between 1.5 and 2.0 per cent, an increase to May 2014 in pig slaughters of only 0.1 per cent would indicate a tightening of supply on a per capita basis. Ex farm gate pig pricing over the past 12 months has reflected a supply:demand relationship slightly more in favour of the producer through incremental price increases. Given comments about expanding export volumes below, the supply situation for pork on a per capita basis seems even tighter.

The limits of supply are brought about by a hesitation within the industry to expand production, even with slowly increasing demand. This seems to be driven by risk aversion still lingering in the industry since the producer profitability crisis of 2007–8 and the higher than average grain prices over the past couple of years limiting profitability. Whilst present producer profitability seems to be positive, it is not at a high enough level to initiate reinvestment into the industry at rates required.

Export and Import

The export/import mix has worked in a positive direction for the Australian pork industry over the past year.

Exports are up around 12 per cent for the year to the end of May 2014 in volume terms. This is not coming from traditional markets such as Singapore but from growth in the second tier destinations like Hong Kong, Philippines and Papua New Guinea. Value growth is lower, reflecting the lower value per kg for product going to these countries.



Imports have dropped around 20,000 tonnes in shipped weight terms over the past 12 months. As I wrote in this report last year, it seemed at that time that we had very high stock levels in freezers and that it seemed this would eventually correct itself. This has happened with the imports to the end of May down at around 134,000 tonnes compared to levels consistently above 150,000 tonnes a year ago. The impact in terms of consumption change and shifts in market share between imported and domestic product are minimal; Australian pork is continuing to have a share of the ham and bacon market of around 30 per cent.

Pork for Consumers

Despite the dynamics of supply, demand for Australian pork continues to rise, particularly into the domestic fresh meat market. Increases in our share of fresh meat have for many years underpinned the industry's capacity to remain viable in the face of northward heading import volumes.

Per capita fresh pork consumption has increased to 9.23 kg from 8.95 kg last year.

Our platform campaigns for fresh pork promotion are continuing to be supported: namely the "Get Some Pork On Your Fork" television and radio advertising, the PorkStar food service promotions and the April PorkFest. Bolder repertoires of food styles, especially for particular market segments through a big expansion in food media over the past years, have helped to expand the market to considering pork as a more mainstream alternative.

Strategic Planning

This Annual Report is the last reporting against the Strategic Plan 2010–2015 and the core objectives it contains.

The past twelve months or so has seen the evolution of the next APL Strategic Plan 2015–2020, with consultation from pig producers all over Australia, the Australian government and its agencies, the supply chain and other interested stakeholders. The last five years has seen the consolidation of the industry and its balance sheets after the profitability crisis late last decade. The next five years is planned to be a phase for opening up and looking more aggressively at the next opportunities for growth – particularly in industry value, given the present limitations in our ability to adequately reinvest in industry expansion. Included within this is an intention to look outside Australia's borders for international marketing opportunities for premium "healthy, safe and natural" Australian pork. Building an international position requires significant time and patience, so short term shifts in volume are unlikely; the big moves in business growth are likely to be further over the five year horizon.

Today and Tomorrow's Innovations

With the consistency and alignment of Research, Development and Extension (R,D&E) activities between APL and the Pork Cooperative Research Centre (Pork CRC), the Australian pork industry continues to be well served by a productive research sector. Australia punches internationally above its weight when it comes to the recognition of our science and our scientists.



The natural split in APL taking the lead in productivity-based R&D and the Pork CRC working in the area of “high integrity” indicators like animal welfare, the environment, pork health and nutrition, and emissions management has been a great success. With the Pork CRC due to wind up in 2019, we are looking to the future in a model which can sustain this healthy R,D&E environment post the Pork CRC. A key part of this future model will be to make it attractive for external participants such as pig production companies and major pork researchers to be closely involved.

The processes around objective setting and project commissioning in the pork industry and APL have become a template for many in the rural research world. Involvement by pig farmers and industry specialists, who understand the challenges open for addressing through new innovation, have helped focus our efforts into the areas that really matter for success.

Community Engagement

The past year has been challenging for the dozen or so pig farms which have been raided by activists and had defamatory video footage placed for all to see on the web. APL continues to do our best to help manage the impact of these invasions for our members through our toolkit, engagement with the media to balance the debate around intensive farming, discussions with government around appropriate future policy to help provide the legal protection pig farmers are entitled to and with policing authorities around preventative strategies.

Whilst the vegan philosophy underpinning the thinking of these farm invaders is not supported by mainstream society, we as an industry need to retain the trust of our consumers and the community that we are doing the right thing and acting consistently with how they would want us to produce their pork. We envisage that over the next years, it will be a positive move for our industry to improve the overall transparency of the way we farm pigs and the production practices we use. This could be achieved through opening up our farms more regularly to visits, web-based camera technologies, case studies and independent scrutiny. We'll be working with industry leaders to discuss the best way for us to maintain this trust through greater transparency.

The Australian pork industry has for some years been recognised for its leadership in facing up to challenges to its success as opposed to entrenching ourselves in the past. We have no intention of shifting away from this cultural lynchpin and we seek to profoundly understand the needs of the consumer and the community in directing our ways for the future.

Our Government Partners

The Australian government, as a major funder of APL (through the matching of our levy funded research and development expenditure), acts as a major investor in the Australian pork industry. As such, they have rightly an acute interest in the returns on that investment for the Australian taxpayer. APL works hand in hand with government to ensure that our activities are completely aligned with the interests of the nation and its communities.



The conditions under which the Australian government partially funds APL are outlined in our Statutory Funding Agreement. Regular meetings with government representatives ensure that there are “no surprises” in where that funding is going and what outcomes are generated, in meeting the conditions of the agreement. One of those conditions is conducting, on a three-yearly basis, a Performance Review of APL’s activities and conduct. One of these reviews was conducted in the 2013–14 year by ACIL Allen Consulting and showed that: “There is ample evidence to suggest that APL is a strategically focused and well-organised organisation that is accountable to producers, industry and Government”.

Government at a national and state level also substantially contributed to the development of the APL Strategic Plan 2015–2020, and its launch at Parliament House, Canberra on the 28 August, 2014.

APL Team and Operations

The success of the APL Performance Review is a small demonstration of the expertise, dedication and achievement of the APL staff in Canberra and other sites around the country. Most producers are not able for one reason or another to see the work that we do on their behalf, which is one important reason for this Annual Report. APL’s staff, like the pig producers they work on behalf of, are proud to belong to a leadership industry for rural Australia. Our culture strives for continuous improvement, better outcomes and recognition, consistent with how our industry operates.

I thank the staff of APL for taking on the responsibility within their areas of expertise to make our industry continually better, and for making APL a great place to work.

I’d also like to thank the Board for being the ultimate source of APL’s leadership culture and supporting management’s efforts in bringing that to life.



Andrew Spencer
Chief Executive Officer



3. Operational and Strategic Overview

3.1 Overall Framework

APL is a company limited by guarantee. It is a unique rural industry service body for the Australian pork industry – a single producer-owned company to deliver integrated services that enhance the viability of producers. The framework for APL was established under the *Pig Industry Act 2001*. Operating and reporting guidelines are provided for in the Statutory Funding Agreement (SFA) with the Commonwealth of Australia. The original SFA was renewed on 12 July 2011. The new version brings APL in line with the SFAs of other Industry Service Bodies (ISBs), although APL's operations differ from the other ISBs in that the *Pig Industry Act 2001* enables APL to use marketing levies to fund strategic policy development or other activities for the benefit of the Australian pig industry.

APL's primary funding is derived from statutory pig slaughter levies collected under the *Primary Industry (Excise) Levies Act 1999*. From 1 July 2012, APL saw an increase in the marketing levy from \$1.35 per pig slaughtered to \$1.65, the first of three tranches of \$0.30 between then and 2016. The levy now amounts to \$2.825 cents per carcass at slaughter, of which APL receives \$2.65, consisting of \$1.65 for marketing activities and \$1.00 for R&D. The remaining \$0.175 is for the Pig Monitoring Residue Program, which is received and managed by the National Residue Survey (NRS). Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture.

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

- Compliance with all relevant Australian accounting standards;
- Development and implementation of a risk management plan in accordance with Australian standards;
- Development and implementation of a fraud control plan;
- Development of an intellectual property management plan;
- Measurement of organisational performance against specified outcomes and objectives;
- Adoption of best practice in human resource management and diversity management;
- Adoption of best practice in managing compliance with legislative and regulatory requirements; and
- Establishment of internal policies and procedures in key areas such as Equal Employment Opportunities (EEO), Work Health and Safety (WHS) and privacy.

3.2 Role and Functions

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



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

3.3 Core Values

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

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

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

3.4 Members

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

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

In addition to the category of full APL member, there are the categories Associate Producer and Associate Corporate members. These two categories do not pay a pig slaughter levy but do fulfil an important role in the industry and within APL. Both membership categories are entitled to all the benefits ascribed to full members, with the exception of voting rights under the APL Constitution.

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

- Environmental initiatives;
- Animal welfare initiatives;
- Animal health;



- Feed grain security and supply;
- Regulatory changes;
- New trends in industry research and technology;
- Eating quality; and
- Domestic and export markets.

Levy-paying members are entitled to nominate a delegate to represent their interests more directly to APL through the well-structured delegate communication program. For the reporting period 2013–2014, there were 34 delegates voted in by APL levy-paying members to represent them. Along with membership renewals, which occur every three years, this is the first time APL Delegates will also serve a three year term.

3.4.1 Material Changes to Membership

The 2013–2014 reporting period saw membership renewals take place on 1 July 2013 when all APL Members are required to renew their membership for the next three year period. While APL Membership is open to industry members at any time during the next three years, the latter half of 2013 saw a concerted promotional push to encourage as many members to re-sign as possible. At the close of business on 30 June 2014, 253 levy-paying members had renewed their membership with APL. This is 78 less than in the 2012–2013 reporting period; however this new and re-signed number of levy paying producers now represents over 92 per cent of production compared to 89 per cent of production in the previous year.

Associate Producer Members have fallen from 14 to five whilst Associate Corporate Membership has risen from 26 in the previous reporting period to 34 in 2013–2014. .

3.5 Other Stakeholders

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

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

3.6 Organisation Structure

3.6.1 APL Senior Management

The APL Board delegates responsibility to the Chief Executive Officer (CEO) for the effective management of the company.



Andrew Spencer
Chief Executive Officer



Deb Kerr
General Manager, Policy



Emily Mackintosh
General Manager, Communication



Peter Haydon
General Manager, Marketing



Darryl D'Souza
General Manager, Research
and Innovation



Christine Quick
General Manager, Finance
and Administration/Company
Secretary (Resigned April 2014)

3.6.2 Policy Division

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



3.6.3 Research and Innovation Division

The division is responsible for investing and managing producer levies and matching government R&D funds in projects across a wide range of disciplines. The primary aim of this division is to implement the Pork National R,D&E Strategy to enhance the adoption of research outcomes or products by the industry. This is delivered by a robust R,D&E process, and increased collaboration between R,D&E stakeholders including industry, universities, consultants and government (State and Federal jurisdictions). Scholarship programs for undergraduate and postgraduate students, as well as training initiatives for the industry, are also managed by the division. In addition, the industry quality assurance program APIQ✓[®] is managed by the Research and Innovation division.

3.6.4 Marketing Division

The division has responsibility for domestic and international marketing initiatives, as well as the ongoing development of a strong and growing demand for Australian pork products, both fresh and processed. The division facilitates interactions between Australian producers, processors, retailers and most importantly, consumers. Increasingly, this facilitation requires the integration of initiatives across APL divisions, contributing to the achievement of all APL's core objectives. The primary Marketing division goal continues to achieve Core Objective 1 of *"Building Consumer Demand"* by the effective implementation of the marketing strategy in domestic and overseas markets.

3.6.5 Finance and Administration Division

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

3.6.6 Communication Division

The division provides communication support around the outcomes of the valuable work carried out by other divisions within APL, on behalf of Australian pork producers. This is via strategic utilisation of the media, publications, electronic and social media, events, conferences and producer meetings. The primary audiences are APL members and Australian pork producer levy-payers. Other audiences include key government and political stakeholders and influencers, regulators, consumers (domestic and international), communities, retailers, wholesalers and processors, researchers and scientists, nutritionists, educators and students.

This year has been a particularly busy year with the division organising the trade show/ exhibition, sponsors and publicity to attract delegates to attend arguably Australia's largest pig event in May, Pan Pacific Pork Expo 2014. Record levels of attendees and exhibitors at the trade show, science and information and technology exchange forums certainly provided a positive note for the industry to end this reporting period on.



On a more sombre note, during the 2013–2014 reporting period there has been an escalation of illegal on-farm break-ins by extreme animal rights advocates on Australian pig farms. These raids have now spread from New South Wales, Queensland, Victoria and at the time of reporting into South Australia and now include abattoirs as well as pig farms. These extremists claim their issue is motivated by better animal welfare; however they have also stated publicly their real agenda is the elimination of farming animals for food or fibre.

3.6.7 Staff

As at 30 June 2014 the Company employed 28 full-time and 8 part-time and casual employees.

3.6.8 The APL Board of Directors

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

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

APL Delegates elect five Producer Directors to the APL Board; in turn, the Board recruits four Specialist Directors to ensure a balance of skills and expertise is represented in accordance with the SFA criteria. Directors retire in rotation and retiring elected directors are eligible for re-election.

3.7 Developing Strategic Directions

The current 2010–2015 Strategic Plan, after consultation with all stakeholders during 2009, took effect from 1 July 2009 and is reported against in this 2013–2014 Annual Report.

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

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

The outcomes sought for each core objective are shown below.

3.7.1 Core Objective 1 – Building Consumer Demand

- Increased sales in volume and value of Australian pork
- Increased per capita consumption of Australian pork
- More frequent repeat purchase of fresh pork amongst consumers
- Improved access to international markets
- Maximising Australian pork's share of processed pork products.



3.7.2 Core Objective 2 – Viable Productive Farms

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

3.7.3 Core Objective 3 – Efficient Value Chains

- Stronger relationships
- Informed and innovative supply chain
- Transparent market signal flow.

3.7.4 Core Objective 4 – Leadership, Preparedness, Stewardship

- Optimum pig welfare and care
- Enhanced biosecurity and animal health preparedness
- Safe food
- Enhanced livestock traceability
- Industry preparedness, rapid response and effective recovery
- Minimal disruption to trade
- Environmentally sustainable and carbon neutral industry
- Reputation for responsible practices and resource efficiency.

3.7.5 Core Objective 5 – Industry Cohesion and Responsiveness

- Stronger positive recognition of the Australian pork industry
- A shared industry vision
- A well-informed industry
- Successfully adopted technologies
- Effective APL capabilities.

Operationally, all of the activities of APL are focused directly or indirectly on achieving the objectives of the 2010–2015 Strategic Plan.

3.8 Governance

3.8.1 APL Board

Role

The APL Board sets strategic direction within the requirements of the company's Constitution, the Commonwealth Funding Agreement and the *Corporations Act 2001*. The Board delegates responsibility to the CEO for the effective management of the company.



The Board's functions include:

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

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

Remuneration

Total Board remuneration had been set in the company's Constitution at a maximum of \$360,000 per annum. This remuneration level was increased at the 2009 Annual General Meeting (AGM) in line with constitutional requirements to \$380,000 per annum adjusted for Consumer Price Index (CPI) increases from 31 March 2009. This amount was set on advice from an independent consultant and through Board consideration of similar industry organisation benchmarks. Aggregate Board remuneration can only be increased with the consent of the company's members. The company's Constitution also provides for individual directors to be paid additional remuneration where they perform services outside the scope of the ordinary duties of a director.

Meetings

The Board meets seven times per year and requires a quorum of a majority of directors eligible to vote (at least five directors). In order to meet operational needs, the Board may convene special meetings or use electronic methods to agree or respond to specific issues.

Committees

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

- ***Audit, Risk and Corporate Governance Committee***
The committee is chaired by a director and includes two other directors. The committee's role is to advise the Board on corporate governance, internal and external financial audit issues and adequacy of accounting procedures, systems, controls and financial reporting. It also reviews risk management and fraud control management, intellectual property management, qualification of research and development and matching expenditure in compliance with major contracts.
- ***Human Resources & Remuneration Committee***
The committee is chaired by a director and includes two other nominated Board members. The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management.



- **Market Development Committee**
Directors with marketing experience are part of the Market Development Committee which also includes industry stakeholders from the supply chain. The committee reviews possible marketing developments for the domestic and export markets and advises the Board, through management, on appropriate strategies.
- **Research and Development Advisory Committee (RDAC)**
The committee is chaired by a director and gives direction to activities around the development, management, performance and outcomes of APL's research and associated activities.
- **Quality Assurance and Animal Welfare Committee**
The objective of this committee is to provide input and guidance to the APL Board in the development of policy as well as strategic communications on emerging or specific animal welfare and quality assurance issues that have the potential to significantly impact on producers' future sustainability.

Development and performance

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

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

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

An internal assessment of the Board was carried out during the second half of 2013, less than two years since that carried out in early 2012, as part of the Board commitment to continued good corporate governance. To ensure that newly-elected members to the APL Board have a greater understanding of how the company operates, an extensive induction program is carried out, providing new members of the Board with the opportunity to meet the company's senior managers and operational staff.

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

Policies

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

Business approach

The Board has put in place appropriate systems and controls to ensure that APL acts within the law at all times, manages conflicts of interest and acts honestly and ethically in all business activities. APL has in place key corporate controls including risk management, fraud control and intellectual property management.



Conflict of interest

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

3.8.2 Corporate Social Responsibility

APL encourages sustainable actions within the organisation and places a lot of importance on working towards a positive regulatory environment by assisting industry with important social issues, in particular food safety, product integrity and animal welfare.

These endeavours towards sustainability and corporate consciousness are listed below.

Maintaining Ethical and Responsible Marketplace Practices

- Nutrition programs, in particular diet education, public health and food safety
- Consumer research
- Improved consumer preference, including Australian PorkMark, Australian Pig Industry Quality Assurance Program (APIQ[✓][®]) outdoor-bred and free-range pork
- Maintaining food safety and product integrity in the marketplace.

Respecting and Engaging Staff

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

Taking Care of the Environment in which the Company Operates

- Implementation of the environmentally sustainable piggeries program
- Research on issues of importance within the National Environmental Guidelines for Piggeries (NEGP)
- Safeguarding animal health through exotic disease prevention and preparedness
- Model Code of Practice for Welfare of Animals: Pigs
- Australian Pork Industry Quality Assurance Program
- Animal welfare research projects
- Voluntary phase out of the use of sow stalls by industry by 2017.



Strengthening the Company's Place within the Community:

- Multi-media educational program for primary schools
- Postgraduate scholarships
- Undergraduate scholarships for farm and industry placements
- Training and provision of training resources for piggery staff
- Leadership development programs
- Travel awards
- Promoting awareness publications
- Consumer surveys – animal care and community sensitive issues
- Reputation management strategy
- PorkSafe program, market and field days, trade and agricultural shows and sponsorships
- Producer innovation awards
- Provision of Christmas hams and pork to charity
- Communications to members and industry.





4. Report on Performance

4.1 Summary of Objectives – KPIs and Outcomes

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

The table below shows the KPIs and expected Outcomes for each of the Programs within the Strategies that are in turn within the Core Objectives. This provides a clear view of the activities and associated industry benefits linking back to the 2010–2015 Strategic Plan. The specific reporting against the KPIs is shown in the following pages within the Core Objective reports.

Core Objective	Strategy	Program	KPIs	Outcomes
Build Consumer Demand	Assuring Eating Quality	Fresh Pork Nutrition	Eating quality incidence	Increased incidence of "guaranteeable" meat
			Product fail rate	Benchmarking and reduction of "in-home on plate" eating quality failures
	Increasing Frequency of Use	Fresh Pork Frequency of Use	Baconer price	Direct contribution to producer profitability
			Fresh pork per capita consumption	Increased adoption of fresh pork meals
	Improving the Image of Fresh Pork	Fresh Pork Image	Advertising recall	Fresh pork more "top of mind" for Australians
			Improve brand attribute scores	Improved perception of fresh pork
Promoting "Australian"	Promoting "Australian"	Australian share of processed meats	Increased demand for Australian pork	
		Awareness of Australian PorkMark	Increasing ability for Australians to identify Australian ham & bacon	
Viable Productive Farms	Reduce Input Costs	Efficient and cost-effective nutrient supply	% Improvement in herd energetic efficiency	Improved margin per pig Lower cost of production
	Improve Process Efficiency	Globally competitive cost of production	% Increase in pork produced per sow	Increased reproductive performance Increased pork produced per sow
	Build Skills and Capability	Facilitate skills and capacity development on-farm	Certificate III pig production accreditation	Adopted technologies
Efficient Value Chains	Projects from this Core Objective have been captured in all Core Objectives other than 3.			

Core Objective	Strategy	Program	KPIs	Outcomes
Leadership, Preparedness, Stewardship	Address Changing Expectations and Standards for Food Production	Taking care of our animals	% APIQ [✓] ® certified enterprises of all pig farm enterprises	Enhanced pig welfare, health and care on-farm Assurance that welfare is being addressed on-farm through external auditing services Improved efficiency and production on-farm Enhancement of industry reputation for implementation of responsible practices Maintained market access through implementation of a Quality Assurance (QA) system
			% breeding herd APIQ [✓] ® certified	
			Gestation stall free uptake	Validation of industry commitment to move away from gestation stalls to group housing Reputation for responsible practices
			On-farm property to property movement compliance levels	Enhanced traceability reduces the risks of exotic and endemic disease outbreaks Reputation for responsible practices Industry preparedness, rapid response and recovery
			At border retain effectiveness of biosecurity conditions	Protocols remain unchanged and science based.
		Strengthening biosecurity	% APIQ [✓] ® certified enterprises of all pig farm enterprises	Appropriate biosecurity measures are implemented and managed on farm
			% breeding herd APIQ [✓] ® certified	Biosecurity risks are minimised through implementation of improved biosecurity measures Industry reputation for biosecurity is enhanced Maintained market access through implementation of a QA system



Core Objective	Strategy	Program	KPIs	Outcomes	
	Managing the Impact of Regulatory Shifts	Safe food	% breeding herd APIQ✓® certified	Validation of industry commitment to APIQ✓® Safe food Increased confidence in product integrity Reputation for responsible practices	
			% APIQ✓® certified enterprises of all pig farm enterprises	Increased assurance that non-compliances are being addressed and are protecting all stakeholders	
	Government Policy and Compliance Requirements	Climate change and environmental sustainability	% eligible pig production started or implementing flaring/biogenesis systems	Lower Greenhouse Gas (GHG) emissions Lower carbon footprint Improved climate change adaptation	
			Issues and emergency management	Ratio of the number of market closures as a proportion of potential market closures Market access for pork products is maintained Reputation for responsible practices Industry preparedness, rapid response and recovery	
			% breeding herd APIQ✓® certified	Enhanced biosecurity and traceability on-farm reduces the risks of exotic and endemic disease outbreaks Market access for pork products is retained Reputation for responsible practices	
Industry Cohesion and Responsiveness	Engage and Connect the Industry	Enhance effective communication	Overall membership	Key audiences have a greater awareness of the Australian pork industry	
		Growing valuable industry networks		Greater distribution of the positive work carried out by APL	
	Facilitate Rapid Uptake of Information and Technology	Communication and facilitation of technology adoption	Increased awareness of new technical information	Technologies adopted	Adopted technologies
			Public affairs and stakeholder relations	Positive APL image	Stronger and wider positive recognition of what the Australian pork industry stands for
Enhance the Reputation and Effectiveness of APL	APL organisational capacity	Staff turnover		Effective APL capability	
		Corporate cost control			

4.2 Core Objective I – Build Consumer Demand

The Core Objective related to increasing the demand for Australian pork from domestic and international consumers.

4.2.1 Strategy I – Assuring Eating Quality

Strategy	Program	KPI	Unit	2012–2013 Target	Result
Assuring Eating Quality	Fresh Pork Nutrition	Eating quality incidence	% of male pigs vaccinated	45%	47%
		Product fail rate in best sales channel	% fail rate	8.2%	2.8%

KPI Table: Core Objective I Strategy I – Assuring Eating Quality

Background

Eating quality and the enjoyment of a meal ultimately determines the cook's propensity to repeat the use of the particular recipe. This makes eating quality a major component of the repeated use of pork. APL continues to collaborate with the Co-operative Research Centre for High Integrity Australian Pork (CRC HIAP), retailers and major pork supply chains in order to further improve the eating enjoyment of Australian pork, both before and after cooking.

Achievements/Outcomes

Fresh Pork Nutrition

PorkScan IP

APL owns the intellectual property developed in the AusIndustry and industry consortium co-funded PorkScan project and licenses its use to PorkScan Pty Ltd. APL was notified that patent protection for the light striping invention in New Zealand was accepted as of 6 May 2014 and was advertised in Journal of the Intellectual Property Office of New Zealand 1619 on 30 May 2014. The amendment to the Australian Patent Application No, 2010268755 was submitted to the Commissioner of Patents in late June 2014.

Product Quality

During 2013–14, the sequencing of steps to improve the at-table eating experience has been prioritised. This has resulted in significant improvements in the number of pigs that benefit from husbandry practices which minimises the possibility of bad taste or smell experiences for consumers. In addition, specific supply chains have been evaluated for their specific eating-quality pathways and are currently interpreting their individual outcomes.

The most immediate improvement to eating quality occurs between the butcher and the plate. The three largest drivers of eating quality outcome are cut (steaks fail more than other cuts across all species), consistency of cutting by the butcher (major retailers have significantly improved their steak "cutting consistency") and cooking practices. The latter has been investigated with education around a new method for steak cooking having been progressively tested and will be in-market for further testing early in the 2014–15 year.



Advertising

Consumer advertising clearly impacts all Core Objective One outcomes. The 2013–14 year saw advertising recall remain constant just above 60 per cent. Pleasingly, the return to health advertising appears to be having positive impacts on the perceptions of pork fillet in terms of both leanness and being a valuable source of iron. Additionally, the hiatus on mince advertising in the past year appears to have slowed the growth of pork mince but there appears to be no discernible reduction in its use.

4.2.2 Strategy 2 – Increasing Frequency of Use

Strategy	Program	KPI	Unit	2012–2013 Target	Result
Increasing Frequency of Use	Fresh Pork Frequency of Use	Baconer price	Change in \$/kg HSCW	+\$0.15	+\$0.20
		Fresh pork per capita consumption	CWE kg per person per annum	9.00	9.23

KPI Table: Core Objective 1 Strategy 2 – Increasing Frequency of Use

Background

Per capita meat consumption in Australia is growing, but at a very slow rate. To increase pork consumption in Australia, the consumer needs to increase the number of pork dishes in their repertoire of meals. This increases fresh pork's share ahead of population growth. Research has consistently shown that consumers are not averse to consuming pork. Currently 80 per cent of Australians buy fresh pork in any one year, but on average (and unlike other popular meat cuts and species), they are yet to eat it weekly. This is the big domestic opportunity for the Australian consumption of fresh pork.

Achievements/Outcomes

Fresh Pork Frequency of Use

The 2013–14 year has seen pleasing gains in both the quantity of fresh pork consumed per capita and the price that producers have received for their product.

Market Research and Insights

The catalyst for the creation and the measurement of these outcomes is our market research and insights program. In the last year, our understanding of consumers, shoppers and supply chains has deepened, particularly in the areas of ham, bacon, eating quality and pig pricing from the producer into the wholesale markets. These developments have enabled APL to remain a trusted source of insight for all steps in the pork supply chain, and increasingly, a point of consultation for other industries both within Australia and overseas.

In-Store Activation

Our in-store activation programs have performed as solidly in 2013–14 as they have in previous years. Increased consumer prices at retail in the early months of 2014, as well as increased revenue per kilogram in wholesale levels of the value chain, means that volume growth of fresh pork appears to have grown in profitability at every level of the value chain. Whilst retail markets remain solid overall, there has been some structural change in sales moving from independent supermarkets and butchers towards supermarket chains. APL's market insights driven strategy remains flexible enough to incorporate these and future changes that may occur.

Defend Christmas

Christmas 2013, was solid rather than stellar in performance both in bone-in hams and pork roasts. As a relative strength for pork, extending our reach and servings at Christmas should occupy more focus in the coming years.

PorkFest

Easter 2014 was a success despite increases in consumer prices relative to other fresh meats, with volume growing overall by around five per cent in retail channels.

4.2.3 Strategy 3 – Improving the Image of Fresh Pork

Strategy	Program	KPI	Unit	2012–2013 Target	Result
Improving the Image of Fresh Pork	Fresh Pork Image	Advertising recall	% of Australians recalling APL advertising	62%	61%
		Improve brand attribute scores	% of Australians agreeing that pork is		
		- Low in Fat	20%	23%	
		- Fresh	50%	45%	

KPI Table: Core Objective 1 Strategy 3 – Improving the Image of Fresh Pork

Background

The improvement of Australian pork's image is based on the integration of various marketing activities. Current tracking research indicates clear evidence of improving consumer perceptions around the taste, healthiness and versatility of Australian Pork amongst opinion leaders.

This program focuses on the out-of-home consumption of Australian pork and in particular the chefs that chefs follow. This is based on a "social diffusion" principle which says that chefs influence those interested in food in the consumer world, and those interested in food are the opinion leaders for consumers as a whole.



Achievements/Outcomes

Fresh Pork Image

Foodservice

This year, the PorkStar program has once again been seen as an industry leader. Pork has continued to appear on menus, at master classes, food festivals and on reality television cooking shows, with what appears to be increasing regularity.

In addition to its presence at the well known PorkStar events and fine food shows in Sydney, Melbourne, Tasmania and Noosa to name a few, the PorkStar team continue to support the development of the next stage of talent and events through supporting initiatives such as “Appetite for Excellence” and the Taste Port Douglas fine food event.

4.2.4 Strategy 4 – Promoting “Australian”

Strategy	Program	KPI	Unit	2012–2013 Target	Result
Promoting “Australian”	Australian Awareness	Australian share of processed meats	% volume share	32%	30.5%
		Awareness of Australian PorkMark	% of Australians aware of the PorkMark	60%	56%

KPI Table: Core Objective | Strategy 4 – Promoting “Australian”

Background

In order to promote Australian ham and bacon domestically, there needed to be an identifiable mark that enables consumers to choose Australian, should they want to. To address this need, APL created the pink square PorkMark.

Internationally, Australian pork had chosen a maintenance strategy in 2013–14 given the high Australian dollar and the momentum Australian pork demand enjoys domestically. However, in the tail end of 2013–14, international market research has been commissioned to better understand the opportunities, particularly in Asia-Pacific countries that Australia is uniquely positioned to take advantage of.

Achievements/Outcomes

Australian Awareness

Whilst not yet reflected in the volume outcome measures, 2013–14 has been a year of creditable progress for the PorkMark program. Fifty six per cent of Australians are now aware of the PorkMark (51 per cent last year) and over the course of the year, 32 per cent of Australians are claiming to have bought a ham or bacon product with the PorkMark on it (versus 30 per cent last year). Our experience with pork mince suggests that increases in claimed behaviour are a prelude to actual behaviour change.



Australian Fresh and Deli Meats

Australian pork's share of ham, bacon and deli meats appears to be a story of stability and/or slight decline. This decline is a direct consequence of two effects. Firstly, fresh pork consumption has increased, leaving less available Australian pork to go into ham and bacon. Secondly, 2013–2014 started with high trade stocks which have been depleted through the year. Neither of these effects is bad for Australian pork producers or the Australian economy.

Free Range Trade Mark Certification

Due to discussions between the Australian Consumer & Competition Commission (ACCC) and APL regarding consumer perceptions over various industry terms, such as “sow stall free”, work to progress a Free Range Trade Mark was deferred. APL will revisit this issue in 2014–15.

Trade Report

APL has spent the past year continuing to increase our visibility and credibility on trade issues with government and stakeholders, which will prove to be invaluable when seeking support for our differentiation positions. APL's proactive approach to trade expansion has included engagement with stakeholders, including the Ministers for Trade and Agriculture, the Department of Foreign Affairs and Trade (DFAT), the Department of Agriculture and the National Farmers' Federation (NFF); participation in free trade agreement negotiations; updating the industry position on a range of Free Trade Agreements (FTA); and commencing a China Engagement Strategy to provide a road-map for engagement with key stakeholders in both Australia and China in order to secure market access into the country.

APL monitors every FTA negotiation Australia is, or is potentially, involved with and makes submissions on behalf of the industry. Representations were made on the Japan-Australia Economic Partnership Agreement, the Korea-Australia FTA, the China-Australia FTA, the Regional Comprehensive Economic Partnership (RCEP), and the Trans Pacific Partnership (TPP).

The Korea-Australia FTA achieved significant new access with tariffs phased to zero over a period of five to 15 years on all fresh pork lines, and some frozen lines. APL will continue to seek improved access to Japan through the TPP.

International Market Development

International volume sales have been tracking up gradually throughout the 2013–14 year. They remain, however, around 10 per cent of total domestic production. We have retained our focus domestically for this year and the quality of the international business (portion of business which is premium) has again gradually reduced. This approach to international business will be overhauled as part of executing the already published 2015–2020 APL Strategic Plan.



4.2.5 Financial Summary

CORE OBJECTIVE I – BUILD CONSUMER DEMAND				BUDGET			ACTUAL
				\$7,744,053			\$7,833,932
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Assuring Eating Quality		NON R&D		R&D			
Budget	\$3,205,000	\$281,525	\$3,486,525	\$10,000	\$88,368	\$98,368	\$3,584,893
Actual	\$3,269,228	\$263,138	\$3,532,366	\$6,617	\$68,123	\$74,740	\$3,607,106
Increasing Frequency of Use							
Budget	\$627,652	\$665,042	\$1,292,694	\$684,508	\$745,688	\$1,430,196	\$2,722,890
Actual	\$459,580	\$462,029	\$921,610	\$758,542	\$767,746	\$1,526,288	\$2,447,898
Improving the Image of Fresh Pork							
Budget	\$373,000	\$500,407	\$873,407	\$0	\$0	\$0	\$873,407
Actual	\$369,301	\$587,755	\$957,055	\$0	\$0	\$0	\$957,055
Promoting "Australian"							
Budget	\$144,000	\$211,766	\$355,766	\$95,000	\$112,097	\$207,097	\$562,863
Actual	\$158,047	\$206,877	\$364,924	\$278,294	\$178,655	\$456,949	\$821,872
TOTAL CORE OBJECTIVE I – BUDGET	\$4,349,652	\$1,658,740	\$6,008,392	\$789,508	\$946,153	\$1,735,661	\$7,744,053
TOTAL CORE OBJECTIVE I – ACTUAL	\$4,256,156	\$1,519,799	\$5,775,955	\$1,043,453	\$1,014,524	\$2,057,977	\$7,833,932

4.3 Core Objective 2 – Viable Productive Farms

The Core Objective related to the Australian pork producer being internationally competitive and profitable in an ever-changing global food market.

This strategy relates to input costs on-farm with the significant on-farm costs being associated with feed and inputs related to growth performance.

4.3.1 Strategy I – Reduce Input Costs

Strategy	Program	KPI	Unit	2013–2014 Target	Result
Reduce Input Costs	Efficient and Cost Competitive Nutrient Supply	Nutritional recommendations	Percent dissemination of research outcomes – production basis	90%	KPI met with research outcomes disseminated to all industry nutritionists and feed additive companies
		Herd energetic efficiency	% Decrease in MJ DE/kg	5%	No improvement to HFC

KPI Table: Core Objective 2 Strategy I – Reduce Input Costs

An incremental increase of five per cent improvement in herd energetic efficiency was targeted. The Pork CRC benchmarking study indicates that this KPI was not met with a 0.6 per cent increase being reported. As with the previous year, 2013–14 saw a significant proportion of the industry transition to loose housing systems (currently >66 per cent) and this is considered to have had some consequence on herd efficiency.



Background

This strategy focuses on enabling Australian pork producers to be internationally competitive and profitable in an ever-changing global food market. Australia has a mid level on-farm cost of production, and remains disadvantaged in international competitiveness by domestic grain prices. Feed grain prices are under continual pressure due to international demand, impacting on costs of production for Australian producers. Therefore, improved dietary formulations, development and access to new designated feed grain varieties and the identification of new feed sources were addressed to ensure a major impact on the margin over feed cost.

Achievements/Outcomes

Efficient and Cost Competitive Nutrient Supply

Optimising the dietary concentration of available lysine (relative to digestible energy) is fundamental to achieving maximum growth of the finisher pig. The optimum lysine requirement of the modern finisher pig was challenged by the hypothesis that the current lysine concentration was underestimated. A multisite lysine titration study under commercial conditions indicated that the lysine requirement for finishing pigs of modern Australian genotypes was substantially higher than that being used commercially. The successful outcomes from the optimum lysine requirement for the modern pig was disseminated to all the major industry pig nutritionists and feed additive company nutritionists.

Feed grains represent a major cost to all livestock industries, and cross-sectoral collaboration on feed grain R&D is an effective means of identifying, addressing and funding key feed grain R&D priorities. The Feed Grains Partnership generates information relating to production and the use of feed grains to better understand their use by all livestock industries. Outcomes relating to the pork industry include sorghum varieties that are best for energy utilisation in the pig, and the importance of lower particle sizes to achieve better feed conversion ratios.

Pork R,D&E Strategy

APL and the Pork CRC, in conjunction with the various governments, university and industry R,D&E stakeholders, have a comprehensive Pork R,D&E Strategy in place, as part of the National R,D&E Framework. The Pork R,D&E base infrastructure funds are used to effectively support R&D resources and human capability and capacity.

The funding of core R,D&E facilities has allowed these key R,D&E facilities to be used to their full potential and improved the timeliness of research conducted. The Pork R,D&E strategy is in its third two-year implementation phase.



4.3.2 Strategy 2 – Improve Process Efficiency

The focus of this strategy is to enhance the reproductive performance of the herd through reducing efficiency losses and enhancing meat yield without compromising eating quality of pork.

Strategy	Program	KPI	Unit	2013–2014 Target	Result
Improve Process Efficiency	Globally competitive cost of production	Innovative strategies to promote growth and reduce reproductive wastage	Number of innovation projects commissioned	One successful research idea to promote growth One successful research idea to reduce reproductive wastage	KPI partially met with a number of projects commissioned to reduce reproductive wastage.
		% increase in pork produced per sow	Increase kg pork/sow/year	5%	3.9%

KPI Table: Core Objective 2 Strategy 2 – Improve Process Efficiency

The results from a number of projects to investigate feed ingredients and management strategies to enhance grower-finisher pig Feed Conversion Ratios (FCR) have not been very encouraging. The outcome of this program is that outside of pST and ractopamine, we have been unable to identify alternative means to further improve grower-finisher FCR (noting that Australia is already comparable with the United States (US) and European Union (EU)).

Over the last 6-8 months, industry has reported significant improvements in pigs born-alive/sow/year through the Pork CRC Benchmarking Study. As a consequence, an increase in total pork produced per sow per year over the next couple of years is anticipated.

Background

In terms of global competitiveness, the Australian pork industry continues to lag behind other countries such as the US, Canada, and Denmark in our cost of production and carcass weight. To achieve our objectives and enhance our global competitiveness, the key drivers that this strategy focused on were: total feed costs; increasing the total net revenue and reducing the reproductive waste by improving mated gilt retention.

Achievements/Outcomes

Globally Competitive Cost of Production

Reducing Reproductive Waste

Research activities focused on: strategies to improve mated gilt retention to 70 per cent or above; the effect of lameness on mated gilt retention; techniques to reduce stillbirths and early pre weaning losses of piglets; hormonal indicators to select for sow longevity; and identification of risk factors and influencers on the premature loss of sows.

The Seasonal Infertility manual, prepared in collaboration with the Pork CRC, was released coinciding with summer and disseminated to all APL members. Outcomes of research investigating increased fibre and carbohydrate content in gestating and lactating sow diets to improve reproductive performance have proven to be indifferent.

Four online units of competency were developed from Pigs in Space II and were uploaded to the APL website, with producers notified at PPPE 2014.

Feed Conversion

Research activities in this area focused on nutritional strategies to attenuate the impact of poor environments; nutritional interventions to reduce variation up to slaughter; strategies to alleviate the effect of weaning on the growth and performance of the weaned piglet; and the suitability of pST to improve the feed utilisation of compromised weaners.

The inclusion of cinnamon in the diet of the finisher pig did appear to improve growth rate and feed efficiency, but these effects were temporary and only evident over a three week period. The development of a slow-release polymer to enable a single shot regime for pST delivery has proved to be promising and studies are proposed to be conducted on farm once the polymer development experiments in weaner pigs are completed.

4.3.3 Strategy 3 – Build Skills and Capability

This strategy relates to the enhancement of the on-farm skills set and capability of the industry to address the technological challenges that arise on-farm, and the adoption of new on-farm technological solutions.

Strategy	Program	KPI	Unit	2013–2014 Target	Result
Build Skills and Capability	Facilitate skills and capacity development on-farm	Industry retention of APL and Pork CRC students	% students employed by industry over the last 5 years	45%	42%
		Certificate 3 Pig Production Accreditation	% production achieving Certificate 3 Accreditation	40%	45%

KPI Table: Core Objective 2 Strategy 3 – Build Skills and Capability

The proportion of production achieving Certificate 3 Pig Production accreditation was 45 per cent against a target of 40 per cent. APL undertook a number of new initiatives in 2013–2014 to enhance the level of Certificate 3 accreditation in small to medium herd size farms and APL will continue these initiatives in 2014–15.

The initiatives under the Pork National R,D&E Strategy have resulted in a significant proportion of students being retained by the pork industry, research providers and APL.



Background

The global competitiveness of the Australian pork industry is closely linked to the competency of our on-farm staff to implement both existing and new technology to enhance the production efficiency of the herd. The use of such technology has become routine in the pork industry, which has made increasing demands on the training and extension outcomes of research projects. This strategy focused on enhancing on-farm training and development of piggery staff, facilitating initiatives to alleviate on-farm labour issues by improved piggery management and staff development, and improved access to skilled labour.

Achievements/Outcomes

Facilitate Skills and Capacity Development On-Farm

Building Technical Capacity

The redevelopment of ProHand™ Pigs and Pork Abattoir training programs are currently underway. Stable and easily updated platforms for effective delivery are being used to provide integrated programs that target pig welfare and stockperson attitudes across the whole pork chain. ProHand™ Pigs is expected to be delivered in August 2014 and ProHand™ Pork Abattoir is expected later in 2014.

APL has also finalised negotiations to extend the agreement with Assiniboine Community College (ACC) in Canada for a further three years to access their Diploma resources to modify them for the Australian industry. Cameron Hall McLean (CHM) Alliance is being supported by APL to oversee the update, maintenance and use of Diploma resources by Registered Training Organisations (RTO) nationally.

APL sponsored Mr Bjorn Ludvigsen, Strategic Business Manager, Australian Pork Farms Group, South Australia, to participate in Course 20 of the Australian Rural Leadership Program. Mr Ludvigsen is due to graduate in late September 2014. The Australian Rural Leadership Program remains one of APL's key leadership development activities for industry.

APIQ✓® competency Standards and Performance Indicators were strengthened to allow producers to include multimedia tools in their staff training and competency toolkits and to require on-going training following employment. Compliance levels post-employment are verified through annual compliance audits and periodic internal audits, with Corrective Actions implemented, checked and closed where opportunities for improvement are found.

4.3.4 Financial Summary

CORE OBJECTIVE 2 – VIABLE PRODUCTIVE FARMS				BUDGET			ACTUAL
				\$2,000,296			\$1,836,399
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Reduce Input Costs		NON R&D			R&D		
Budget	\$0	\$0	\$0	\$824,000	\$95,823	\$919,823	\$919,823
Actual	\$0	\$0	\$0	\$824,812	\$84,786	\$909,598	\$909,598
Improve Process Efficiency							
Budget	\$0	\$0	\$0	\$800,233	\$83,321	\$883,554	\$883,554
Actual	\$0	\$0	\$0	\$673,024	\$73,505	\$746,529	\$746,529
Build Skills and Capability							
Budget	\$0	\$0	\$0	\$125,500	\$71,419	\$196,919	\$196,919
Actual	\$0	\$0	\$0	\$125,669	\$54,604	\$180,272	\$180,272
TOTAL CORE OBJECTIVE 2 – BUDGET	\$0	\$0	\$0	\$1,749,733	\$250,563	\$2,000,296	\$2,000,296
TOTAL CORE OBJECTIVE 2 – ACTUAL	\$0	\$0	\$0	\$1,623,504	\$212,895	\$1,836,399	\$1,836,399

4.4 Core Objective 3 – Efficient Value Chains

Projects from this Core Objective have been captured in all Core Objectives other than 3.

4.5 Core Objective 4 – Leadership, Preparedness, Stewardship

The Australian pork industry continues to provide and build leadership, preparedness and stewardship to support the delivery of quality, safety and integrity of Australian pork to the marketplace. This core objective is aimed at:

- Assuring consumer and community trust and confidence in Australian pork;
- Mitigating risks to market access;
- Protecting and defending the biosecurity status of the Australian pork industry;
- Optimising the health and welfare of our animals;
- Increasing industry competitiveness by mitigating cost burdens associated with quality assurance, inspection, certification and traceability of Australian pork;
- Producing pork in a sustainable environment; and
- Ensuring that our producers' social licence and freedom to operate continues through value-based communication that builds trust in our farming systems (i.e. scientifically verified, economically viable and ethically grounded).



4.5.1 Strategy I – Address Changing Expectations and Standards for Food Production

Strategy	Program	KPI	Unit	2013–14 Target	Result	
Address Changing Expectations and Standards for Food Production	Taking care of our animals	APIQ✓® uptake – producer basis	% APIQ✓® certified enterprises of all pig farm enterprises	90%	88.8%	
		Gestation stall free uptake	Percentage of sows gestation stall free as per industry definition	67%	63%	
		Build the Australian pig herds' biosecurity credentials	On-farm property to property movement compliance levels	Benchmarks and baseline established	Not achieved	
			At border retain effectiveness of biosecurity conditions	Biosecurity protocols remain science based	Achieved	

KPI Table: Core Objective 4 Strategy I – Address Changing Expectations and Standards for Food Production

Background

APL seeks to promote and drive self-regulation to manage the impact of regulatory shifts, changes to government policy, market access requirements and consumer expectations. The industry's quality assurance program, APIQ✓®, is a key platform in providing confidence to our consumers, regulators, markets and the Australian public that our standards are of a high level. APIQ✓® is an independently audited program which verifies industry compliance with management, animal welfare, food safety, and biosecurity and livestock traceability standards.

Achievements/Outcomes

Taking Care of Our Animals

Agricultural industries have a duty of care to the animals they farm. Knowing how best to provide for the treatment and welfare of the animals within various production systems, while also understanding the impacts that management practices may have on welfare, can be complex. The many social and bioethical issues also further complicate the welfare debate. While traditional ethical standards have long held the belief that cruelty to animals in any form is abhorrent and must be prohibited, subtler social ethics have entered our domain with regard to the treatment and understanding of the welfare of farm animals. On-farm assessment and benchmarking of pig welfare and stockperson proficiency, as well as critical evaluation of management interventions and activities underpins our duty of care.



Welfare Methodology

Activities within this project focus on on-farm welfare activities including welfare assessment and stockperson benchmarking. Development of a Qualitative Behavioural Assessment (QBA) tool has been completed. The validation of on-farm welfare assessments of pigs, as well as benchmarking stockperson handling metrics on-farm is nearing completion. Key outcomes include identification of behavioural responses to different housing designs and development, application of a QBA tool to capture positive aspects of pig welfare as well as the affective state of the animals, and validation of welfare assessment and benchmarking on commercial farms. The welfare assessment on farm data has also been presented at Sow Housing Refresher Workshops.

Community engagement

Project covers activities which focus on cross-sectoral and industry-specific research. Specific activity explored and monitored attitudes towards the livestock industry and industry practices, as well as knowledge of livestock practices and determination of the potential existence of opinion leaders. Major project achievement was the development of a questionnaire which would provide better knowledge on community attitudes and knowledge towards the livestock industries as well as the relationships between these variables and consumption and community behaviours.

Pork CRC

A key challenge faced by the Australian pork industry is the need to maintain local production of high quality food for a reasonable price and return on production capital invested, without negatively impacting pig welfare, the environment or the health of the consumer. The Pork CRC through innovative, collaborative, whole value chain research, development and education programs will allow the pork industry to meet this challenge. Program 1 of the HIAP CRC addresses the issues associated with Confinement-free Sow and Piglet Management – which will optimise sow and piglet welfare in confinement-free systems while maintaining production efficiency.

Shaping our Future Initiatives

The Australian pork industry has taken a world-leading position by voluntarily committing to phase out sow stalls, meaning that sows will not be confined in stalls from five days after they are last mated until one week before farrowing, when they are moved into farrowing accommodation. The industry aims to complete this transition by 2017, despite the significant cost borne by producers in reconfiguring their on-farm infrastructure. This commitment goes beyond the legislated maximum six week use of gestation stalls per pregnancy, and is unique in the world.

Over the year, the industry made substantial progress towards this goal. As at 30 June 2014, 63 per cent of the industry had made the transition. APL supported producers in this effort through several producer road shows and the development of factsheets on mixing sows and the early detection of sick and injured gestating sows.



Animal Welfare Initiatives and Activities

This project includes the re-development of ProHand, in addition to on-farm welfare activities regarding pain relief and alleviation of responses to adverse stimuli. Pain relief activities focus on investigation of pain relief during husbandry procedures. Project achievements include engaging international institutions and experts including Prof. Temple Grandin to be involved in the re-development of ProHand, tools to assess pig responses to adverse stimuli including best practice management, and determination of most suitable compound and appropriate timing for delivery of pain relief.

Strengthening Biosecurity

The Australian pork industry has been proactive in assisting producers to maintain their farm biosecurity through the provision of industry guidelines and protocols. However, threats from pathogens exotic to this country have increased and current protocols may be insufficient to protect our animals from these new threats. Biosecurity R&D activities are focusing on identifying our knowledge gaps in relation to exotic and endemic pathogens that threaten the Australian pig industry as well as providing robust information to assist with policy decision making during an Exotic Animal Disease (EAD) outbreak.

The Foot and Mouth Disease (FMD) vulnerabilities project is a package of research activities being conducted to better prepare Australian livestock industries for an outbreak of FMD to enable Australia to optimise its joint industry/government investment in the FMD antigen bank held in the United Kingdom (UK). One of the major outcomes of this project has been the strengthening of ties between the international FMD research community and Australian scientists, particularly within the Asian region. Practical experience in FMD control and eradication within Asia will also assist Australia with management during an FMD EAD.

Exotic Disease R&D

This project covers a number of R,D&E activities investigating the risks associated with, and mitigation strategies for a range of exotic diseases such as FMD, Porcine Reproductive and Respiratory Syndrome (PRRS), African Swine Fever (ASF) and Porcine Epidemic Diarrhoea virus (PEDv). These activities involve the conduct of scientific literature reviews, off-site vaccination protocol development, modelling (of both domestic and feral pig populations) and peer reviews of the outcomes from previous APL funded R&D projects. Key outcomes include the prioritisation of exotic diseases as in keeping with the recommendations of the Beale report, modelling of PRRS incursions in Australian industry to determination economic and non-tangible impacts, and provision of timely Producer Alerts about PEDv outbreaks in North America.

The contribution of the Strategic Biosecurity Review Committee to enable closer communication with the Department of Agriculture and other experts has been a highlight and has been a valuable contributor to industry's biosecurity endeavours and priorities.

Biosecurity R,D&E Strategy

This project relates to APL's contribution to the secretariat costs associated with the cross-sectoral National Animal Biosecurity R,D&E Strategy. APL is a Steering Committee member.



Livestock Traceability Initiatives

Over the year, APL worked hard to achieve a national endorsement for the National Livestock Identification System (NLIS) (Pork) Business Rules. These rules describe an expanded set of obligations for producers, saleyards and abattoirs in recording movements of pigs between properties. They also describe interface requirements between the NLIS and the PigPass database. This interface is dependent on the completion of Phase one of APL's Client Relationship Management (CRM) database project, completed in the previous year.

The rules were endorsed by the NLIS Advisory Committee in April 2014 following protracted negotiations with the states about their content and features. These negotiations have resulted in requirements for immediate interface of data between PigPass and the NLIS; the expansion of PigPass to support movements recorded on waybills; and a means to allow regular uploading of movements of pigs between APIQ✓[®] quality assured properties where a movement document is not completed. These rules were presented to the Agricultural Senior Officials Committee (AgSOC) in June 2014, and endorsed in July 2014. The delay caused by these negotiations has meant that the related key performance indicator was not achieved.

PigPass Helpdesk and Website

The period 2013–14 was a year of change for the PigPass system. Following on from APL's CRM project, all PigPass functions were redeployed into this new system. This has generated efficiencies for APL in managing this system, as well as a range of fundamental improvements which will support the implementation of NLIS (Pork) and beyond. PigPass now has absolute visibility over farms, individuals, transactions, and National Vendor Declarations (NVDs) created by the system.

Many aspects of the system have been automated, including the annual database cleanup, as well as correspondence emails, Property Identification Code (PIC) validation, and enforcement of the provision of basic minimum information. Staff input into the day-to-day workings of the system has been reduced substantially, allowing APL to focus on strategic priorities such as system refinement and user training and communication. PigPass has also improved as a "base" for industry statistics, such as APIQ✓[®] uptake and Shaping Our Future progress.

SAFEMEAT Partnership Participation

APL, along with the red meat and dairy industries and the state and Australian governments, is a member of SAFEMEAT. SAFEMEAT addresses food safety, market access and the NLIS and reports to the Agriculture Senior Officials Committee (AgSOC). This project relates to APL's contribution to the secretariat costs.

Animal Health Preparedness Activities

Animal Health Australia (AHA) has responsibility for the coordination of Australia's preparedness for disease incursions, with involvement of all Australian governments and the livestock industries. APL continues to be actively involved through the Industry and Partnership Forums. APL also contributes to a number of preparedness activities, such as the FMD bank. This project contributes to both core and special funded projects.



Differentiation PR

In 2013, the New Zealand High Court determined that fresh pork could be imported from countries where the PRRS virus exists. The decision resulted in concerns about the extent to which Australia's science-based biosecurity protocols may come under pressure from importers. Arising from the New Zealand (NZ) decision, public statements by the US based National Pork Producers Council (NPPC) specifically targeted Australia's protocols. APL implemented a range of activities designed to ensure Australia's protocols remained science based, were well understood by politicians and other livestock industries generally, due to the implications for exotic disease incursions. A key outcome will be promotion of the Australian pork industry's reputation as clean and green, with a very high biosecurity status.

Strategy 2 – Managing the Impact of Regulatory Shifts

Background

This strategy is focused on ensuring that community expectations, market access requirements and the impact of policy and regulatory shifts resulting from food safety concerns are appropriately managed to minimise growing costs of compliance throughout the pork supply chain, while also providing a safe product to our consumers. It is important that the development of standards and systems are practical, cost effective and meet the requirements of our markets.

Achievements/Outcomes

Safe Food

APIQ✓[®] activities

The APIQ✓[®] program, combined with targeted industry research and development and extension programs, actively supports and assists producers in improving their stockperson skills and management of their production systems and animals, in turn enhancing the care, health and wellbeing of their herd. Through APIQ✓[®] certification producers and the industry can verify compliance with the animal welfare standards that are regulated in each state.

The Technical On-farm Hazard Analysis and Critical Control Points (HACCP) review was completed and, in addition to continuing importance of hazards and controls covered by the current version of the On-Farm Food Safety and Biosecurity Plan in APIQ✓[®], regulators expressed strong support for APIQ✓[®] but saw no need for mandating it as they considered uptake levels to be acceptably high.

AUS-MEAT Ltd completed its third System Verification Audit of APIQ✓[®]. Significant improvements in APIQ Management's ability to administer the program and manage key activities, including processing certifications and reporting on industry-wide compliance levels on-farm, through the implementation of CRM, were noted. This was the program's best ever systems audit result.

APIQ✓[®] completed its first term under the approved APIQ✓[®] compliance program with the Victorian Department of Primary Industries (DPI) regarding the regulation of animal welfare under the *Livestock Management Regulations 2011* (Vic). In Victoria, APIQ✓[®] certified producers, are deemed compliant with the animal welfare standards and are not subject to further inspection or audit (other than already required under the APIQ✓[®] program). They are also exempt from the requirement to conduct a systematic risk assessment. APL Policy and Research and Innovation (R&I) Divisions are engaging with other state governments to explore the opportunities for similar agreements that may benefit producers.



Food Safety R&D

The Pork Processor Referral Group (PPRG) was established by APL as a key forum for discussion of key issues affecting pork processors, including inspection reform, to assist APL with identifying and prioritising projects and to obtain support for their direct involvement in Food Safety R&D activities. In 2013, the group met twice, an industry representative was elected chair of the PPRG and membership was expanded to include Animal Health Australia and a veterinarian.

An Abattoir Process Control project, involving all seven export processors with support from the Department of Agriculture, commenced in January 2014. This project is determining whether microbiological monitoring programs used by export pork processors can be refined to drive continual improvement in hygiene performance and identify processing problems in both the abattoir and boning room. A scoping study to determine a set of principles for consistent collection and reporting of ante and post-mortem condemnations and associated pathology by processors for their use, as well as by veterinarians, producers and the regulator was also supported by the PPRG, with findings to be reported in September 2014.

PSCIP/Physi-Trace

Physi-Trace is a traceability tool that uses trace element profiles, chemical and organic markers to discriminate between pork samples based on region of origin. Trace metal analysis was conducted on imported and Australian processed ham and bacon samples and used to verify Country of Origin Labelling (CoOL), demonstrating Physi-Trace's ability to verify label claims e.g. PorkMark and Product of Australia. A ractopamine detection methodology was developed to detect levels in pork meat and was used with ham and bacon samples sourced at retail to demonstrate compliance with retailer standards. Revised Physi-Trace sampling protocols have also been implemented to reduce costs associated with collection of pork samples, and sampling has now commenced by three additional processors. A round robin exercise is in progress to identify new laboratories capable of undertaking trace metal elemental analysis.

Food and Product Safety Policy Issues

The Policy Division works with producers, government regulatory agencies and food authorities as well as other food-producing agricultural industries. These activities cover food residues, veterinary medicines and labelling and underpin food and product integrity in Australian pork.

The pork industry continues to perform well in the National Residue Survey, achieving an overall compliance rate of 99.93 per cent with Australian Standards for the chemical residues tested in samples collected during 2013–2014, up from 99.89 per cent in 2012–2013. The pork industry also achieved a 96.1 per cent compliance rate against EU standards, and 99.86 per cent against US standards. With these results, domestic and overseas customers are assured of the excellent food safety record of Australian pork.

In February 2014, APL made a supportive submission to the Department of Agriculture on proposed Agricultural and Veterinary Chemicals (AgVet chemicals) legislative amendments, and followed close consultation with the NFF. These amendments would remove the mandatory re-registration process for AgVet chemicals, and were passed into law in July.



APL continued to pursue an agreed agriculture industry-wide position on CoOL, working closely with the NFF Trade Committee. Under the auspices of this Committee, an industry working group was established to set the principles of such a position, which, after negotiation with the Australian Food and Grocery Council, has resulted in a broad draft position addressing the pork industry's concerns with the current system.

The adoption of the draft industry position is currently awaiting the outcomes of a House of Representatives Inquiry into Country of Origin Labelling, at which APL gave evidence in early 2014. APL continued its media advocacy on the issue, including a segment on ABC's Landline programme. This issue will continue to be pursued in the new financial year.

Strategy 3 – Government Policy and Compliance Requirements

Strategy	Program	KPI	Unit	2013–14 Target	Result
Government Policy and Compliance Requirements	Climate Change Environmental and Sustainability	Biogas/flaring systems uptake	% eligible pig production started or implementing flaring/biogen systems	35%	26%
	Issues and emergency management	Minimal disruption to trade	Ratio of the number of market closures as a proportion of potential market closures	0:3	0:3
		APIQ [✓] ® uptake – production basis	% breeding herd APIQ [✓] ® certified	92%	89%

KPI Table: Core Objective 4 Strategy 3 – Government Policy and Compliance Requirements

Background

External market forces are driving changes in production systems, standards and differentiation that may not consider the implications of, or on, the environment. Regulatory changes have the potential to pose major challenges and opportunities to the industry particularly as new monitoring, reporting and trading requirements are implemented, together with higher costs expected for energy, fuel, feed and fertiliser. These growing costs of production, collectively with rising interest in environmental performance and carbon trading, are increasing producer interest in renewable energy, alternative management systems and technologies to improve efficiency, productivity and environmental footprint.

Effective issues and emergency management are also integral to retaining confidence in the Australian pork industry and our product, to safeguard our markets and competitiveness, and to shape our standing in the community and with government.



Achievements/Outcomes

Climate Change and Environmental Sustainability

Key research has been identified and designed to provide data and information to enable APL to participate effectively in climate change policy, the Carbon Farming Initiative and to position the industry as environmentally sustainable.

Innovation and Uptake of Best Management Practices (BMPs)

This area of research aims to develop technology transfer programs and materials and to increase industry capability by extending research to producers and stakeholders in various ways that encourage consideration, uptake and adoption. Research outcomes disseminated include manure and spent bedding reuse, energy usage, soil and pond microbial health, desludging and biogas safety.

Outcomes include the Piggery Manure and Effluent Management and Reuse Guidelines and include a glove box guide that allows producers to quantify manure nutrients for reuse as well as providing a method to place value on the nutrients. The project shows that an economic advantage of approximately \$156/ha in applying 5t/ha spent bedding compared to equivalent rates of conventional fertilisers can be achieved. Results show that adding amendments, especially composts, mature stockpiles and pelletised products, could enhance carbon sequestration, plant growth and disease suppression in relation to *Rhizoctonia* which costs \$77 million loss in grain yield every year.

A number of projects have been conducted on biogas, including a study of microbial communities that found piggery biogas ponds to be relatively robust regarding fluctuations in feedstock. The project also identified other feed additives detrimental to effluent ponds. Consultation with gas safety regulators on APL's Biogas code has concluded, and has been very well received. Concurrently a gas safety management plan is in development which will assist producers during the planning and operational phase of a biogas plant. The PigGas program has conducted seven workshops, 34 one-on-one consultations, and identified that an average Greenhouse Gas (GHG) emissions savings of 42 per cent was possible across all modelled piggeries.

To assist producers with planning and regulation, an electronic Environmental Management Plan (EMP) template for conventional and rotational outdoor piggeries has been developed and is available for download by producers.

Validation of Industry Environmental Data

This area of research aims to develop techniques and collect industry specific data that can be used by stakeholders to improve efficiencies, by developing mitigation strategies, BMPs and technologies that suit the needs of the pig producers. On-going results from outdoor production monitoring show each system has distinct dunging habits of pigs with low levels of odour and dust. Active management of shelters, rotations and cropping assists in even nutrient distribution and removal.

Energy usage was established for conventional piggeries with energy profiles measured across a range of natural and tunnel ventilated piggeries. Significant variation in energy use across similar production systems indicates opportunity for energy use improvement and significant cost savings. Factsheets have been developed on the results and measurement and monitoring of energy use.



On-Farm GHG Mitigation

This area of research focuses on the generation of GHG data and information that has not previously been explored in Australian piggeries in order to develop mitigation strategies and technologies from improved and alternative manure management systems. The National Agricultural Manure Management Program (NAMMP), funded by Research and Development Corporations (RDCs) and the Commonwealth Government, is coordinated by APL. It is a cross sectoral program that leverages funding to address common issues, share knowledge, maximise research efficiencies, and significantly reduce research timeframes. Results to date indicate significant GHG emission reductions from changed management, new technologies and alternative fertilisers as well as other additional benefits such as improved fertiliser value, replacing conventional fertiliser use, reduction in odour and soil conditioner, improved water retention and soil structure, and additional income streams through fertiliser and carbon trading.

Innovation and Uptake of New Technologies

This area of research looks to develop new strategies, technologies and practises to improve environmental performance, offset resources and generate revenue streams for Australian piggeries while maintaining or improving production. A literature and technology review undertaken to identify existing and emerging solid waste and wastewater treatments provided industry with examples of treatment processes in piggeries or similar industries, using major types of existing and upcoming technologies whilst at the same time gauging the maturity of the technology.

A comprehensive summary of research and associated technologies for potential application to piggery waste was obtained. The summary also identified technologies that are currently not viable for the industry as well as others for future consideration. Twenty one technologies, ranging from microbial fuel cells to lime stabilisation, were considered with seven technologies in the areas of solids treatment, wastewater treatment and wastewater polishing were shortlisted for further evaluation. Of these, dry fermentation, pre-treatment, plug flow digesters and acidification may have potential for further research.

CCRSPI

APL supports and participates in the Climate Change Research Strategy for Primary Industries (CCRSPI), a collaborative response to the opportunities and challenges posed by climate change for Australian agriculture, fisheries and forestry. It is a joint initiative of the rural research and development corporations, State and Federal Government and Commonwealth Scientific and Industrial Research Organisation (CSIRO). APL has active representation on the steering committee and looks to align its NAMMP and research outcomes through various CCRSPI forums.

Environmental Sustainability

The Policy and Research and Innovation (R&I) Divisions work closely to develop industry positions and provide input and advice concerning government policy on climate change. APL also works with producers, livestock sectors and state farming organisations on a range of state environmental issues, regulatory and planning and policy issues. This year APL participated in Department of Environment technical working groups regarding the future design and implementation of the emissions reduction fund. APL made several submissions to the federal government regarding the Emissions Reduction Fund and the Domestic Offsets Integrity Committee following changes to the program.



APL has continued to work with the Queensland Government in the pursuit of red tape reduction, with a submission provided to the Queensland Government outlining priority areas for reform, including water rights and allocations, electricity imposts and licensing fees. APL has assisted a number of producers with regulatory and planning issues, including land use planning reform in NSW and WA, in addition to providing input into planning applications across Australia.

A submission was made to the Victorian Minister for the Environment requesting the adoption of the *Victorian Code of Practice for Piggeries 2006* to replace the outdated code currently in operation. APL will continue to pursue this issue in the new financial year.

APL worked collaboratively with the Australian Meat Processing Corporation to advance environmental priorities and opportunities, and also worked with the NFF to identify areas of green/red tape as part of a broader agricultural industries initiative to address compliance burdens at a federal level.

Issues and Emergency Management

Preparedness and planning, both at farm and industry level, are integral to the successful management of emerging issues, crises and emergencies and industry recovery.

Exotic Disease Prioritisation

A framework has been developed enabling disease prioritisation and investigation according to pig industry stakeholders' preferences in order to assist decision makers prepare for potential outbreaks. Achievements and outcomes of the project include:

- Stakeholders selected PRRS for further investigation of the risk of an outbreak in Australia;
- Stakeholders identified raw pork as posing the highest risk to an outbreak. Quantitative risk assessment demonstrated a greater probability of infection of a feral pig through ingestion of raw pork discarded on a property, than infection of a domestic pig through swill-fed raw pork; and
- The model identified knowledge gaps into the likelihood of feral pigs accessing food-waste on rural properties, and demonstrated the importance of border biosecurity in regulating the disposal of food-waste from international sources.

Issues and Emergency Management

There are a number of ongoing activities in this area involving emergency preparation including Foot and Mouth Disease vulnerability, the currency of the industry's emergency plan PorkSAFE, and collaborating with government and industry in planning exercises such as Exercise Odysseus.

Exercise Odysseus is a series of discussion exercises and field-based activities aimed at enhancing national preparedness for the implementation of a national livestock standstill in response to an outbreak of FMD. The exercise involves both governments and industry and is coordinated by the Department of Agriculture.

APL has participated in several activities in Exercise Odysseus, and will be involved in several more in the coming year. Central among these activities were a national level communication exercise and a mock CCEAD exercise. The activities have strengthened APL's understanding of, and preparedness for, a national livestock standstill, and underline the importance of maintaining biosecurity along the continuum.



4.5.2 Financial Summary

CORE OBJECTIVE 4 – LEADERSHIP, PREPAREDNESS, STEWARDSHIP				BUDGET		ACTUAL	
				\$4,844,086		\$4,954,340	
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Address Changing Expectations & Standards for Food Production		NON R&D		R&D			
Budget	\$281,130	\$348,419	\$629,549	\$1,318,800	\$553,386	\$1,872,186	\$2,501,735
Actual	\$219,713	\$340,622	\$560,335	\$1,557,203	\$392,639	\$1,949,843	\$2,510,177
Managing the Impacts of Regulatory Shifts							
Budget	\$169,900	\$445,118	\$615,018	\$521,000	\$208,544	\$729,544	\$1,344,562
Actual	\$156,401	\$536,217	\$692,618	\$505,254	\$232,451	\$737,705	\$1,430,323
Government Policy and Compliance Requirements							
Budget	\$2,000	\$92,612	\$94,612	\$652,270	\$250,907	\$903,177	\$997,789
Actual	\$8,666	\$44,261	\$52,927	\$716,063	\$244,851	\$960,913	\$1,013,840
TOTAL CORE OBJECTIVE 4 – BUDGET	\$453,030	\$886,149	\$1,339,179	\$2,492,070	\$1,012,837	\$3,504,907	\$4,844,086
TOTAL CORE OBJECTIVE 4 – ACTUAL	\$384,779	\$921,100	\$1,305,879	\$2,778,519	\$869,941	\$3,648,461	\$4,954,340

4.6 Core Objective 5 – Industry Cohesion and Responsiveness

4.6.1 Strategy I – Engage and Connect the Industry

Strategy	Program	KPI	Unit	2013–2014	Result
Engage and connect the industry	Enhance effective communication	Overall membership	Per cent of production represented by APL membership	89%	94%
	Growing valuable industry networks		Per cent of producers as APL members	51%	38%
		Increase in APL members	Number of members	335	253

KPI Table: Core Objective 5 Strategy I – Engage and Connect the Industry

Background

In this strategy there continues to be the ongoing drive to encourage more APL members and non-Members to adopt electronic communication as a primary means of communication. The capacity for both the industry and APL to build efficiencies in this area is critical, especially in times of emergency. The timely and cost-effective manner in which information can be shared also adds value to not just APL members but to all levy payers.



This strategy is also aimed at encouraging the next generation of industry personnel to understand and contribute to the Australian pork industry. APL is committed to attracting new capability and protecting the productivity and viability of the industry. By supporting two distinct components of new capability, school students and postgraduates, the industry is better placed to influence perception and help raise awareness, among young people in particular, of the opportunities within the industry which is crucial in addressing labour shortage.

Achievements/Outcomes

Enhance Effective Communication

This reporting period saw the first of the three year terms allocated to APL Delegates voted in to office in September 2013. Previously Delegates renominated annually. This has brought the Delegate Nomination process into line with APL Membership renewals which occur every three years. In respect to APL Delegates there were 36 nominations with 34 collecting enough votes to reach Delegate status. The 34 Delegates nominated this time around represent over 94 per cent of APL Members. The status of APL Membership has been fully reported on page 8 and 9 of this report.

Electronic Applications – Internet/Intranet/Alternative

Each year we are seeing a greater familiarity of producers regarding the use of electronic forms of communication. Potential drivers are the shift to ordering PigPass books online, which has been made significantly easier coupled with the advent of social media. Its use within family groups makes electronic communication less daunting and not out of reach for even the smallest pig farmer.

The advent of the CRM has introduced new and improved ways to rationalise communication with its stakeholders and to improve business efficiencies in the way APL conducts its business for PigPass, APIQ, Membership, Events management (in particular the registration and financial transaction associated with certain events), Cross Divisional projects and R&I research projects, not to mention the butchers program in APL Marketing and the Pork Star projects with chefs. The Cost Benefit Analysis (CBA) conducted for the Events Management part of the CRM indicated it would pay for itself in three events of the magnitude of Pan Pacific Pork Expo. In previous events registrations and booking of accommodation was done manually. This year saw this process go electronic.

Growing Valuable Industry Networks

Industry Engagement, Events, Membership, Advertising and Promotion

During this reporting period the biggest biennial Australian pork industry event, PPPE was held on the Gold Coast, Queensland in May. This event posted record levels of participants (572) with the highest number of stand holders for the trade show (58). The mood from the industry at the event was extremely positive with stand holders reporting brisk business. The CRM Events Management System saw 85 per cent of event registrations occur online. Utilisation of this new online registration system acted to streamline registrations, making it easier and seamless for those registering, and allowed workflow efficiencies for APL staff.



Growth in the number of APL Members receiving and disseminating information via the electronic medium, in this case mainly email, has gone from 86 per cent in 2012–2013 to 95 per cent for this reporting period.

CRRDC Activities

APL continues to be a member and funder of the Council of Rural Research and Development Corporations (CRRDCs). The council represents the group of RDCs where a joint approach to issues – usually with government – is required. The Council has one employee – Operations Manager – who is hosted in APL's Canberra offices.

AGM and Conference

The APL Annual General Meeting and Conference were held on Thursday 21 November, 2013 at the Marriott Hotel in Melbourne. It was held in conjunction as usual with the Delegates Forum.

NFF and IMS Participation

APL remains a member of both the National Farmers Federation in Australia and the International Meat Secretariat (IMS). This project covers the costs involved with the membership of both organisations.

Fostering New Capability

The Primary Industries Education Foundation (PIEF) is a teacher-focused, cross-industry approach to working with schools, aimed at building capability in the primary industries sector and improving community understanding. Now in the fourth year of PIEF membership, APL continues to support the development of education resources.

APL has developed the Australian Pork Industry Education Toolkit consisting of resources aligned to the new Australian curriculum and targeted at primary and secondary school teachers and students. The resources provide a series of activities to support teaching and learning about pork production practices and processes. The resources have been very well received by teachers, industry and government departments and are currently being delivered in over 40 schools across Australia with increasing interest.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) coordinates an annual awards program to recognise scientists aged 18–35 years working or studying in the industry. Megan Verdon (who has just recently completed her PhD at the Animal Welfare Science Centre) was awarded the APL sponsored pork industry prize and is undertaking an innovative industry project on "*Pre-weaning Social Exposure: Effects on Aggression, Injuries and Growth of Weaner and Growing Pigs*".

In addition to the above, APL continues to fund a number of graduate and post-graduate scholarship programs.

4.6.2 Strategy 2 – Facilitate Rapid Uptake of Information and Technology

This strategy relates to the Technology Transfer and Adoption (TT&A) programs implemented to maximise industry productivity gains, as well as enable the pork industry to meet its environmental, biosecurity and food safety obligations by adoption of best management practices.

Strategy	Program	KPI	Unit	2013–2014 Target	Result
Facilitate Rapid Uptake of Information and Technology	Communication and facilitation of technology adoption	Increased awareness of new information	Ave % production aware of new technologies	80%	84.5%
		Technologies adopted	Ave % production adopting new technologies	45%	46.7%

KPI Table: Core Objective 5 Strategy 2 – Facilitate Rapid Uptake of Information and Technology

These KPIs have been met and are indicative of APL and the Pork CRC's approach to technology transfer and adoption focus on key influencers rather than general communications. The use of commercial research facilities as per the National Pork R,D&E Strategy has also had a significant impact on the timeliness of technology adoption.

Background

This strategy is aimed at promoting industry cohesion and making it easier for stakeholders to receive R&D information and adopt technologies. Industry stakeholders vary in the way they access information. Forums which facilitate producers-talking-to-producers and producers-talking-to-influencers are proving most effective in achieving TT&A, yet modern IT is playing an increasing role in communications and facilitating connections. R&D outcomes therefore need to be disseminated through a range of channels to suit this breadth of audience.

Achievements/Outcomes

Communication and Facilitation of Technology Adoption

Bringing Influencers Together

APL hosts and supports a range of industry events which enable interaction among producers and stakeholders, and the collection and processing of information on the latest research outcomes and/or technologies. Over 260 people participated in the APL/Pork CRC Roadshows in 2013, 110 attended the Successful Group Housing Systems for Dry Sows technical workshops in Toowoomba and Melbourne in April 2014, and a record number of participants attended the Pan Pacific Pork Expo in May 2014, with 576 registrations. APL also sponsored a number of travel awards used for researchers to present and network at international conferences and report their findings back to the Australian pork industry.



Facilitating Technology Transfer and Adoption

Modern IT is being increasingly utilised, in addition to APL's usual methods of communication such as industry publications. The IPALM database is an online repository for all APL R&D outcomes and is accessible on the APL website. Webinars, industry presentations and Adoption Case Study videos are also available online. The tracking capabilities of these modern communication methods allow APL to evaluate its activities and investments to assist in determining which methods and topics attract the most industry interest, and to assist in targeting future investments of industry resources.

APL funded Dr Jo Pluske of SciEcons Consulting, Dr Geoff Khuene of Meaningful Social Research and Professor John Pluske of Murdoch University, to adapt CSIRO's Adoption and Diffusion Outcome Prediction Tool (ADOPT) to create a valid and reliable tool for assessing adoption potential across a broad range of R,D&E activities for the pork industry. The ADOPT tool will assist APL to: improve measurement and assessment of adoption; predict peak levels of adoption and time to reach peak; and assist to ensure R, D&E outcomes are reaching the desired stakeholders. It will also enable factors affecting adoption to be considered during project design as well as engage in more specifically targeted R, D&E activities.

ACFI Membership

Modelled on the highly successful Centre for Food Integrity in the United States, the Australian Centre for Food Integrity (ACFI) may provide a useful option to independently coordinate agriculture's response to changing community expectations. As a precondition of becoming a member, APL is seeking that a minimum number of other agricultural industries and/or research and development councils also become members. This has not yet occurred.

4.6.3 Strategy 3 – Enhance the Reputation and Effectiveness of APL

Strategy	Program	KPI	Unit	2013–2014 Target	Result
Enhance the Reputation and Effectiveness of APL	Public affairs and stakeholder relations	Positive APL image	Number of media outlets and audience reach	2,500 media outlets (audience reach of 15 million)	5,000 media outlets (audience reach over 68 million)
			Per cent of members perceptions that APL is doing a good job	62%	No survey has been conducted for this reporting period as membership renewals occurred
	APL organisational capacity	Staff turnover	Percent of total staff leaving the company per annum	12%	12%
		Corporate cost control	Percent of corporate cost increase per annum	CPI less 1.5%	CPI less 1.8%

KPI Table: Core Objective 5 Strategy 3 – Enhance the Reputation and Effectiveness of APL



Background

This strategy delivers actions supported by key messages that demonstrate to levy payers and major industry stakeholders the value of APL to the Australian pork industry and taxpaying Australian consumers. The projects implemented under this strategy also ensured APL's image was associated with:

- A proactive organisation generating workplace efficiencies that delivered improved services to its members;
- Good corporate governance;
- A safe and fair work place;
- An organisation that promotes and encourages Australian pork producers to practice sound environmental, animal health and welfare practices; whilst being recognised as
- An industry that produces modern, wholesome, healthy, nutritious food that is proudly recognised as Australian grown.

Achievements/Outcomes

Public Affairs and Stakeholder Relations

Media Monitoring and Management

APL's performance in the media for 2013–2014 differed from previous years due to changes to syndication methods resulting in higher figures associated with circulation. Performance for this reporting period on the volume of media outlets (radio, internet, press and television) rose from 2,500 outlets in 2012–2013 to over 5,000 in 2013–2014. Audience circulation rose from 15 million to over 68 million.

The major media issues of note for this year were: the FTAs with both Korea and Japan, with the future of potential trade opening up with China; impact on the pork industry of the repeal of the Carbon Tax; the environmental initiatives put in place by pork producers to reduce the industry's carbon foot print and on-farm production costs; the launch of the Australian pork industry Education Resources Kit; Pan Pacific Pork Expo; the PED virus in the US and threats and implications to Australia's biosecurity; the increase in the marketing segment of the APL Levy; the successful promotional coverage around PorkFest, ham and bacon weeks; and ongoing coverage on illegal break-ins on farms by anti-farming lobby groups.

Strategic and Operational Publications

This reporting period successfully delivered the fifth and final operational year under the Strategic Plan 2010–2015. The developmental process for the 2015–2020 Strategic Plan involved far-reaching consultation with the APL Board and senior management, APL Delegates, large, medium and small pork producers, key industry and government stakeholders, including retailers as well as aligned industry organisations.

Annual Industry Survey

This year's Annual Industry Survey achieved a low response rate compared to previous years, despite a shortened format and longer time in field. This meant that the results were less reliable than APL would prefer, and that the survey was not as useful to the industry as it could have been. This forced APL to look at other ways of substantiating claims about the industry, particularly with respect to progress against the Shaping Our Future commitment.



To address this in the future, APL will conduct a significant review of all survey instruments which it administers, and all points of information collection with producers. This will ensure that next year's survey, whatever format it takes, provides maximum benefit to the industry.

APL Organisational Capability

Benefit Cost Analysis

This project deals with the benefit cost analyses applied to our project portfolio, both on an ex ante and ex post basis, to determine (1) where the best value for money investments are for the future, as well as (2) how our past projects have performed in terms of providing value back to industry. Comparing both analyses for the same project acts as a test of the assumptions generated for projects at the time of iteration and design. APL has invested in developing a qualitative tool to conduct ex ante cost benefit analyses and is based on ADOPT to improve APL's ability to prioritise its annual R,D&E priorities.

Human Resource Management

APL manages its human resources issues with the help of an expert external consultant. Activities include conducting staff surveys, monitoring of staff retention, constantly updating human resources policies and procedures and keeping up with legislative amendments at a state and federal level relating to our human resources.

Information and Communication Technology

The Information and Communication Technologies (ICT) utilised by APL are regularly being assessed for improvement, particularly with the introduction of the CRM system introduced to our networks.

In particular, those technologies which improve the efficiency with which APL carries out administrative functions as well as improvements in effectiveness of membership communication are being pursued.

Three Year Performance Review

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

A key objective of the project was to review the Company's performance against its strategic and annual operating plans, as well as identify APL's effectiveness and efficiency in meeting the priorities set out in the company's strategic and annual operating plans including the benefits to industry and government.

The independent consultancy firm ACIL Allen Consulting conducted the review for the period 2010–2013. An executive summary and full report can be found on the APL website (www.australianpork.com.au) under Library & Resources/ Publications/ Three Year Performance Review. All previous reports can also be found on this part of the website.



Strategic Planning

During the 2013–14 year, the new APL Strategic Plan 2015–2020 was developed to take effect from the 2014–15 year. Comprehensive industry consultations were conducted to get the input of pig producers into what they believed were the critical issues for the industry for the next five years. Other key stakeholders, in particular government, which is a major funder of APL, were also included in the process. Next year's Annual Report will be reporting against the content of the Strategic Plan 2015–2020.

OmniPig Project Management system

OmniPig, the online project management system created by Fisheries Research & Development Corporation and FI Solutions for APL, has now been fully implemented in the R&I Division and is subsequently being rolled out across other Divisions with concomitant productivity gains for the whole organisation. This year APL upgraded to the new version of Omni.

CRM – Implementation

Policy Division has taken full advantage of APL's new CRM database system. Primarily, uptake has been driven through the division's stewardship of the PigPass system. A dynamic map has been created, which displays all farms, saleyards and abattoirs in the industry. This map can be accessed from within the CRM application, and can also be shared on a permission-controlled basis externally.

Specialist Group/RDAC Meetings

There are six Specialist Groups and these are: (1) Market development, supply chain and product quality; (2) Welfare, genetics and reproduction; (3) Nutrition, health and physiology; (4) Industry capability and technology transfer; (5) Environmental Management; and (6) Quality assurance, biosecurity and food safety.

The Chairpersons of the six Specialist Groups, a number of APL Directors together with the CEO of APL, the General Manager (GM) Research and Innovation and GM Finance and Administration form the RDAC. On behalf of the APL Board, RDAC's primary function is to give direction to activities around the development, management, performance and outcomes of APL's research and associated activities through identification of research needs and opportunities as advised through the Specialist Groups, allocation of resources to specific areas of research and research projects through the Specialist Groups, and assessment of performance of the project portfolio and APL's research management.



4.6.4 Financial Summary

CORE OBJECTIVE 5 – INDUSTRY COHESION & RESPONSIVENESS				BUDGET			ACTUAL
				\$2,494,276			\$2,624,092
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Engage and Connect the Industry		NON R&D			R&D		
Budget	\$127,500	\$99,146	\$226,646	\$358,682	\$89,385	\$448,067	\$674,713
Actual	\$127,488	\$131,062	\$258,551	\$364,633	\$88,050	\$452,683	\$711,233
Facilitate Rapid Uptake of Information and Technology							
Budget	\$40,000	\$12,499	\$52,499	\$242,940	\$373,947	\$616,887	\$669,386
Actual	\$0	\$3,578	\$3,578	\$237,849	\$294,972	\$532,821	\$536,400
Enhance the Reputation and Effectiveness of APL							
Budget	\$238,000	\$56,573	\$294,573	\$459,000	\$396,604	\$855,604	\$1,150,177
Actual	\$313,963	\$161,812	\$475,775	\$504,190	\$396,494	\$900,684	\$1,376,459
TOTAL CORE OBJECTIVE 5 – BUDGET	\$405,500	\$168,218	\$573,718	\$1,060,622	\$859,936	\$1,920,558	\$2,494,276
TOTAL CORE OBJECTIVE 5 – ACTUAL	\$441,452	\$296,452	\$737,904	\$1,106,672	\$779,516	\$1,886,188	\$2,624,092

4.7 Overall Financial Summary by Core Objective

SUMMARY				BUDGET			ACTUAL
				\$17,456,158			\$17,610,879
CORE OBJECTIVE	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Build Consumer Demand		NON R&D			R&D		
Budget	\$4,349,652	\$1,658,740	\$6,008,392	\$789,508	\$946,153	\$1,735,661	\$7,744,053
Actual	\$4,256,156	\$1,519,799	\$5,775,955	\$1,043,453	\$1,014,524	\$2,057,977	\$7,833,932
Viable Productive Farms							
Budget	\$0	\$0	\$0	\$1,749,733	\$250,563	\$2,000,296	\$2,000,296
Actual	\$0	\$0	\$0	\$1,623,504	\$212,895	\$1,836,399	\$1,836,399
Efficient Value Chains							
Budget	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Actual	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leadership, Preparedness, Stewardship							
Budget	\$453,030	\$886,149	\$1,339,179	\$2,492,070	\$1,012,837	\$3,504,907	\$4,844,086
Actual	\$384,779	\$921,100	\$1,305,879	\$2,778,519	\$869,941	\$3,648,461	\$4,954,340
Industry Cohesion & Responsiveness							
Budget	\$405,500	\$168,218	\$573,718	\$1,060,622	\$859,936	\$1,920,558	\$2,494,276
Actual	\$441,452	\$296,452	\$737,904	\$1,106,672	\$779,516	\$1,886,188	\$2,624,092
Unallocated							
Budget	\$0	\$134,869	\$134,869	\$0	\$238,578	\$238,578	\$373,447
Actual	\$0	\$130,196	\$130,196	\$0	\$231,920	\$231,920	\$362,116
TOTAL BUDGET	\$5,208,182	\$2,847,976	\$8,056,158	\$6,091,933	\$3,308,067	\$9,400,000	\$17,456,158
TOTAL ACTUAL	\$5,082,387	\$2,867,547	\$7,949,934	\$6,552,148	\$3,108,796	\$9,660,944	\$17,610,879



4.8 Reporting Obligations

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

Material Variations to Budget

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

Funds Spent on Research and Development Activities

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

Funds Spent on Marketing and Strategic Policy Development Activities

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

Funds Spent on National and Rural Research and Development Priorities

Funds spent on national and rural R&D priorities are listed in Appendix D.



5. Meeting Industry and Government Priorities

5.1 Alignment with the Rural Research and Development Priorities

5.1.1 Funds Spent on Rural Research and Development Priorities

APL has commissioned a number of activities that address the Rural R&D priorities. These projects and activities are listed below against each of the Rural R&D Priorities.

5.1.2 Productivity and Adding Value

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

Progress in 2013–14

APL has commissioned a number of projects and activities that address this priority. These include:

- Efficient and cost-competitive nutrient supply
- Reducing reproductive waste
- Feed conversion
- Pork R,D&E Strategy (experimental base fund allocation)
- CRC for HIAP contribution
- AUSPIG performance modelling
- Welfare methodology
- Electronic Applications – producer newsletters etc.
- Council of Rural Research and Development Corporations (CRRDC) Activities
- AGM and Annual Conference
- Annual Industry Survey
- Industry Events
- Enabling Professional Networks
- Facilitating technology transfer and adoption
- Bringing Influencers Together.

A description of the above projects is provided under the APL Core Objective achievements reports.



5.1.3 Supply Chain and Markets

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

Progress in 2013–14

APL has commissioned a number of activities that address this priority. These include:

- Market Research and Insights
- CRC for HIAP contribution
- Animal welfare and community engagement
- Community Awareness and Food Production
- International trade development study
- Animal welfare initiatives.

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.4 Natural Resource Management

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

Progress in 2013–14

APL has commissioned a number of activities that address this priority. These include:

- CRC for HIAP contribution
- Feedgrain Partnership group
- Validation of industry environmental data
- Innovation and Uptake of BMPs
- Innovations and uptake of new environmental technologies.

A description of the above projects is provided under the APL Core Objective achievements reports.



5.1.5 Climate Variability and Climate Change

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

Progress in 2013–14

APL has commissioned a number of activities that address this priority. These include:

- CRC for HIAP contribution
- Innovation and uptake of environmental BMPs
- Manure management and on-farm GHG mitigation
- CCRSPI.

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.6 Biosecurity

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

Progress in 2013–14

APL has commissioned a number of activities that address this priority. These include:

- Ensuring product integrity (Physi-Trace)
- Food Safety R&D activities
- Exotic Disease R&D activities
- Safe food South Australian Research and Development Institute (SARDI) report.

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.7 Innovation Skills

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

Progress in 2013–14

APL has commissioned a number of activities that address this priority. These include:

- CRC for HIAP contribution
- Building Technical Capacity
- Fostering new capability
- Promoting Leadership.

A description of the above projects is provided under the APL Core Objective achievements reports.



5.1.8 Technology

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

Progress in 2013–14

APL has commissioned a number of activities that address this priority. These include:

- CRC for High Integrity Pork contribution
- Facilitating technology adoption
- Developing methodology to assess welfare
- Physi-Trace.

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.9 Rural R&D Priorities – Expenditure

Funds spend on national and rural R&D priorities are listed in Appendix D.

5.2 National Primary Industries Research, Development and Extension Framework

APL and the Pork CRC have worked in collaboration to ensure that pork R,D&E is focused, efficient and delivers outcomes in a timely manner to ensure that the Australian pork industry is competitive, productive and sustainable. This collaboration between APL and the Pork CRC has ensured that there is no duplication. To ensure the increased alignment and coordination of the various pork R,D&E programs, APL and the Pork CRC, in conjunction with the various governments, university and industry R,D&E stakeholders, have developed a comprehensive Pork R,D&E Strategy that comprises a number of important components:

Pork R,D&E facilities:

- i. Focusing resources into fewer but better-funded experiment-ready facilities that are critical to meeting the current and future needs of the industry
- ii. Providing certainty for these facilities by base funding them on a rolling two-year basis.

Pork R,D&E programs:

- i. Moving from a project-by-project basis to a coordinated national program approach
- ii. Enhancing the development and retention of appropriate human resources and skills of R,D&E programs and activities.

The Pork R,D&E strategy has been in the implementation phase since 1 July 2009. The base funding of R,D&E facilities will now be entering into the third two-year cycle.



The efficiencies as a result of base funding of core R,D&E facilities continue to be very significant. The funding of core R,D&E facilities has also meant that these key R,D&E facilities are now used to their full potential. A number of facilities have been upgraded and/or are in the process of being upgraded to better meet the pork industry's R,D&E requirements.

A review meeting has been held with all providers. An outcome from this review will be to further quantify the benefits of the base-funding model, to be reported with special emphasis of the benefit in cost saving compared with full cost of conducting research in these facilities, and some of the collaborative benefits to enhancing the industry's R,D&E capability.

In addition, the pork industry is in the process of developing a new R,D&E funding model to ensure current industry co-investment levels are sustained beyond the current Pork CRC. This new R,D&E funding model will continue to underpin the National Pork R,D&E Strategy.

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6. Collaboration and Evaluation

6.1 Pork Industry Consultation

APL's consultation efforts target all levy-paying pig producers, facilitated through maximising our membership base for those who choose to take up this option.

The APL Delegate process helps to ensure that the views of as many pork producers as possible are fed into the annual and strategic planning processes for the organisation, increasing the relevance of the efforts being undertaken on behalf of the industry.

6.2 Supply Chain Engagement

Strong links to the supply chain ensure clear signals from the market back to pig producers as to preferences around products. APL facilitates a forum – the Pork Processor Referral Group – to discuss and develop strategies and ideas with the aim of clearing the way for the business to work smoothly, safely and efficiently. APL also holds strong connections with other players in the supply chain, including retailers, some of which are supported through the activities of the Board committee, the Market Development Committee.

6.3 Government Meetings

At a high level, APL's CEO and Chairman regularly met with Ministers and senior government officials to keep them up to date with significant industry happenings and to discuss future policy issues and challenges. Those meetings during the 2013–2014 year included:

- Meetings with the Federal Minister for Agriculture, the Honourable Barnaby Joyce (and his predecessor, the Honourable Joe Ludwig) in compliance with the requirements of the SFA and to discuss general industry issues;
- Accompanied the Minister for Trade, the Honourable Andrew Robb, and the Minister for Agriculture, the Honourable Barnaby Joyce, on a trade mission to China;
- Meetings with Federal Members of Parliament and Senators to discuss general industry issues;
- Meetings with various representatives of the Department of Agriculture regarding six monthly SFA reporting, and to discuss general industry issues such as biosecurity or specific government policy initiatives such as the Agriculture White Paper;
- Meetings with the ACCC to discuss APL's sow stall terminology; and
- Meetings with state Primary Industries Ministers (Victoria, New South Wales, Queensland) and advisers regarding general industry update (e.g. BioGas, farm raids, sow stall phase out, product integrity) or specific state issues such as piggery licensing requirements.

6.4 Inter-Organisational Committees

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

- Animal Health Australia Industry Forum
- Foot and Mouth Disease Management Advisory Committee

- Emergency Animal Disease Animal Welfare Compensation Committee
- Australian Meat Industry Language and Standards Committee
- Australian Animal Welfare Strategy Livestock Working Group
- Animal Welfare Science Centre Advisory Committee
- Export Meat Industry Advisory Committee
- Australian Meat Industry Council
- Sustainable Agriculture Initiative Platform
- Council for Rural Research and Development Corporations
- International Meat Secretariat
- Carbon Farming Initiative Implementation User Group
- Australian Food and Grocery Council
- SafeMEAT Executive and Partnership
- Cooperative Research Centre for High Integrity Australian Pork
- Australian Farm Institute
- Sub-Committee on Emergency Animal Disease Swill Feeding Working Group
- Close Processed Agricultural Goods Working Group.

6.5 Commercialisation

In 2013–2014, APL did not create any subsidiary companies. APL continues its participation in PorkScan Pty Limited, the company set up to commercialise carcass measurement technology and APL has two directors and provides the company secretary to this board.

6.6 Agreements

The Agreements entered into by the company are, in most cases, subject to commercial non-disclosure clauses. The majority of research and innovation activities are established under Agreements, as are the major marketing activities. The financial input of these Agreements and the future commitments arising are disclosed in Note 18 to the financial statements.

6.7 Cross-Sectoral Initiatives

CCRSPI includes all the rural R&D corporations, as well as the state DPIs, the CSIRO and key universities doing research in the field of agriculture and climate change. The revised CCRSPI structure and its implementation strategy will enable APL to participate in a large body of research and be heard on many issues that would otherwise be beyond its research budget or policy influence. APL is now a CCRSPI Steering Committee member.

APL is a key member of the Cross-Sectoral Feed Grain R&D Partnership, which also includes Grains Research Development Corporation (GRDC), Dairy Australia (DA), Meat and Livestock Australia (MLA), Australian Egg Corporation Limited (AECL) and the Pork CRC, to ensure feed grain R&D continues to be a focus for both the GRDC and grain growers, and that the group identifies and addresses key feed grain R&D priorities. The Feed Grain Partnership continues its role as a focal mechanism for the major organisations and companies in the feed grain industry, to provide whole-of-supply-chain guidance to the different agencies.



APL continues to be actively involved with the development and implementation of a number of other cross-sectoral R,D&E strategies, including the Animal Welfare R,D&E Strategy (“Champion” or “Sponsor” status), the Animal Biosecurity R,D&E strategy and the Food and Nutrition R,D&E Strategy.

Animal Welfare R,D&E Strategy: APL has played a key role in the development of this strategy and is a member of the Animal Welfare R,D&E Steering Committee. This strategy has been approved by the Primary Industries Standing Committee (PISC) and is in its third year of the implementation phase.

Animal Biosecurity R,D&E Strategy: This strategy has now been endorsed and will commence its implementation phase. APL is a member of the Steering Committee.

Food and Nutrition R,D&E Strategy: This strategy has now been endorsed and APL was a member of two working groups chartered to develop the overall strategy. These working groups include Technology Transfer and Food, Nutrition and Health.

APL continues to manage the National Agricultural Manure Management Program on behalf of the livestock rural RDCs including MLA, AECL, Rural Industries Research Development Corporation (RIRDC), Chicken Meat Council and DA. The funding for NAMMP was sourced from Department of Agriculture’s Filling in the Research Gap program and RDCs. The program’s focus is on GHG mitigation from alternative and improved manure management systems.

6.8 Evaluation of Outcomes for Industry and the Community

APL’s culture of performance on behalf of our industry demands that we measure and report against agreed objectives. This happens at a number of levels.

The APL Strategic Plan 2010–2015 contains various KPIs with targets over the strategy period. These targets (amended where necessary) are annually reflected in the Annual Operating Plan (AOP) and through the detailed divisional planning into individual annual objectives. These KPI targets are reported against at regular intervals throughout the year at Board meetings (and are reported in this document under the Core Objective Reporting Section 4).

Additionally, at a project or program level, CBAs are conducted on an ex-ante and ex-post basis to both ensure the best possible investment decision-making process and test the quality of our assumptions behind project and program decisions. Ultimately, the CBAs are measuring benefit to industry of the activities of APL and are thus reported to industry. Some of these CBAs are included within the annual research and development evaluation process conducted by the CRRDC.





7. Statutory Reports

7.1 Directors' Report

Your directors present their report for the year ended 30 June 2014.

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



7.1.1 Elected Directors

Mr John Coward

Mr Coward has 42 years of experience across all facets of meat processing and animal production including extensive training and knowledge in veterinary public health with a focus on pigs, backed up by 10 years of experience as Managing Director of Swickers Kingaroy Bacon Factory. He has performed in a number of roles including a period as Chairman of Burnett Pork Alliance (BPA) and Manager of the fresh meat division of Hans Continental Smallgoods. Mr Coward is currently President of Pork Queensland Inc. representing Queensland pig farmers; and is the Coordinator for Woolworths Supermarkets Preferred Supply Group (PSG). Mr Coward is a member of the Board's Animal Welfare Committee and chairs the biannual Pan Pacific Pork Expo Committee.



Mr Andrew Johnson

Mr Johnson is currently co-owner/manager of Mt Boothby Pastoral Company, a mixed family farming operation comprising a 1,500 sow farrow to finish operation, along with beef, lambswool, seed and mixed cropping, in the mid north and south east regions of South Australia. Mr Johnson, a 2005 Nuffield Scholar, is Chairman of Nuffield Australia and a Director of Nuffield International. Mr Johnson is an APL Delegate and enjoys the challenges confronting family farming businesses. He is Deputy Chairman of Pork SA and Councillor for the Primary Producers Council of South Australia. He chairs the APL Board Quality Assurance and Animal Welfare Committee and the National Livestock Identification System Advisory Group.



Mr Aeger Kingma

BBus(Acc), DipEd

Mr Kingma has been involved in the Australian pig industry for the past 26 years. He was past President of the Victorian Farmers' Federation Pig Group (2002–04 and 2007) and is currently part owner/manager of Gunpork Joint Venture. Mr Kingma is on the Board's Audit, Risk and Corporate Governance Committee and chairs the Human Resource & Remuneration Committee.



Dr Brian Luxford

Dr Luxford has been employed at Rivalea, the largest Australian pork producer, since 1988 and has managed the company's Research and Innovation for the past 12 years. The position covers technical support, research, and management across all sectors of the supply chain: feed milling; pig production; pig processing and new product development. Over the period, Dr Luxford has also served as an APL Delegate and on a number of APL research committees. He was a member of both the Pork Cooperative Research Centre steering committees and is Program Manager for Program 2 in the new CRC. Prior to the formation of APL, Dr Luxford was a director of the Pig Research and Development Corporation and for ten years was a director of PrimeGro, a biotech company based in Adelaide. Dr Luxford currently chairs the Research and Development Committee, and is a member of the Board's Audit, Risk and Corporate Governance Committee.



Mr David Plant

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



7.1.2 Specialist Directors



Mr Enzo Allara AM (Chairman)

FCPA, FAIM

Mr Allara has been involved in the food and grocery industry, both in Australia and internationally, for over 40 years with most of that time being with the Unilever Group of companies. His previous roles include Chairman CPC/AJI Asia in Hong Kong and Chairman of Unilever Australasia. He is currently Chairman of Foodbank Australia, Chair of Sunpork Fresh Foods and Swickers Kingaroy Bacon Factory Pty Limited. He has served on numerous Industry and Government bodies including the Prime Minister's Supermarket to Asia Council, as well as Chairman of the Australian Food and Grocery Council. Mr Allara chairs the Board's Market Development Committee and is on the Human Resource and Remuneration Committee. In June 2012, Mr Allara was awarded member in the general division in the Order of Australia (AM) for service to the community through executive roles with Foodbank Australia, and to the food manufacturing and processing industry.



Mrs Kay Carey

BComm

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



Mrs Kathy Grigg

B.Ec, FCPA, FAICD

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



Mr Geoffrey Starr

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

Mr Starr has an impressive pedigree with a background in marketing and the food industry and brings a wealth of knowledge to APL. Most recently, Mr Starr was Chief Executive of George Weston Foods. He is also a past Chairman and Board member of the Australian Food and Grocery Council and has broad experience with building consumer markets in Australia, Asia and Europe through senior positions held with Mars Inc and Unilever Australia. Mr Starr is a Director of Foodbank Australia and a member of the Research and Development Committee. He was an Industry Adviser to the Government for the Food and Beverage Industry.



7.1.3 Company Secretary



Mr Andrew Spencer

Chief Executive Officer and Company Secretary

Andrew has been CEO of Australian Pork Limited since July 2005 and the Company Secretary since April 2014. Through his tenure with APL, Andrew has helped to work the industry through significant challenges, including the 2009 'Swine Flu' pandemic, large increases in imported pork volumes into Australia and a profitability crisis in 2007/08.

Prior to 2005, Andrew worked over a period of ten years in France, South Africa and Germany in the agricultural biotechnology, seeds and chemicals business. He commenced his career in Australia in marketing and product management in the agricultural chemicals business sector after completing his studies in the mid 80's.

Andrew has an Agricultural Science degree from Melbourne University and is a director of the Australian Farm Institute, the Pork Co-operative Research Centre and PorkScan Pty. Ltd. Andrew is a graduate member of the Australian Institute of Company Directors.



Mrs Christine Quick (resigned)

DipBus (Acc), GAICD

Mrs Quick acted as Company Secretary from November 2005 until she resigned in April 2014. She was responsible for financial management and reporting, human resource and payroll, internal policies and procedures, information communication technology, office administration, company secretarial and corporate governance assistance to the Board and CEO, and Board and Audit Committee reporting.

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

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

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

7.1.4 Directors Meetings

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

Directors	Board of Directors	Audit and Corporate Governance Committee	Human Resource and Remuneration Committee
Mr John Coward	7 (7)		
Mr Andrew Johnson	6 (7)		
Mr Aeger Kingma	7 (7)	4 (4)	3 (3)
Mr Enzo Allara	6 (7)		3 (4)
Mrs Kay Carey	6 (7)		
Mr Geoffrey Starr	6 (7)		1 (1)
Mrs Kathy Grigg	7 (7)	4 (4)	3 (3)
Dr Brian Luxford	7 (7)	4 (4)	1 (1)
Mr David Plant	7 (7)		

Directors	Quality Assurance and Animal Welfare Committee	Research and Development Committee	Market Development Committee
Mr John Coward	3 (3)		1 (1)
Mr Andrew Johnson	3 (3)		
Mr Aeger Kingma			
Mr Enzo Allara			1 (1)
Mrs Kay Carey	2 (3)	2 (2)	1 (1)
Mr Geoffrey Starr		2 (2)	
Mrs Kathy Grigg		2 (2)	
Dr Brian Luxford		2 (2)	
Mr David Plant	3 (3)		

The number of meetings for which the directors were eligible is shown in brackets.



7.1.5 Indemnification and Insurance of Directors and Officers

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

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

The Association Liability policy indemnifies the directors and officers of Australian Pork Limited and the former directors and officers of Australian Pork Corporation, Pig Research & Development Corporation and Pork Council of Australia Limited. The indemnity extends to civil liabilities.

7.1.6 Review of Results and Operations

Results

The company's thirteenth year of operation resulted in an operating surplus of \$15,701 (2013: surplus of \$356,410). The level of reserves held at 30 June 2014 is above the minimum level required.

Operations

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

7.1.7 Long and Short-term Objectives

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

APL's primary funding is derived from statutory pig slaughter levies collected under the Primary Industry (Excise) Levies Act 1999. The levy amounts to \$2.825 cents per carcase levy at slaughter, of which APL receives \$2.65, consisting of \$1.65 for marketing activities and \$1.00 for research and development. The remaining 17.5 cents is for the Pig Monitoring Residue Program, which is received and managed by the NRS. Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture.

The levy received by APL increased by \$0.30 per pig slaughtered from 1 July 2012, the first of three stages of \$0.30 each, for introduction two years apart. This is particularly applicable to what is termed the "Marketing Levy" which is used for those activities not qualifying as research and development under the Government's definitions. This increase will secure APL's ability to provide valuable industry services and benefits. These industry services and benefits include enhancing opportunities for the sustainable growth of the Australian pork industry by delivering integrated marketing, innovation and policy services through the pork industry supply chain.



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

7.1.8 Strategy to Achieve Objectives

The current 2010–2015 Strategic Plan was put together after consultation with all stakeholders during 2009. This strategic plan took effect from 1 July 2009 and is reported against in the 2013–2014 Annual Report.

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

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

7.1.9 The Link between the Operations and the Company's Objectives

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

1. Build Consumer Demand

- Increased frequency of consumer purchase at retail for fresh pork
- Increased differentiation for Australian pork versus imported pork and other fresh meats in Australia
- Maintain international business.

2. Viable Productive Farms

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

3. Efficient Value Chains (projects from this core objective transferred to other core objectives on the basis of better alignment with specific issues as previously agreed with the Board)

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

4. Leadership, Preparedness, Stewardship

- Optimum pig welfare and care
- Enhanced livestock traceability, biosecurity and animal health preparedness
- Safe food



- Robust quality assurance to build customer and regulatory confidence
- Minimal disruption to market access
- Industry preparedness for rapid response to, and effective recovery from, crisis
- Environmentally sustainable and carbon neutral industry
- Industry leadership to enhance reputation for responsible practices and resource efficiency.

5. Industry Cohesion and Responsiveness

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

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

7.1.10 Performance Measures and Key Performance Indicators

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

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

7.1.11 Significant changes in the state of affairs

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

7.1.12 Significant events after balance date

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

7.1.13 Likely developments and expected results

The company is currently in the process of finalising the new 2015–2020 Strategic Plan. The contents and direction of this plan have been prepared following significant consultation with producers, processors, retailers, governments – both state and federal, as well as aligned key industry stakeholders. The new plan continues those activities from the previous strategic plan that have been shown to be successful in adding value to pig producers' business. It also initiates investigation into new areas of activity necessary for moving into a successful future.

Another significant influence on strategic planning for the coming years is the increase in income for APL brought about by an increase in the pig industry levy. On 1 July 2014, APL received an increase in the “marketing” levy from \$1.65 per pig slaughtered to \$1.95, the second of three tranches of \$0.30 between 2012 and 2016.

7.1.14 Environmental regulation and performance

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

7.1.15 Auditor Independence and Non-audit Services

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

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

Financial statement review –	\$2,600
Payroll Tax Exemption Preparation –	\$14,000

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

Signed in accordance with the resolution of directors.



Mr Enzo Allara AM
Chairman
Canberra, 28 August 2014



7.1.16 Director's Declaration

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

- I.** In the opinion of the directors:
 - a.** the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - i.** giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii.** complying with Accounting Standards and Corporations Regulations 2001; and
 - b.** there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Mr Enzo Allara AM
Chairman
Canberra, 28 August 2014

7.2 Independent Auditor Report to the members of Australian Pork Limited



Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601

Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
ey.com/au

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

Report on the financial report

We have audited the accompanying financial report of Australian Pork limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



Conclusion

In our opinion, Australian Pork Limited has complied, in all material respects, with Clauses 6 and 7 of the Agreement between the Commonwealth of Australia and Australian Pork Limited for the purposes of the *Pig Industry Act 2001* for the period from 1 July 2013 to 30 June 2014.

Ernst + Young

Ernst & Young

Ben Tansley

Ben Tansley
Partner
Canberra
28 August 2014

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



Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601

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

In relation to our audit of the financial report of Australian Pork limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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

Ernst & Young

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

Ben Tansley
Partner
28 August 2014



7.4 Financial Report 2013–2014

AUSTRALIAN PORK LIMITED

Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
REVENUES	3	17,626,580	17,234,882
EXPENSES			
Research and innovation		(6,630,729)	(5,911,589)
Marketing		(6,750,161)	(6,664,863)
Policy		(1,312,198)	(1,653,068)
Board and CEO		(1,471,765)	(1,201,915)
Finance and administration		(909,048)	(936,623)
Communication		(536,978)	(510,414)
Operating Surplus Before Tax		15,701	356,410
Income Tax	2(k)	-	-
Surplus For The Year		15,701	356,410
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year, Net of Tax		15,701	356,410

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

AUSTRALIAN PORK LIMITED**Statement of Financial Position****As at 30 June 2014**

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	17	4,134,508	3,555,528
Trade and other receivables	5	1,711,919	1,914,500
Prepayments	6	84,861	108,675
Investments	7	628,837	1,157,001
TOTAL CURRENT ASSETS		6,560,125	6,735,704
NON-CURRENT ASSETS			
Loan to Associate – PorkScan Pty Ltd	8	48,000	48,000
Property, plant and equipment	9	354,840	437,741
TOTAL NON-CURRENT ASSETS		402,840	485,741
TOTAL ASSETS		6,962,965	7,221,445
CURRENT LIABILITIES			
Trade and other payables	10	2,283,957	2,412,149
Deferred income	11	56,963	95,460
Lease Incentive	12	20,757	20,757
Provisions	13	383,795	503,337
TOTAL CURRENT LIABILITIES		2,745,472	3,031,703
NON-CURRENT LIABILITIES			
Lease Incentive	14	73,513	94,269
Lease Liability	15	35,376	24,794
Provisions	16	134,028	111,804
TOTAL NON-CURRENT LIABILITIES		242,917	230,867
TOTAL LIABILITIES		2,988,389	3,262,570
NET ASSETS		3,974,576	3,958,875
EQUITY			
Accumulated surpluses		3,974,576	3,958,875
TOTAL EQUITY		3,974,576	3,958,875

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



AUSTRALIAN PORK LIMITED

Statement of Changes in Equity

For the year ended 30 June 2014

	Accumulated Surpluses
At 1 July 2012	3,602,465
Surplus for the year	356,410
Other comprehensive income	-
At 30 June 2013	3,958,875

	Accumulated Surpluses
At 1 July 2013	3,958,875
Surplus for the year	15,701
Other comprehensive income	-
At 30 June 2014	3,974,576

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

AUSTRALIAN PORK LIMITED

Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash Flows From Operating Activities			
Receipts from Statutory Authority and industry		19,375,110	18,920,017
Payments to suppliers and employees		(19,483,834)	(17,948,717)
Interest received		186,812	183,311
Net Cash Flows From Operating Activities		78,088	1,154,611
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	9	(43,442)	(75,135)
Proceeds from investments in term deposits		528,165	-
Proceeds from disposal of property, plant and equipment		16,169	22,305
Investments in term deposits		-	(1,083,248)
Net Cash Flows Used In Investing Activities		500,892	(1,136,078)
Net Increase/(Decrease) In Cash Held		578,980	18,533
Cash and cash equivalents at 1 July		3,555,528	3,536,995
Cash and Cash Equivalents At 30 June	17	4,134,508	3,555,528

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements

For the year ended 30 June 2014

1 Corporate Information

The financial report of Australian Pork Limited (the Company) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 28 August 2014.

a) Company status

The Company is a company limited by guarantee, domiciled and incorporated in Australia and no shares have been issued. At the reporting date there were 253 Members guaranteeing to contribute up to \$1.00 each to the property of the Company in the event of it being wound up.

As at 30 June 2014 the Company employed 28 full-time and 8 part-time and casual employees (2013: 25 full-time and 10 part-time and casual employees).

b) Company details

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

The Company's registered office is:

Level 2, 2 Brisbane Ave
Barton ACT 2600

2 Summary of Significant Accounting Policies

a) Basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, *Australian Accounting Standards – Reduced Disclosure Requirements* and other authoritative pronouncements of the Australian Accounting Standards Board. *The financial report has been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for assets.*

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

b) Statement of Compliance

The Company has adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the financial year beginning on 1 July 2013*.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

(Cont'd) – 2 Summary of Significant Accounting Policies

(Cont'd) – b) Statement of Compliance

The Company is a not-for-profit, private sector entity which is not publicly accountable. Therefore the financial statements of the Company are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The adoption of AASB 1053 and AASB 2010-2 allowed Australian Pork Limited to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

c) New, revised or amending Accounting Standards and interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

There was no significant impact on the accounting policies and financial statements of the company from the adoption of these Accounting Standards and Interpretations. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

d) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

e) Trade and other receivables

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

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

(Cont'd) – 2 Summary of Significant Accounting Policies

f) Property, plant and equipment

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

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

The major depreciation periods are:

	2014	2013
Office furniture and equipment	3 to 10 years	3 to 10 years
Computer equipment	3 years	3 years
Leasehold improvements	Term of lease	Term of lease
Motor vehicles	4 years	4 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses between carrying amount and the disposal proceeds are taken to profit or loss.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. Value in use is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining future economic benefits.

g) Investments and other financial assets

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

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

(Cont'd) – 2 Summary of Significant Accounting Policies

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

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All purchases and sales of financial assets are recognised on the trade date i.e., the date that the Company commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

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

The majority of the Company's investments are included in the category "financial assets at fair value through profit or loss". Gains or losses on these investments are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

Subsequent measurement: Loans and receivables

After initial measurement, the Company's loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive income.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

(Cont'd) – 2 Summary of Significant Accounting Policies

h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives and future rental increments are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

i) Trade and other payables

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

j) Revenue recognition

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

Levies

The Finance and Business Support Division of the Department of Agriculture collects statutory levies on behalf of the Company. Revenues from levies are recognised as revenue upon notification from the Department of Agriculture of the amount of carcase levies that have occurred during each month.

Government contributions – matching

Government matches funding on a dollar by dollar basis on 50% of the approved research and development project expenditure, up to a cap of 0.5% of the gross value of pig production as determined by the Minister for Agriculture. Government matching funds are recognised as revenue upon incurring the eligible research and development program expenditure.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

(Cont'd) – 2 Summary of Significant Accounting Policies

(Cont'd) – j) Revenue recognition

Other industry contributions

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

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

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

Interest

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

Royalties

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

k) Taxes

Income taxes

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

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

(Cont'd) – 2 Summary of Significant Accounting Policies

(Cont'd) – k Taxes

Goods and services tax (GST)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

l) Provisions and Employee benefits

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

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

Employee Leave Benefits

(i) Wages, salaries, and annual leave

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

(ii) Long service leave

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

(Cont'd) – 2 Summary of Significant Accounting Policies

m) Comparatives

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

n) Significant accounting judgements, estimates and assumptions

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

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

(i) Make good provision

On 16 January 2012, APL entered into a new lease agreement with The Salvation Army (New South Wales) Property Trust for an initial period of seven years with an option to renew for a further period of five years from 16 January 2019 plus a further five years from 16 January 2024. Section 3 of the Disclosure Statement of the Lease details the make good requirements at the end of the lease, with no make good required on exercise of the first option for a further period of five years. APL's intention is to exercise the first option for a further period of five years. Therefore there is no requirement for a make good provision in 2014.

(ii) Estimation of useful lives of assets

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

3 Revenue

	2014 \$	2013 \$
(a) Revenue from operating activities		
Levies – marketing	7,722,639	7,577,292
Levies – research	4,680,428	4,684,786
Government contributions – matching	4,787,456	4,549,888
Other industry contributions	70,702	79,261
Other revenue	159,238	126,457
	17,420,463	17,017,684
(b) Revenue from non-operating activities		
Royalties	19,305	19,615
Net gain from sale of property, plant and equipment	-	14,272
Interest – other persons/corporations	186,812	183,311
	206,117	217,198
Total Revenue	17,626,580	17,234,882

4 Expenses

	2014 \$	2013 \$
(a) Depreciation and amortisation		
Depreciation expenses	52,508	39,222
Amortisation expenses	57,664	58,548
Total depreciation and amortisation expenses	110,172	97,770
(b) Employee benefits		
Salaries and wages	4,387,586	4,686,144
(c) Other expenses	328,459	318,945
Operating lease expense	328,459	318,945

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

5 Trade and Other Receivables

	2014 \$	2013 \$
Trade debtors	1,646,293	1,853,150
Sundry debtors	25,981	24,299
Goods and services tax	39,644	37,051
	1,711,919	1,914,500

Allowance for impairment loss

No receivables were past due or impaired.

6 Prepayments

	2014 \$	2013 \$
Prepayments	84,861	108,675

7 Investments

		2014 \$	2013 \$
Bank Guarantee	(i)	51,953	51,953
Term Deposit	(ii)(iii)	576,835	1,105,000
Shares in associate		49	48
		628,837	1,157,001

Terms and conditions

- (i) Bank Guarantee will mature in October 2014 and has a fixed interest rate of 3.10%.
- (ii) Term Deposit one will mature in November 2014 and has a fixed interest rate of 3.05%
- (iii) Term Deposit two will mature in November 2014 and has a fixed interest rate of 3.55%



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

8 Loan to Associate

	2014 \$	2013 \$
Loan to Associate – PorkScan Pty Limited	48,000	48,000

The loan was effected through a conversion of trade debtors relating to the remaining payment of the 2008/09 licence fees under the Agency Agreement with APL to their portion of the shareholder loan. Trade debtors (current assets) decreased in the amount of \$48,000 and non current assets increased in the amount of \$48,000. The loan was initially non-interest bearing for three years with no fixed repayment terms.

This loan was originally repayable on 1 July 2013 and has been rolled over for a further three years with interest payable and is now due on 1 July 2016.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

9 Property, Plant and Equipment

	Leasehold Improvements \$	Office Furniture and Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2014					
Carrying amount at 1 July 2013	321,152	22,187	71,907	22,495	437,741
Additions	222	8,107	35,112	-	43,442
Disposals	-	-	-	(16,169)	(16,169)
Depreciation expense for the year	(57,664)	(10,064)	(36,119)	(6,326)	(110,173)
Carrying amount at 30 June 2014	263,710	20,230	70,900	-	354,840

At 30 June 2014

Cost	431,930	166,908	219,586	33,663	852,357
Accumulated amortisation	(168,220)	(146,678)	(148,956)	(33,663)	(497,517)
Net carrying amount	263,710	20,230	70,900	-	354,840

	Leasehold Improvements \$	Office Furniture and Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2013					
Carrying amount at 1 July 2012	377,135	32,829	19,479	38,966	468,409
Additions	2,565	344	72,226	-	75,135
Disposals	-	-	-	(8,033)	(8,033)
Depreciation expense for the year	(58,548)	(10,986)	(19,798)	(8,438)	(97,770)
Carrying amount at 30 June 2013	321,152	22,187	71,907	22,495	437,741

At 30 June 2013

Cost	431,707	158,802	184,745	33,662	808,916
Accumulated amortisation	(110,555)	(136,615)	(112,838)	(11,167)	(371,175)
Net carrying amount	321,152	22,187	71,907	22,495	437,741



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

10 Trade and Other Payables

	2014 \$	2013 \$
Trade creditors and accruals	2,112,682	2,194,743
PAYG tax payable	79,840	82,732
Other payables	91,435	134,674
	<u>2,283,957</u>	<u>2,412,149</u>
Aggregate amounts payable to related parties:	44,605	143,544

11 Deferred Income (Current)

	2014 \$	2013 \$
Income in advance	56,963	95,460
	<u>56,963</u>	<u>95,460</u>

Income in advance is grant and co-funding income.

12 Lease Incentive (Current)

	2014 \$	2013 \$
Lease Incentive	20,757	20,757
	<u>20,757</u>	<u>20,757</u>

The lease incentive comprised of payments received under the terms of the lease agreement with The Salvation Army (New South Wales) Property Trust.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

13 Provisions (Current)

	2014 \$	2013 \$
Annual leave	191,783	269,114
Long service leave	192,012	234,223
	383,795	503,337

14 Lease Incentive (Non-current)

	2014 \$	2013 \$
Lease Incentive	73,513	94,269
	73,513	94,269

15 Lease Liability (Non-current)

	2014 \$	2013 \$
Lease Liability	35,376	24,794
	35,376	24,794

16 Provisions (Non-current)

	2014 \$	2013 \$
Long service leave	134,028	111,804
	134,028	111,804

17 Cash and cash equivalents

	2014 \$	2013 \$
Cash and cash equivalent balance comprises:		
Cash at bank and at call	4,134,108	3,555,128
Cash on hand	400	400
Closing cash balance	4,134,508	3,555,528



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

18 Commitments

a) Lease expenditure commitments

Operating lease commitments – Company as Lessee

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

	2014 \$	2013 \$
Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:		
- not later than one year	295,299	288,212
- later than one year and not later than five years	834,522	991,384
- later than five years	-	120,773
	1,129,821	1,400,369

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

Name of premises	Remaining term	Rent increment	Options for renewal on expiry of lease
ACT	54.5 months	3%	2 x 5 years

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

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

	2014 \$	2013 \$
Estimated R&D expenditure contracted for at reporting date, but not provided for, payable:		
- not later than one year	1,827,104	2,721,039
- later than one year and not later than five years	4,272,066	4,376,756
	6,099,170	7,097,795

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

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

19 Related Party Disclosures

a) Directors

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

Mr Enzo Allara

Mr Andrew Johnson

Mr John Coward

Mr Aeger Kingma

Mrs Kay Carey

Mr David Plant

Dr Brian Luxford

Mrs Kathy Grigg

Mr Geoffrey Starr

b) Loans to directors and director related entities

The Company made no loans to directors or director related entities during 2014 (2013: nil).

c) Other related parties

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

Dr B Luxford	General Manager Research & Innovation, Rivalea (Australia) Pty Limited
Prof R van Barneveld (retired November 2012)	Director, Pork CRC Limited General Manager, CHM Alliance Pty Limited Director, Barneveld Nutrition Pty Limited Chair, PorkScan Pty Limited Director, BECAN Consulting Group Pty Limited

Various project and program expenditures were made to the following director related entities. These transactions occurred within normal terms and conditions of various research and marketing program initiatives. The following table provides the total amount of transactions that were entered into with related parties for the 2014 financial year.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

(Cont'd) – 19 Related Party Disclosures

c) Other related parties (cont'd)

	2014 \$	2013 \$
Project and program expenditure		
Rivalea (Australia) Pty Limited	67,652	149,417
Pork CRC Limited	1,813,600	1,650,000
The CHM Alliance Pty Limited	87,712	28,150
Barneveld Nutrition Pty Limited	12,000	12,000
BECAN Consulting Group Pty Limited	-	-

Receivables

A loan of \$48,000 has been made to PorkScan Pty Limited. This loan was originally repayable on 1 July 2013 and has been rolled over for a further three years with interest payable at the reserve bank cash rate plus 0.25%, and is now due on 1 July 2016.

	2014 \$	2013 \$
Income		
PorkScan Pty Limited		
IP licence fees	17,000	17,000
Management fees	20,000	20,000
	37,000	37,000

APL is the major core participant with the Pork CRC. One APL Director was also on the Pork CRC Board until his retirement in November 2012. APL's Chief Executive Officer is also a Director on the Pork CRC Board. The objectives of the two organisations are not contradictory.

APL is a shareholder in PorkScan Pty Ltd and one of APL's Directors was also a PorkScan Pty Ltd Director until his retirement in November 2012. APL's Chief Executive Officer is a Director on the PorkScan Pty Ltd Board and is also the Company Secretary.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2014

20 Auditor's Remuneration

	2014 \$	2013 \$
Amounts received or due and receivable by Ernst & Young for:		
Audit of the financial report of the Company	30,400	29,815
Other services	16,600	2,400
	47,000	32,215

21 Subsequent Events

There have been no significant events which have occurred subsequent to 30 June 2014 that require adjustment to or disclosure in the financial report.

22 Contingencies

The Company has provided a bank guarantee of \$51,953 in relation to its Canberra head office lease agreement.

23 Director and Key Management Personnel Remuneration

a) Details of Directors and Key Management Personnel

Australian Pork Limited has nine directors, detailed at Note 19. Key management personnel include the Chief Executive Officer and General Managers of Marketing, Research and Innovation, Policy, Communication and Finance and Administration.

b) Compensation of Directors and Key Management Personnel

	2014 \$	2013 \$
Directors		
Short-term employee benefits	372,421	373,274
Post-employment benefits	34,449	33,594
Key Management Personnel		
Short-term employee benefits	1,334,945	1,302,585
Post-employment benefits	84,583	91,597
Total Compensation	1,826,398	1,801,050



8 APPENDICES

8.1 Appendix A

Material Variations to Budget

	Initial Budget \$	Actual Result \$	Variation Over/(Under) \$	Explanation of Major Variations
Income				
Levies	12,455,000	12,403,066	(51,934)	Levy payments lower than envisaged despite slaughters being to plan.
Government contributions – matching	4,700,000	4,787,456	87,456	R&D matching expenditure was more than budgeted but still within the Gross Value of Production (GVP) cap.
Other industry contributions	-	70,702	70,702	NAMMP grant and consortium income.
Interest	178,000	186,812	8,812	Cash held longer than originally forecast.
Royalties and gain on sale	17,000	19,305	2,305	Royalties from the sale of publications.
Other revenue	35,000	159,239	124,239	Hosting fees in relation to the Council of Rural Research and Development Corporations and Sugar Research and Development Corporation, Pan Pacific Pork Exhibition Sponsorship Fees, Associate Membership Fees and Levy Penalties.
Expenditure				
Research & Innovation – direct project expenditure	4,884,426	5,208,829	324,403	The major variances include Biosecurity R,D&E Strategy \$235K, APIQ \$181K, NAMMP \$79K which were offset by Feed Conversion (\$118K).
Marketing – direct project expenditure	5,039,160	5,092,993	53,833	There were variances in the following projects: Market Research \$74K, Advertising \$64K, International Market Development \$60K, PorkFest (\$89K) and Xmas (\$33K).
Policy – direct project expenditure	695,030	570,965	(124,065)	Key variances included: APIQ (\$196K), Livestock Traceability (\$77K), Free Range TM Certification (\$20K), Pork Trade Report \$130K, Defend & Differentiate PR \$26K and Import Parity Welfare Report \$24K.
Communication – direct project expenditure	206,500	221,692	15,192	Media \$36K was overspent which was offset by Industry Events & Membership (\$10K).
Finance and Administration – direct project expenditure	255,000	295,127	40,127	The CRM \$41K project was delayed.
CEO/Board – direct project expenditure	220,000	244,956	24,956	Project variances are as follows: Three Year Performance Review \$19K, Strategic Planning \$18K, NFF & IMS Participation \$10K, AGM & Conference (\$13K) and CRRDC Activities (\$9K).

8.2 Appendix B

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

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

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

The company has established a detailed methodology by which eligibility of matching expenditure is determined. For the 2013–2014 financial year the significant expenses and adjustments that formed the basis by which the matching claim has been made were as follows:

Research and Development Expenditure By Strategy	
Build Consumer Demand	
• Assuring eating quality	\$74,740
• Increasing frequency of use	\$1,526,288
• Promoting Australian	\$456,949
Viable Productive Farms	
• Reduce input costs	\$909,598
• Improve process efficiency	\$746,529
• Build skills and capability	\$180,272
Leadership, Preparedness, Stewardship	
• Address changing expectations and standards for food production	\$1,949,843
• Managing the impact of regulatory shifts	\$737,705
• Government policy and compliance requirements	\$960,913
Industry Cohesion and Responsiveness	
• Engage and connect the industry	\$452,683
• Facilitate rapid uptake of information and technology	\$532,821
• Enhance the reputation and effectiveness of APL	\$900,684
Unallocated	\$231,895
Total research and development expenditure	\$9,660,919
Adjustments – accruals and other non eligible research and development expenditures	(\$86,007)
Total matchable expenditure	\$9,574,912
Maximum Claim Allowable to GVP cap	\$9,595,847
Australian Government contributions – matching (@ 50 per cent)	\$4,787,456

Note: APL total non direct project expenditure for the 2013–2014 financial year was \$5,976,318 which was 34 percent of total expenditure and 34 per cent of income received. Of this total non direct project expenditure \$3,108,771 (52 per cent) was attributed to Research and Development.



8.3 Appendix C

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

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

Marketing Expenditure By Strategy	
Build Consumer Demand	
• Assuring eating quality	\$3,532,366
• Increasing frequency of use	\$921,610
• Improving the image of fresh pork	\$957,055
• Promoting 'Australian'	\$364,924
Total Marketing Expenditure	\$5,775,955
Strategic Policy Development Expenditure By Strategy	
Leadership, Preparedness, Stewardship	
• Address changing expectations and standards for food production	\$560,335
• Managing the impact of regulatory shifts	\$692,618
• Government policy and compliance requirements	\$52,927
Industry Cohesion and Responsiveness	
• Facilitate rapid uptake of information and technology	\$3,578
Total Strategic Policy Development Expenditure	\$1,309,458
Other Industry Expenditure By Strategy	
Industry Cohesion and Responsiveness	
• Engage and connect the industry	\$258,551
• Enhance the reputation and effectiveness of APL	\$475,775
Unallocated	\$130,196
Total Other Industry Expenditure	\$864,522
Total Funds Spent on Marketing and Significant Strategic Policy Development Activity as well as Other Industry Issues	\$7,949,935

8.4 Appendix D

Funds Spent on National and Rural Research and Development Priorities

Rural Research & Dev. Priorities	AOP Budget		National Research Priorities																	
	Actual	Budget	An Environmentally Sustainable Australia		Promoting & Maintaining Good Health		Frontier Technologies for Building & Transforming Australian Industries		Safeguarding Australia		Other Research									
			Natural Resource Management	Climate variability and climate change	Productivity and Adding Value	Supply Chain and Markets	Innovative Skills	Technology	Biosecurity	Research										
			\$	%	\$	%	\$	%	\$	%	\$	%								
Objective 1. Build Consumer Demand	\$1,735,661	21%	\$2,057,977	18%	\$0	0%	\$726,288	8%	\$1,288,493	13%	\$0	0%	\$43,196	0%	\$0	0%	\$0	0%		
Objective 2. Viable Productive Farms	\$2,000,296	21.3%	\$1,836,399	19.0%	\$0	0.0%	\$1,356,127	14.0%	\$0	0.0%	\$300,000	3.1%	\$180,272	1.9%	\$0	0.0%	\$0	0.0%		
Objective 3. Efficient Value Chains	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%		
Objective 4. Leadership, Preparedness, Stewardship	\$3,504,907	37%	\$3,648,460	38%	\$626,962	6%	\$572,691	6%	\$623,959	6%	\$400,000	4%	\$200,000	2%	\$401,853	4%	\$822,995	9%	\$0	0%
Objective 5. Industry Cohesion & Responsiveness	\$1,920,558	20.4%	\$1,886,188	19.5%	\$0	0.0%	\$1,478,111	15.5%	\$637,799	6.6%	\$353,385	3.7%	\$216,507	2.2%	\$0	0.0%	\$530,686	5.5%	\$0	0%
Unallocated	\$238,578	2.5%	\$231,895	2.4%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$231,895	2.4%	\$0	0%
Totals *	\$9,400,000	100%	\$9,660,919	100%	\$626,962	6%	\$572,691	6%	\$2,854,185	30%	\$2,326,292	24%	\$853,385	9%	\$841,828	9%	\$822,995	9%	\$762,581	8%

	AOP Budget	Actual
* Direct Project	\$6,091,933	\$6,552,148
Allocated Project	\$3,308,067	\$3,108,771
Total	\$9,400,000	\$9,660,919



9. Acronyms

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ACCC	Australian Competition and Consumer Commission
ACFI	Australian Centre for Food Integrity
ADOPT	Adoption and Diffusion Outcome Prediction Tool
AECL	Australian Egg Corporation Limited
AGM	Annual General Meeting
AgSOC	Agricultural Senior Officials Committee
AHA	Animal Health Australia
AM	Member of the Order of Australia
AOP	Annual Operating Plan
APIQ [✓] ®	Australian Pig Industry Quality Assurance Program
APL	Australian Pork Limited
ASF	African Swine Fever
BMP	Best Management Practice
BPA	Burnett Pork Alliance
CBA	Cost Benefit Analyses
CCEAD	Consultative Committee on Emergency Animal Disease
CCRSPI	Climate Change Research Strategy for Primary Industries
CEO	Chief Executive Officer
CoOL	Country of Origin Labelling
CPA	Certified Practising Accountant
CPI	Consumer Price Index
CRC	Cooperative Research Centre
CRM	Client Relationship Management
CRRDC	Council of Rural Research and Development Corporations
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CWE	Carcass Weight Equivalent
DA	Dairy Australia
DFAT	Department of Foreign Affairs and Trade
DPI	Department of Primary Industries
EAD	Emergency Animal Disease
EEO	Equal Employment Opportunities
EU	European Union
FCR	Feed Conversion Ratios
FMD	Foot and Mouth Disease
FTA	Free Trade Agreement
GHG	Greenhouse Gas
GM	General Manager
GRDC	Grains Research and Development Corporation
GSF	Gestation Stall Free
GVP	Gross Value of Production



HACCP	Hazard Analysis and Critical Control Points
HIAP	High Integrity Australian Pork
ICT	Information and Communication Technologies
IMS	International Meat Secretariat
ISBs	Industry Service Bodies
KPI	Key Performance Indicator
MLA	Meat and Livestock Australia
NAMMP	National Agriculture Manure Management Program
NEGP	National Environmental Guidelines for Piggeries
NFF	National Farmers' Federation
NLIS	National Livestock Identification System
NPPC	National Pork Producers Council
NRS	National Residue Survey
NVD	National Vendor Declaration
NZ	New Zealand
PEDv	Porcine Epidemic Diarrhoea virus
PIC	Property Identification Code
PISC	Primary Industries Standing Committee
Pork CRC	Pork Co-operative Research Centre
PPPE	Pan Pacific Pork Expo
PRRS	Porcine Reproductive and Respiratory Syndrome
PSG	Preferred Supply Group
QA	Quality Assurance
QBA	Qualitative Behavioural Assessment
R&D	Research and Development
R&I	Research and Innovation
R,D&E	Research, Development and Extension
RDAC	Research and Development Advisory Committee
RDC	Research and Development Corporation
RIRDC	Rural Industries Research Development Corporation
RTO	Registered Training Organisation
SARDI	South Australian Research and Development Institute
SFA	Statutory Funding Agreement
TPP	Trans Pacific Partnership
TT&A	Technology Transfer and Adoption
UNSW	University of New South Wales
US	United States
UK	United Kingdom
WHS	Work Health and Safety

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