

AUSTRALIAN PORK LIMITED

Overview – APL Review of Innovation and R&D Model

March 2019



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1. About this review

Australian Pork Limited has completed a review of its Research, Development and Extension (RDE) investment model against current and future industry needs. The review investigated new pathways in innovation for the benefit of the industry.

Global demand for high-quality protein is strong, with the Australian pork industry well placed to join other livestock industries in meeting this demand. However, the industry faces significant challenges with a marketplace of low prices, high input costs, strengthening overseas competition, lack of competitiveness in commodity markets, alternative protein products and a competitive landscape that is constantly evolving.

In order to gain further competitive advantage, significant and transformational innovation is required. Engaging in these forms of innovation requires an entrepreneurial culture, aligned skills, capacity, and an investment model which is agile, fast, and flexible with the ability to leverage collaborative value within the pork sector and beyond to other sectors and international opportunities.

The review answered the following questions:

- Is APL's current RDE model fit for purpose, given the rapid changes and advancements in agricultural technology occurring worldwide?
- Is APL missing opportunities due to its current approach to investment?
- Where and what are the opportunities to engage with new collaborators?
- How does APL increase the impact of its investments through partnerships?

2. Review Recommendations

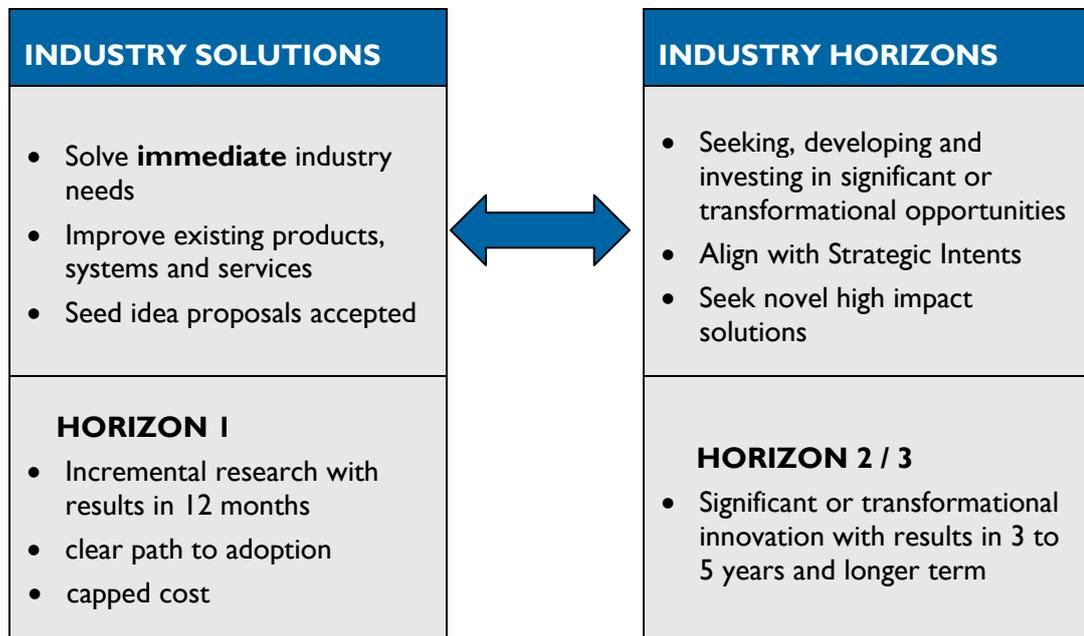
A new model for investment in RDE has been recommended. It is referred to as **Industry Solutions and Industry Horizons**. The model will replace APL's current model which is based on an 18-month cycle, with a single annual call for research, using the call-commission-commercialise RDE investment pathway for most projects.

Industry Solutions and Industry Horizons introduce a number of changes to how APL invests in RDE. They include:

- Increased speed in investment decisions when required;
- Improved responsiveness to immediate industry needs;
- Transitioning the balance of APL investment, away from over reliance on incremental RDE and increasing engagement with significant and transformational RDE;
- A high degree of agility and flexibility in RDE investment pathways, partnerships and leverage targets;
- An innovative business development culture which includes engaging, scanning and scouting to discover and introduce innovations from other sectors and international opportunities to Australian pork;
- An external value proposition which promotes APL and the Australian pork industry as a launchpad for new collaborators, entrepreneurs and start-ups to use Australia as a test bed for global innovation, with benefits captured in Australia;
- Enhanced capacity within APL to engage with innovators, build partnerships, stimulate entrepreneurship, increase industry adoption, scan and scout for new technology including start-ups.

3. Introducing Industry Solutions and Industry Horizons

There are two related investment streams:



3.1 Industry Solutions

Industry Solutions focusses on the immediate needs of industry and improvement to existing products, systems and services. Details include:

- APL will no longer hold an annual research call.
- Industry Solutions will be open to receive proposals at any time during the year online.
- Decisions on proposals submitted to Solutions will be made within 3 months, or shorter if there is a need.
- All Industry Solutions proposals must meet APL criteria which will be outlined in the Guidelines for Applicants.
- It is expected that most Industry Solutions proposals will be low cost, low risk, completed within 12 months and have a clear path to adoption.
- Industry Solutions will also support Seed Idea Proposals which can be submitted by any interested party with an innovative idea for the industry.
- These proposals will have a capped cost and a 12-month duration.
- Under Industry Solutions, provision will be made for proposals by exception where a high priority need for the industry is demonstrated.
- An annual cap on expenditure in Industry Solutions will be set by the APL Board.

3.2 Industry Horizons

- Industry Horizons will focus on a small number (initially four to six) of Strategic Intent which offer significant or transformational improvements to industry competitiveness in cost, revenue or risk. The infographic below attempts to illustrate the process.
- Strategic Intent will be developed through a process of consultation and prioritisation with industry and other stakeholders. Strategic Intent will be higher risk /return, will require investment over several years, may require partners and seek novel high-impact solutions.
- Planned outcomes will be evaluated by APL in terms of their, feasibility, attractiveness, viability and gross benefit to producers in terms of total sales increase of at least 1-5%.

- Each Strategic Intent will have its own Business Plan, Stakeholder Advisory Panel (where needed), leverage targets and collaborative arrangements.
- The significant or transformational outcome sought by each Strategic Intent will determine how and who APL engages with and the RDE pathway most suited to achieving the outcome.



- Invitations to industry, researchers, novel providers and other investors to participate in Strategic Intents will be made via APL's website, conferences and events and through its regular communications channels with stakeholders.
- APL will also dedicate resources to build the partnerships needed with researchers, novel providers and other investors to achieve Strategic Intent outcomes.

The APL Investment Committee will determine APL's investment for each Strategic Intent, the duration of commitment and leverage targets and it will monitor performance.

4. Implementation timeframe for Industry Solutions and Horizons

Industry Horizons will be launched through a dedicated stakeholder consultation and engagement process which will be undertaken by APL throughout April and May 2019. APL will announce its first round of Industry Horizons Strategic Intents early in 2019/20 financial year and will invite engagement from interested parties in their implementation. It is expected to take 1 to 2 years for Industry Horizons to be fully implemented. A process for identifying and evaluating new Strategic Intents on an ongoing basis by the APL Research Investment Committee will also be established.



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