

Independent performance review: Final report

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EXECUTIVE SUMMARY

This report presents the findings of an independent performance review of Australian Pork Limited (APL). This review has assessed how well APL has met its obligations to levy payers and other stakeholders, as set out in its Funding Agreement 2015–19 with government, and in the *Pig Industry Act 2001* (Cth).

The review commenced with a start-up teleconference with the APL General Manager Corporate Services. The consultants reviewed a large number of relevant documents, including policies and procedures, plans, reports and evaluations (listed in Appendix 1). A series of consultations then undertaken, either face-to-face or by telephone, with 43 stakeholders: APL Board and management, pork producers and processors, the Department of Agriculture and Water Resources, the Council of Rural R&D Corporations and research providers, consultants and other collaborators. A dedicated web page and online survey were developed and communicated so that all stakeholders had the opportunity to make a submission to the review if they so desired.

The review has found that, despite a challenging industry environment of subdued prices and higher input costs, APL has generally performed responsibly and solidly in its role as the pork industry’s service body. There is no evidence of APL having failed to fulfil, or being at risk of not fulfilling, all of the obligations required by its funding agreement with the Commonwealth or the Pig Industry Act. The Board has shown an appetite for innovation in APL’s R&D and marketing management. Planning and reporting are robust and feature well-considered performance metrics, and the company has achieved or partially achieved the majority of its targets over the period. The Delegate system is a strong mechanism for engagement with levy payers.

A high-level summary of the review findings against the terms of reference is provided below.

TERMS OF REFERENCE	SUMMARY
Assess the performance of APL in meeting its obligations under [the] Agreement and the Act	APL has met its all of its obligations under the Pig Industry Act and the funding agreement. There is a strong focus on and systematic approach to managing compliance risk.

TERMS OF REFERENCE	SUMMARY
<p>Assess APL's development and implementation of its Strategic, Annual Operational, Risk Management, Fraud Control and Intellectual Property Management Plans and APL's effectiveness and flexibility in responding to cyclical market dynamics in meeting the priorities, targets and budgets set out in those plans</p>	<p>The original and amended Strategic Plan 2015-2020 are clearly written and succinct documents that provide a very clear description of the strategies and programs that APL will deploy. The comprehensive review of the strategic plan in 2018 due to changes in the industry operating environment demonstrates flexibility and responsiveness. There is clear line-of-sight of priorities, targets and financials from strategic plan to annual operating plans and annual reports. A particularly impressive component of APL's plans is the detailed key result areas (industry focussed) and key performance indicators (internally focussed) for each of APL's objectives. Risk management, fraud control and intellectual property plans are comprehensive, reviewed and actively followed.</p>
<p>Assess the efficiency with which APL has implemented those plans</p>	<p>Efficiency is difficult to assess, as there is no simple metric for efficiency in the research and development corporation (RDC) environment and every RDC has unique circumstances. However, APL monitors the change in its corporate costs as an organisational key performance indicator and there is no indication that these are excessive. The review was also apprised of a number of initiatives undertaken by APL to reduce costs over the review period.</p>
<p>Assess the efficiency and effectiveness of APL's marketing and research investments</p>	<p>A measure of the effectiveness of APL's implementation of plans is the progress made by APL against its planned targets. An analysis of performance against targets shows that:</p> <ul style="list-style-type: none"> ⊕ APL has been successful in meeting many of its original targets; ⊕ Some targets were not met (primarily consumption and prices) due to changing market circumstances; and ⊕ Some targets have been refined (e.g. 'production cost' and 'international marketing' have been introduced and reproductive performance metrics altered).

TERMS OF REFERENCE	SUMMARY
<p>Assess the delivery of benefits to members, levy payers, the Commonwealth Government and the broader community foreshadowed by those plans, including an assessment of the degree to which APL's investments have responded to cyclical market dynamics and have met the needs of members, levy payers, the Commonwealth Government and the broader community</p>	<p>APL uses a diverse methodology to assess its delivery of benefits to the sector and community in general from its RD&E, marketing and policy activities. It would benefit from a consistent, structured approach to assessing all its investments.</p> <p>While there are some divergences from Council of Rural Research & Development Corporations (CRRDC) guidelines for impact assessments of RD&E projects, the assessments shows that APL's investments are delivering benefits to the industry. This view is formed from the basis that:</p> <ul style="list-style-type: none"> ⊕ Positive results from the benefit-cost analyses of most of APL's RD&E programs; and ⊕ A rapid rise in the consumption of fresh pork in Australia over recent years (although part of this increase is due to the lower pork prices and higher production levels). <p>There are elements which warrant further attention by APL, including addressing the pig cycle explicitly and transparently in its strategies and activities.</p>

The review has identified several areas in which improvements might be made to the performance of APL. Thirteen draft recommendations are made. These are listed below, and each is rated either:

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

It is noteworthy that no recommendations are rated as 'critical'.

RECOMMENDATION	PRIORITY
<p>1 APL should consider creating a dedicated corporate communications division within its organisational structure, to ensure a more strategic and coordinated approach to APL's engagement with growers and other stakeholders.</p>	<p>Important</p>

RECOMMENDATION		PRIORITY
2	APL should develop an extension strategy that clearly shows how it will maximise adoption by different segments of the producer base.	Important
3	APL should upgrade its evaluation framework, in association with the development of the next strategic plan, to provide more detailed information about how monitoring, evaluation and reporting will be conducted.	Important
4	APL should conduct full-scale impact assessments of selected RD&E programs each year that are consistent with the CRRDC guidelines and ensure that the contracted independent economic consultant follows the CRRDC guidelines or report on what deviations were taken and the reasoning. These impact assessments should take account of and comment on the potential impact of productivity-improving RD&E on supply of fresh pork and on pork prices in Australia and should include commentary on the likely distribution of benefits from the project clusters between regions and/or sectors of the Australian pig industry.	Important
5	APL should continue with the general format and structure of its strategic plan but consider making some enhancements as suggested by this review.	Better practice
6	APL should consider publishing short summaries of its key documents – the strategic plan, annual operating plan and annual report – both as part of the respective documents and as standalone products, to enhance the company’s transparency in planning and reporting.	Better practice
7	APL should develop instructions and guidelines for the use of the <i>ex-ante</i> benefit-cost calculator used by APL staff, and ensure staff are fully trained to improve efficiency and ensure consistency in its use and application across programs.	Better practice
8	APL should prepare strategic and operating plans that explicitly and transparently address how APL’s strategies and activities take into account the pig cycle.	Better practice
9	APL should consider contracting an experienced agricultural economist to construct a partial equilibrium economic model of the Australian pork industry. This model could be used as part of the development of an industry strategic plan to help guide the whole industry. It would also aid significantly the assessment of benefits flowing to the industry from APL’s marketing and RD&E activities.	Better practice
10	APL should consider including the annual impact assessment results in the annual report and in a short annual performance evaluation report. This reporting could include case studies or other mechanisms for making outcomes more relatable to the average levy payer.	Better practice

RECOMMENDATION		PRIORITY
11	APL should make all relevant documents including detailed impact assessments available on the APL website in a separate, clearly identified 'Performance Evaluation' section, in order to improve performance reporting.	Better practice
12	In addition to reporting the benchmarked measures of its marketing and promotion activities against its target KPIs, APL could also investigate how measures of marketing and promotion activities can be incorporated into the structured impact assessment methodology used for RD&E projects for <i>ex-post</i> assessment.	Better practice
13	APL should consider broadening its annual industry survey to collect more information on producer perceptions of its performance, comfort in paying the levy and satisfaction with expenditure on marketing compared with RD&E.	Better practice

ACRONYMS AND ABBREVIATIONS

The Act	<i>Pig Industry Act 2001</i> (Cth)
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
AOP	Annual operating plan
APL	Australian Pork Limited
APIQ[✓][®]	Australian Pork Industry Quality Assurance Program
APRIL	Australasian Pork Research Institute Limited
AMR	Antimicrobial resistance
AMS	Antimicrobial stewardship
ASX	Australian Securities Exchange
BCA	Benefit-cost analysis
BCR	Benefit-cost ratio
CEO	Chief Executive Officer
CRC	Cooperative Research Centre
CRDC	Cotton Research & Development Corporation
CRRDC	Council of Rural Research and Development Corporations
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CWE	Carcase weight equivalent
DAWR	Department of Agriculture and Water Resources (C'th)
GHG	Greenhouse gases
GM	General Manager
GSF	Gestation stall free

HR	Human resources
HSCW	Hot standard carcass weight
IP	Intellectual property
IRR	Internal rate of return
KPI	Key performance indicator
KRA	Key result area
LMY	Lean meat yield
MIRR	Modified internal rate of return
NA	Not available or not applicable
NPIRDEF	National Primary Industries Research, Development and Extension Framework
(N)PV	(Net) present value
NVD	National Vendor Declaration
PPPE	Pan Pacific Pork Expo
QA	Quality assurance
RD&E	Research and development (and extension)
RDAC	Research and Development Advisory Committee
ROI	Return on investment
(R)RDC	(Rural) Research and Development Corporation
RR&D4P	Rural R&D for Profit (program)
YTD	Year to date

1. INTRODUCTION

1.1 PURPOSE OF THE REVIEW

As prescribed under its Funding Agreement 2015-19 with the Commonwealth Government (clause 14), Australian Pork Limited (APL) is required to engage an independent organisation to undertake a comprehensive review of its performance, six months prior to the end of the agreement in June 2019¹.

The terms of reference of the performance review are to assess:

1. The performance of APL in meeting its obligations under [the] Agreement and the Act;
2. APL's development and implementation of its Strategic, Annual Operational, Risk Management, Fraud Control and Intellectual Property Management Plans and APL's effectiveness and flexibility in responding to cyclical market dynamics in meeting the priorities, targets and budgets set out in those plans;
3. The efficiency with which APL has implemented those plans;
4. The efficiency and effectiveness of APL's marketing and research investments; and
5. The delivery of benefits to members, levy payers, the Commonwealth Government and the broader community foreshadowed by those plans, including an assessment of the degree to which APL's investments have responded to cyclical market dynamics and have met the needs of members, levy payers, the Commonwealth Government and the broader community.

1.2 CONDUCT OF THE REVIEW

The following approach was taken to the review. Note that the desktop review, consultation and reporting stages were overlapping.

1. Inception meeting: an inception meeting involving the consultancy team and General Manager Corporate Services was held by teleconference. The meeting confirmed the scope of the projects, APL input requirements (including access to documentation, personnel, stakeholders to be interviewed), output and reporting requirements and finalisation of timeframes.
2. Establishment of communication channels and survey: a simple dedicated website for the review was established with the address www.aplreview.org. The site comprised a single page explaining the background to the review and detailing the terms of reference. The site also provided an email address (submissions@aplreview.org) by which any stakeholders could provide a submission to the review or seek further information. The purpose of the site was to provide a communication channel with stakeholders that was clearly independent of APL. Two submissions were received via the designated

¹ APL and the Department of Agriculture and Water Resources agreed a six-month extension to the agreement, to December 2019, in late 2018

email address, and one person requested an interview but did not respond to three follow-up attempts to engage with them.

In agreement with APL, the review team also established an online survey using Survey Monkey®, to provide another pathway through which stakeholders could contribute to the review. Thirty-two people had completed the survey by the time it was closed despite several invitations to participate. This small number of responses, and the potential for self-selection bias (that is, people with a particularly strong and probably negative view were more likely to respond), meant that the survey responses were of less value to the review than was anticipated. However, salient comments or observations of particular interest were further investigated and have been integrated where appropriate into this report.

The review itself, the website and the survey were publicised by APL through various channels, including an article in the rural media.

3. Desktop review: a large number of relevant documents were made available to the consultants via a secure portal and were progressively reviewed. A list of the documents reviewed is provided in Appendix 1.
4. Consultation: a list of interviewees for the review was drawn up in consultation with APL. The list included individuals from among the APL executive team and other managers and staff, members of the APL Board, individual pork producers and processors and other related businesses, the Department of Agriculture and Water Resources (DAWR), the Council of Rural R&D Corporations (CRRDC) and service providers to APL (research agencies, consultants and others). Given the large number of individual associations and businesses, APL was asked to provide a long list from which a sample was drawn by the consultants, to provide a cross-section of different regions, business sizes and types.

The majority of the APL, DAWR and research provider interviews, and some others, were conducted face-to-face depending on practicality. The remainder were conducted by telephone. A semi-structured questionnaire was used as the basis for discussions. Interviewees were assured that their comments would be treated in confidence and, if reported, would be presented in way that did not allow the source to be identified.

A total of 45 individuals were interviewed, comprising (with number of people interviewed in brackets):

- ⊕ APL management and staff: (9)
- ⊕ APL directors: (5)
- ⊕ Pork producers and processors: (13)
- ⊕ DAWR: (5)
- ⊕ CRRDC: (1)
- ⊕ Research providers, consultants and collaborators: (12 – from 10 organisations).

Interviewees were selected to include a number of Delegates and members of APL Specialist Groups. Names of the individuals interviewed have not been provided in order to protect confidentiality.

5. Presentation of interim findings: the interim findings from the review were presented to the Executive Leadership Team in order to test the findings for accuracy and completeness. Interim findings were also discussed with the APL Board at its November 2018 meeting.

6. Report preparation: the draft report was submitted to the APL Board and to DAWR. Feedback on the draft was considered by the review team and changes made where required to correct factual errors. The final report was then completed.

2. OVERVIEW OF AUSTRALIA PORK LIMITED

2.1 OVERVIEW

Australian Pork Limited (APL) was established by the amalgamation of three predecessor organisations, namely, the Australian Pork Corporation, Pig Research and Development Corporation and Pork Council of Australia. APL is a unique rural industry-owned services body representing the Australian pork industry that delivers integrated services which enhance the viability of Australia's pig producers. The organisation aims to generate opportunities for the sustainable growth of the Australian pork industry by delivering integrated marketing, innovation and policy services along the pork industry value chain. APL pursues targeted opportunities for the industry both domestically and internationally.

2.2 LEGAL FRAMEWORK

Under the *Pig Industry Act 2001* (Cth) (the Act), the Minister for Agriculture and Water Resources, on behalf of the Commonwealth of Australia, may enter into a contract with an eligible industry services body representing the Australian pig industry (that is, APL), which must be registered under the *Corporations Act 2001* (Cth) as a company limited by guarantee. Only on that basis is the Commonwealth able to transfer to APL levy funds collected from the industry for marketing, research and development (R&D) and strategic policy development purposes, as well as government matching funds for eligible R&D activities. Prior to entering into and under the terms of a contract, the Minister must be satisfied that any Commonwealth payments will be invested by APL only in accordance with the Act on activities that will benefit the Australian pig industry and the Australian community broadly. APL was formally registered as a company on 23 May 2000.

The contract to which the Minister refers in the Act is known as the funding agreement. Funding agreements exist for a specified period, the first coming into effect in 2001, and govern the arrangements under which the Commonwealth makes marketing, R&D and matching R&D payments to APL. The current Funding Agreement 2015-19 also sets out the requirement for an independent performance review to be conducted prior to its expiration in 2019.

Similar contractual obligations are set out in the funding agreements of Australia's other 14 rural research and development corporations (RDCs). These RDCs comprise 10 'industry-owned corporations', of which APL is one, and five 'statutory' bodies. All RDCs, whether industry-owned or statutory, are established under, and may collect levies for research and marketing activities as prescribed by, their respective Acts of Parliament.

APL is unique among the RDCs in that the Act allows APL 'to use marketing levies to fund strategic policy development or other activities for the benefit of the Australian pig industry'². Effectively, APL is the industry's peak body as well as its R&D and marketing services body, although like other RDCs it is prohibited from using funds for agri-political purposes, which is defined in the funding agreement as 'engaging in or financing any

² APL website, <http://australianpork.com.au/about-us/company-structure/>

form of external or internal political campaigning'. Agri-political activity does not include, among other things, 'strategic policy development', defined as:

- ⊕ *The collection of information from a range of sources (including consultation with the industry, and with other industries, government, stakeholders or the public);*
- ⊕ *The balanced analysis of that information in the context of the industry environment;*
- ⊕ *The development of a strategic policy position within the industry; and*
- ⊕ *The advocacy of that position (including within industry, and with other industries, the public or other stakeholders)³.*

2.3 FUNDING

Funding for APL is derived primarily through statutory pig slaughter levies collected under the *Primary Industries (Excise) Levies Act 1999* (Cth) with additional research-specific funds⁴ provided by the Australian Government. Since the last APL performance review was undertaken in 2014, the overall rate for the pig slaughter levy has increased from \$3.125 per head to \$3.425 per head (effective from 1 July 2016). The \$0.30 increase at that time was the final of three increments in the \$0.90 per head marketing levy increase approved by the Prime Minister and the Minister in May 2012. The first and second \$0.30 increments took effect in July 2012 and July 2014 respectively.

The current levy of \$3.425 per carcass comprises:

- ⊕ \$2.25 marketing levy – directed to APL;
- ⊕ \$1.00 R&D levy – directed to APL; and
- ⊕ \$0.175 – retained by DAWR to fund the National Residue Survey.

The Australian Government provides matching contributions to APL for eligible R&D expenditure up to a limit of the lesser of 0.5 per cent of the industry's gross value of pig production as determined by the Minister for Agriculture and Water Resources or cumulative up to the amount of R&D levy collected by the Government. Government matching funds are recognised as income by APL as the eligible R&D program expenditure is incurred. The substantial support provided by the Commonwealth enables APL to significantly leverage producer levies and their investment in research.

Table 1 summarises key APL financials over the review period.

³ Funding agreement, definitions

⁴ For example, the numerous Rural R&D for Profit (RR&D4P) projects in which APL is a collaborator (see section 6.5)

Table 1: Key APL financials and industry production data for the review period

FINANCIAL SUMMARY	2014/15	2015/16	2016/17	2017/18
	\$	\$	\$	\$
INCOME				
Levies – marketing	9,885,942	9,710,166	11,488,190	12,139,140
Levies – research	5,177,706	4,977,729	5,105,865	5,320,386
Government contributions – matching	4,870,490	5,309,707	5,095,813	5,218,406
Other industry contributions and grants	183,642	581,622	754,394	215,624
<i>Subtotal - Levies and other contributions</i>	<i>20,117,780</i>	<i>20,579,224</i>	<i>22,444,262</i>	<i>22,893,556</i>
Share of profits of associates	42,852	8,977	4,689	22,244
Other income [#]	192,236	401,226	253,326	226,367
<i>Subtotal - Non-operating activities</i>	<i>235,088</i>	<i>410,203</i>	<i>258,015</i>	<i>248,611</i>
TOTAL INCOME	20,352,868	20,989,427	22,702,277	23,142,167
EXPENDITURE				
Research and innovation	7,014,342	7,740,064	7,516,991	6,685,664
Marketing	7,664,654	9,528,473	11,536,771	10,918,025
Policy	1,146,698	993,247	1,414,344	1,645,211
Board and CEO	1,317,496	1,329,032	1,411,074	1,392,439
Corporate services	1,512,748	1,509,643	1,673,157	1,581,888
TOTAL EXPENDITURE	18,655,938	21,100,459	23,552,337	22,223,227

– including interest and royalties - and payroll tax exemption refund (2015-16 only)

Source: Annual reports

3. OPERATING ENVIRONMENT

[This section is provided not as a definitive reference on the Australian pork industry but, rather, to put the period of the review into context. Confidence in and perceptions of the performance of APL, particularly given the unique nature of APL among RDCs in its role in strategic policy development, may be strongly influenced by the state of the industry. It is important to note that APL may have little control or influence over some factors affecting industry performance, particularly external factors such as world pork prices and demand, cost of grain, labour availability and comparative domestic meat prices.]

3.1 INDUSTRY SNAPSHOT

There were 2,984 registered pig production facilities in Australia in 2017/18. This number has declined significantly over the last five decades as pig producers have left the industry and larger, vertically-integrated, corporate-owned pork value chains have increased in size.

In Australia, pig production can be either indoors or outdoors. There are three recognised types of pig farming system:

1. Indoor: in which pigs are kept inside for each stage of the production cycle. This system accounts for approximately 90 per cent of production. The three largest producers in Australia have indoor housing systems;
2. Outdoor-bred: in which adult pigs live in outdoor environments with piglets weaned onto bedding such as straw in an indoor facility for finishing; and
3. Free-range: in which all pigs live outdoors with access to shelters⁵.

The proportion of outdoor-bred and free-range production has remained largely static over the last five years, these systems making up 11-13 per cent of sows registered under Australian Pork Industry Quality Assurance Program (APIQ[✓])⁶.

Production of Australian pigs of bacon weight (historically 65-75kg carcass) takes about 10 months from conception in the sow to slaughter (gestation 115 days, lactation 28 days, and wean to-finish 20–22 weeks)⁷.

Australian pig carcass weights are low by international standards. A 2015 review noted that '*Carcass weights for fresh pork rarely rise above 75 kg...whereas pork producers overseas are producing carcasses weighing over 90 kg*⁷. This presents a competitive disadvantage, because fixed costs per carcass are spread over fewer

⁵ APL 2018, <http://australianpork.com.au/industry-focus/types-of-farming/>

⁶ Annual Report 2017-18

⁷ NSW Department of Primary Industries 2015, NSW pork industry overview 2015, p. 18

kilograms of product. However, recent years have seen an increase of around 0.75 kg in average Australian carcass weights⁸.

The pork industry in Australia is unique amongst livestock industries in Australia in that, as well as being one of the smaller industries, it is the only industry that competes against a substantial volume of imported pork for processing, from countries such as Denmark, Canada, the United States of America and the Netherlands⁹. This places significant pressure on the competitive position of Australian pork in the domestic market resulting in over 75% of processed pork consumption being from imported pork. Due to quarantine restrictions, all fresh pork consumed in Australia is of Australian origin¹⁰.

Key features of the Australian pork industry are:

- # It has a gross value of production (GVP) of \$1.1 billion¹¹ and employs 24-36,000 people¹²;
- # In 2017/18, Australia produced approximately 417,400 tonnes of pork of which 13.3 per cent (55,900 tonnes) was exported, predominantly to New Zealand, Singapore and other Asian countries¹¹;
- # Globally, around 7.74 million tonnes of pork are exported annually. Australia is a minor pork exporter, contributing around 0.5 per cent of world exports¹³;
- # The Australian herd comprises approximately 273,000 sows¹⁴ of which over 80 per cent are now gestation stall free¹⁵;
- # The Australian Pork Industry Quality Assurance Program (APIQ[✓][®]) underpins the integrity of around 90 per cent of Australian pork production¹⁵; and
- # Australia consumers eat approximately 27 kg of pork per capita per annum of which about 43 per cent (11.6 kg) is fresh meat and 57 per cent is processed product such as bacon, ham and smallgoods¹⁰. Fresh pork consumption per capita has been increasing over recent years (by 36 per cent since 2010)¹¹.

⁸ Annual Report 2017-18, Message from the Chairman

⁹ NSW DPI 2015, NSW pork industry overview 2015

¹⁰ Strategic Plan 2015-2020 (amended)

¹¹ Year in review 2017-2018

¹² ACIL Allen 2017, Economic contribution report: Pork industry in Australia 2015-16

¹³ United States Department of Agriculture (USDA) Foreign Agricultural Service 2018, Livestock and poultry world markets and trade, October

¹⁴ Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) 2018, Agricultural commodities report, September

¹⁵ Annual Report 2017-18

3.2 TRENDS IN PRODUCTION, PRICES AND MARKETS

As indicated above, Australian pork production represents a very small proportion of the world market, which is dominated by China (accounting for over 50 per cent of production and consumption). Global production of pork is forecast to increase marginally in 2019 to 114.2 million tonnes, although recent outbreaks of African swine fever in China might temper this. Data from the United States Department of Agriculture (USDA)¹⁶ indicates that total world pork imports and exports have increased and are expected to increase in 2019. Australian imports have remained relatively constant, whilst exports have increased by 18.7 per cent in the last year, at least some of this increase being at lower prices due to the oversupply of pork in the domestic market.

Table 2 shows the actual and forecast key production and economic indicators for the Australian pork industry from 2016/17 to 2018/19. The last two years have seen a significant decrease in the Australian domestic pork price. The average farm gate buyer's price dropped from \$3.38/kg in 2017 to \$2.64 in 2018, a 22 per cent decrease¹⁷. We note, however, that pig prices had rebounded to some extent by the time this report was prepared.

Table 2: Australian pork: key production and economic indicators

	UNIT	2016–17	2017–18 (S)	2018–19 (F)	% CHANGE
Over-the-hooks price	c/kg (cw)	348	270	250	– 7
Sow numbers	'000	278	273	269	– 1
Slaughterings	'000	5,160	5,378	5,320	– 1
Production	kt (cw)	397	417	410	– 2
Import volume	kt (sw)	167	162	165	2
Export volume	kt (sw)	30.7	35.4	34.0	– 3
Export value	\$m	124	133	119	– 11

S = estimate

F = forecast

Source: ABARES, September 2018

¹⁶ USDA Foreign Agricultural Service 2018, Livestock and poultry world markets and trade

¹⁷ Year in review 2017-2018

As a result of decreased prices, sow numbers, slaughter numbers and overall production volume by weight are likely to slightly decline in the next year¹⁸. At the same time, drought conditions in major grain-producing regions have placed, and are expected to continue to place, pressure on the cost side, with grain prices expected to exceed \$400 or higher on average per tonne in 2019. The key issue for many producers is the location and cost of accessing feed grain¹⁹.

Imports of foreign pork have stabilised over the last two years and, with recent declines in Australian pork prices, the competitive position of Australian pork used for manufacturing has increased. Export volumes have increased but are expected to decline slightly in 2019¹⁸. One of the significant issues for exporters is the lack of market access to China and this is seen as a high priority by both APL and several industry participants¹⁹.

3.3 INDUSTRY ISSUES AND DEVELOPMENTS

The Australian pork industry faces significant challenges and opportunities. Clearly, maintaining consumer and community confidence in the pork industry is seen as the highest priority and there are several current initiatives aimed at ensuring industry integrity, particularly with regards to food safety, environmental sustainability and animal welfare.

- ✦ Industry integrity: APL and industry investments into APIQ[✓]®, the PigPass National Vendor Declaration (PigPass NVD) and reporting database, and an antimicrobial stewardship plan are all designed to improve and demonstrate the pork industry's credentials to the broader Australian community. As an example, the establishment of gestation stall free (GSF) pork production in Australia has been a direct response to retailers and consumer requirements for higher animal welfare as well as regulatory risk.
- ✦ Biosecurity: Maintaining high level of biosecurity of both registered pig production sites and of the whole industry remains a key issue for the Australian pork industry. The recent outbreak of African swine fever in China highlights the disruption that a disease outbreak can have both on domestic and international markets.
- ✦ Environmental stewardship: A key environmental issue is the emission of greenhouse gases (GHG) from effluent ponds. Whilst these emissions are relatively low, significant investment has been put into utilising these emissions in biogas production that not only reduces the GHG impact but also provides an alternative energy supply that mitigate the increasing energy costs associated with running intensive piggeries.
- ✦ Improving productivity: Improving reproductive efficiency and further increasing carcass weights are key platforms to continuous improvement in productivity. Eating quality of Australian pork is also a priority and there are programs being implemented to further increase consumer satisfaction. This is particularly

¹⁸ ABARES 2018, Agricultural commodities report, September

¹⁹ Annual Report 2017-18

relevant given that fresh pork competes with both beef and lamb for the white table, or high-end, consumer market in Australia.

- ⊕ Grain price and availability: The current drought being experienced in the eastern Australia grain regions, the significant increase in grain prices (the main component of an intensive pig diet) and the decrease in pork prices has resulted in a sharp decline of the pig-to-wheat price ratio which is often used as a profitability indicator. Currently this ratio is well below the long-term historical average. This further strengthens the priority for improvements in productivity, and/or the development of alternative feed sources, if the pork industry is to remain financially sustainable.
- ⊕ Market information: Obtaining effective, current and relevant market information is a significant issue for many industry participants²⁰.

²⁰ Strategic Plan 2015-2020 (amended), Annual Report 2017-18

4. THE BOARD AND GOVERNANCE

4.1 STRUCTURE OF THE BOARD

The APL Constitution allows for the Board to comprise up to nine directors, five of which are elected, while four are specialist directors. Candidates for elected director positions must be nominated by a board member and are elected by the Delegates (see section 4.4). Terms extend until the third annual general meeting following appointment and directors may serve up to three terms. The minimum number of directors at any one time is three, although there is a provision that the number of specialist directors must not fall below four for a period exceeding six months²¹.

There is a Chair and the Board may elect a Deputy Chair. Both are elected by the Board (there is no Deputy Chair at present). Both recent Chairs have been specialist directors but there is no stipulation in the constitution that this be the case.

Candidates for specialist director positions are recommended by a Nominations Committee (this role is played by the Human Resources & Remuneration Committee – see section 4.3) and approved by the Board. Any such appointment must be ratified by a majority of Delegates at the next general meeting. Under the Constitution (Rule14.5(e)), the Board must endeavour to ensure that it will collectively have skills and experience in corporate governance; pig production; production or processing of pork; product promotion and retail marketing; market development and international trade; R&D, technology transfer, commercialisation of R&D and innovation; conservation and management of natural resources; administration of R&D; and business and financial management.

There was significant changeover in the Board on 1 July 2018 when the Chair, who had been in the role for 13 years, retired from the Board and was succeeded by another specialist director appointed directly to the Chair role. Changes to the Board also occurred in 2016, with turnover in one of the elected director roles, and in 2017, with a change in one of the specialist marketing directors. Overall, there has been a good balance between refreshment of the Board and preservation of corporate knowledge and experience.

There is widespread acknowledgement among stakeholders that the APL directors are highly capable individuals and the Board has a good mix of skills and experience. The Board Chair, and his predecessor, are highly experienced and respected figures in the pork industry. There is a view among some stakeholders that the Board preferentially represents the interests of the largest players in the industry, but this is perhaps inevitable given the consolidation of pig production in Australia.

²¹ APL Constitution, section 14

4.2 BOARD PRACTICE

The Board meets seven times per year. Board dynamics are reportedly robust, respectful and constructive. A performance review of the Board, undertaken in September 2017 by an external governance expert²², found that APL's Board was 'a highly functioning Board with no significant dysfunction or areas of concern'. The review did note several minor opportunities for improvement in respect to length and clarity of board papers, board agendas and timing, and induction.

Conflict of interest, potentially a significant area of concern, appears to be managed well, and this was also a finding of the 2017 review of the Board. It is notable that the previous Chair was also Chair of one of the largest pig producers in Australia for a period prior to his retirement from the APL Board. There is no suggestion that this created any real conflict of interest and in fact the previous Chair was clearly very highly regarded. However, the new Chair, whilst previously closely involved with the Australian pig industry through operational and governance roles, is now more at arm's-length from the industry and this does reduce the risk of perceived conflict of interest.

Relationships between the Board and senior managers have generally been very good, although the period of the pig price downturn has reportedly created some strains, with some directors believing that management has not been sufficiently responsive or sympathetic to the significant downturn in industry profitability. There have also been occasional concerns about directors directly approaching management to intervene in specific activities as noted in the Corbett review.

The 2017 review noted that the Board does not have a formal charter, as is recommended in the Australian Securities Exchange (ASX) Guidelines²³. The review did note, though, that APL has a Board Manual and a number of associated policies that provide much of the information generally contained within a charter. The review recommended that the Board Manual be updated in line with the ASX Guidelines (the version at the time was last reviewed in 2012), and this was completed. Other governance documents have been regularly reviewed.

The Board Manual notes that performance reviews of the Board and committees, and the contribution of directors, will be undertaken in September at a minimum every two years.

4.3 COMMITTEES

There are five committees of the Board:

1. Audit, Risk and Corporate Governance;
2. Human Resources and Remuneration;

²² Mary Corbett (Australian Business Class) 2017, APL Board performance review 2017: report on themes and recommendations

²³ ASX Corporate Governance Council 2014, Corporate governance principles and recommendations, 3rd edition

3. Market Development;
4. Research and Development Advisory (RDAC); and.
5. Quality Assurance and Animal Welfare.

The 2017 Board performance review found that the committees were effectively discharging their responsibilities. Directors are well distributed across the various committees, and the working relationship between director and senior management members is positive.

4.4 DELEGATES

A feature of APL's governance is the Delegate structure, described in Rule 10 of the APL Constitution. Delegates represent APL members at general meetings of APL, with accompanying rights.

Delegates may be appointed by a member or group of members of APL who pay a quantum of pig slaughter levy equal to or greater than a calculated threshold (the 'Delegate levy amount'). A nominee receiving less than the pig slaughter levy amount may allocate that amount to another nominee, and a nominee receiving an amount exceeding the Delegate levy amount may allocate that surplus to another nominee.

Delegates are appointed every three years, the last round of appointments taking place in 2016. There are 36 Delegates. The current cohort of Delegates represents over 93 per cent of production²⁴. There is no limit to the number of terms a Delegate may serve. A Delegate may be, but does not have to be, a member or director of APL.

Delegates are entitled to attend and speak at general meetings and to vote on any matter '*other than matters reserved to Members under the APL Constitution or the Law*'. This includes electing the elected directors of APL, ratifying specialist director appointments and approving the total remuneration payable to directors. Each Delegate is entitled to one vote. In addition, APL holds Delegate forums in May and November each year, the latter in conjunction with the annual general meeting and conference (see section 7.1.2).

The Delegate structure '*provides a democratic process (production weighted) for gaining producer feedback and direction for the APL Board and management*'²⁵. Given that pig production in Australia is highly concentrated in a few very large entities, and becoming more so, smaller producers have relatively limited influence in APL through the Delegate structure. Some of the commentary provided to this review reflected a feeling of disenfranchisement among small (and, most notably, outdoor) pig producers.

This issue was identified in the previous (2014) performance review of APL, and the Board and management are well aware of it. The 2014 review made a recommendation that APL '*develop a "small producer-focused group" within or alongside the Delegate system*'. APL has since made a number of changes. It has invited and funds one small producer (up to five nationally), one young producer (up to five nationally) and one representative from a state farming organisation per state to join the Delegate forums as observers. A further

²⁴ Annual Report 2017-18, p. 9

²⁵ APL 2016, APL Delegate defined

10 smaller producers, and six participants in the Australian Pork Industry Leadership Course, were also invited and funded to participate as observers at the November 2018 forum. Gender, geography and production diversity were considerations in the selection of participants.

These are genuine efforts to increase the voice of smaller producers in the Delegate structure and the review received positive feedback about these initiatives. They will need to be adapted as they are evaluated, and APL has shown good intent to do so. We note that smaller producers could increase their representation by allocating their Delegate levy amount to a Delegate candidate who would represent the interests of smaller producers. However, it is also the case that small producers and their Delegates must expend significantly more effort relative to large producers to secure Delegate representation, and comment to this effect was received by this review.

The format of the Delegate forums is further discussed in section 7.1.2.

4.5 RISK MANAGEMENT AND COMPLIANCE

APL has a comprehensive Risk Management and Fraud Control Plan, last updated in May 2017. The plan notes that a full review of the organisation's risks was undertaken in conjunction with the development of the 2015-20 strategic plan. 'High' and 'major' risks are reviewed quarterly. A review of all risks is undertaken annually and reported to the Board if recommended by the Audit, Risk and Corporate Governance Committee.

Compliance with relevant legislation and the funding agreement appears to be systematic and carefully managed. DAWR did not identify any instances of known non-compliance.

APL's internal auditor is currently KPMG. A number of internal audit reports were sighted by the review.

4.6 MANAGEMENT TEAM

The APL executive team comprises the Chief Executive Officer (CEO) and four general managers, one for each of Policy, Research and Innovation (R&I), Marketing and Corporate Services divisions. Human resources (HR) capacity is contracted in from a consultancy on a part-time basis. As at 30 June 2018, APL employed 38 full-time and five part-time staff.

It is notable that APL does not have a dedicated communications / stakeholder engagement division. These functions are effectively spread across all divisions of the company. The Policy division is responsible for external stakeholder engagement, especially with government and semi-government bodies such as Animal Health Australia. Corporate Services is responsible for co-ordination, compilation and delivery of broad producer communications, while R&I and Marketing develop their own targeted communications materials. There is a cross-divisional team to coordinate and make recommendations about communications activities and this is reported to work reasonably well. However, some interviewees for this review believed that the lack of a more formal structure results in APL's communications being insufficiently strategic and coordinated, and that APL needs a senior manager, with appropriate expertise and experience, responsible for the company's communications functions. This review supports that view.

Recommendation: APL should consider creating a dedicated corporate communications division within its organisational structure, to ensure a more strategic and coordinated approach to APL’s engagement with growers and other stakeholders.

The current General Manager R&I was appointed to the permanent role in 2017 after acting in the position for almost two years, following the departure of the longstanding and highly regarded previous incumbent. The long delay in finalising this appointment was reportedly due, at least in part, to changing expectations about the desirable skills and experience for the role. These expectations were in turn influenced by the intended R&I review (see section 6.8.1) and the establishment of the Australasian Pork Research Institute Limited (APRIL), with the potential for joint appointments across the two organisations. Board members and senior management generally acknowledge that the long hiatus between permanent appointments was unfortunate and caused some disruption within APL (further discussed in section 4.7).

Staff turnover at APL has been quite high in recent years and has exceeded targets (Table 3 and section 5.5).

Table 3: Staff turnover at APL over the review period

	2014/15	2015/16	2016/17	2017/18
Target	12%	12%	14%	14%
Actual turnover	11%	32%	20%	20%

Source: Annual reports

There are undoubtedly challenges for a small company such as APL in recruiting and retaining staff in Canberra, where it must compete with attractive rates of pay and other benefits offered by the public service. The small size of APL also means that career pathways are limited (less so in marketing, the largest of the divisions). Recent industry conditions may also have affected morale.

We note particularly that a high proportion of the R&I team are young and, while undoubtedly knowledgeable in their fields, relatively inexperienced in their current roles. This is further discussed below.

4.7 CORPORATE PERSONALITY AND CULTURE

An external HR consultancy reviewed APL’s ‘leadership effectiveness and team dynamics’ in August 2018²⁶. The review utilised quantitative and qualitative data from APL staff surveys and interviews to evaluate adaptive leadership traits relating to adaptability, innovation, role identification, communication and collaboration, trust,

²⁶ Tactical Edge Consulting

conflict resolution, setting stretch goals and leadership style awareness within APL. The evaluation was mostly positive – for example, it found that staff were generally happy with their teams and divisions and believed APL recruited ‘good, passionate people’. However, it did note some negative perceptions among staff, for example of inconsistency in implementation of HR policies and decision-making by management, some ‘silo’ behaviour between divisions, a lack of internal collaboration and coordination, and a reactive rather than proactive culture. The HR review also made some observations specific to each divisional team.

This review heard similar concerns among staff. There are examples of good relationships between staff of the various divisions, but there appears to be some level of tension between the R&I and Policy divisions. Contributory factors seem to include differences of style at GM level, the disruption caused by the long delay in appointing a permanent GM of the R&I division, the nature of the work of the two teams (R&I operates in a less urgent environment than Policy) and the challenging industry climate.

It is difficult for us to say whether this is healthy or unhealthy tension, but the dynamics of the team and especially the executive team need to be monitored and adjusted by the CEO if necessary.

The review gained a mixed picture of the external perspective on APL, partly because of inherent limitations of the consultation process and partly because of the difficult industry conditions prevailing at the time of the review. Clearly, some stakeholders hold strong negative views about APL, either blaming it for contributing to the price situation, or for being insufficiently sympathetic and responsive to their hardship – or both. Others remain supportive of APL. APL probably should have responded differently in the early stages of the price downturn, but we understand the difficulty for an organisation in dealing with a situation over which it has little control.

Some further observations about corporate culture are included in section 6.8.2 relating to the KPMG review.

5. PLANNING AND REPORTING

5.1 OVERVIEW

Under Section 12 of the Funding Agreement 2015-19, a program framework must be developed and maintained by APL to meet the Commonwealth's requirements for proper planning, performance monitoring and reporting. The program framework should inform the development of key planning and reporting documents such as the strategic plan, annual operational plan (called annual *operating* plan by APL) and annual report. An evaluation framework is also required and should support and be consistent with the program framework.

As agreed with the Commonwealth, there was no program framework in place at the time of development of the original strategic plan, which was developed and approved prior to the signing of the Funding Agreement 2015-19 (section 6.6 of which notes that '*The Commonwealth acknowledges that the Strategic Plan 2015-2020 was approved prior to signing of the Agreement...*'). There has also been correspondence between APL and the Commonwealth in this regard²⁷. The amended strategic plan does include a section (p. 38) outlining the program and evaluation framework.

APL's planning and reporting functions are prescribed by the funding agreement and the Act. There are three principal documents:

- ⊕ The five-year strategic plan (referred to as the 'corporate plan' in the Act);
- ⊕ The annual operating plan (AOP); and
- ⊕ The annual report.

The Australian Pork Limited Strategic Plan 2015–2020 (strategic plan) spans the period of this review. Five AOPs have also been prepared (2014-15 to 2018-19 inclusive) and four associated annual reports (2014-15 to 2017-18 inclusive).

5.2 STRATEGIC PLAN

5.2.1 OVERVIEW

As set out in sections 12.8 and 12.10 of the funding agreement, APL is required to develop and implement a strategic plan. In particular, the strategic plan must:

- ⊕ Be developed following consultations with the Commonwealth, levy payers, industry representative bodies, and other RDCs and stakeholders as appropriate;

²⁷ The APL GM Policy wrote to RDC Governance, Rural Research & Innovation, Department of Agriculture and Water Resources) on 4 July 2017 to refer to section 6.6 of the funding agreement and to advise that an evaluation framework was not required until an amended plan was prepared

- # Cover a three- to five-year period, and be reviewed and if necessary, updated on an annual basis;
- # Be prepared in accordance with good planning practice, covering several matters as listed in the funding agreement;
- # Align with the APL program framework; and
- # Be published on the APL website within 30 days of its approval by the APL Board.

The APL Strategic Plan 2015-2020 was drafted following a comprehensive consultation process commencing in 2013–2014 involving Australian pig producers, APL members and Delegates, directors and management, government representatives, the Australian pork supply chain and other important industry stakeholders.

Industry consultation resulted in the development of five strategic objectives whose outcomes will be enabled by the successful implementation of targeted programs that underpin the sector's growth and expansion. The five strategic objectives are:

1. Growing Consumer Appeal;
2. Building Markets;
3. Driving Value Chain Integrity;
4. Leading Sustainability; and
5. Improving Capability.

The plan includes a schematic of the alignment of these strategic objectives with the Australian Government's Strategic Research Priorities and Rural R&D Priorities at that time²⁸. This is shown in Figure 1.

²⁸ The Rural R,D&E Priorities were revised in May 2016 (www.agriculture.gov.au/ag-farm-food/innovation/priorities) and appear in the amended strategic plan

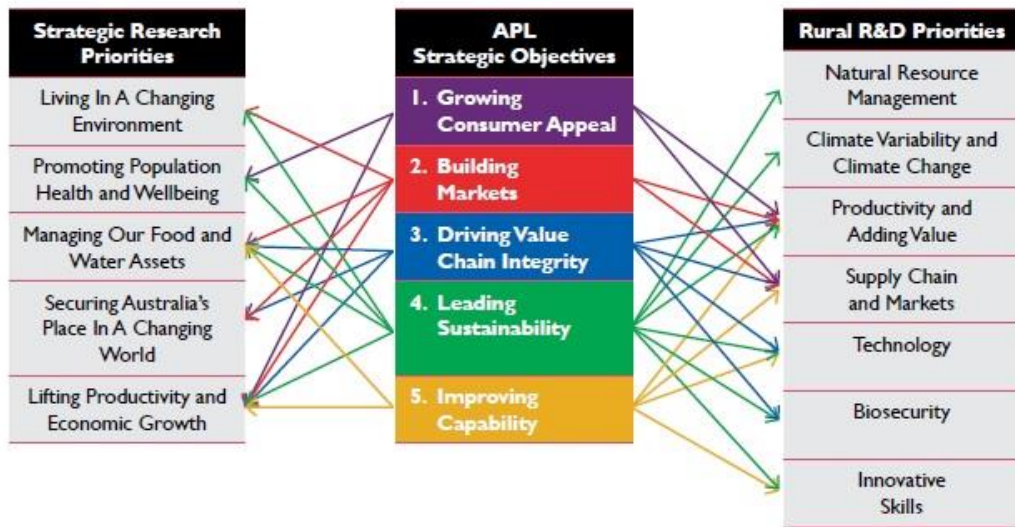


Figure 1: Relationship between APL's strategic objectives and the Commonwealth Government's R&D Priorities

After the priorities were revised by the Commonwealth, the 2016-17 and 2017-18 AOPs aligned the APL investment portfolio with the National Science and Research Priorities and Rural Research, Development and Extension (RD&E) Priorities, which are depicted in the amended strategic plan as shown in Figure 2.

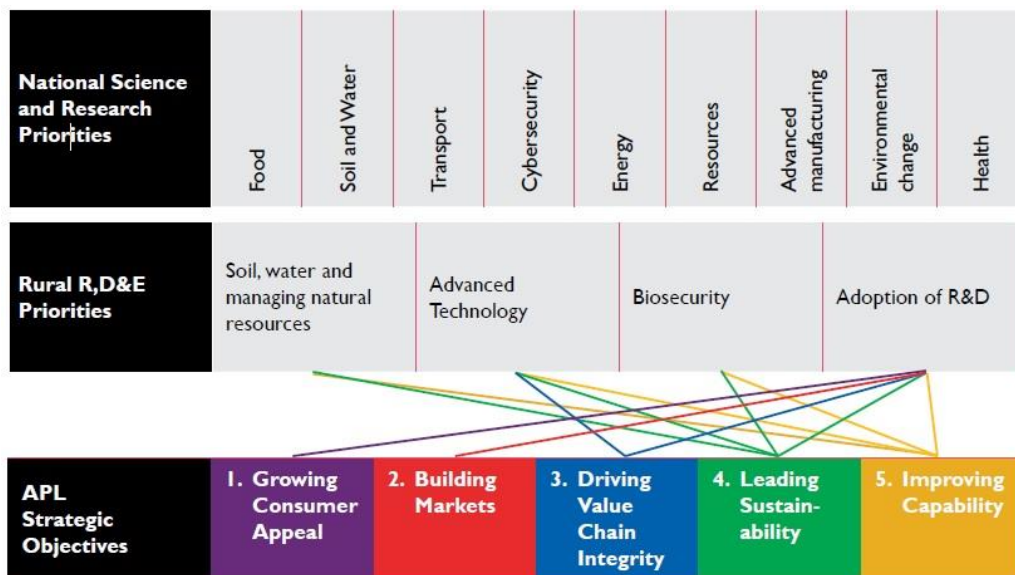


Figure 2: Revised relationship between APL's strategic objectives and the Commonwealth Government's R&D Priorities

The APL Strategic Plan also makes a comparison (reproduced in Figure 3) with the National Primary Industries Research, Development and Extension Framework (NPIRDEF), which has pork as one of its 14 sectoral and eight cross-sectoral strategies. The alignment was made with the cross-sectoral strategies of most importance to the pork industry.

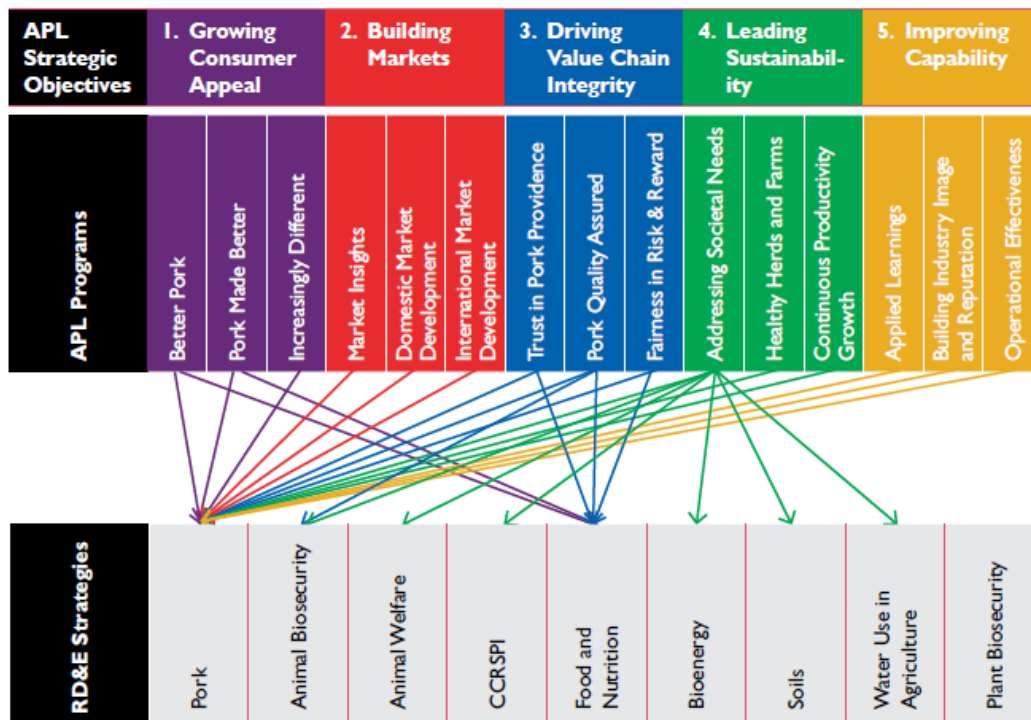


Figure 3: APL Strategic objectives aligned with the National Primary Industries RD&E Framework

5.2.2 AMENDED STRATEGIC PLAN

The funding agreement requires a review of the strategic plan in February every year. Because of the changing industry environment (see Chair’s statement below), a consultative industry-wide review was undertaken and resulted in the preparation and release of an amended plan in July 2018.

The significant changes in the operating environment, which are referred to in the Chairman’s statement in the amended strategic plan included:

- ⊕ Major increases in pork consumption, demand and prices, leading to an expansion of the industry production base;
- ⊕ A greater than expected recruitment of smaller pig producers, in many cases in peri-urban environments, with very different business aspirations and biosecurity risks compared to the typical commercial pig producers;

- # *The speed of technological advancement and technology convergence, providing opportunities to farm pigs differently and re-design how we perform pork research and development; and*
- # *The advent of the importation of low-priced cooked products (with and without bone).*

The statement also outlined key areas of focus in the amended strategic plan in response to the above changes, notably:

- # *A greater emphasis on growth in demand creation, given the increased availability of meat resulting from higher sow numbers and better productivity.*
- # *A re-calibrated approach to research and development around pork cost of production, which is an inherent weakness of the industry's competitiveness, requiring further focussed attention.*
- # *Continued strong engagement with the community in areas that they see as important, including animal welfare and environmental impact, as well as increasing the transparency of pork production in Australia. Importantly, the plan recognises the industry's ambitions of completing the phasing out of sow stalls and including the relevant voluntary standards as mandatory into an updated set of welfare standards and guidelines for the industry.*
- # *Maintaining the high health status of the national pig herd through vigilance on biosecurity and disease prevention issues as well as maintenance of the current pork import protocols.*
- # *Persisting in efforts to open up access for pork into the growing markets in Asia including China and creating product offerings that suit those markets.*

Amendments to the strategic plan and subsequent AOP (2018-19) in the face of the significantly changed industry environment were both warranted and supported.

A particularly impressive component of the strategic plan is the detailed key result areas (KRAs) for each of APL's strategic objectives. Objective targets, some of which are not fully within the control of APL (a point well recognised by APL and noted in the AOPs), are listed for each year until the end of the plan. These KRAs were adjusted when the amended plan was issued, as shown in Figure 4 and Figure 5 below.

Strategic Objective	Key Result Area	Measure/ Units	Target (year ending 30th June...)					
			2015	2016	2017	2018	2019	2020
Growing Consumer Appeal	Australian Processed Pork Share	% volume of consumption	30.5%	30.7%	30.8%	30.9%	31.0%	31.1%
	PorkMark Awareness	% of Australians aware of PorkMark	60%	62%	64%	66%	68%	70%
Building Markets	Australian Pork Consumption	HSCW kg per capita annual consumption	13.81	13.92	14.00	14.09	14.17	14.26
	Pig Pricing	\$/kg farm gate average all pigs	\$3.16	\$3.22	\$3.28	\$3.34	\$3.40	\$3.46
Driving Value Chain Integrity	APIQ [✓] Uptake	% production APIQ [✓] certified	88.8%	90.0%	90.0%	91.0%	91.0%	92.0%
	Residue Compliance	% compliance total tests	99.9%	99.9%	99.9%	100.0%	100.0%	100.0%

Leading Sustainability	Reproductive Performance	Pigs sold/sow/year	18.4	18.7	19.0	19.3	19.6	19.9
	Progress on Sow Stall Phase Out	% sows meeting phase out definition	75%	85%	95%	100%	100%	100%
Improving Capability	Industry Certificate Three Penetration	% staff with Certificate 3	40%	42%	44%	46%	48%	50%
	Technology Adoption	Ave % of production adopting new technologies	>50%	>50%	>50%	>50%	>50%	>50%

Figure 4: Reproduction of table 3 (key result areas) in the original strategic plan

Strategic Objective	Key Result Area	Measure/ Units	Results achieved (by financial year)			Target (by financial year)		
			2015	2016	2017	2018	2019	2020
Growing Consumer Appeal	Australian Processed Pork Share	% volume of consumption	28.4%	27.7%	27.8%	24.7%	21.8%	19.1%
	PorkMark Awareness	% of Australians aware of PorkMark	57.0%	59.0%	55.0%	66%	68%	70%
Building Markets	Australian Fresh Pork Consumption	HSCW kg per capita annual consumption	9.79	9.71	10.81	11.10	11.60	12.00
	International Marketing	China Trade Protocols and Establishment Certification						Achieved
Driving Value Chain Integrity	APIQ [✓] Uptake	% production APIQ [✓] certified	91.4%	91.5%	90.2%	91.0%	91.0%	92.0%
	Residue Compliance	% compliance total tests	99.5%	99.4%	99.2%	100.0%	100.0%	100.0%
Leading Sustainability	Reproductive Performance	Pigs sold/sow/year	18.6	18.1	19	19.3	19.6	19.9
	Production Cost	%age premium in production cost over average of the USA	n/a	n/a	40%	40%	30%	30%
	Gestation Stall Free (GSF) Uptake	% sows GSF per industry definition	70%	76%	83%	100%	100%	100%
Improving Capability	Industry Certificate Three Penetration	% staff with Certificate 3	n/a	n/a	65%	46%	48%	50%

Technology Adoption	Average % of production adopting new technologies	74%	74%	48%	>50%	>50%	>50%
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Figure 5: Reproduction of table 3 (key result areas) in the amended strategic plan

The major changes to targets in the revised strategic plan related to:

- # Refinement of targets for Australian processed pork consumption;
- # Refinement of targets and higher increases (per cent) in per capita consumption;
- # Removal of average farm gate prices;
- # Addition of an international marketing objective for China; and
- # Inclusion of a cost of production target.

There is a good line of sight between strategies / targets in the strategic plan with those listed in each AOP and then reported against in the annual report. The AOPs from 2014-15 to 2018-19 report against the KRAs in the strategic plan (and internal key performance indicators (KPIs)), aligning with the period covered by this performance review.

In summary, the original and amended Strategic Plan 2015-2020 are clearly written and succinct documents that provide a very clear description of the strategies and programs that APL will deploy. In particular, as noted above, the amended strategic plan clearly describes the key objective outcomes arising from the strategy review process in 2016-17 that were necessitated by changes in the pork industry environment. The plan(s) complies with the requirements of the funding agreement with respect to content as covered by section 12.10 (parts a) to p) inclusive). The plan:

- # Provides a succinct description of the operating environment;
- # Outlines APL’s roles and responsibilities and its relationship with key stakeholders;
- # Establishes APL’s vision, purpose and values and articulates key industry metrics and targets against which performance will be measured annually to 2020;
- # Outlines for each strategic objective the various programs that APL will implement, listing high-level externally-focused KRAs that are described as aspirational as well as internally-focused KPIs;
- # Outlines how APL’s strategic priorities and RD&E program areas align with the Australian Government’s Science and Research Priorities and Rural R&D Priorities;
- # Details APL’s expected income and forecast expenditure against each strategic objective for 2019 and 2020; and
- # Outlines APL’s program and evaluation framework (in the amended version).

A distinctive feature of the plan is the matrix investment structure. For many comparable industry bodies, strategic objectives or their equivalent align more closely with company functional divisions, but this may be largely because no other RDCs include strategic policy development among their stated functions. Structuring strategic objectives around industry priorities, as APL has done, is entirely appropriate but it makes accountability and reporting more challenging. To minimise this problem, APL has identified a general manager

'champion' for each of the strategic objectives. The role of the champion is described as being to 'remove roadblocks' to the successful delivery of the objective.

Perhaps inevitably with a matrix, the strategic objectives / division / champion combinations are not always especially intuitive. For example, 'productivity' falls under 'Leading Sustainability' which has the GM Policy as 'champion'. APL may wish to review the 'Strategic objectives and outcomes statement' in future strategic plans and consider the champion designations.

Some other enhancements to the strategic plan could also be considered when the next plan is developed, including:

- ✦ Provide a summary of the key strategies / programs / targets at the start of the plan (and make this available as a separate communication product) for those not likely to read the entire document (an expansion of table 2 in the amended plan);
- ✦ Provide further commentary and clarity around APL's approach in relation to extension, technology transfer and commercialisation (12.10 (l) of the funding agreement); and
- ✦ Provide further commentary and clarity concerning APL's approach to 'a balanced portfolio', recognising that some commentary is provided on page 40 of the amended plan (12.10 (n) of the funding agreement). This is further discussed in section 6.3.

Recommendation: APL should continue with the general format and structure of its strategic plan but consider making some enhancements as suggested by this review.

5.3 ANNUAL OPERATING PLANS

In order to implement its strategic plan, APL must prepare and submit to the Commonwealth an annual operating plan (AOP) prior to 1 July of each financial year, in compliance with the terms in sections 12.17 to 12.20 of the funding agreement. During this review period, five AOPs were prepared: 2014-15 to 2018-19 inclusive. Each report is uniformly structured and commences with an assessment of the competitive environment in meat and grain production domestically followed by data on imports of foreign pork into and the export of locally-produced pork out of Australia.

The AOPs provide clear line of sight to the strategic plan and cover:

- ✦ Intended operations of APL for the next financial year;
- ✦ Key R&D and marketing activities (including identifying the strategic policy development activities);
- ✦ How R&D and marketing activities are to be funded;
- ✦ Key deliverables arising as a result of APL activities;
- ✦ KPIs;
- ✦ Estimates of income and expenditure for the financial year and reported separately for marketing, R&D, Commonwealth matching payments, voluntary contributions and any other income;
- ✦ Collaboration with other RDCs on priority R&D;

- # A statement on how APL intends to implement and operationalise a balanced portfolio; and
- # Any other matters the directors consider should be set out in the AOP.

As noted earlier, several of the KRAs are not fully controllable by APL (for example, the value of the industry at the farm gate). This is recognised in the AOPs where it is stated that ‘Using a mixture of internally focussed Key Performance Indicator measurements in conjunction with the externally focussed Key Result Area measures, APL can develop an informed objective view about the wellbeing of the industry and the scale of APL’s contribution to it’²⁹. The approach of including both industry and internal targets is challenging for the organisation, but the arguments for it are sound. Again, an impressive aspect of the AOPs is that for each strategy / program there are two detailed tables: one listing industry KRAs and the other listing internal APL KPIs, as shown below in Table 4 (adapted from the 2018-19 AOP). For each KRA or KPI, an assessment of the ‘level of control’ and ‘level of impact’ is also provided. The review team has not previously seen such a detailed approach to setting, qualifying and reporting of targets in RDC AOPs, and APL is to be commended for it.

Table 4: Example of KRAs and KPIs from the AOP 2017-18

PROGRAMME	BETTER PORK	PORK MADE MORE POPULAR	INCREASINGLY DIFFERENT
Industry Key Result Area	Eating Quality Pathways Performance	Quantity of Regular Consumers	Differentiate on Quality Assurance
Unit	Ability to tailor product in Flavour, Aroma, Appearance - Colour, Appearance - visible marbling, Texture - tenderness, Texture - juiciness	% of households eating more than a given number of times per year	Design a QA system from farm to shelf
Target	Demonstrated ability to tailor one of these six to an extent noticeable by target consumers	26 or more times per year – 4.3% 13 or more times per year – 20.2%	Have an approved plan
Latest Measure	Not able to	3.70% 17.90%	No
Level of Control	Moderate	Low	Medium
Level of Impact	High	High	High
Reporting Period	Six Monthly	Quarterly	Two Monthly
Source/Comments	Experiment Reports	Nielsen HomeScan® reported quarterly	Progress Against Agreed milestones

²⁹ AOP 2018-19

PROGRAMME	BETTER PORK	PORK MADE MORE POPULAR	INCREASINGLY DIFFERENT
APL Operational KPI	Pork Image Attributes	Advertising Recall	PorkMark Awareness
Unit	Percentage agreement with “Pork is low in fat” and “Australian Pork is a valuable source of iron” Easy to cook Pork is versatile	% of Australians recalling pork advertising	% of Australians aware of PorkMark
Target	18% 50% 52%	80%	60%
Latest Measure	17% 48% 46%	76%	61%
Level of Control	Moderate	Moderate	Moderate
Level of Impact	Moderate	High	Moderate
Reporting Period	Quarterly	Quarterly	Quarterly
Source/Comments	Thrive advertising tracking latest measure	Thrive advertising tracking, latest measure	Thrive advertising tracking, latest measure

Source: AOP 2018-19

The approach taken by APL with KRAs and KPIs is consistent with recommendation 3 from the 2014 performance review, ‘Ensure Key Performance Indicators (KPIs) drive the organisation but are meaningful measures of performance – to increase APL’s ability to track and demonstrate progress using relevant and defensible measures’³⁰.

Similar to the strategic plan, very few people interviewed for this review had read any of APL’s AOPs. As for the strategic plan, we suggest APL should include a short executive summary at the front of the document. This summary, as a separate document, could also be used for more direct engagement with pig producers and other industry stakeholders.

5.4 ANNUAL REPORTS

Under section 13.6 of the funding agreement, APL must prepare an annual report in accordance with sections 13.7 and 13.8 of that agreement. Annual reports are to be submitted to the Commonwealth at the same time

³⁰ ACIL Allen 2014, Performance review of APL. Three year review. Final report, June

as they are forwarded to APL's members, whose entitlement to receive the annual report is also covered in the APL Constitution.

As stipulated in the funding agreement, the annual report should include, in respect of the relevant financial year, numerous items including:

- ⊕ Sources of income allowing for separate identification of marketing payments, R&D payments, Commonwealth matching payments and voluntary contributions;
- ⊕ Activities and transactions undertaken in the year in the conduct of APL's functions as the industry services body;
- ⊕ The cost of the R&D, marketing of the strategic policy development activities;
- ⊕ Progress made in implementing the strategic plan and AOP and progress against KPIs;
- ⊕ R&D and marketing deliverables and associated outcomes achieved;
- ⊕ Collaboration with levy payers, the broader industry and other research providers;
- ⊕ Collaboration with other RDCs to fund RD&E projects and to deliver greater efficiency in RD&E management;
- ⊕ Expenditure on evaluations and outcomes of evaluations undertaken;
- ⊕ An assessment of the efficiency and effectiveness of APL's investments;
- ⊕ How APL has addressed extension, technology transfer and commercialisation;
- ⊕ Intellectual property creation, management and protection;
- ⊕ Subsidiaries and joint ventures formed;
- ⊕ Material changes to APL's membership;
- ⊕ Responses to any directions given by the Minister;
- ⊕ Consultation with levy payers and industry representative bodies;
- ⊕ Contributions to relevant industry sectoral and cross-sectoral strategies, including the strategies under the RD&E Framework;
- ⊕ Remuneration details of the directors of the Board and key management personnel;
- ⊕ Research and development and marketing agreements entered into by APL with third parties;
- ⊕ Corporate governance practices in place during the financial year;
- ⊕ Rationale for the mix of projects included in the balanced portfolio; and
- ⊕ Any other matters notified to APL by the Commonwealth.

Four annual reports have been prepared since the last performance review: for the 2014-15, 2015-16, 2016-17 and 2017-18 financial years. These four annual reports are consistent in their structure, are comprehensive in their coverage and clear in their reporting. They meet the requirements of the funding agreement.

The key components of the annual reports (using the 2017-18 report as an example) include:

- ⊕ Chairman's and CEO's messages which focus sharply on the year in review including the industry's operating, competitive and trading environment; research and innovation efforts; and stakeholder matters;

- # A detailed operational and strategic overview that clearly sets out APL's role, responsibilities and functions – including its core values; governance, the Board and its committees; management and staff; and stakeholder relations – as required under the funding agreement;
- # The set targets and achievements measured within every program making up the five strategic objectives, all of which link back to the Strategic Plan 2015-2020 and the specific AOP;
- # A comprehensive set of financial statements prepared in accordance with Australian Accounting Standards and including detailed notes accompanying the financial statements; and
- # A range of appendices which include material variations to the budget, eligible R&D expenditure attracting matching payments, expenditure on marketing and significant strategic policy activities and funds spent on National and Rural Research, Development and Extension Priorities.

As noted in section 5.2.2 above, due to the changes in the industry environment that led to the development of an amended Strategic Plan 2015-2020, the Chairman's message in the Annual Report 2017-18 foreshadows the changes that will be made to APL's approach. This was further emphasised in the CEO's report in the 2018-19 AOP.

All of the annual reports retain the architecture of the strategic plan and the AOPs, emphasising the close alignment between the planning and reporting documents.

Both industry KRAs and internal KPIs (as discussed in section 5.3 above) are reported on in annual reports, although they are not differentiated as they are in the AOPs. Consideration should be given to whether such differentiation may assist readers in future editions.

Finally, annual reports, by their very nature and the long list of content requirements stipulated in the funding agreement (and other corporate requirements), are not overly user friendly. Whilst APL's annual reports are more succinct than those of many other RDCs, information on the specific performance of the organisation is quite hidden among other material. A standalone summary of each annual report would improve stakeholder awareness of APL's outcomes and impacts. The 'Australian Pork Limited, Year in Review' document produced for 2016-17 and for 2017-18 is very good and could form the basis for a summary annual report, with a few enhancements to show performance for the year against the specific targets of the strategic plan and AOP, as reported in the annual report.

Recommendation: APL should consider publishing short summaries of its key documents – the strategic plan, annual operating plan and annual report – both as part of the respective documents and as standalone products, to enhance the company's transparency in planning and reporting.

5.5 OVERALL PERFORMANCE AGAINST PLANS

Section 8 of this report provides a review of APL's performance as evidenced by the outcomes of impact analyses of selected investments undertaken during the period. It is also important to assess APL's performance in meeting targets as detailed within its strategic plan and associated AOPs.

Table 5 has been reproduced from the amended strategic plan with an additional column to show the original target ranges set in 2015. The table shows a combination of internal KPIs and external KRAs (internal KPIs are shaded to allow differentiation). The table shows that:

- # It is very difficult to set targets five years out in a volatile market (which needs to be acknowledged);
- # APL has been successful in meeting many of its original targets;
- # Some targets were not met (primarily consumption and prices) due to changing market circumstances referred to earlier; and
- # Some targets have been refined (e.g. 'production cost' and 'international marketing' have been introduced and reproductive performance metrics altered).

Table 5: Revised performance targets in amended strategic plan

STRATEGIC OBJECTIVE	KEY RESULT AREA	MEASURE/UNITS	RESULTS ACHIEVED (FINANCIAL YEAR)			TARGET (FINANCIAL YEAR)			ORIGINAL TARGET 2015 (RANGE)
			2015	2016	2017	2018	2019	2020	
Growing Consumer Appeal	Australian Processed Pork Share	% volume of consumption	28.4%	27.7%	27.8%	24.7%	21.8%	19.1%	30.5 – 31.1%
	PorkMark Awareness	% of Australians aware of PorkMark	57.0%	59.0%	55.0%	66%	68%	70%	60 – 70%
Building Markets	Australian Fresh Pork Consumption	HSCW kg per capita annual consumption	9.79	9.71	10.81	11.10	11.60	12.00	13.8 – 14.2*
	International Marketing	China Trade Protocols and Establishment Certification				Achieved			New
Driving Value Chain Integrity	APIQ [✓] [®] Uptake	% production APIQ [✓] [®] certified	91.4%	91.5%	90.2%	91.0%	91.0%	92.0%	88 – 92%
	Residue Compliance	% compliance total tests	99.5%	99.4%	99.2%	100.0%	100.0%	100.0%	99.9% – 100%
Leading Sustainability	Reproductive Performance	Pigs sold/sow/ year	18.6	18.1	19	19.3	19.6	19.9	18.4 – 19.9
	Production Cost	% premium in production cost over average of the USA	n/a	n/a	40%	40%	30%	30%	New
	Gestation Stall Free (GSF) Uptake	% sows GSF per industry definition	70%	76%	83%	100%	100%	100%	75 – 100%
Improving Capability	Industry Certificate Three Penetration	% staff with Certificate 3	n/a	n/a	65%	46%	48%	50%	40 – 50%
	Technology Adoption	Average % of production adopting new technologies	74%	74%	48%	>50%	>50%	>50%	>50%

* Not comparable as the original strategic plan was for total Australian pork consumption whereas amended was for Australian fresh pork consumption.

Source: amended strategic plan, with addition of final column

A more detailed assessment of recent performance is shown in Table 6 below, which compares each KRA and KPI as referred to in the 2017-18 Annual Report. Performance is assessed as 'achieved', 'partially achieved' or 'not achieved' using the following colours. The table shows that several KRAs and KPIs were achieved, many partially achieved and some not achieved.

	Achieved
	Partially achieved
	Not achieved

Table 6: APL achievement of strategic plan targets

PROGRAMME	KRA / KPI	UNIT	2017-18 TARGET	RESULT
Better Pork	Eating Quality Pathways Performance	Product fail rate percentage in best sales channel (bad taste)	2.15	5.91
	Pork Image Attributes	Percentage agreement with: "Pork is low in fat and a valuable source of iron" "Easy to cook" "Pork is versatile"	18% 50% 52%	16% 48% 52%
Pork Made More Popular	Quantity of Regular Consumers	% of households eating more than a given number of times per year	26 + times – 4.3%	4.9%
		% of Australians recalling pork advertising	13 + times – 20.2%	21.8%
	Advertising Recall	% of Australians recalling pork advertising	80%	75%
Increasingly Different	Australian Processed Pork Share	Percentage of processed pork consumption	25%	21%
	PorkMark Awareness	% of Australians aware of PorkMark	60%	61%
Market Insights	Programme Effectiveness through Insights	Number of significant learnings identified	4	5
Domestic Market Development	Pig Prices	\$/kg HSCW farm gate average	\$3.10	\$2.58
		All Pigs (YTD) Baconer (latest week)	\$3.10	\$2.31
	Fresh Pork per capita	CWE kg fresh pork per person per annum	11.1	11.79
International Market Development	International Australian Pork Sales Value	Pork export value (\$ millions)	150.0	149.5
	International Premium Position	Australian premium pork in-market testing has begun	Yes	No
Trust in Pork Provenance	Physi-Trace Adoption	Physi-Trace supported by processors – percentage of industry	90%	70% - 6 plants and three domestic plants are collecting samples

	Pork Provenance Testing	Percentage of accurate tracebacks (both raw and processed)	95%	NA – not conducted in 2017-2018
Pork Quality Assured	APIQ [✓] ® Uptake	Percentage APIQ [✓] ® certified enterprises of all pig farm enterprises	90%	89.5%
	APIQ [✓] ® Annual Systems Audit	Number of non-conformances and observations	<1 non-conformance < 20 observations	1 non- conformance, 7 observations AUS-MEAT: 6 non-conformances, 2 observations
Fairness in Risk and Reward	PorkScan Adoption	Number of PorkScan Licensees	5	3
	Lean Meat Yield (LMY) Technologies	Number of abattoirs where PorkScan LMY system is validated	3	0 – additional R&D conducted to improve accuracy
Addressing Societal Needs	Movement Reporting within Two Days	% closed PPNVDs reported within two days	90%	72%
	GSF Uptake – APIQ [✓] ®	Percentage of industry sows housed under APIQ [✓] ® GSF definition	83%	75%
Healthy Herds and Farms	Antimicrobial stewardship plan (AMS) taken up	Percentage of production taking up AMS	50%	20%
	Australian pig vets receive industry updates and are regularly engaged in industry initiative	Percentage of pig vets regularly engaged with APL	90%	85%
Continuous Productivity Growth	Pork Produced Per Sow	Per cent increase in kg pork/ sow/year	3%	5.8%
	Increasing Gilt Progeny Performance against Sow Progeny	Variation between gilt and sow progeny in volume of pork produced per sow per year as a percentage	2%	6%
Applied Learnings	Technology adoption	Percent of APL invested technologies adopted after 2 years of project completion	70%	TBA - November 2018 survey
	Technology awareness	Percentage of eligible production aware of a subsample of APL technologies	95%	TBA - November 2018 survey
Building Industry Image and Reputation	APL Producer Members	Increased number of APL producer members	300	257
	Level of Membership	Membership levy as a % of total levies	>95%	93%
	APL Positive Image	Members positive perception	>80%	70.1%
Operational Effectiveness	Staff Turnover	Percentage of staff leaving per annum	14%	20%
	Corporate Costs	Percentage of corporate cost increase per annum	1.4%	7.9%

6. OPERATIONS

6.1 PROCUREMENT

6.1.1 ANNUAL PRIORITISATION AND CALL

Project investments by APL result from a structured application and selection process involving its R&D Advisory Committee (RDAC – see section 4.3) as well as four industry Specialist Groups. Collectively, these bodies are responsible for the development of research priorities which are to be addressed by projects delivered either internally or by industry.

The Specialist Groups, each chaired by an industry representative and assisted by the APL Marketing Manager (SG1) and R&I Manager (SG2, SG3 and SG4), cover the themes of:

- ⊕ Marketing Development (SG1), chaired by one of the specialist directors;
- ⊕ Production and Welfare (SG2), chaired by an industry RD&E manager;
- ⊕ Environmental Management (SG3), chaired by an industry consultant; and
- ⊕ Biosecurity and Product Integrity (SG4), chaired by a researcher.

The Specialist Groups, each comprising around 15 members plus invitees, define strategic priorities for APL's R&D program and include experts from among industry, research providers, state and federal governments and APL managers. The groups advise RDAC on relevant R&D in their specialist area and assist in alignment with APL strategic objectives. In turn, RDAC provides direction on the development, management, performance and outcomes of APL's research and associated activities.

RDAC comprises nine members, three each drawn from the APL Board, the executive team (including the CEO) and the research community. This includes the Chairs of each of the Specialist Groups.

The remit of the Specialist Groups does not align directly with APL's five strategic objectives, with the exception of SG1, whose scope includes and is confined to strategic objectives 1 ('Growing Consumer Appeal') and 2 ('Building Markets').

The R&D procurement process is an 18-month cycle beginning in January each year with the development of research priorities by the Specialist Groups and their preparation of business plans addressing those priorities. The business plans are then reviewed by RDAC, which recommends projects and a draft budget to the APL Board in April. Following the Board meeting in April, the approved APL research priorities are communicated to research providers and industry and tenders are called for new R&D programs/projects, which closes at the end of May.

Between July and the following January, applicants are advised of the outcome of their tender proposals and new R&D projects are commissioned. Six months later, *ex-post* benefit-cost analyses (BCAs) are submitted to RDAC (see section 8). To complement its major research investments, APL also offers industry scholarships to tertiary students at both undergraduate and postgraduate level.

Since 2005, APL has also invested a proportion of its RD&E funds through the Cooperative Research Centre (CRC) for an Internationally Competitive Pork Industry and its successor, the High Integrity Australian Pork CRC (Pork CRC). With the impending closure of the Pork CRC in June 2019, the Australasian Pork Research

Institute Limited (APRIL) has been established to continue the CRC's RD&E and commercialisation functions. APRIL has 16 member and five associate member organisations from the public and private sectors. APL is a member of APRIL and contributes \$1 million per year towards it. The CEO and one of the APL Directors sit on the Board of APRIL.

APL's RD&E procurement process is thorough and highly consultative. Specialist Group business plans are comprehensive documents, covering:

- ⊕ Specialist Group membership and objective;
- ⊕ A summary of the background to the plan's development, priorities and budget request;
- ⊕ A 'health check', summarising the program investment in 'cost', 'revenue' and 'risk' categories (see section 6.2) over the current and preceding two years;
- ⊕ Proposed activities (each summarising the issue, outcome sought, key Omni project, risk of not achieving outcome, duration, cross-collaboration opportunities and budget);
- ⊕ Technology transfer and adoption / industry capability plan;
- ⊕ Budget;
- ⊕ *Ex-ante* BCAs by strategic priority, including assumptions in an appendix;
- ⊕ Update on completed and existing projects; and
- ⊕ Summary of impact and industry benefits delivered.

In addition to the four business plans of the Specialist Groups, a business plan for Technology Transfer & Industry Capability is also prepared and reviewed by RDAC.

The application of BCA to *ex-ante* project evaluation is commendable. It is a tool that a number of other RDCs have moved away from in recent years, but it offers a framework for thinking critically about the justification for a project. However, it is not clear that the process of developing the *ex-ante* BCAs is as robust as it should be within APL. R&I Managers reported that the spreadsheet used to calculate the BCAs is somewhat of a 'black box' and – noting the relative youth and inexperience of the R&I team – managers did not seem to be confident that the *ex-ante* evaluation process is being undertaken in a consistent manner.

A recommendation in this regard is included in section 8, where APL's approach to benefit-cost evaluation is further discussed.

6.1.2 BASE-FUNDED RD&E FACILITIES

The Australian Pork Industry National Primary Industries RD&E Strategy saw the establishment, by APL and the Pork CRC, of a series of base-funded 'core' pork RD&E facilities across Australia. There are five such facilities, at:

- ⊕ Rivalea, New South Wales;
- ⊕ Sunpork (Queensland and South Australia);
- ⊕ South Australian Research and Development Institute – Roseworthy (South Australia, sows only); and
- ⊕ Pork Innovation Western Australia (aligned with Murdoch University – grower / finisher).

Each facility is a collaboration between the host organisation, associated RD&E providers and APL. The base funding supports a number of staff at each facility, usually at Research Associate or Technical Officer level. Intellectual property (IP) generated at the facilities must be made available to all of industry.

Base funding operates on a two-year cycle, and 2017/18 was the second year of the fourth cycle. The annual total budget for the facilities is approximately \$1 million. Research providers must include details of base funding site and requirements in their proposals to APL, following discussions of proposed experimental design with the nominated base funding provider. Wherever appropriate in relation to the proposed protocols and animal requirements, research providers are directed to utilise base-funded facilities. Requests for base funding are considered during proposal evaluations by reviewers. Quarterly meetings between APL, APRIL and base funding providers are held, facilitated by APL, to monitor both project allocations to all sites and progress with projects.

Scientists at non-core RD&E facilities, which are also identified in the Australian Pork Industry NPIRDEF Strategy, can compete for project funding and are directed to base-funded facilities depending on the proposed experimental design and animal requirements, but non-core facilities do not receive base funding support.

APL recognises the benefits of the base funding model as including increased engagement with industry, researchers and students; removal of regional RD&E silos; enhanced collaboration; and improvements in the rate and uptake of technology adoption, largely due to the commercial nature of the facilities.

The base funding model is a positive initiative. Some of the other RDCs, such as Dairy Australia and Wine Australia, also have strategic partnerships in which they fund research facilities over the medium term in order to encourage commitment from funding partners and research personnel to their industry. There is criticism from some stakeholders in the pork industry that APL's base funding model favours the two largest players and produces R&D outcomes best suited to them. It appears, though, that the model and its IP provisions ensure a reasonable sharing of benefits between the hosting companies and the broader industry.

6.2 PROJECT MANAGEMENT

The R&I Division comprises a GM and five R&D managers, supported by administrative staff. Given the small size of the organisation, the allocation of portfolios among R&D managers pragmatically reflects the individuals' skills and backgrounds rather than aligning strictly with the KRAs of the strategic plan. As indicated earlier, there has been a solid turnover of staff in the R&I team in recent years and this has created some issues with respect to corporate knowledge. Several researchers indicated that there had been some initial loss of relationships and connectivity with the research community with the turnover in APL's R&D management team, particularly in some key areas. However, there was a belief that the people who had been recruited possess the necessary technical background to be able to contribute effectively over time.

It should be noted here that not all R&D is managed by R&I Division. Policy and Marketing Divisions also conduct R&D projects.

Feedback from research providers interviewed for the review was very positive in regard to project management within APL. Generally, there was a strong sense that APL staff were responsive and that, when required, appropriate flexibility was evident. Contracting, milestone reporting and submission of final reports were all seen as very well managed and APL's requirements relatively straightforward to comply with.

6.3 PORTFOLIO DIMENSIONS AND BALANCE

Clause 6.6 of the funding agreement requires that *'APL must determine an appropriate balanced portfolio and report on this balanced portfolio in the strategic plan, annual operational plan and annual report'*. However, it also notes that *'The Commonwealth acknowledges that the strategic plan for 2015-2020 was approved prior to signing of the agreement and so does not report on a balanced portfolio. However the Commonwealth would expect APL to report on a balanced portfolio through any amended strategic plan'*.

The strategic plan was amended in July 2018, and a section on 'A balanced portfolio' was included in the new plan. This section notes that APL's investments integrate triple-bottom-line objectives and that *'the majority of investment is aligned with short to medium-term outcomes with the remainder contributing to long-term strategic objectives'*. Interviews for this review indicate that the portfolio is indeed strongly weighted towards shorter-term and more applied RD&E.

The strategic plan also notes that APL's systems allow investments to be classified by:

- # Government research priorities;
- # Program objectives;
- # Project length; and
- # Levels of risk, return and leverage.

The 'health check' section of each of the business plans developed by the Specialist Groups indicates the balance of proposed investment between 'cost', 'revenue' and 'risk' categories of projects. Other parameters in the list above (such as risk/reward and project length) are not included in the business plans, nor is the overall mix of investment against these parameters put forward in the AOP or reported in the annual report (except to show how government R&D priorities are addressed). Because the strategic plan has been amended, future AOPs and annual reports will have to carry information on the balanced portfolio in order to meet the requirements of the funding agreement. We believe there would be value in APL reporting this information regardless of obligation because such reporting increases the transparency of the company's investment activity. Most other RDCs do this to some degree, Cotton Research & Development Corporation (CRDC) being an example of one that does it well.

We note that the terms of reference for the current 'Innovation and R&D review' include an examination of the *'mix of commercial risk, technical risk and quantum leap progression opportunities within the innovation activity portfolio, including the horizon mix'* (see section 6.8.1).

6.4 EXTENSION AND ADOPTION

The previous independent performance review, conducted in 2014 by ACIL Allen, noted that *'there is no shared map of the extension landscape and some adoption targets are not being met'* (p. 61). The review recommended that APL develop a national extension map including frameworks such as the Australian Pork Industry Quality Assurance Program (APIQ[✓]®), practices and technologies being extended, current and target adoption levels and the services being delivered in extension by the relevant players (APL, Pork CRC, government and others). ACIL Allen suggested that RDAC might develop the map.

This recommendation does not appear to have been fully addressed. There is no 'map' or strategy for extension as such. There is a 'Extension and adoption statement' in the strategic plan (p. 40) but it comprises

only a short paragraph to the effect that APL and the Pork CRC have worked in collaboration to ensure RD&E is '*focussed, efficient and delivers outcomes in a timely manner*'. The Australian Pork Industry National Primary Industries RD&E Strategy says little about how extension will be conducted.

This is not to say that extension is not built into APL's operations. Each of the Specialist Group business plans (see section 6.1.1) includes a 'Technology transfer and adoption / industry capability plan'. There is also a dedicated position with the R&I team for technology transfer and adoption (although the current incumbent is quite new to the role and replaces someone who was working part-time for the organisation while also studying and residing overseas). Each R&I manager is responsible for developing extension materials specific to their program.

APL does have a number of products and activities that can be considered part of 'extension':

- ⊕ Face-to-face / direct engagement:
 - ◆ Conferences, forums etc;
 - ◆ Roadshows;
 - ◆ Industry events such as Pan Pacific Pork Expo, state industry days and Delegates' forums;
 - ◆ Bringing Influencers Together, events that bring producers and industry experts together; and
 - ◆ Contact between APL staff and individual growers;
- ⊕ Publications / electronic resources:
 - ◆ Websites;
 - ◆ Webinars;
 - ◆ Snapshots / factsheets;
 - ◆ Marketing reports;
 - ◆ Media alerts;
 - ◆ APL Communique;
 - ◆ Tech Toolbox App;
 - ◆ Australian Pork Newspaper;
 - ◆ APL resources (various);
 - ◆ Pigs to Pork;
 - ◆ Pigs N Mud;
 - ◆ APL Update; and
- ⊕ Base-funded RD&E facilities.

The base-funded facilities have been included in this list because their very design undoubtedly enhances adoption of R&D outcomes, at least by the company or organisation hosting the facility. All of the other initiatives on this list, though, with the possible exception of the Tech Toolbox app, are very much skewed to the 'awareness' end of the practice change spectrum. Awareness of an R&D outcome does not necessarily translate into widespread adoption. A large body of literature on the adoption of agricultural R&D (and indeed on change management in general) shows that producers often need significant support to adopt an innovation, especially where that innovation significantly disrupts current practice.

Many of the RDCs therefore have adoption initiatives that, for example, aim to validate and demonstrate innovations in a particular production system or environment. These initiatives usually involve hands-on, experiential learning, the type usually favoured by agricultural producers.

We understand that the pork industry is different to many other industries, for example in its concentration of production, the relative homogeneity of production systems and the biosecurity risks associated with producers visiting other farms. Large corporate producers with a sharp business focus and dedicated R&D teams are likely to adopt innovations rapidly. However, other (smaller or outdoor producers, for example) may not have the same capacity or readiness to adopt.

We believe that the ACIL Allen recommendation remains valid and should be acted upon by APL. APL requires an extension strategy that would include, but not necessarily be limited to:

- ⊕ Characterisation of different types of R&D outcome, e.g. simple (app) vs complex (significant practice change), and the pathways to adoption required for each;
- ⊕ Identification of distinct segments of the producer base (e.g. by size, indoor vs outdoor), and their particular needs, enablers and constraints;
- ⊕ Identification of the various resources and influencers available to (e.g. vets, consultants);
- ⊕ Development of extension packages suited to each segment – e.g. outdoor producers; and
- ⊕ A framework by which every R&D project feeds into an identified adoption pathway / package.

A well-constructed extension strategy that addresses all parts of the industry should significantly help to allay attitudes among some levy payers that APL's R&D is only done to suit the 'big end of town'.

Recommendation: APL should develop an extension strategy that clearly shows how it will maximise adoption by different segments of the producer base.

We note that APL was a collaborator in the Rural R&D for Profit (RR&D4P) project 'Stimulating private sector extension in Australian agriculture to increase returns from R&D'. It is to be expected that outcomes from that project that will have direct application to the pork industry which relies heavily on private consultants for technical advice and innovation.

6.5 COLLABORATION

APL is a highly collaborative organisation, more so than some other RDCs. It has been an active partner in the two Pork CRCs and more recently APRIL (see section 6.1.1), which are collaborations between APL, industry, governments, and research providers. APL also works with pork supply chain participants through initiatives such as the building of commercial relationships in China with pork exporters at the SIAL Shanghai Food Expo during 2017/18. Much of the marketing program involves collaborations with retail chains, butchers, independent supermarket owners, restaurants and chefs.

APL is an active contributor to the Council of Rural Research & Developments Corporations (CRRDC) and in fact hosted the office of CRRDC until October 2017. APL continues to provide corporate services to CRRDC.

In addition to the NPIRDEF Strategy for Pork, APL is active in the cross-sectoral animal biosecurity and welfare strategies and leads the latter on behalf of the partners. APL's collaborative RD&E has also included:

- # Climate Change Research Strategy for Primary Industries, a collaboration between the RDCs, Commonwealth Scientific and Industrial Research Organisation (CSIRO), state and territory governments and DAWR;
- # Feed Grain Partnership, a collaboration between APL, Australian Egg Corporation Limited, Meat & Livestock Australia (MLA), Grains Research & Development Company, Pork CRC, Dairy Australia, AgriFutures Australia and the Stock Feed Manufacturers' Council of Australia; and
- # Eleven RR&D4P projects, including as lead agency on 'Waste to revenue: novel fertilisers and feeds', 'Enhancing supply chain profitability through reporting and utilisation of peri-mortem information by livestock producers', and 'High throughput technology for defining [antimicrobial resistance] AMR status of pork and chicken meat enterprises leading to a competitive advantage in the global market place'.

APL is also active in many semi-government bodies such as Animal Health Australia and SAFEMEAT.

Each of the annual reports outline APL's participation in these joint initiatives. Projects jointly funded within the newer cross-sectoral RR&D4P Program, introduced in 2016-17, are also featured in the Annual Report 2017-18. Not all of the named collaborative initiatives set out above are listed in the AOPs. Some are possibly bulked under subject matter headings for ease of alignment with the higher level Rural R,D&E Priorities against which the APL investment portfolio is compared in the annual reports.

6.6 INTELLECTUAL PROPERTY MANAGEMENT

APL has a comprehensive IP Management Plan, most recently reviewed and updated in January 2019. The plan states that '*APL will undertake IP management to generate maximum benefit to the Australian pork industry through commercialisation or dissemination of the IP*'. It recognises that '*the most appropriate and sustainable way to deliver new products or services to industry is usually via a commercial partner*' and stipulates that a commercial partner will be identified as early as possible in the project procurement process. There are the normal provisions in relation to the control and valuation of background and project IP in respect to co-investors.

APL's R&D application form and standard agreement address the matters of IP and the most likely route to market. The principal investigator of a project is obliged to inform APL of any project IP arising that has commercialisation potential and an APL R&D manager must approve any release of information relating to project IP.

The GM R&I is responsible for APL's IP register in consultation with the CEO. The IP management plan and register are reviewed annually by the Audit Committee and an annual active IP register report is provided to the Board.

6.7 MONITORING AND EVALUATION

Under clause 12.5 of the funding agreement, APL must develop an evaluation framework, which must:

- (a) *support and complement the program framework;*

(b) ensure that key performance related information is generated by the program framework and is routinely collected and monitored;

(c) include a structured plan for the systematic evaluation of the efficiency, effectiveness and impact of APL's key investments; and

(d) include a means of publishing and disseminating relevant research and development outcomes and outcomes of evaluations undertaken under subclause 12.5(c).

The evaluation framework is also required to be published on the APL website within 30 days of adoption by APL.

We understand that APL was not initially required to develop an evaluation framework because the 2015-2020 strategic plan was already in place when the funding agreement was signed (see section 6.3). However, the publication of the amended strategic plan triggered the requirement for an evaluation framework, and it was included in the amended plan.

In summary, the evaluation framework states that APL will:

- ⊕ Evaluate possible projects to be funded (that is, *ex-ante* evaluation) – including alignment with strategic plan and AOP, governance framework, corporate social responsibility policies and government priorities; likely triple-bottom-line impacts; value for money (*ex-ante* BCA) and program budget; pathways to adoption and commercialisation; and risks.
- ⊕ Evaluate projects through the life of the program – through milestone reports, and measurement of progress against program KRAs and KPIs.
- ⊕ Evaluate projects at the end of the life of the program (that is, *ex-post* evaluation) – through independent reviews including industry economic impact reports (whole-of-industry), *ex-post* economic analyses (programs and projects) and *ex-post* BCAs (projects).

The evaluation framework is a reasonable, basic document, but could be improved. For example, it could include:

- ⊕ A logic for each program, that is, a defensible sequence from 'inputs' to 'impacts' and performance measures with targets at different steps;
- ⊕ Definitions of the various stages in the logic (for example, 'outputs');
- ⊕ Any key assumptions; and
- ⊕ How, when and by whom evidence of performance against targets will be gathered and reported (for example, by surveys, use of publicly-available data).

Some of this information is available in the strategic plan and AOPs. There are several good examples of strong (monitoring and) evaluation frameworks among other RDCs including, for example, CRDC.

Any such evaluation framework should then be made available on the APL website.

Recommendation: APL should upgrade its evaluation framework, in association with the development of the next strategic plan, to provide more detailed information about how monitoring, evaluation and reporting will be conducted.

6.8 STRATEGIC REVIEWS

6.8.1 INNOVATION AND R&D REVIEW

In 2018, the Board commissioned an 'Innovation and R&D' review. The terms of reference of the review are:

To improve the outcomes of the pork industry innovation and R&D investments longer term by:

- ✦ *Mapping the present activity portfolio against the strategy*
- ✦ *Appraising the ongoing effectiveness of the traditional 'call, commission, commercialise' R&D processes*
- ✦ *Assessing the changing innovation needs of the industry for the next decade*
- ✦ *Investigating opportunities of more and improved overseas R&D collaborations*
- ✦ *Reviewing newer innovation pathways being used, through developing 'Agtech' industry including accelerators and incubators, newer sources of venture funding and novel commercialisation models*
- ✦ *Considering the mix of commercial risk, technical risk and quantum leap progression opportunities within the innovation activity portfolio, including the horizon mix*
- ✦ *Evaluating opportunities to improve the leveraging of APL R&D investments*
- ✦ *Recommending, if necessary, a renewed innovation and R&D Strategy, including addressing relevant cultural, structural and procedural issues*
- ✦ *Reporting to the APL Board*

The review is being overseen by a specially-convened committee comprising the Chair of RDAC, the CEO and GM R&I, APRIL CEO and Chief Scientist, industry members and consultants from two R&D advisory firms. One of the latter is managing the project. Findings from the review were not available at the time of preparing this report.

APL's desire to find markedly 'new ways' to conduct R&D is shared by a number of RDCs currently. AgriFutures Australia, Fisheries Research & Development Corporation and CRDC are examples. The review is a very good initiative and will assist APL to adapt to future changes in the RDC model.

6.8.2 MARKETING REVIEW

In 2018, the Board also commissioned a 'Marketing maturity and effectiveness assessment' by KPMG. The report of the review was delivered in August 2018. It made 14 recommendations to improve management of the value chain, marketing delivery and assessment of marketing delivery.

The findings of the review are a matter for review by the Marketing Committee and the Board rather than this review, but one particular finding is noteworthy:

'There is a lack of transparency into APL's marketing, insights and analysis operations from a producer's point of view. The infrequent, inconsistent and often one-way communication from APL has a direct impact on the APL-producer relationship from a trust and integrity standpoint' (p. 104).

The KPMG review was being considered by the Board as this performance review was being undertaken. The fact that this review (as well as the Innovation and R&D review) has been undertaken indicates a healthy willingness of the Board to critically evaluate and reinvigorate APL's approach.

6.9 EFFICIENCY

The previous performance review of APL (2014) noted that 'While APL's corporate expenditures are not seen to be excessive or out-of-step with industry practice, it is important for APL to maintain its focus on controlling corporate costs' (p. 62) and made a recommendation that APL 'Explore new initiatives aimed at further improving operational efficiency'.

APL monitors the change in its corporate costs as an organisational KPI. Results over the review period are shown in Table 7.

Table 7: APL corporate costs over the review period

	2014/15	2015/16	2016/17	2017/18
Overhead as % of total expenditure	34.32%	29.38%	28.41%	31.77%
Actual % increase in corporate costs (KPI)		-3.13%	7.90%	5.53%*
Target (KPI)		0.52%	1.43%	1.58%*

Source: Annual reports and internal APL financials

* Annual report figures for 2017/18 are incorrect

In 2016/17, the annual report notes that the high result for the KPI (compared to the target) is explained by a particularly low value the previous year due to vacant employee positions. In both 2016/17 and 2017/18, corporate costs fell within budget in absolute dollar terms despite the KPI for cost growth not being met³¹.

As Table 7 shows, corporate costs have remained at around the same proportion of total expenditure over the review period after a significant drop in in 2015/16. This review saw evidence that APL has striven over the period to reduce its costs, through initiatives such as:

- ⊕ Achievement of payroll tax exemption tax in all jurisdictions except Western Australia and the Australian Capital Territory;
- ⊕ Negotiation of a reduction in rent for the Canberra office lease resulting in savings of \$173,250 rent over five years and avoiding the requirement to make good the premises at the end of the lease term, an estimated further saving of \$100,000; and

³¹ APL financial figures, as supplied

- ⊕ Re-negotiation of mobile telecoms with twice as much mobile internet access as the previous plan and an annual savings of \$8,000.

7. LIAISON WITH STAKEHOLDERS

7.1 LIAISON WITH LEVY-PAYERS AND THE INDUSTRY

7.1.1 GENERAL LEVY-PAYER COMMUNICATIONS

Like all RDCs, APL employs a wide range of mechanisms to communicate with its stakeholders:

- ✦ The APL website³², a rich source of information including but not restricted to reports, plans, newsletters, surveys, marketing overviews and education resources. APL also hosts a community-facing website, 'Aussie pig farmers'³³, which carries extensive information on (among other things) how pork is grown and processed in Australia, industry integrity systems and how to buy and cook pork.
- ✦ The strategic plan, AOP and annual reports, all available on the website as required under the funding agreement.
- ✦ The 'Year in Review', produced in each the last two financial years.
- ✦ Research reports and 'R&D Snapshots', one-page summaries of significant projects including 'take-home messages' for producers.
- ✦ A range of newsletters and other publications. The main one is the monthly 'APL Update', which was first produced in February 2018 following a review of publications and communication channels by APL including a survey of members and non-members. 'APL Update' contains a mix of industry news, R&D and technical tips, staff profiles, policy and marketing stories, in a light and easy-to-read format. 'APL Update' replaced 'Pork it Up'. The new publication was evaluated through an online survey in July 2018. The feedback suggested that 'APL Update' was quite well received (albeit from a small number of respondents).
- ✦ 'Pigs to Pork', a quarterly six-page publication sent to every pork producer and available on the website, outlining major R&D outcomes arising from APL's investment portfolio. 'Pigs to Pork' is a relatively recent publication, the first edition being produced in summer 2016/17. It contains a mix of R&D-related industry news (for example, conference highlights, researcher profiles) and project updates.
- ✦ 'Pigs N' Mud', a quarterly 8-12-page publication designed particularly for the outdoor and small producer. Pigs N' Mud contains stories on industry news, R&D, policy, marketing and even recipes.
- ✦ 'Eyes & Ears', a weekly newsletter with information on farm gate pig prices and pork wholesale prices.
- ✦ 'Import, Export & Domestic Production Report', a monthly publication that provides a comprehensive overview of the country of origin for pork imports, major export destinations for farmed Australian pork and offal and Australian slaughter and production trends.

³² <http://australianpork.com.au/>

³³ <https://aussiepigfarmers.com.au/>

- # Fact Sheets which are prepared on an as-needed basis.
- # Social media formats including Facebook, Twitter and LinkedIn.

In addition, APL runs the Pan Pacific Pork Expo (PPPE), a bi-annual two-day conference and trade event on the Gold Coast that attracts around 500 participants, including pork producers, processors, retail and service food industries, researchers, educators, government officials and other stakeholders. The PPPE Committee provides some financial support for travel and accommodation costs of APL producer members to attend the PPPE³⁴.

APL undertakes some evaluation of its communications through its annual survey, which collects data through self-completed online and paper forms. In 2018, APL commissioned a computer-assisted telephone interview survey by an external provider. This 2018 'Monitoring and evaluation survey', designed to understand on-farm awareness and adoption of APL's R&D projects, showed that APL's website and publications were by far the most commonly nominated source of technical information for producers, accessed by 76 per cent of all respondents and 86 per cent of extra-large producers. There was 65 per cent awareness of 'Pigs to Pork' and it was read thoroughly, scanned or provided to staff by 58 per cent of respondents.

Some stakeholders interviewed for this review suggested that, as many producers now use external consultants (particularly vets and nutritionists), more information should be targeted at a higher level. There were also some observations from outdoor producers that the information generated by APL was very 'indoor' focussed.

7.1.2 DELEGATES

As discussed in section 4.4, a feature of APL's governance is the Delegate structure. The Delegate structure allows APL to engage in an in-depth, two-way discussion with its member base. Delegate forums are held twice per year in May and November, the latter timed to coincide with the APL annual general meeting and conference.

The forums are generally well regarded by Delegates. There was some feedback to the review to the effect that:

- # The forums could have more time allocated to strategic initiatives and planning and less emphasis on reporting from APL executives and management. This is a common observation with this type of forum among RDCs and likely reflects the difficulty for the RDC in ensuring that participants are adequately briefed before their input is sought, all within a timeframe that is inevitably constrained. Undoubtedly, too, individual Delegates will vary in their preferred balance between 'listening' and 'telling'.
- # There is wide variation in how actively individual Delegates act as a conduit between APL and members, conveying information obtained at Delegate meetings to members and putting forward views and opinions from the membership base. Again, this is unsurprising.
- # Independent facilitation of at least some part of the meetings would be beneficial.

³⁴ <http://pppe.com.au/>

APL may need to consider surveying the Delegates to gauge the strength of the above observations, and to identify any other improvements that might be made to the Delegate structure generally.

APL might also consider developing a more expansive ‘terms of reference for Delegates’ or ‘guide to being an effective Delegate’ document or something similar. There is a ‘Consent to act as a Delegate’ document that must be signed by each Delegate, and it provides a relatively brief description of the rights and role of the position, but it does little more than reiterate the relevant provisions of the APL Constitution.

7.2 LIAISON WITH RD&E PROVIDERS

Research providers including universities and research organisations seeking either to apply for R,D&E funding, or for guidance on the preparation and submission of progress reports for their funded projects, are directed to the Industry Focus tab on the APL website where the Research drop-down box sets out the R&D process and the funding opportunities available on an annual basis.

R&I managers are in regular contact with research providers to discuss project progress and new ideas, and to seek technical information and input to assist with informing responses to varied industry stakeholders. APL is the principal sponsor of the biennial Australasian Pig Science Association conference where outcomes from industry-funded R&D are provided to an audience in excess of 250 local and international Delegates.

7.3 LIAISON WITH GOVERNMENT

Under clause 16.1 of the funding agreement, the APL Chair or a nominee must meet with the Commonwealth on a six-monthly basis to provide a briefing about APL’s performance as the services body representing the Australian pig industry. Briefings are to cover:

- ⊕ Progress on the implementation of the Strategic Plan and AOP including APL’s financial position;
- ⊕ Progress on the implementation of the relevant NPIRDEF strategies;
- ⊕ Consultation with other RDCs and industry representative bodies;
- ⊕ Measures to enhance corporate governance;
- ⊕ Progress in developing and implementing the evaluation framework;
- ⊕ Progress with the implementation of recommendations arising from the previous performance review; and
- ⊕ The development and implementation of additional systems, processes and controls required to meet the requirements of the funding agreement.

These meetings have taken place and the specified topics discussed. Additional meetings are held on an *ad hoc* basis at various levels (Minister / Chair and CEO, Secretary / CEO and so on).

In addition, APL interacts with a number of areas of government in its role in strategic policy development – for example, on matters such as biosecurity, antimicrobial resistance and animal welfare. This takes place primarily through the Policy division.

DAWR reports that APL works positively and collaboratively with government, and that the Chair and CEO have worked hard to ensure that the status of APL as an industry representative body has not negatively affected the relationship.

8. DELIVERY OF BENEFITS

8.1 INTRODUCTION

APL faces the same challenge as other Australian RDCs in demonstrating its value and benefits to stakeholders and to the industry it serves. It does not have a 'bottom-line' to report, such as profit or dividends. It does not have a share price which can be used as a proxy for value. Furthermore, for RDCs, value and impact go beyond economic benefits and include impacts which cannot have a dollar estimate attached, notably environmental and social impacts and benefits.

The challenge is more complicated for APL than for rural RDCs that are only focused on RD&E, as it conducts RD&E, marketing and policy projects and activities. To establish value to its stakeholders (government, pork producers and others in the Australian pork industry, and the Australian public), APL relies on both quantitative economic measures and qualitative measures. APL has economic measures which are well-established for on-farm RD&E projects and investments but are less well defined for its investment in marketing activities and for its policy activities.

As part of its funding agreement with the Commonwealth Government, APL is required to prepare and maintain an evaluation framework which is in line with its program framework. The evaluation framework is included in the APL Strategic Plan 2015-2020. As noted in section 6.7 above, the framework includes evaluation of possible R&D projects (that is, *ex-ante* evaluation) and evaluation of selected projects at the end of each program (that is, *ex-post*). This *ex-post* evaluation includes the preparation of independent impact assessments. These provide input to APL's tracking of project performance and informing investment decisions; its annual reporting to the Australian Government; reporting to industry stakeholders; and contribution to the performance assessment of RDCs compiled by the CRRDC. APL does not have BCAs prepared for its marketing or policy programs and activities. It does, however, assess its marketing activities through a purpose-built independent econometric model.

8.2 MEASUREMENT METHODOLOGY FOR RD&E

APL conducted a review of its evaluation of RD&E investments in 2016. Following that review, APL decided to revamp its *ex post* evaluation methods to complement its well-established *ex ante* methodology.

8.2.1 EX-ANTE EVALUATION METHODOLOGY

As noted in section 6.1.1, *ex-ante* BCAs are prepared routinely for RD&E projects under consideration for funding by APL's R&I Division and are combined with other information for decisions on funding of projects. The results from these *ex ante* BCAs are part of the established project evaluation system which involves Specialist Groups, RDAC and the Board. To prepare these *ex-ante* BCAs, APL staff use a standard Excel® spreadsheet BCA template that was prepared for APL by an independent economist. This is highly commendable. In the review team's experience, APL is one of the few RDCs that applies such a template when assessing projects for funding.

However, according to advice from APL and its staff, there are no instructions for using this Excel® spreadsheet template. The template is not particularly intuitive and relies on an experienced operator.

Otherwise, new staff learn as they go through trial and error. This is inefficient and may result in a lack of consistency in its application between programs. It may also influence the assumptions used in the operation of the model by each staff member.

Recommendation: APL should develop instructions and guidelines for the use of the *ex-ante* benefit-cost calculator used by APL staff, and ensure staff are fully trained to improve efficiency and ensure consistency in its use and application across programs.

8.2.2 EX-POST EVALUATION METHODOLOGY

The 2016 review of the evaluation of RD&E investments led to a new approach by APL towards *ex post* evaluations of completed projects. The review found that there was a concern about making better use of 'real industry data' and ensuring that the results from the *ex post* BCAs were relevant to industry stakeholders and APL³⁵.

In May 2017 APL contracted ACIL Allen Consulting for two years to prepare *ex-post* BCAs³⁶. APL viewed this as a pilot project. The terms of reference from APL³⁵ in contracting ACIL Allen Consulting for these analyses make it clear that APL required the BCAs to be conducted as per the CRRDC evaluation guidelines. Since being contracted, ACIL Allen Consulting has prepared BCAs for four RD&E programs delivered in two sets:

- ⊕ Delivered in December 2017; revised in December 2018
 - ◆ Gilt Enhancement (5 projects included in the BCA)
 - ◆ Physi-Trace (14 projects since 2010 included plus program funding in 2008 and 2009)
- ⊕ Delivered in October and November 2018; revised in December 2018
 - ◆ Nutrition (6 projects included)
 - ◆ Biosecurity & exotic diseases (10 projects included).

The methodology applied in the revised reports on the *ex post* BCAs mostly follows the guidelines set down by the CRRDC³⁷ for conducting impact assessments, but there are some differences, as noted below. Whilst the methodology for each of the BCAs was broadly similar, there were differences in approach between program assessments. In part this was due to the nature of each program (for example, less detail is given for

³⁵ APL 2017, Terms of reference for contract for the BCA evaluation of Australia Pork Limited's R&D investments (confidential)

³⁶ Annual Report 2016-17, p. 57

³⁷ CRRDC 2014, Impact Assessment Guidelines, p. 24

most projects in the Physi-Trace program). The key elements in the methodology used to assess the impacts for each program are set out below:

- ⊕ Qualitative description of the projects in each program, including background, aims, method and findings. All R&D projects under each program are aggregated for assessment. While the CRRDC guidelines recommend the random selection of projects for assessment, APL's approach is reasonable and is used by some other RDCs. For example, CRDC adopts a similar cluster (program) approach.
- ⊕ Assessment of the potential benefits to producers and the industry from the projects in each program. The approach to estimating the potential benefits varies from program to program.
- ⊕ Calculation of the investment in the projects funded under each program. In some cases, this includes the investment by all parties into the program, while in others it covers just the contribution by APL. The assessments for some programs also include the estimate of the costs incurred by producers to adopt the research results. The CRRDC guidelines recommend that all costs, including those by the RDC and other researchers, plus extension and adoption costs be included.
- ⊕ A statement of the counter-factual (that is, what would otherwise have happened without the APL-funded R&D), as recommended by the CRRDC guidelines.
- ⊕ Preparing the economic analysis of the impacts, including sensitivity analysis of the results to key assumptions. For some programs, the results include the net present value (NPV), the benefit-cost ratio (BCR) and the internal rate of return (IRR) arising from each program. For others, the report includes just the NPV and a BCR or just an annual BCR. The CRRDC guidelines recommend that NPV, BCR, IRR and modified internal rate of return (MIRR) be calculated and reported. The time periods assessed vary between programs from annual, to 5 and 10 years, to 5, 10, 20 and 30 years. The CRRDC guidelines recommend that periods of 5, 10, 20 and 30 years after investment be used.
- ⊕ A broad statement of the triple-bottom line impacts (economic, social and environmental) for each program. The CRRDC guidelines recommend that the assessments should as a minimum *'...provide a comprehensive descriptive evaluation of non-market outcomes that have been observed or are expected to result from the investment. This narrative should be no less systematic than the analysis of the market outcomes and should follow a similar process'*.³⁸

There are other divergences from the CRRDC guidelines in addition to those noted above. This will make it difficult to incorporate the results from APL's assessments with those of other RDCs in any cross-RDC comparison. We understand that the provider has been requested to make further changes to the analyses to address some of these divergences from the CRRDC guidelines and that these are underway.

³⁸ CRRDC 2014, Impact Assessment Guidelines, p. 55

APL does not conduct independent *ex-post* impact assessments or BCAs of R&D projects which are conducted by the Marketing Division. Such R&D programs include the Eating Pork program and the Market Insights program.

APL also does not conduct independent *ex post* impact assessments or benefit-cost analyses of its marketing program or of its strategic policy investments. It uses a variety of measures to judge success of its marketing-related activities, both for internal performance monitoring and external monitoring and reporting. These include advertising recognition and recall, consumer and user sentiment about pork, and consumer and user perceptions and attitudes about pork (both in terms of quality/taste and societal concerns). APL also uses KPIs which explicitly address the purpose of marketing programs which is to increase demand which lifts prices paid to producers. These KPIs include:

- ⊕ Higher pig prices (with an explicit target each year – this target has been removed in the amended 2015-2020 Strategic Plan, but remains a target in the 2018-19 AOP);
- ⊕ Increased fresh pork per capita consumption (with an explicit target);
- ⊕ Increased share of Australian pork in the Australian processed pork sector (explicit target share);
- ⊕ Increased export volumes of Australian pork (explicit target export value); and
- ⊕ Consumer perceptions and attitude to Australian pork in terms of taste and advertising recognition, among other things.

All of these KPIs are useful, laudable and to be encouraged. Note that APL needs to take care with the economic interactions of supply and demand and the effect these can have on KPI targets and APL's activities. For example, an increase in Australian production which causes prices to fall (as has happened in the past three years) will help boost per capita consumption of fresh pork in Australia (as has happened). This works against the KPI of achieving higher pig prices but contributes to the KPI on per capita consumption.

Such interactions could be assessed through a structured impact assessment approach, which would also address the question of attribution: to what extent have APL's marketing efforts contributed to a lift in average prices or ameliorated a potential decline in prices? Assumptions can be made as to the contribution by APL's marketing programs and analyses conducted to test the sensitivity of the net benefits to these assumptions. It would not be a simple task, but there are experienced economists and analysts who have prepared such assessments for the pig industry in Australia and for other industries. For example, Drs Stuart Mounter and Gary Griffith at the University of New England have conducted such economic research for the pig industry and for the sheep and wool industry³⁹. Furthermore, APL already has a contracted independent economist who has developed an econometric model which explains, for example, the contribution of APL's marketing to the volume of demand for fresh pork in Australia. The review team also understands that APL is planning to conduct an independent review of the relationship of its marketing activities on pig prices.⁴⁰

³⁹ Stuart Mounter, Gary Griffith and Roly Piggott 2005, The payoff from generic advertising by the Australian pig industry in the presence of trade, Australasian Agribusiness Review, Vol 13

⁴⁰ Peter Haydon, APL, personal communication

In addition, APL has some internally-used measures of the return on investment (ROI) for advertising, which includes a measure of the 'producer revenue ROI'. This draws on measures of advertising. The results show a positive return on the investment in advertising. The review team has been provided with a chart from APL that summarises the results, but it has not seen the detail for the methodology so cannot make comment on this measure. The measure is not reported publicly in the APL's annual reports or in the 'Year in Review' documents.

8.3 DEMONSTRATED BENEFITS

As noted in the previous section, in December 2018 ACIL Allen Consulting provided reports on the revised BCAs conducted over the previous 18 months. These reports provided details of the assessments for each program.

The projects in the four programs assessed by ACIL Allen Consulting accounted for a total of \$2.74 million of APL's investment in R&D projects. This cost was incurred over several years. Table 8 shows the results from the impact assessments of the four programs. Note that the project costs are adjusted to 2017/18 dollars.

Table 8: Summary of ex-post evaluations of APL programs assessed between July 2017 and December 2018

ECONOMIC MEASURE	INVESTMENT PROGRAM			
	Gilt Enhancement (5 projects)	Physi-Trace (14 projects)	Biosecurity (6 project)	Nutrition (10 projects)
Present value of benefits (\$m)	\$20.0	\$143.9	\$0.46	\$53.6
Present value of costs (\$m)	\$2.5	\$10.3	\$0.16	\$115.4
Net present value (\$m)	\$17.6	\$133.6	\$0.3	-\$61.8
Benefit cost ratio	8.14	13.97	2.8	0.46
Internal rate of return (%)	36.7%	29.1%	NR	NR

Notes:

Benefits attributable to the APL R&D program (i.e. excludes the benefits attributed to others such as the Pork CRC). All PV and NPV amounts are in 2017/18 \$, discounted at 5%.

For the Gilt Enhancement Program and the Physi-Trace Program, the analysis is over 10 years.

For the Biosecurity Program, the analysis is for one year. NPV is a derived figure from the report.

For the Nutrition Program, the analysis is over 10 years.

NR = Not reported

Sources: ACIL Allen (December 2018), APL Gilt Enhancement and Physi-Trace R&D Programs. ACIL Allen (December 2018), APL Nutrition and Biosecurity R&D Programs

As Table 8 shows, three of the programs recorded positive NPVs and BCRs of well in excess of 1.

- # Over a 10-year period, the Gilt Enhancement program recorded an NPV of \$17.6 million, with a BCR of 8.14 and an IRR of 36.7 per cent. This is a strongly positive result.
- # The Physi-Trace program recorded an even stronger result over 10 years, with an NPV of \$133.6 million, a BCR of just under 14 and an IRR of 29.1 per cent. It should be noted that one of the scenarios under the Physi-Trace Program is securing exports and lifting pork offal exports to China. Australia does not have an export protocol for pork meat to China. The assessment does not specify the contribution made by Physi-Trace to an agreement on an export protocol between the two countries. In fact, the benefits from this scenario are due at least in part to securing an export protocol and so the analysis overstates the benefits from Physi-Trace.
- # The assessment of the Biosecurity program shows an annual NPV of \$0.3 million, with an annual BCR of 2.8. The assessment does not consider the long-term benefits, just the annual benefit.

In contrast to these positive results, the Nutrition program recorded a negative NPV of -\$61.8 million over 10 years with a BCR of 0.46.

It is not possible to provide an aggregate result across the four programs because of the differences in methodologies and timeframe used between the program assessments. This would be rectified in future by following the CRRDC guidelines to ensure consistency between assessments.

The reports do not make any comment about the distribution of the benefits between regions in Australia, between piggeries of different sizes, between different production system or along the supply chain to the consumer. The assessment of such distribution is restricted because of the methodology used. It is not specific to APL, but affects assessments done by all RDCs which follow the CRRDC methodology. Qualitative comments about the possible distribution based on known supply and demand elasticities could be made, and this has been done in impact assessments done for other RDCs.

As discussed in more detail below in section 8.4, because the Australian fresh pork market is essentially a closed market (that is, domestic demand for fresh pork is serviced entirely by domestic production), an increase in fresh pork production in Australia due to improved productivity arising from on-farm R&D will tend to depress domestic prices, all other things being equal. This applies equally to on-farm R&D that reduces the cost of production for Australian pork producers.

Despite this economic fact, the reports and assessments from ACIL Allen on the Gilt Enhancement program and on the Nutrition program make no mention of the possible price impact on the Australian pork market caused by adoption of these productivity-improving R&D projects. The methodology to assess the potential impact of productivity-improving RD&E on prices is well established for agricultural industries. This potential effect of productivity improvements on pork prices is an important factor which should be considered in the BCA assessments.

Recommendation: APL should conduct full-scale impact assessments of selected RD&E programs each year that are consistent with the CRRDC guidelines and ensure that the contracted independent economic consultant follows the CRRDC guidelines or report on what deviations were taken and the reasoning. These impact assessments should take account of and comment on the potential impact of productivity-improving RD&E on supply of fresh pork and on pork prices in Australia and should include commentary on the likely distribution of benefits from the project clusters between regions and/or sectors of the Australian pig industry.

8.4 ADDRESSING THE INDUSTRY'S CYCLICAL MARKET DYNAMICS

The Australian fresh pork market is a closed economy given that imports of fresh pork are not permitted due to quarantine and biosecurity reasons. Domestic consumption of fresh pork (as opposed to processed pork such as bacon, ham and smallgoods) is entirely supplied by domestic production. This means that, other things being equal, an increase in fresh pork production in Australia due to improved productivity arising from, for example, on-farm R&D will depress domestic prices unless demand is consequently increased. This applies equally to on-farm R&D that reduces the cost of production for Australian pork producers. That is, on-farm R&D shifts the supply curve, ultimately leading to a lift in supply and, assuming the demand curve remains unchanged, lowering the price.

On the other hand, expenditure related to marketing aims to increase the demand for pork within Australia above what would otherwise have been the case. This includes both direct spending on advertising and communication programs that aim to support and increase consumer confidence in Australian pork or spending on RD&E which aims to improve eating quality. That is, marketing expenditure aims to shift the demand curve, leading to a lift in demand and, assuming the supply curve remains unchanged, lifting the price. This is the economic rationale for APL's activities.

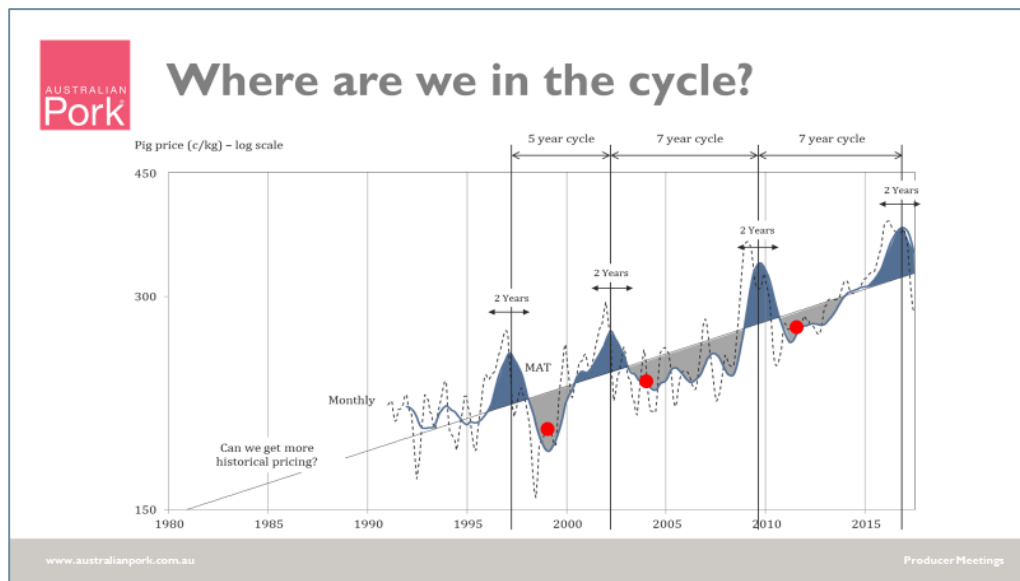
In addition to the influence of RD&E and marketing on the Australian domestic market for fresh pork, the Australian pig industry, like its industry counterparts around the world, is subject to what is known as the pig (or hog) cycle. This is well-known in agricultural economics literature, after first being observed in the United States and Europe in the 1920s.

In essence, this cycle in production and prices arises from a free market feedback loop (also known as the cobweb model⁴¹) and applies to many markets. If demand exceeds supply (say, due to a change in consumer taste or due to advertising), the price rises. This price rise encourages producers to lift production. As there is a lag between the decision to increase production and the actual increase in production (as it takes time to produce and retain more gilts and sows to be mated to produce more litters), production rises sometime after the increase in prices. The added supply of pork to the market from this production increase causes prices to slide to allow supply and demand to equalise. The now lower pig prices cause (some) producers to reduce their production (which may result in a short-term lift in production, further depressing prices). Often this reduction in production by producers 'overshoots', meaning that production falls below demand, and prices rise more than would have been the case. And so, the cycle starts again. As can be seen from this simplified description, the cycle is on both prices and supply⁴².

⁴¹ Nicholas Kaldor 1934, 'A classificatory note on the determination of equilibrium', *Review of Economic Studies*, Vol 1, pp. 122-36

⁴² A current-day description and assessment is available from Sebastien Stepien and Jan Polcyn 2016, 'The phenomenon of cyclical fluctuations in the pork market – global perspective', *Management*, Vol 20, No.1.

Figure 6 shows the price aspect of the pig cycle in Australia. Note that this pig price cycle is separate from the seasonal pattern seen in many years, where prices tend to be at an annual low around the middle of a year⁴³, but then swing up to reach a peak heading into Christmas (the peak demand period). APL recognises the existence of this pig cycle in Australia, reporting in its Annual Report 2017-18 that *'it tends to have a period of five to seven years with a peak lasting two years and a 34 to 76-month recovery period back above trend'*⁴⁴. An article by the APL CEO in the Australian Pork Newsletter in August 2018⁴⁵ provides more details about the pig cycle, accounting for demand, prices and production. It also attributes part of the increase in production to increased productivity per sow.



Source: Peter Haydon, APL, personal communication, September 2018

Figure 6: The Australian pig price cycle

The question in the review terms of reference is, how has APL responded to the pig cycle, allowed for it in its strategic planning, and in its short- and long-term operational spending?

There is no mention of the pig cycle (either for prices or for supply) in the amended Strategic Plan 2015-2020 which was released in July 2018. In the AOP 2017-18 there is a description in the 'Competitive environment' section (p. 1) outlining the trends in prices and supply, noting that there is a paragraph which says *'Pig producers would not complain if price patterns returned to those previously seen when we would have a dip in*

⁴³ This seasonal pattern virtually disappeared between 2012 and 2015, although it appears to have returned

⁴⁴ Annual Report 2017-18, p. 24

⁴⁵ Andrew Spencer (APL CEO) 2018, 'What do the statistics tell us?'. Australian Pork Newspaper, August

*the middle of the year and improvements in the latter part of the year moving towards Christmas. This would mean that our prices should start to improve in the next four months or so but most commentator opinions are around a longer cycle of poor prices before improvements are seen.*⁴⁶ There is no specific acknowledgement of the pig cycle and its influence on prices in Australia. Despite the Annual Report 2017-18 noting the existence of the pig cycle, the amended Strategic Plan 2018-19 does not appear to have explicitly accounted for the pig cycle. The 2018-19 AOP also does not refer to the pig cycle.

APL has, however, responded to the decline in prices since December 2016 and the downturn in the industry. In particular, APL has increased its focus on marketing. Part of this focus has been a change in the mix of advertising expenditure between short term, tactical advertising and long-term strategic advertising. Between 2012-13 and 2015-16, short-term advertising spend was between three and 11 per cent of the total. Long-term advertising spend was between 89 and 97 per cent. In 2016-17, short-term advertising expenditure had increased to 26 per cent. By 2017-18, short-term advertising expenditure was 36 per cent of the total⁴⁷. Examples of this increased spend on short-term advertising were new brand advertisements, tactical advertising around Chinese New Year, a change in media agency and a media trial of increased advertising in Western Australia.

In addition to this change in the mix of advertising expenditure, the 2018-19 AOP⁴⁸, the CEO's message said that greater emphasis has been given to:

- ⊕ Demand creation to counter the increased production levels;
- ⊕ Continued focus on export market development into Asia; and
- ⊕ A '*quantum leap or disruptive approach*' to reduce the high pork cost of production in Australia.

While not specifically mentioning the pig cycle, this statement indicates a willingness to address the consequences of the pig cycle.

Recommendation: APL should prepare strategic and operating plans that explicitly and transparently address how APL's strategies and activities take into account the pig cycle.

The Australian pig industry is an ideal candidate for the development of a partial equilibrium economic model of the supply and demand of the industry⁴⁹. Such a model could be used to guide the development of a long-term strategic plan for the industry, handle the issue of the pig cycle and improve the measurement of the

⁴⁶ AOP 2017/18

⁴⁷ Peter Haydon, APL, personal communication

⁴⁸ AOP 2018/19

⁴⁹ A partial equilibrium economic model is a model of the supply and demand of just one industry (such as the pig industry) which assumes that the prices of all substitutes and complements for that industry's products (such as the price of beef, lamb and chicken) as well as consumer income levels are taken as given. This is different to a general equilibrium model which assesses the economy as a whole

impact of APL's RD&E and marketing programs and activities. For example, such a model has been constructed for the Australian dairy industry, which is considerably more complicated given its significant exposure to the global dairy market. There may be other models available which could be adapted for this purpose. APL is well placed to oversee the development or adaptation of such a model, given its unique position of being a marketing, R&D and policy organisation that is also a representative body for Australian pig producers.

Recommendation: APL should consider contracting an experienced agricultural economist to construct a partial equilibrium economic model of the Australian pork industry. This model could be used as part of the development of an industry strategic plan to help guide the whole industry. It would also aid significantly the assessment of benefits flowing to the industry from APL's marketing and RD&E activities.

8.5 COMMUNICATING THE DEMONSTRATED BENEFITS

The results from the revised BCAs demonstrate that APL's RD&E activities are delivering value to the sector. This may not be evident to all stakeholders in the pork industry, particularly in the current industry environment where pig prices have dropped sharply and have been lower than the long-term average. The lack of recognition of the benefits and value from APL RD&E activities among participants in the Australian pig industry is in part due to a lack of understanding about the benefit-cost methodology leading to scepticism about the assumptions, results and the attribution to APL. This is always a challenge for RDCs, so a focus needs to be on clear communication of the methodology and the results.

APL prepared 'Year in Review' documents for 2016-17 and 2017-18 and these are available on the APL website. These four-page documents provide a succinct report on developments in the industry and results from each strategic priority for APL. This includes an overview of results from APL's marketing programs, such as consumer perceptions of pork, advertising recall and changes in domestic pork consumption. However, neither document includes the results from the benefit-cost analyses of RD&E projects prepared by ACIL Allen.

The Annual Report 2016-17 included a short paragraph on the *ex post* BCAs of two R&D programs conducted by ACIL Allen in 2017 and reported an aggregate BCR of 7.89. It made no mention of the programs for which the BCAs were prepared or any other results from the assessments. The Annual Report 2017-18 also included a short paragraph on the two R&D programs conducted in 2018. It reported the BCR of 0.46 for the Nutrition program and the BCR of 3.2 for the Biosecurity program.

None of the BCA assessment reports from ACIL Allen are available on the APL website.

APL could do more to communicate the results of the BCA assessments. Specifically, APL should consider developing and producing a short annual performance evaluation report which would include results (NPV, BCR and MIRR) from the impact assessments. APL could also add more detail from the impact assessments to the content in the annual reports. This could include the aggregate economic benefits across the programs assessed, the program-by-program economic results and the non-measured, qualitative benefits (social and environmental) that could not be valued but will be detailed in the reports (if they follow the CRRDC guidelines). Case studies of specific analyses of programs could be included in the annual report to give greater depth.

This has been done by other RDCs. For example, Wine Australia and the Fisheries Research & Development Corporation both do this in their annual reports and other performance reporting documents.

While the detailed reports prepared by ACIL Allen Consulting will only find a very limited readership, there is minimal cost to including them on the APL website for anybody who would like to understand the details, including the assumptions used.

Recommendation: APL should consider including the annual impact assessment results in the annual report and in a short annual performance evaluation report. This reporting could include case studies or other mechanisms for making outcomes more relatable to the average levy payer.

Recommendation: APL should make all relevant documents including detailed impact assessments available on the APL website in a separate, clearly identified 'Performance Evaluation' section, in order to improve performance reporting.

As noted in section 8.3, APL communicates its achievements in marketing against its KPI targets in its annual report. It also reports on the key metrics in the 'Year in Review' documents, although these are not benchmarked against the target KPIs. APL makes both the annual report and the 'Year in Review' documents available on its website. In addition to this reporting, APL's senior managers provide details of the progress and activities in APL's marketing in presentations to the Delegate forums and other industry events for producers.

APL's marketing programs and activities have had success in delivering benefits to its levy-paying producers, based on the achievements against its KPIs. The targets for both the per capita consumption of fresh pork and pig prices are laudable. APL should take care in the level of attribution it can claim or be given by producers if the volume demand target and price target are exceeded or not met. This could be addressed through a structured impact assessment methodology.

Recommendation: In addition to reporting the benchmarked measures of its marketing and promotion activities against its target KPIs, APL could also investigate how measures of marketing and promotion activities can be incorporated into the structured impact assessment methodology used for RD&E projects for *ex-post* assessment.

8.6 LEVY-PAYER PERCEPTIONS OF VALUE

Whilst they do not provide a 'hard', objective measure of the benefits delivered by an RDC, stakeholder surveys can provide valuable insights into the perceptions of value delivered. Most of the RDCs commission regular stakeholder surveys to track stakeholder satisfaction and to gather feedback on matters such as the quality and type of engagement by the organisation, where and how respondents prefer to access information and so on. Examples are CRDC, Dairy Australia and Australian Wool Innovation.

APL has conducted surveys which assess producers’ attitudes to its communications and services, although none of the surveys address the specific question of the levy payer perception of value of APL. The surveys do provide information in addition to the interviews and the small survey conducted for this review.

APL conducted surveys of producers in 2015 and in 2017 which covered how producers were responding to a number of industry issues, including dry sow housing, farrowing housing, biosecurity, environmental issues and business operations. The surveys also included questions about APL communications.

Satisfaction ratings from the 2015 and 2017 surveys are summarised in Table 9. The ratings indicate a generally positive impression of APL’s communication and staff interactions with APL members. As there were changes to the way responses were collected between the 2015 and 2017 surveys, it is hard to assess whether there has been an improvement or deterioration in attitudes over the two years.

Table 9: Levy payer attitudes to APL’s communications – 2017 survey compared with 2015 survey results

ATTRIBUTE	2015	2017
Are you satisfied with the membership services offered to you by APL?	77.8% ¹	70.1% ²
Level of satisfaction with APL staff responsiveness	N/A	71.0% ³
Satisfaction with the frequency of APL communication	67.9% ¹	82.2% ⁴
Satisfaction with the quality or content of APL communication	70.5% ¹	41.8% to 58.3% ⁵

Source: APL Australian Industry Survey, 2015 and 2017

1 Proportion of very satisfied plus proportion satisfied.

3 % satisfied or directed to right person

5 % who responded “Yes” to satisfied with the content of various publications

2 Proportion answering ‘Yes’

4 % who responded ‘About right’

In addition to these biannual surveys, APL contracted Down to Earth Research to conduct a Monitoring & Evaluation Survey in September 2018. This survey aimed to assess whether APL’s products and services are meeting the needs of producers. The results showed that an average of 81 per cent of survey respondents accessed two or more of APL’s products and services, with a range of 93 per cent (extra-large producers) to 75 per cent (small operators). The survey also found that 64 per cent of all respondents had been influenced by APL services to either research further and/or plan or make operational changes. This measure ranged from 84 per cent for extra-large producers to 49 per cent for small operations.

While the two surveys that have been conducted by APL provide an indication that producers find value in the communication and services provided to producers by APL, they do not specifically address the question of the perception of the value of APL among Australian pig producers. Furthermore, there are no surveys of producers’ views about APL’s marketing and policy activities. Other RDCs include questions on the perceived value of their activities and services in the surveys they conduct.

Recommendation: APL should consider broadening its annual industry survey to collect more information on producer perceptions of its performance, comfort in paying the levy and satisfaction with expenditure on marketing compared with RD&E.

9. IMPLEMENTATION OF RECOMMENDATIONS OF 2014 PERFORMANCE REVIEW

A summary of APL’s implementation of the four recommendations of the 2014 performance review, conducted by ACIL Allen, is provided in Table 10.

Table 10: Implementation of 2014 performance review recommendations

RECOMMENDATION	IMPLEMENTATION
<p>1 Develop a “small producer-focused group” within or alongside the Delegate system.</p> <p>This recommendation aims to strengthen APL’s industry reach and accountability to all levy payers.</p>	<p>This recommendation has been implemented in spirit, if not precisely as formulated. Initiatives have been put in place to increase the presence of small producers at Delegate forums. Refer to section 4.4 for further information.</p>
<p>2 Ensure Key Performance Indicators (KPIs) drive the organisation but are meaningful measures of performance.</p> <p>This recommendation aims to enhance APL’s ability to track and demonstrate the organisation’s progress using relevant and defensible measures.</p>	<p>This recommendation has been implemented. APL’s framework of KRAs and KPIs provides a good means of differentiating industry and internal targets. Refer to section 5.3 for further information.</p>
<p>3 Develop an extension map for the pork industry.</p> <p>This recommendation aims to accelerate the rate at which producers can benefit from adoption of frameworks, practices and technologies.</p>	<p>This recommendation has not been fully implemented. APL has a number of initiatives by which to extend R&D outcomes but these are mainly concerned with awareness-raising and there is no overarching extension strategy. Refer to section 6.4 for further information.</p>
<p>4 Explore new initiatives aimed at further improving operational efficiency.</p> <p>This recommendation aims to maximise the level of resources available for future investment.</p>	<p>This recommendation has been implemented. The recommendation is a general one, concerned with the normal business improvement that any company should constantly strive for. Refer to section 6.9 for further information.</p>

10. CONCLUSIONS AND RECOMMENDATIONS

The review has found that, despite a challenging industry environment of subdued prices and higher input costs, APL has generally performed responsibly and solidly in its role as the pork industry’s service body. There is no evidence of APL having failed to fulfil, or being at risk of not fulfilling, all of the obligations required by its funding agreement with the Commonwealth or the Pig Industry Act. The Board has shown an appetite for innovation in APL’s R&D and marketing management. Planning and reporting are robust and feature well-considered performance metrics, and the company has achieved or partially achieved the majority of its targets over the period. The Delegate system is a strong mechanism for engagement with levy payers.

The review has identified several areas in which improvements might be made to APL’s performance. Thirteen draft recommendations are made. These are listed below, and each is rated either:

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

It is noteworthy that no recommendations are rated as ‘critical’.

RECOMMENDATION		PRIORITY
1	APL should consider creating a dedicated corporate communications division within its organisational structure, to ensure a more strategic and coordinated approach to APL’s engagement with growers and other stakeholders.	Important
2	APL should develop an extension strategy that clearly shows how it will maximise adoption by different segments of the producer base.	Important
3	APL should upgrade its evaluation framework, in association with the development of the next strategic plan, to provide more detailed information about how monitoring, evaluation and reporting will be conducted.	Important
4	APL should conduct full-scale impact assessments of selected RD&E programs each year that are consistent with the CRRDC guidelines and ensure that the contracted independent economic consultant follows the CRRDC guidelines or report on what deviations were taken and the reasoning. These impact assessments should take account of and comment on the potential impact of productivity-improving RD&E on supply of fresh pork and on pork prices in Australia and should include commentary on the likely distribution of benefits from the project clusters between regions and/or sectors of the Australian pig industry.	Important
5	APL should continue with the general format and structure of its strategic plan but consider making some enhancements as suggested by this review.	Better practice

RECOMMENDATION		PRIORITY
6	APL should consider publishing short summaries of its key documents – the strategic plan, annual operating plan and annual report – both as part of the respective documents and as standalone products, to enhance the company’s transparency in planning and reporting.	Better practice
7	APL should develop instructions and guidelines for the use of the <i>ex-ante</i> benefit-cost calculator used by APL staff, and ensure staff are fully trained to improve efficiency and ensure consistency in its use and application across programs.	Better practice
8	APL should prepare strategic and operating plans that explicitly and transparently address how APL’s strategies and activities take into account the pig cycle.	Better practice
9	APL should consider contracting an experienced agricultural economist to construct a partial equilibrium economic model of the Australian pork industry. This model could be used as part of the development of an industry strategic plan to help guide the whole industry. It would also aid significantly the assessment of benefits flowing to the industry from APL’s marketing and RD&E activities.	Better practice
10	APL should consider including the annual impact assessment results in the annual report and in a short annual performance evaluation report. This reporting could include case studies or other mechanisms for making outcomes more relatable to the average levy payer.	Better practice
11	APL should make all relevant documents including detailed impact assessments available on the APL website in a separate, clearly identified ‘Performance Evaluation’ section, in order to improve performance reporting.	Better practice
12	In addition to reporting the benchmarked measures of its marketing and promotion activities against its target KPIs, APL could also investigate how measures of marketing and promotion activities can be incorporated into the structured impact assessment methodology used for RD&E projects for <i>ex-post</i> assessment.	Better practice
13	APL should consider broadening its annual industry survey to collect more information on producer perceptions of its performance, comfort in paying the levy and satisfaction with expenditure on marketing compared with RD&E.	Better practice

APPENDIX 1: DOCUMENTS REVIEWED

ACTS AND FUNDING AGREEMENT

- ✦ *Primary Industries (Excise) Levies Act 1999*
- ✦ *Pig Industry Act 2001*
- ✦ *Corporations Act 2001*
- ✦ Funding Agreement 2015-19 between the Commonwealth of Australia and Australian Pork Limited

CORPORATE AND GOVERNANCE

- ✦ Constitution, November 2014
- ✦ Board Manual, November 2017
- ✦ Risk management and fraud control plan 2017
- ✦ Business continuity plan and disaster recovery procedures 2018
- ✦ Intellectual property management plan 2019
- ✦ Board performance review 2017 (Mary Corbett)
- ✦ Financial audit reports 2014 (Ernst & Young), 2015 (Ernst & Young), 2016 (RSM), 2017 (RSM)
- ✦ Internal audit: KPMG engagement letter January 2019, reports on cyber risks (Ernst & Young 2017), CRM implementation (Tridant 2018), PigPass (KPMG 2019)
- ✦ Independent performance review 2014 (ACIL Allen)
- ✦ Papers for Funding Agreement meetings with DAWR March 2017, October 2017, November 2018
- ✦ APL Delegate defined (consent form), 2016
- ✦ ASX Corporate Governance Principles and Recommendations, 3rd edition, 2014
- ✦ Organisational chart, June 2018
- ✦ Leadership effectiveness and team dynamics report (Tactical Edge Consulting), August 2018
- ✦ Staff survey management response 2018 action plan
- ✦ DRAFT Protocol for responding to people threatening suicide of self-harm – employees and contractors, July 2018

STRATEGIC AND OPERATIONAL PLANS, ANNUAL REPORTS

- ✦ APL Strategic Plan 2015–2020 (original and amended 2016-17)
- ✦ Australian Pork Industry National Primary Industries RD&E Strategy, 2009
- ✦ APL Annual Operating Plans 2015-16, 2016-17, 2017-18, 2018-19
- ✦ APL Annual Reports 2014-15, 2015-16, 2016-17, 2017-18
- ✦ APL Year in Review 2016-17, 2017-18

OPERATIONS

- # Differentiation strategy phase 2: implementation plan, proposal (Newgate), November 2014
- # International trade review, report annexes (ITS Global), 2018
- # Scope of KPMG marketing effectiveness report, undated
- # Marketing maturity & effectiveness assessment (KPMG), August 2018
- # Board paper: Initial management response to KPMG marketing review, September 2018
- # Innovation and R&D review terms of reference (PowerPoint®), undated
- # Specialist Groups business plans 2018/19
- # Call for tenders – 2018/19 RD&E program, April 2018
- # Contribution and management agreement – joint RRDC agreement in support of the CRRDC Secretariat 2013
- # Co-funding agreement between APL and Australasian Pork Research Institute Limited 2018
- # Agreement between APL and Seedwise Pty Ltd for consultancy services 2017
- # (Example) agreement with Australian Egg Corporation Ltd re Feed Grain Partnership 2018
- # Various Rural R&D for Profit program agreements, variations, letters of commitment
- # Project agreement between APL and National Meat Industry Training Advisory Council Limited – Development and implementation of an accredited training program in animal health data collection, 2018

EVALUATION AND CYCLICAL MARKET DYNAMICS

- # Stepien S and Polcyn J 2016, The phenomenon of cyclical fluctuations on the pork market – global perspective, Management, Vol. 20, No. 1
- # Kaldor N 1934, A classificatory note on the determination of equilibrium, Review of Economic Studies, Vol. 1
- # CRRDC 2014, Impact assessment guidelines, www.ruralrdc.com.au/impact-assessment-and-performance
- # CRRDC 2018, CRRDC impact assessment guidelines revision – April 2018, www.ruralrdc.com.au/wp-content/uploads/2018/08/180420-Revised-CRRDC-Impact-Assessment-Guidelines-Companion-Document.pdf
- # Ex-ante analysis template (Excel® spreadsheet)
- # Terms of reference for the BCA evaluation of APL's R&D investments, 2016
- # Impact assessment reports (various versions) on Nutrition, Gilt Enhancement, Physi-Trace and Biosecurity and exotic diseases programs (ACIL Allen):

COMMUNICATIONS

- # Eyes & Ears – weekly editions from 5/1/18 to 20/7/18

- # Import, Export & Domestic Production Report – monthly editions from July 2016 to April 2018
- # Pigs N' Mud – quarterly editions from summer 2016/17 to winter 2018
- # Pigs To Pork – quarterly editions from summer 2016/17 to winter 2018
- # Pork It Up – monthly editions from July 2014 to January 2018
- # APL Update – monthly editions from February – July 2018
- # Producer Notices on industry downturn and options available to producers
- # Australian Pork News – various articles
- # APL Update feedback to June 2018 (results of online survey)
- # NLIS pork business rules (PigPass) communication strategy (Sauce Communications), 2014
- # PigPass communication strategy (Sauce Communications), 2017
- # Briefing paper on industry downturn (talking points)

INDUSTRY SURVEYS AND STATISTICS

- # Economic contribution report: Pork industry in Australia 2015-16 (ACIL Allen), November 2017
- # NSW Department of Primary Industries 2015, NSW pork industry overview 2015
- # ABARES agricultural commodities report, September 2018
- # Livestock and poultry: world markets and trade (USDA Foreign Agricultural Service), 11 October 2018
- # APL annual industry surveys 2015, 2017
- # APL monitoring and evaluation survey, draft report (Down to Earth Research), September 2018
- # APL 457 Visa survey summary results, September 2017
- # Non-tariff measures survey (Ridge Partners), March 2017

APPENDIX 2: OBLIGATIONS OF AUSTRALIAN PORK LIMITED UNDER THE FUNDING AGREEMENT 2015-19: SUMMARY OF PERFORMANCE

The following table provides a listing of Australian Pork Limited's obligations under the its funding agreement. In each case, this review found that:

- ⊕ There was positive evidence of fulfilment of the obligation;
- ⊕ There was indirect evidence that the obligation had been fulfilled, for example the advice of DAWR representatives; or
- ⊕ The obligation was not relevant during the review period.

FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Term and operation of agreement	
Provisions re term of agreement, extension etc	2.1-2.7
Publish signed agreement on website	2.8
Legislation	
Comply with all relevant laws including the Pig Industry Act and the Corporations Act	3.1
RDC corporate governance and board performance	
Implement a framework of good corporate governance practice, drawing on better practice guidance from the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3 rd edition	4.1



FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Report on steps consistent with 4.1 at 6-monthly meetings	4.2, 16.1
Ensure independent skills-based board	4.3
Board to have process for evaluation of performance including committees	4.4
Must consult with Cth on intentions to change constitution, give copies of notices to do so at same time as members, inform Cth of changes made and effects	4.5
Do all things necessary to effectively represent interests of members and R&D, marketing and strategic policy development interests of levy payers and industry	4.6
Must use reasonable endeavours to ensure that levy payers who are not members are advised on entitlements with the aim to have a substantial proportion of levy payers as members	4.7
Ensure that up to date information is available on web site on the strategic plan; priorities used to determine funding; desired outcomes, key activities and key achievements; and key R&D marketing and extension activities that are being funded	4.8
Information in 4.8 not to include personal information (Privacy Act 1988), confidential information etc, or information that might damage APL, the industry or the national interest	4.9
Persons appointed to APL committees, panels etc to disclose any related pecuniary interests	4.10
Payment of funds	
Pay within 30 days any amount invoiced to APL by the C'th for expenses relevant to marketing payments, R&D payments and matching funding	5.1
Provide certification to C'th of R&D expenditure for matching funding; final claim for financial year to be supported by independent audit report	5.8, 5.9
Application of the funds	



FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Spend the funds in accordance with the Act, the agreement, strategic plan, annual operational plan (AOP) and guidelines, in a manner that is efficient, effective and economically and ethically sound	6.1
R&D payments and Cth matching payments only spent on R&D activities and marketing payments on marketing activities	6.2
Not use the funds to engage in agri-political activity or advocacy	6.3
Funds not to be spent on industry representative bodies except for membership fees where this contributes to achievement of APL objects, or to acquire goods or services or to fund R&D or marketing activities only if funding occurs in through an open, competitive and transparent process, <u>and</u> funding arrangement includes measures to allow performance assessment (latter to be provided to the Cth on request)	6.4
May consult with Cth in relation to payments	6.5
Determine and report on an appropriate balanced portfolio through the strategic plan, AOP and annual report. NB: Strategic Plan 2015-20 approved prior to the agreement being signed and therefore exempt	6.6
Contribute to the implementation of relevant industry and cross-sectoral strategies under the RD&E Framework	6.7
Provide feedback on the outcomes of funding applications to all applicants	6.8
Management of the funds	
Establish appropriate accounting systems, procedures and controls including cost allocation policy	7.1
Mechanisms in 7.1 to take into account the risk management plan, the fraud control plan and the cost allocation policy	7.2
Provide Cth with details re 7.1 on request	7.3



FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Keep complete accounts and records to enable disclosure of the full costs of R&D and marketing activities etc	7.4
Any additional systems, processes, control etc needed to meet this agreement to be implemented within the term of the agreement	7.5
Repayment of funds	
APL to repay funds if spent other than in accordance with the agreement, or if agreement terminated if required	9.1-9.3
Extension of research and development	
Strategic plan must include how APL addresses extension, technology transfer and commercialisation of R&D, must demonstrate that pathways to adoption and extension are incorporated into the planning and approval process; annual report to report on APL's extension activities	11.1
Planning	
Systems, process and controls progressively put in place to enable delivery of planned outcomes and meet planning obligations under 13	12.1
Develop and maintain a program framework to support planning, performance and accountability requirements under this agreement	12.2
Program framework to inform development of key planning and reporting documents and include specifications of planned outcomes (results, consequences and impacts); outcome statements to: be specific, focused and easily interpreted; identify intended outcomes and level of achievement against intended outcomes being measurable; specify target groups (where identifiable) for outcomes; specify programs, subprograms, key deliverables and activities; and be agreed by key stakeholders and Cth as part of strategic plan development. Each program to have KPIs that provide an accurate and succinct story of performance, KPIs to be: in the strategic plan, strategic and linked to planned outcomes; in the AOP, linked to deliverables; in the annual report, KPIs from strategic plan and AOP brought together to demonstrate how deliverables advanced the outcomes; and be clear, unambiguous, measurable and timebound. Program framework also to include expected total costs (direct and indirect) of each program, and an evaluation framework	12.3
Program framework to be supported by structured cost allocation policy and should clearly separate R&D and marketing payments	12.4



FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Evaluation framework must: support the program framework; ensure key performance-related information is generated by the program framework and routinely collected and monitored; include structured plan for the systematic evaluation of the efficiency, effectiveness and impact of key investments; and include a means of publishing and disseminating relevant R&D outcomes and outcomes of evaluations undertaken	12.5
Consult with Cth in preparing the evaluation plan, participate in any evaluation project relevant to APL, demonstrate commitment to provide adequate expenditure for evaluation	12.6
Publish evaluation framework on APL's web site within 30 days of adoption	12.7
Create, implement and maintain strategic plan; review and update at least once every year; ensure consistency with program framework; consult with Cth to ensure plan has regard to the guidelines; provide Cth with copy of new or amended strategic plan within 30 days of Board approval; publish on web site within 30 days of Board approval	12.8
Strategic plan to be prepared in accordance with good planning practice and cover matters including: APL's vision or mission; assessment of operating environment including SWOT, current and future trends and implications; collaboration with other RDCs on priority R&D issues; broad overview of priorities and outcomes from stakeholder consultation described in the plan in 12.11; explanation on extent to which levy payer priorities are reflected in the plan; broad investment plan and funding model for industry R&D and marketing activities; key investment priorities and outcomes planned for the period; planned R&D and marketing activities; key deliverables; performance indicators; how the R&D and marketing activities align with and give effect to the guidelines; extension, technology transfer and commercialisation; estimates of income and expenditure over the life of the strategic plan (R&D and marketing separately); explanatory statement on approach to balanced portfolio; corporate governance statement; APL's roles and responsibilities as the declared industry services body	12.10
In developing, reviewing or amending the Strategic plan, develop a consultation plan including Cth, levy payers and other stakeholders including other RDCs; may request not to do so for minor amendments; to be published on web site prior to commencement; to be agreed with Cth before consultation commences;	12.11-12.15



FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Prior to 1 July each year prepare and provide the Cth with an AOP that implements the strategic plan, to set out intended operations for next financial year; the key R&D and marketing activities to be funded during the financial year under each program and how these align with the guidelines; key deliverables arising from the R&D and marketing activities planned; performance indicators, timetables and milestones relating to the R&D and marketing activities and expenditure which enable the progress being made towards achieving planned outcomes to be monitored and reported upon; itemised estimates of income and expenditure; collaboration with other RDCs on priority R&D issues; statement on how APL intends to implement and operationalise balanced portfolio appropriate to the industry for the year; and any other matters directors consider appropriate	12.17
In developing AOP, consider any directions from Minister; community, levy payer and member expectations; investments to support the development and implementation of the program framework	12.18
Submit all AOPs and material variations or updates to Cth within 30 days of adoption by APL	12.19
Develop, maintain and implement risk management, fraud control and intellectual property management plans; review at intervals of no more than 3 years; provide Cth with plans or amendments to them within 30 days of Board approval	12.21-12.23
Reports	
Within 5 months of each of each financial year provide a compliance audit report to include statement from independent auditor providing opinion on whether APL has complied with clauses 6 and 7 of the agreement during the financial year, prepared in accordance with Australian Auditing and Assurance Standards; include review of efficacy of accounting systems processes and controls in 7.1; include a review of amounts spent on R&D and marketing and verify claims made for matching R&D funding; indicate any qualifications to the report; indicate any incidences of non-compliance and impact of those; need not include opinion on whether funds spent effectively etc	13.1-13.2
Within 5 months after the end of each financial year give the Cth a certification from the Board, signed by Chair and CEO certifying that in the Board's opinion APL has materially complied with its obligations under the Act and the agreement during the relevant financial year, or has not, with explanation of non-compliances	13.3
If requested by Cth, supply audit report or opinion at own expense within 14 days of request	13.4-13.5



FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Prepare an annual report and provide 4 copies to Cth at same time as members; prepare the report in accordance with the Corporations Act; additional information required only by the agreement must be provided to the C'th separately	13.6-13.7
Include in the annual report: sources of income allowing for separate identification of R&D and Cth matching payments and voluntary contributions; significant activities and transactions undertaken during the year; the full cost of R&D and marketing programs with costs allocated in accordance with the cost allocation policy; progress made in implementing the strategic plan and AOP including progress against KPIs; key R&D and marketing deliverables and outcomes; collaboration with levy payers, industry, other research providers; collaboration with other RDCs to fund R&D to address the Strategic Research Priorities and Rural Research and Development Priorities; expenditure on evaluation and outcomes of such; an assessment of the efficiency and effectiveness of investments; how APL has addressed extension, technology transfer and commercialisation; intellectual property creation, protection and management; subsidiaries and joint ventures formed; material changes to APL membership; how APL has responded to Ministerial directions; consultation with levy payers on strategic plan and AOP, R&D and extension and marketing activities; contributions to relevant sectoral and cross-sectoral strategies under the RD&E Framework; remuneration details of directors and key management personnel; R&D and marketing agreements entered into with third parties; corporate governance practices in place; the rationale for the mix of projects in the balanced portfolio; and other relevant matters notified by the C'th	13.8
Report any significant matters that may affect APL's ability to achieve outcomes in strategic plan or meet obligations under the Act or the agreement within 30 days of becoming aware; provide to the C'th any other report requested within specified timeframe and in consultation with the C'th on any action required	13.9-13.12
Review of performance	
Complete a performance review 6 months before expiry of agreement; engage independent organisation to undertake and report on review; agree terms of reference of the review 6 months prior to commencement with the Cth; provide the Cth with the draft review report at the same time the Board receives it; provide the Cth with the final review report within 14 days of acceptance by the Board; notify the Cth of the date of acceptance of the report by the Board; develop a response to final review report and proposed implementation plan for recommendations within 3 months of Board acceptance; provide response to the Cth within 30 days of Board's acceptance of response; report to the C'th progress in implementing the review recommendations; publish performance review report and response on website	14.1
Independent organisation engaged to do review not to have carried out corporate governance or related activities for APL within term of the agreement	14.2



FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Terms of reference for review to take into account the performance of APL in meeting its obligations under the Act and agreement; development and implementation of strategic plan, AOP, risk management, fraud control and IP management plans and effectiveness in meeting priorities, targets and budgets set out in the plans; efficiency with which plans were carried out; efficiency and effectiveness of investments; delivery of benefits to members, levy payers, broader community foreshadowed in the plans and assessment of the degree to which investments have met these needs; and any other matters required by the Minister	14.3
Consultations and directions	
Chair or other Board nominee to meet with the Cth at no more than 6-monthly intervals from agreement date or at any other requested time on reasonable notice to brief the Cth on performance of functions including progress on implementing the AOP and strategic plan, including financial position; progress on implementation of relevant RD&E Framework strategies; consultation with other RDCs and representative organisations; measures taken to enhance corporate governance; progress in developing and implementing the evaluation framework; progress on implementing the recommendations from the most recent performance review; and development and implementation of additional systems, processes and controls to meet the agreement (7.5)	16.1
Communicate directly with levy payers and members to review priorities for R&D and marketing investments, including regional equity considerations, and report on performance against strategic plan and AOP	16.2
Collaborate with RDCs and other bodies to minimise duplication of R&D and marketing activities	16.3
Notify the Department if any Ministerial direction is likely to require directors to act or omit to act in a manner likely to breach the duties owed to members or be in contravention of any law, APL's constitution or other binding obligations	16.5
Access to records and use of information	
Grant access to premises or data, accounts etc if required by the Commonwealth or the Auditor General under the Public Service Act and make personnel available	17.1-17.4
Use any confidential information provided for proper purpose and not disclose	17.5-17.7



FUNDING AGREEMENT OBLIGATION	CLAUSE(S)
Grant the Cth a permanent, irrevocable, royalty-free worldwide non-exclusive licence to use, reproduce, modify, adapt, distribute, communicate and publish all or part of any report or plan provided to the Cth excluding any confidential information and any material, including any image or text, identified by APL as being material in which a third party owns the copyright; make reasonable efforts to obtain necessary IP rights and permissions for this purpose	17.8-17.9
Indemnity	
Indemnify Cth, its officers and agents from and against any loss or liability; conditions	18.1-18.10
Acknowledgement of funding	
Ensure all significant publications and publicity acknowledge the provision of Australian Government funding where applicable	19.1
Assignment	
Must not assign or novate agreement unless not in breach, obtain prior consent from the Cth and ensure assignee agrees to be bound by all APL's obligations under the agreement	24.1



APPENDIX 3: OBLIGATIONS OF AUSTRALIAN PORK LIMITED UNDER THE *PIG INDUSTRY ACT 2001*: SUMMARY OF PERFORMANCE

The following table provides a listing of APL’s obligations under the XXX Act. In each case, this review found that:

- ⊕ There was positive evidence of fulfilment of the obligation;
- ⊕ There was indirect evidence that the obligation had been fulfilled, for example the advice of DAWR representatives; or
- ⊕ The obligation was not relevant during the review period.

PIG INDUSTRY ACT OBLIGATION	SECTION(S)
Part 3 – Provision of pig industry services	
Division 1 – Transitional functions of statutory authorities	
Transitional arrangements re functions of statutory authorities	8
Division 2 – Funding contract	
Minister may enter into contract with eligible body that provides for marketing, R&D and matching payments; Minister must be satisfied that payments are spent on appropriate activities to benefit the pig industry; contract does not oblige Cth to pay full amounts appropriated, may have provisions relating to transferred assets; section does not limit Cth power to enter into agreements	9
Payments to be made from Consolidated Revenue Fund; marketing payments limited to marketing levy paid to the Cth; definition of marketing levy; R&D payments limited to R&D levy paid to the Cth; definition of R&D levy; limits on, and definition and calculation of matching payments	10
Division 3 – Industry services body	



PIG INDUSTRY ACT OBLIGATION	SECTION(S)
Minister may declare industry services body; conditions for doing so	11
Minister may give directions to industry services body; conditions for doing so; Minister not to be taken as a director of the body; Cth not to be taken to be in a position to exercise control over body	12
Division 4 – Transfer of assets etc of statutory authorities	
Transitional arrangements re transfer time	13
Transitional arrangements re successor body	14
Transitional arrangements re transfer of assets	15
Transitional arrangements re transfer of liabilities	16
Transitional arrangements re adjustment payments by the Cth	17
Transitional arrangements re registration of land transfers	18
Transitional arrangements re certificates in relation to assets other than land	19
Transitional arrangements re exemption from stamp duty	20
Transitional arrangements re GST	21
Division 5 – Transferring employees of statutory authorities	
Transitional arrangements re leave entitlements and continuity of service	22



PIG INDUSTRY ACT OBLIGATION	SECTION(S)
Transitional arrangements re Safety, Rehabilitation and Compensation Act	23-27
Transitional arrangements re Defence Force Retirement and Death Benefits Act	28
Transitional arrangements re maternity leave	29-30
Transitional arrangements re long service leave	31-37
Transitional arrangements re cessation of mobility rights	38
Transitional arrangements re transferring employees who accept employment with equivalent terms and conditions	39
Division 6 - Miscellaneous	
Cth records to be dealt with as per the Archives Act	40
Certificates, declarations etc. taken to be authentic etc	41
Copy of any declaration made by Minister under this Part to be published in Gazette	42
Part 4 – Miscellaneous	
Minister may Delegate powers	43
Entitlement to compensation for acquisition of property by Cth	44
Consolidated Revenue Fund appropriated for payments made by Cth in relation to the Act	45



PIG INDUSTRY ACT OBLIGATION

SECTION(S)

Governor-General may make regulations relating to the Act

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