

AUSTRALIAN PORK LIMITED
Annual Operating Plan Summary

2015/2016



Message from the CEO

It is my pleasure to present the 2015/ 16 Annual Operating Plan for Australian Pork Limited (APL).

This Plan outlines the activities and associated resources envisaged to meet the objectives contained within the APL Strategic Plan 2015-2020. It is the second Annual Operating Plan operating under this Strategic Plan.

The APL Strategic Plan 2015-2020 was developed in 2014 in consultation with our key stakeholders – levy paying Australian pork producers and the Australian government. Additionally, discussions and consultations were conducted with other stakeholders such as members of the pork supply chain and other industry bodies.

The resources allocated to activities outlined under this Plan are for the first time in a number of years in excess of \$20 million – a result of the increase in levy taking effect in the 2014/ 15 year and a significant deficit (largely funded by and balancing a surplus in 2014/ 15) being planned for 2015/ 16. With another levy increase due to take effect at the end of 2015/ 16 (adding around \$1.5 million to revenue) the trend of increasing APL resources and spending will continue and this will require a respective change to reserves over time to ensure APL has the asset backing required for our security of spending going forward.

There has already been some considerable success in meeting key performance indicators from the 2015-2020 Strategic Plan. In particular, APIQ[✓] uptake is already at around 91% (predicted for achieving in 2017/ 18) and pork consumption is ahead of planning at 14.04 kg/ capita versus a target of 13.81 (driven by fresh pork consumption increases over the past 12 months). On the other hand, some indicators we have fallen behind on, e.g. share of processed pork with Australian product. This suffers as a result of our limited production volumes and increasing demand for Australian fresh pork – something's got to give. Similarly, the measure of gestation stall free sows according to the industry definition resulting in at least 90% of pregnancy being loose housed for sows is slightly behind projections. This is partly a result of measurement (being done through the APIQ[✓] quality assurance system, thus missing those not quality assured) and partly hesitation from some producers of greater age and not yet willing to make the necessary investments.

APL generally tries to improve the business of producing pigs by increasing revenue, decreasing cost and mitigating risk. These three themes to our activities continue through this Plan and generally but not exactly line up with our key functions of marketing, research and innovation and policy and advocacy. Many of the associated activities have been performed, providing strong returns on investment to industry, over many years. Other activities reflect the changing global and national business environments and propose new investments to exploit shifting opportunity.

Our domestic marketing activities reflect a mix of the old/ proven and the new. The “Get Some Pork On Your Fork” campaign has been a winner in promoting pork as a true centre of plate meal alternative and will continue to do so, but with some ongoing twists around health messaging and some more practical messages around how to cook your pork steaks for maximum enjoyment. This campaign will continue despite perceptions of a lack of available pork because we want to build on the momentum already created for pork demand – it will improve the revenue for pig producers either through higher prices or more volume sales in the longer term.

We plan to continue working with retailers through our Thought Leadership engagement aimed at improving their pork businesses and thus our business. In effect, we operate as category management facilitators for them, making undertaking their business easier and more successful.

PorkStar celebrated its ten year anniversary in mid-2015, underlining the success the campaign has had over the years of its life. The position this campaign has occupied in the world of fine dining chefs has been unchallenged over this period, an achievement worthy of much recognition.

The popularity of fresh pork has eaten into the availability of Australian pork for use in the processing sector, affecting our market share in this segment. This doesn't seem to have compromised the popularity of the PorkMark initiative which continues to attract new licensees, particularly with public relations activities associated with the Bacon and Ham Weeks. Hopefully, 2015/ 16 will also see some legislated changes to the Country of Origin Labelling systems presently being investigated by politicians and regulators, improving informed choice for Australian consumers.

The PorkMark is a key device in the communication that "Australian pork is different". This message is very important in a global trade environment where we are far from world's lowest cost producers. The differentiation theme continues through our activities – important for both domestic and international business aspirations. The key building blocks in development include the eating quality of our product, the intangible ethical attributes associated with our production systems (animal welfare and environmental footprint) and our unique product integrity positioning.

Our increased focus on international marketing continues, driven by the pursuit of a premium positioning into Asian markets where strong GDP growth and a traditional pork culture aligns. This applies particularly to Hong Kong and China (where our business potential is still limited by negotiated biosecurity protocols). Singapore remains an interesting market but the positioning of Australian pork there is more or less set in stone, with volumes picking up again as the A\$ depreciates and giving some underpinning to our total export volumes.

APL's investment in the Pork CRC and our base funding into research and development facilities continues in this plan. It provides very important parts of our differentiation toolkit through the eating quality pathways research, where ultimately we want a simple consumer targeted premium branded pork line with underpinning quantitative standards demonstrating quality. Our Pork CRC investment has also given success in our continued world leading stance on new ways of sow housing (helping to drive the industry's shift away from sow stalls – now at some 70% completion) – a great example of industry learning from itself – collaboration between the researchers and the producers.

Base funding shared with the Pork CRC continues to be a valuable investment into R&D efficiencies and supporting future capability for the whole industry. Discussions over a post CRC strategy for maintaining present levels of industry R&D continue with some positive ideas for collaborative leveraged funding for the future.

World leading product integrity initiatives continue to be developed and form a major support structure for our healthy, safe and natural positioning objectives domestically and for export markets. Some success with retailer support behind initiatives such as Physi-Trace (through participation as a condition of supply, for example) leading to greater uptake are adding even more value to the overall project. We have three key components of our product integrity initiative, being APIQ✓[®] quality assurance, PigPass (pig movement

traceability system) and Physi-Trace (trace elemental fingerprinting trace-back to source). These three components line up with our product quality, food safety and traceability messaging.

Productivity (including animal health), animal welfare and environmental management are the main issues covered in Strategy 4 projects but these are also linked into our Transparency Strategy (Strategy 5) driven by a claim that “we are not afraid of others seeing what we do”. Improving community engagement through this strategy over years to come is our intention.

As part of the rural research and development corporations (RDC) community, we continue to look for opportunities to learn from each other, improve our efficiency by working together and seek research targets of common interest mutually. Recent success in Rural R&D for Profits Program grants will direct significant collaborative R&D efforts in 2015/ 16 with other RDC's.

As always, we design our operational plans with outcomes for our pig producers and the Australian government as our major investors in mind, but understanding that ultimately, the consumer (or the tax payer) will be the beneficiary of our labour.

A handwritten signature in black ink, appearing to read "A. Spencer". The signature is stylized with a large, looping initial "A" and a long horizontal stroke at the end.

Andrew Spencer
Chief Executive Officer

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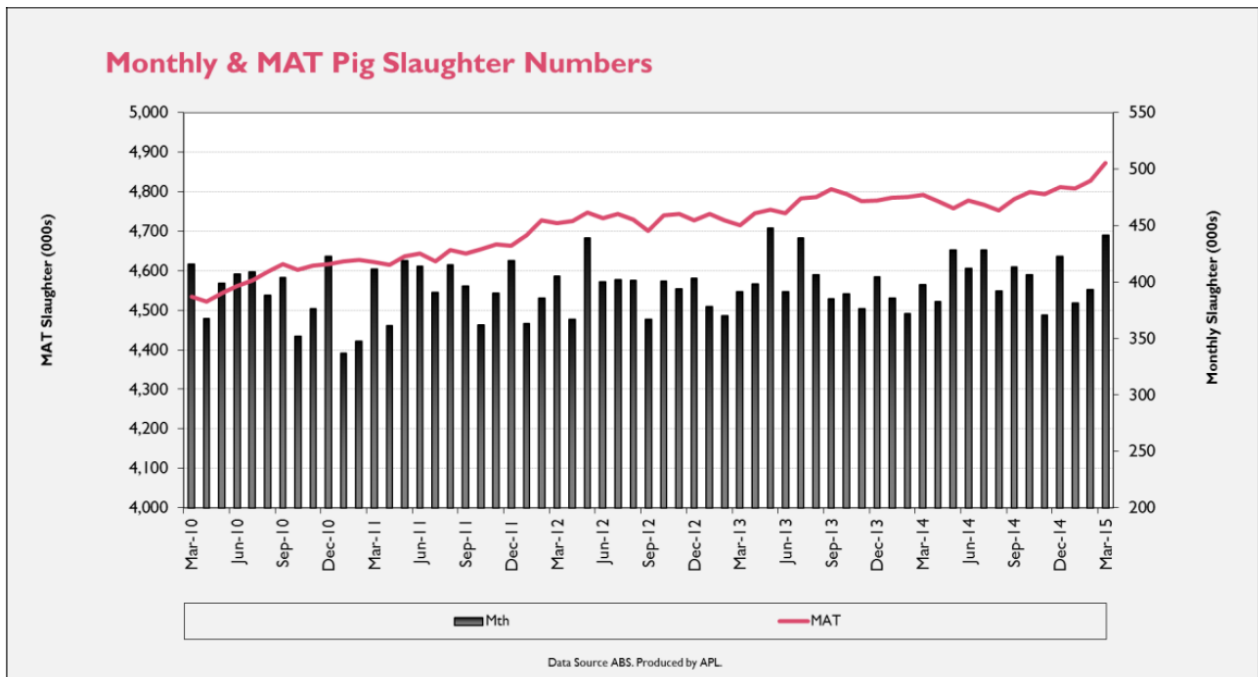
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The Competitive Environment

Domestic Market

The slow and steady rise in pig slaughter numbers over the past five years or so is now being challenged by a swift upswing in carcase production over the past few months. This is forcing the question to be asked as to whether this is a new trend or a short term anomaly. Anecdotal evidence is indicating that parts of Australia’s pork industry are looking at increasing volumes of production although in general it is moderate and inconsistent in its effects.

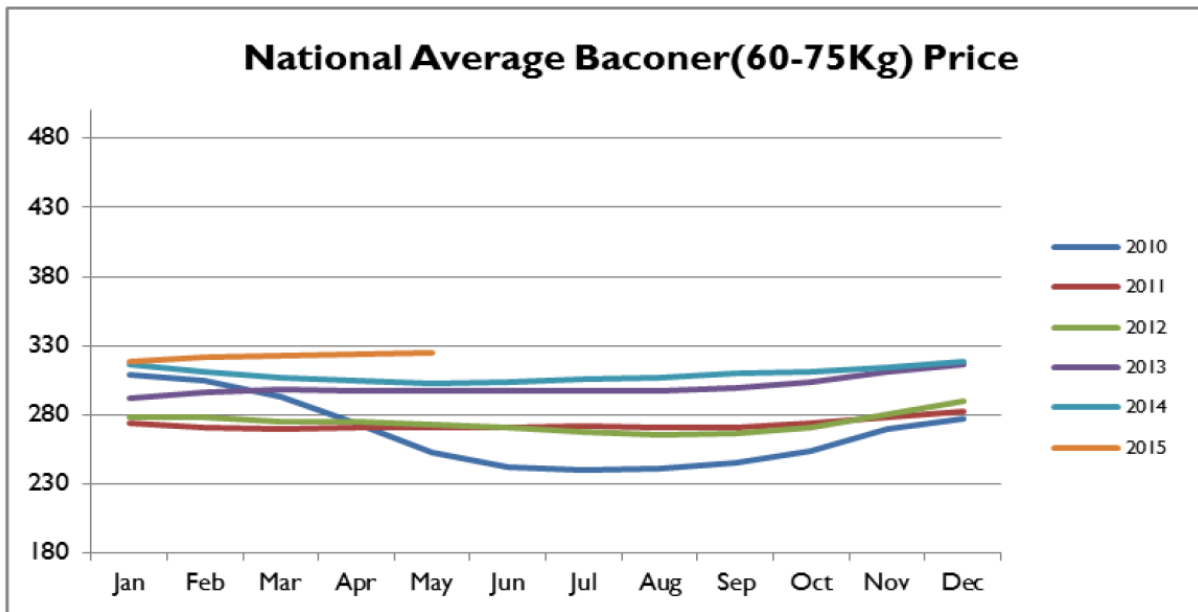


Graph 1: Monthly and Moving Annual Total Pig Slaughter Numbers in Australia 2010–2015

To date, the volume increases certainly haven’t caused any softening in farm gate pig prices, which remain solid. In fact, high demand for fresh pork has seen the share of Australian pork used for processing decrease as a result of availability challenges. Pig prices at levels seen over the past couple of years would likely in the past have resulted in market force driven production increases, but parallel to pig price increases has been strong grain prices (as the key pig feed ingredient), limiting the positive profitability impacts.

The big shift in production systems over the past five years has been the (so far) shift by 70% of the industry to the “sow stall free” standard (meaning sows are loose housed for at least 90% of their pregnancy). Management changes and new learnings around managing sows in these systems has led to shorter term productivity challenges (mainly measured through a reduction in pigs sold/ sow/ year). With the majority of industry now having been using these systems for at least a couple of years, some of the increased production is likely to be related to productivity increases from being more familiar with managing loose housed sows.

The graph of price movements over the year since 2010 shows the continuation of the significant change away from a cyclical dip in prices in mid-year. This price certainty has been described by our producers as a highly valuable change in their annual revenue and profitability planning.



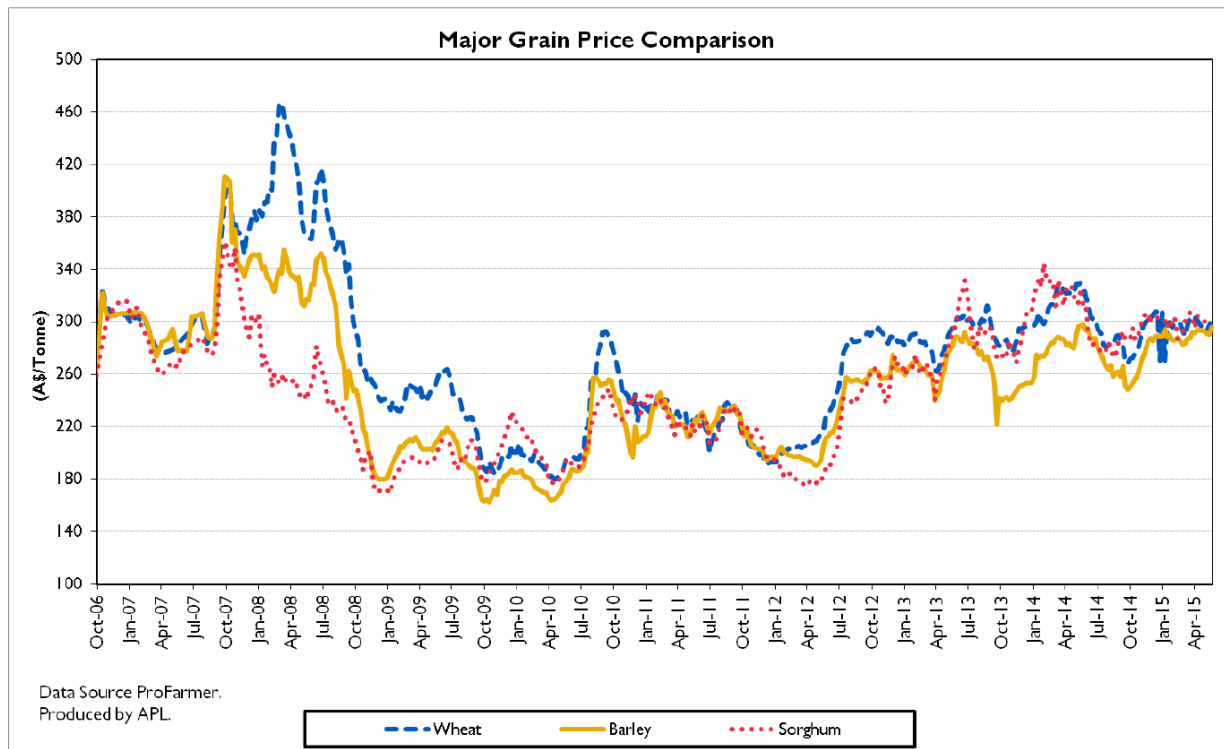
Graph 2: Average Australian National Baconer Prices Surveyed by APL 2010–2015

Grain Prices

Grain represents the most significant input into the cost of producing a pig in Australia. Grain prices domestically remain relatively high, both in comparison to historical domestic values and grain prices elsewhere in the world.

A couple of years ago, the higher Australian dollar was masking the higher global grain values but as the dollar has weakened, our exposure to these prices has increased. When global prices started to contract, the weakening of our dollar contributed to the contraction being diluted locally. In recent times, drought conditions in key parts of the northern wheat belt have also contributed to a domestic premium for wheat in particular, measured as a positive basis over Chicago Board of Trade.

The sorghum crops in the northern grain belt which have filled an important role in the past when high wheat prices became a problem, are also now in strong demand for export to China for beer production.



Graph 3: Monthly Major Grain Price Trends 2006–2015

Beef

Projections for the beef industry were released by Meat and Livestock Australia in January, 2015, as follows:

‘Adjustments in the form of improved cattle prices and competition between the domestic and export markets for reduced cattle supplies are forecast according to MLA’s Manager of Market Information Ben Thomas.

“The high turn-off has had such a dramatic impact on the national herd and in the space of just three years is estimated to decline from a 35 year high of 29.3 million head, to a two decade low of 26.5 million head by the end of 2016,” Mr Thomas said.

“We’ve seen an enormous turnoff of cattle and the flow-on effects from this are likely to last for the rest of the decade. Whether there is a widespread break in the drought or not, the high slaughter of the past two years will take a toll on supplies while seasonal weather conditions will continue to influence farm gate returns.

“The market’s willingness to compete for limited product will really be tested as domestic demand becomes even more stretched, with strong competition between international and domestic consumers playing off against tighter supplies.”

Clearly cattle price expectations are very solid for the medium to longer term, opening a gate for higher protein prices overall.

Sheep Meats

Projections for the sheep industry were released by Meat and Livestock Australia in February, 2015, as follows:

'MLA's Manager of Market Information Ben Thomas said after two years of record slaughter, a decline in production was expected, although a recovery was anticipated from next year onwards.

"Annual lamb slaughter is likely to dip below 20 million head briefly before picking back up again next year and continuing what has already been a long term slaughter trend," Mr Thomas said.

"We're expecting the sheep flock to stabilise at around 71 million head this year before slowly building up again by 2019 as more producers look to transition into prime lamb production.

"Prices held up extremely well last year for both mutton and lamb even with intermittent drought and such high slaughter. The major challenges this year will be the decline of supply against continued strong demand from export markets – which are forecast to take 55.5% of production.

"There are also positive fundamentals for mutton, as after two high years of sheep turnoff, the demand for breeding ewes looks to be solid provided available feed and water are sufficient enough for flock rebuilding."

On the demand side, the international trade scene will likely remain buoyant particularly given tighter New Zealand supplies and a weaker Australian dollar.

After two record years, Australian lamb exports are likely to contract 15% to 202,000 tonnes swt this year before gradually increasing to a new record volume of 250,000 tonnes swt in 2019 – the culmination of increased production at the same time as growing international demand.'

Similar to beef, production constraints for the sheep industry are likely to support strong lamb prices also.

Chicken

The chicken meat industry continues to be characterised by a close linkage between supply and demand through the limited number of volume players and a relative lack of volatility. Market share of free range product does seem to be taking a kick upwards.

Pork

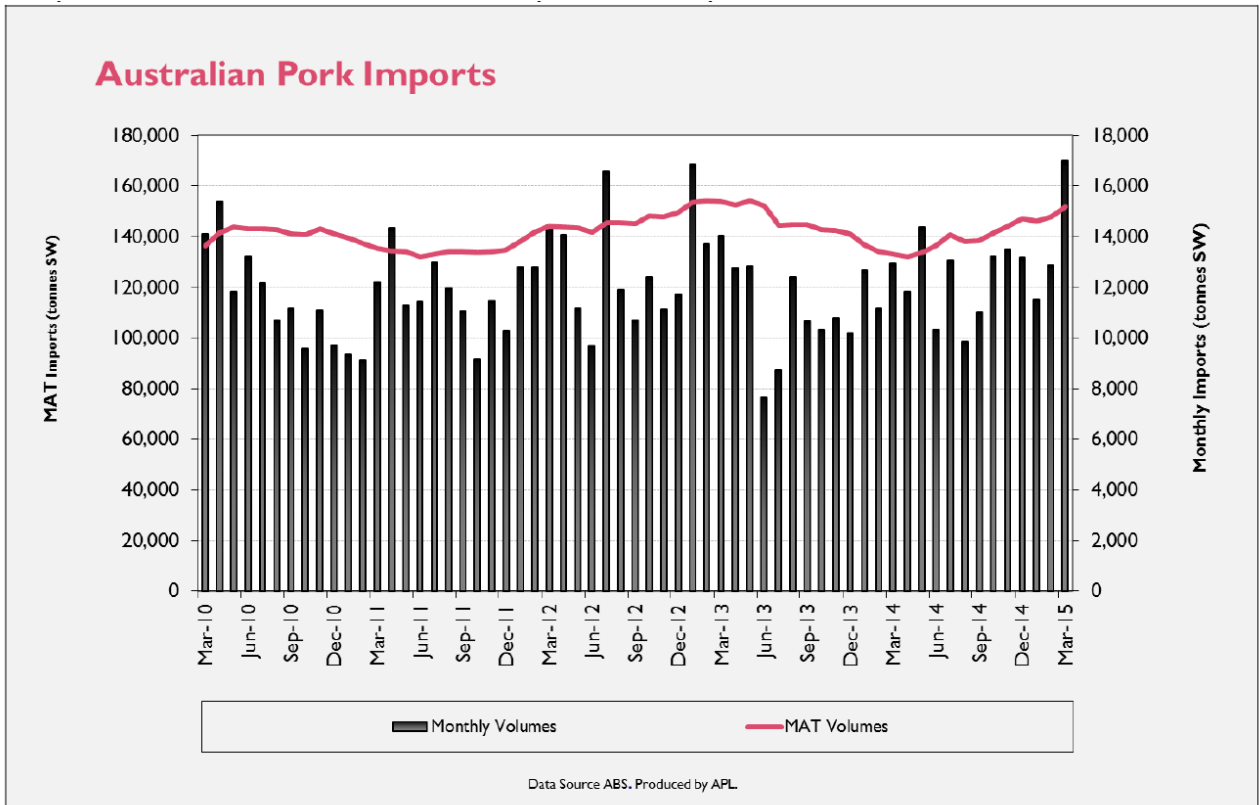
Very good demand for fresh pork has already seen production volume limitations lead to market share decreases for Australian smallgoods. Whilst volumes may increase over the coming year, increases are unlikely to fully satisfy the strong fresh pork demand which is likely to be further supported through high competitive protein prices (see above) and ongoing successful promotional campaigns for pork.

Pork Imports

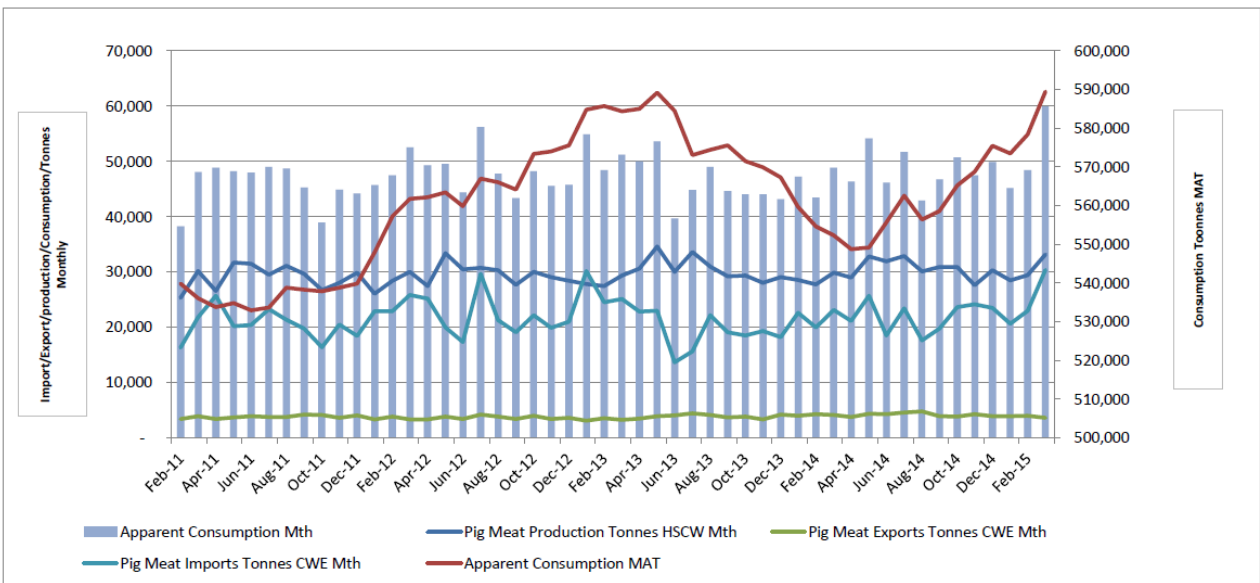
The past year or so has seen imported pork volumes increase consistent with expectations. Some two years ago, very high apparent pork consumption (see Graph 5.) was being driven not by consumption but by attractive buying opportunities globally for imports leading to very high domestic stocks of imported pork here in freezers.

Similarly high apparent consumption levels have now been reached again, but this time the root cause is likely much more closely linked to true consumption which we have been measuring as increasing (particularly for fresh pork). The rise in imports thus over the past year has more been about a true domestic shortage of pork for processing as more of the carcass is diverted to fresh pork markets.

International pork buying conditions are quite attractive presently for a couple of reasons.



Graph 4: Australian Pork Import Volumes – Monthly and Moving Annual Total 2010–2015



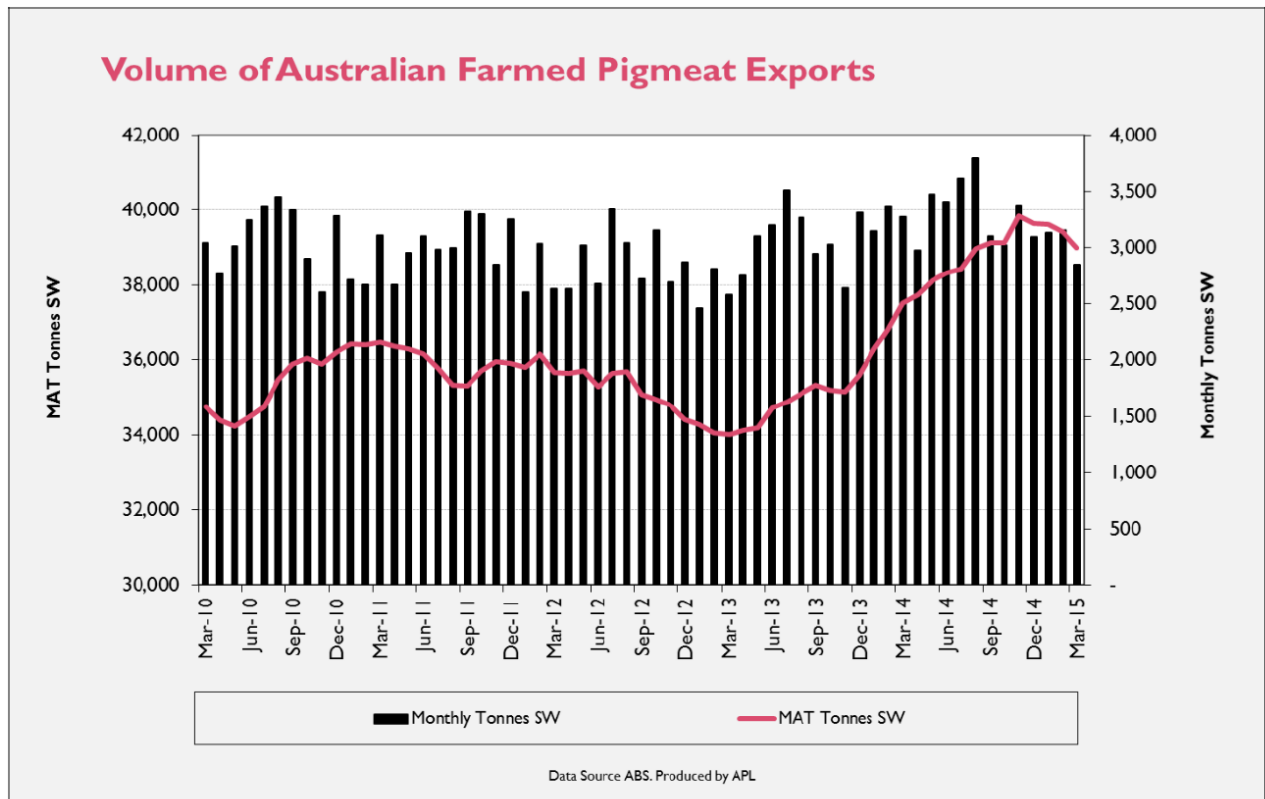
Graph 5: Australian Pork Production, Imports, Exports and Apparent Consumption 2011–2015

Firstly, the over-coming of the PED virus problems in North America is causing an acute rise in pork production, pressuring prices in the market there. Secondly, retaliatory sanctions by Russia against

western countries involved in disputes over the Ukraine crisis has thrown the whole global pork trade into the air (enhanced by an economic crisis in Russia due to the collapse of oil prices and their Ruble).

Export Market

As Graph 6 shows, export volumes are increasing, driven mainly by Singapore which is also driving up the value of exports (climbing faster than volume and helped along by the weakening of the Australian dollar over the past year).



Graph 6: Australian Pork Export Volumes – Monthly and Moving Annual Total 2010–2015

Cheaper pork on global markets may disrupt our ongoing export businesses, depending on price relativity and currencies but is less likely to do so in markets where our location gives specific benefits (more the case with Singapore and New Zealand).

Strategic Objective I – Growing Consumer Appeal

Industry Outcomes

The Strategic Plan outcome statement is “Making Australian pork uniquely valuable to consumers and increasingly a part of their eating pleasure, resulting in repeated choice.”

This objective is the home of demand creation, where improving eating quality experiences, increasing positive perceptions of pork and increasing frequency of use form a sustained positive reinforcement system, accelerating the growth of both consumer enjoyments and repeated purchase.

The elements of these programs have evolved through testing in the last financial year in order to make their synergistic effects more powerful demand creators.

Program 1: Better Pork

This program, whilst funded from continuous data and advertising tracking rather than needing its own separate budget, will continue to measure the perceived quality of eating Australian pork cooked at home in Australia.

The changes made last year appear to have made progress in consumers eating quality and this year’s plan will seek to accelerate those gains through increased investment in Program 2 below.

Likewise, lean Australian pork’s healthy perceptions are improving steadily, and this is also planned to continue in 2015-16.

Program 2: Pork Made More Popular

Popularity in this case remains focussed on the consumer. Both awareness of Australian pork as well as positive associations have been built by continuous advertising over the 2010-2015 period. The effectiveness of the outcomes to date justify continued investment in this strategy.

Popularity continues to be determined by whether a product is thought of at all and the anticipated pleasure a consumer will get from consuming the product.

Whilst continuous advertising will continue, there will be increased investment in helping Australians increase both their anticipated and actual eating pleasure from Australian pork. It is this increased investment that is anticipated will improve consumer awareness, perceptions and sales following a successful trial in the 2014-15 year.

Program 3: Increasingly Different

This program is currently focussed on those consumers and supply chains that sell Australian pork in ham and bacon.

Most Australians prefer to buy Australian grown pork both to support farmers and because they believe that Australia's farming standards are high, resulting in great products. This program seeks to reinforce and validate those beliefs through the continued promotion of the PorkMark.

Risks & Opportunities

- Risk – lack of support through supply chains of the planned eating experience initiatives. Mitigation plans include existing evidence of success in 2014's trial and the intense business performance monitoring and communication seeking additional collaboration.
- Opportunity – The initiatives that are planned are continuations of activities already undertaken. As such there are opportunities to improve in-market execution and synergy, two of which in health and "how to cook" are planned in detail and adequately resourced.
- Opportunity – Australian pork sales currently have growth momentum, growth in itself has a propensity to attract additional opportunities. This may take the form of innovative new products, more attention from supply chains and retailers and increased media exposure.

Strategic Objective 2: Building Markets

Industry Outcomes

The Strategic Plan outcome statement is “Using insights to develop markets that offer attractive demand for our products, producers and our value chain collaborators”.

The projects in this Strategic Objective effectively bookend “Growing Consumer Appeal”. Program 1 basically uncovers demand and commercial opportunities. It also measures outcomes and provides learnings for future improvements.

Programs 2 and 3 essentially take the appeal created in Strategic Objective one and help convert consumer appeal into attractive outcomes for producers and all Australians.

Program 1: Market Insights

This program is responsible for the identification, quality control, validation and interpretation of qualitative and quantitative data into market insights.

Whilst much of the information collected is quantitative and measures performance and outcome, the insight’s specialists who review and report the data spend most of their time in exploratory mode, seeking to build new hypotheses about demand creation to test.

We have found the routine integration of data sources enables us to explore market leading thoughts with value chains and retailers. The continuous stream of knowledge and insight help maintain positive working relationships and mutually beneficial in-market activities.

Program 2: Domestic Market Development

This program seeks to identify and transfer insights about consumer and shopper behaviour to butchers, restaurants, supermarkets, caterers and other consumer service businesses to help them help APL improve Australian pork sales.

For confidentiality reasons, we have insights specialists allocated to each major chain or channel. This aids trust and collaboration in combining APL data with other data sources to guide initiative selection and execution.

Program 3: International Market Development

International markets are an increasing focus for the Australian pork industry. Initial investigations have determined that a sustainable model can exist at the higher end (rather than commodity end) of the market. As such, numerous trials are underway and are planned to learn our way into a uniquely Australian, high quality and discernibly different product.

APL is also actively pursuing supply chains that are interested in taking additional advantage of recent free trade agreements in order to expand Australian pork exports in the shorter term.

There is also a work-stream focussed on new market access and the protocol development processes required to make this happen.

Risks & Opportunities

- Risk – This is the second year where APL has not conducted a major study to work with value chains and retailers on. New information is a currency that is a requirement for fast moving retailers in particular. This risk will be mitigated via the integration of existing data into new insights.
- Opportunity – APL staff are well practiced and with many collaborators have broad and deep relationships. This increasingly gives us access to greater quantities of data, enabling additional insight and understanding, hopefully resulting in improved activities and outcomes.

Strategic Objective 3: Driving Value Chain Integrity

Industry Outcomes

The Strategic Plan outcome statement is “Secured confidence in Australian pork products in terms of their source, the compliance with expected standards and aligning on-farm product with consumer expectations.”

The focus of this year is to build on the systems that enable the pork industry to deliver and demonstrate high level performance against industry and government standards to maintain consumer and community confidence and trust in Australian pork products.

These initiatives will be delivered via a partnership approach with producers, government and supply chain partners.

Program 1: Trust in Pork Provenance

The need for greater transparency and traceability in the pork value chain are pivotal to achieving trust in Australian pork domestically, as well as in export markets, and across a range of pork products.

This program will seek to encourage both adoption and implementation of programs that enhance consumer trust in the provenance of Australian pork in domestic and export markets.

There are two projects in this program. The first is the Physi-Trace traceability project and involves increasing the adoption of the traceability initiatives by industry including the retailers and the update of the trace-elemental database. The second is a key component of APL’s Trust in Australian Pork Quality Standards Program and seeks to demonstrate increased compliance verification for a number of pork product and program descriptors and claims.

Key outcomes from this program will be the increased adoption of transparency and traceability systems by the supply chain and surveys to verify compliance.

Program 2: Pork Quality Assured

The Australian Pork Industry Quality Program, APIQ[✓]®, is an on-farm quality assurance system and is based on managing on-farm risks by following good agricultural practices, using the principles of Hazard Analysis and managing Critical Control Points (HACCP). In addition, APL undertakes a number of activities to underpin the Pork - Australian Export Meat Inspection System (Pork-AEMIS) and address food safety issues to enable the Australian pork industry to maintain market access, assure community and consumer trust in the safety of Australian pork and pork products.

This program will look to expand the APIQ[✓]® program to underpin the quality, integrity and traceability of Australian pork products in both domestic and overseas markets.

There are two projects in this program. The first is the implementation of the revised APIQ[✓]® standards, systems and administration of this industry QA program following a major review. The second project encompasses the industry's food safety R&D with a specific focus on abattoir process control for the Pork-AEMIS.

Key outcomes from this program will be adoption of the revised APIQ[✓]® standards by producers and increased recognition of the APIQ[✓]® program by regulators and retailers. The food safety data outcomes will be used to update and implement a science based meat inspection, verification and export certification system reflecting the needs of the pork industry in its current and future markets.

Program 3: Fairness in Risk and Reward

The sectors within the pork value chain need to be consumer focused and must be better linked to enable the effective flow of market signals. In addition, it is imperative that a more efficient supply chain with better links between product value, quality and integrity enables value generated through the supply chain, including on farm, to be rewarded at the appropriate point in the supply chain.

This program will look to implement technologies and systems that provide a better understanding of what contributes to the right type of pig production and carcass to better match the buyers' needs.

There is one project within this program and relates to the industry developed carcass classification system, PorkScan, for pigs and the patenting of the system for use in Australia and New Zealand.

Key outcome will be the demonstrated lean meat yield system value proposition compared to a P2 backfat based classification system for export abattoirs.

Risks & Opportunities

- Risk – Physi-Trace will become an 'industry support' rather than 'must have for every day business' tool. This will be mitigated by increased engagement with retailers to demonstrate the enhanced capability of Physi-Trace leading to adoption by supply chains.
- Risk – the potential for supply chain partners to not engage and look to prevent reward to flow to appropriate points within the supply chain. Whilst APL cannot ever claim to mitigate this risk, closer engagement with partners via projects like the PorkScan carcass classification will strengthen relationships along the value chain that may allow reward to flow to appropriate value chain partners.
- Opportunity – ability for pig industry to demonstrate market compliance against agreed standards
- Opportunity – ability for Australian pork to demonstrate higher product integrity against imported pork and pork products
- Opportunity - improve the already high regard for and adoption of the Australian Pork Industry Quality Program, APIQ[✓]®, by producers, retailers, and regulators.

Strategic Objective 4: Leading Sustainability

Industry Outcomes

The Strategic Plan outcome statement for this objective is “Remaining in step with society by reflecting community values in our ethics, our healthy herds, and operating our industry responsibly and profitably”.

The focus this year continues to deliver a suite of targeted projects under programs that will address societal expectations, deliver healthy herds and farms and improved productivity. Projects that will build on our demonstrated societal leadership cover areas such as environmental management, animal welfare, traceability systems, disease incursion capability, exotic disease and biosecurity management. Moreover, the focus on improved reproductive outcomes and reducing reproductive waste will be critical to improved productivity required for profitable pork businesses.

Critical to the success of this strategic objective are our contributions to plans such as Shaping our Future, the Pork R,D&E Strategy and the Climate Change Research Strategy for Primary Industries, and our partners, including the Pork CRC, Animal Health Australia, and SafeMEAT.

Program 1: Addressing Societal Needs

A better informed and educated community about how pork is produced in Australia can only continue to grow and foster community loyalty, trust and support. The Australian pork industry has demonstrated global leadership in programs such as “Shaping our Future” which aims to phase out gestation stalls by 2017. Societal expectations for leadership and sustainability will focus a broad suite of programs covering regulatory, policy and community areas, with a focus on improving the image of our industry to maintain the confidence of consumers, government, our markets and the Australian public.

This program will seek to implement activities that will recognise and address societal needs for the ethical and sustainable production of pork that will underpin whole of community trust.

Ongoing projects in this program will look at collaborative activities, with organisations such as Climate Change Research Strategy for Primary Industries (CCRSPI), Animal Health Australia, the Pork CRC and SafeMEAT. Others will seek improvements to animal welfare, domestic abattoir compliance, saleyards and continue APL’s leadership in environmental management such as through BMP, fertilisers and feed, and mitigation of greenhouse gases.

Program 2: Healthy Herds and Farms

To remain profitable, producers must safeguard the health and wellbeing of the pig herd, while reducing input costs and improving productivity. While the Australian pig herd has a high health status, the risks as a consequence of a global trading environment, and the movement of people and goods, are ever present. Australia’s science based biosecurity protocols mean that we are one of the few countries in the world that still enjoy a high disease free status that protects our reputation for pork quality and safety.

This program will look to implement technologies, systems and management strategies that underpin the biosecurity systems within the supply chain to ensure healthy herds and farms. Ongoing projects include

the expansion of PigPass, the pork industry's live animal traceability system, Keeping our Pigs Safe, that will seek to improve the community's understanding of biosecurity.

This program consists of a number of non-R&D and R&D projects. The R&D project relates to exotic disease and biosecurity research activities including risk profiling of a number of exotic diseases.

Program 3: Continuous Productivity Growth

The Australian pig industry has a 'closed genetic herd' status that prevents the importation of new genetic lines with higher productivity to preserve our high pig herd health status. As a consequence, Australia's on-farm productivity does lag behind a number of pig production systems in North America and the EU. Nonetheless, the Australian pork industry's investment in continuous productivity growth is important to close the productivity gap.

This program will adopt and implement programs that underpin continuous productivity growth for the pork industry by focusing on improving reproductive performance of the Australian pig breeding herd and enhancing the viability of the progeny.

There are three projects seeking to improve the productivity of the Australian pig herd. The reproductive performance project includes activities to improve the pigs born per sow per year, and also investigate technologies to deliver more female pigs within each litter to avoid issues with boar taint. The second project will focus on the growth performance of the gilt progeny in particular given the high productivity losses associated with this group. The third project relates to the base-funding of key research, development and extension (RD&E) facilities as part of the National Pork RD&E Strategy.

Key outcome will be continuous productivity growth for the pork industry as seen by improved reproductive performance of the Australian pig breeding herd and enhancing the viability of the progeny.

Risks & Opportunities

- Risk – attenuation or loss of government and societal support through major animal welfare incidents.
- Risk – that non-compliance with traceability and biosecurity may inadvertently allow exotic and endemic disease incursions to occur.
- Risk – that productivity and profitability improvements may be eroded by other factors outside of the industry's control.
- Risk – uncertainty in the legislative arrangements that underpin industry environmental management and live pig traceability (PigPass) may erode continued leadership.
- Opportunity – industry ongoing demonstration of societal and global leadership in animal health and welfare.
- Opportunity – improve the productivity and profitability of pork producers and the industry.
- Opportunity – through traceability and on farm and at border biosecurity measures, ensure Australia remains free of exotic diseases currently decimating pig herds across the world.
- Opportunity – to continue agricultural industry stewardship in environmental management.

Strategic Objective 5: Improving Capability

Industry Outcomes

The Strategic Plan outcome for this objective is for “The Australian pork industry and APL leading the way in innovation, accountability and unity.”

The 2015-2016 operational year continues to strive for increased awareness of new and available technologies. The decision to utilise mobile phone applications is set to play a large part in expansion of a better informed and connected stakeholder base that will deliver increased awareness and uptake of R, D & E technology transfer and adoption to all of industry. The ongoing quest for efficiencies throughout the entire pork supply chain underpins the industry’s capacity to expand into new and emerging markets and continue to compete globally.

The current upbeat image around Australian pork as a wholesome, nutritious and affordable protein, in concert with the positive attributes of the move away from sow stalls to group housing for pregnant sows, are positive communication platforms from which the industry can build a better connection between community and farmers. Telling the open and transparent story about where their pork comes from and how farmers care for their pigs can only lead to better trust and continued community support for the Australian pork industry. APL will continue to strive for business efficiencies that will reflect the organisations leadership qualities in the agriculture sector and demonstrated capacity to provide value for levies paid by pork producers and tax payers dollar for dollar spend on R&D matching.

Program 1: Applied Learnings

Industry stakeholders vary in the way they access information. Discussions with stakeholder groups has clearly shown the need for research information and outcomes needs to be sent through a range of communication channels that specifically suit the breadth of the audience receiving the information. Increasingly, this dissemination will utilise modern IT solutions and social media in addition to traditional face to face stakeholder engagement.

This program will facilitate the most effective way to enhance the transfer and adoption of technologies developed both short and long term. It will also utilise the valuable network channels key influencer groups provide to more effectively spread the message around awareness and the benefits of adoption of new technologies, especially on farm, that can enhance returns and ultimately make producers more efficient.

The third project in this program relates to enhancing the capacity and capability of the industry and research providers to implement technologies on farm and develop solutions across a range of the supply chain disciplines.

The key outcome will be a shorter lag time between development and adoption of technologies which ultimately result in improved productivity across the whole supply chain.

Program 2: Building Industry Image and Reputation

The focus for this program will be about building better and more effective communication forums to engage with the community in an effort to share how pork farmers care for their animals and enlighten those who want to know about what happens to the animals all the way along the supply chain. The outcome is placing the pork industry into context and showing members of the community the industry has nothing to hide.

The reach and impact of the outcomes of the work done by APL, on behalf of its levy paying producers also includes dialogue and exchange of views, ideas with key stakeholders e.g.: state and federal governments, educational institutions, research and development organisations, scientific forums, supply chain and producer groups, as well as state and federal agricultural representative organisations and the general community.

The outcome of this program is to showcase the Australian pork industry as a global leader in demonstrating and communicating its effectiveness as a responsible and progressive producer of pork.

Program 3: Operational Effectiveness

Australian Pork Limited (APL), continues to be a leader in adoption and implementation of business efficiencies for and on behalf of its members and key stakeholders (Australian tax payers). The projects are designed to ensure APL is viewed as an organisation of good corporate governance, meeting its statutory obligations as well as being viewed as a safe and fair work place. Membership of organisations like the National Farmers Federation (NFF) and the Council of Rural Research and Development Corporations (CRRDCs) are also included under this program.

The projects under this program deliver ongoing business efficiencies and business best practices that demonstrate to APL members the worth of their national representative body.

Risks & Opportunities

- Risk - Loss of global competitiveness through lack of adoption on on-farm technologies.
- Risk - Loss of income through drop in on-farm productivity.
- Risk - Loss of confidence by the community in Australia's pork farmers.
- Risk - Reduced sales of Australian pork.
- Risk - Key stakeholders question tax payer funding of APL Programs.
- Risk - Loss of business reputation as a progressive, accountable, fair and honest work environment.
- Opportunity - Better positioning and competitive advantage for Australian pork in emerging markets.
- Opportunity - Up-take of new technologies drives down production costs and lifts returns
- Opportunity - Increase in market share for Australian pork.
- Opportunity - Opportunities in new and emerging markets.
- Opportunity - Strengthens Australian pork's position on biosecurity.
- Opportunity - APL's positive reputation ensures key stakeholder confidence.
- Opportunity - APL's capacity to protect industry interests leads to growth in membership.

Government Research Priorities Attributed to R&D Program

Strategic Research Properties		Living In A Changing Environment	Promoting Population Health And Wellbeing	Managing Our Food And Water Assets	Securing Australia's Place In A Changing World	Lifting Productivity And Economic Growth			
Rural Research & Development Priorities		Natural Resource Management	Climate Variability & Climate Change	Productivity & Adding Value	Supply Chain & Markets	Innovative Skills	Technology	Biosecurity	Other
Strategic Objectives	AOP Projects								
2	Continuous data and advertise tracking								
2	Diversification of pig producers								
2	Inmarket understanding and activities								
3	Product claim Interior								
3	PSCIP/Phasi-Trace								
3	APIQ								
3	Food safety R&D								
3	PorkScan								
4	CCRSPI								
4	Domestic abattoir compliance								
4	Saleyards study								
4	Animal welfare								
4	Environmental management								
4	Pork CRC								
4	PiePass								
4	Exotic disease and biosecurity R&D								
4	Environment and health								
4	Reproduction R&D								
4	Growth & development R&D								
4	Pork RD&E strategy								
5	Bringing influencers together								
5	Facilitating technology transfer and adoption								
5	Fostering new capability								
5	Building technical capacity								
5	Communication and society								
5	Communication and industry promotions								
5	Stakeholder survey management								
5	Industry engagements and events								
5	OmniPie project management system								
5	Specialist groups/RDAC activities								
5	AGM and annual conference								
5	CRRDC activities								
5	Benefit cost analysis								
5	ICT								
5	Human resource management								

Strategic Objective Expenditure by National Research Priorities

Strategic Research Properties		Living In A Changing Environment	Promoting Population Health And Wellbeing	Managing Our Food And Water Assets	Securing Australia's Place In A Changing World	Lifting Productivity And Economic Growth			
Rural Research & Dev Priorities	AOP Budget	Natural Resource Management	Climate Variability And Climate Change	Productivity And Adding Value	Supply Chain And Markets	Innovative Skills	Technology	Biosecurity	Other Research
Objective 1. Growing Consumer Appeal	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%
Objective 2. Building Markets	\$1,536,040 15.7%	\$0 0.0%	\$0 0.0%	\$50,000 0.5%	\$1,486,040 15.2%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Objective 3. Driving Value Chain Integrity	\$787,332 8.0%	\$0 0.0%	\$0 0.0%	\$194,605 2.0%	\$394,047 4.0%	\$75,000 0.8%	\$37,588 0.4%	\$86,092 0.9%	\$0 0.0%
Objective 4. Leading Sustainability	\$5,187,751 53%	\$560,000 6%	\$360,458 4%	\$1,859,718 19%	\$565,162 6%	\$383,624 4%	\$964,972 10%	\$493,817 5%	\$0 0%
Objective 5. Improving Capability	\$2,059,814 21.0%	\$150,000 1.5%	\$95,761 1.0%	\$332,631 3.4%	\$592,425 6.0%	\$95,000 1.0%	\$35,000 0.4%	\$30,000 0.3%	\$728,998 7.4%
Unallocated	\$236,226 2.4%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$236,226 2.4%
Totals	\$9,807,163	\$710,000	\$456,219	\$2,436,954	\$3,037,674	\$553,624	\$1,037,560	\$609,909	\$965,224
Percentage	100%	7%	5%	25%	31%	6%	11%	6%	10%

Direct Project	\$6,691,347
Allocated Project	\$3,115,815
Total	\$9,807,163

Financial Budget – 2015/2016

	CEO/ Board	Finance/ Admin	Communication	Marketing	Res. & Innov.	Policy	Total
Revenue - Levies	\$14,455,000						\$14,455,000
Revenue - R&D Matching funds	\$4,900,000						\$4,900,000
Revenue - Other	\$279,000						\$279,000
Total Revenue	\$19,634,000						\$19,634,000
Strategic Objective 1- Projects	\$0	\$0	\$0	\$5,159,690	\$0	\$0	\$5,159,690
Strategic Objective 1- Allocated Project Costs	\$0	\$0	\$0	\$859,992	\$0	\$0	\$859,992
Strategic Objective 1 - Total	\$0	\$0	\$0	\$6,019,682	\$0	\$0	\$6,019,682
Strategic Objective 2 - Projects	\$0	\$0	\$0	\$1,881,542	\$0	\$120,000	\$2,001,542
Strategic Objective 2 - Allocated Project Costs	\$0	\$0	\$0	\$1,977,361	\$0	\$139,687	\$2,117,048
Strategic Objective 2 - Total	\$0	\$0	\$0	\$3,858,903	\$0	\$259,687	\$4,118,590
Strategic Objective 3 - Projects	\$0	\$0	\$0	\$100,463	\$636,742	\$0	\$737,205
Strategic Objective 3 - Allocated Project Costs	\$0	\$0	\$0	\$55,642	\$714,102	\$0	\$769,743
Strategic Objective 3 - Total	\$0	\$0	\$0	\$156,105	\$1,350,844	\$0	\$1,506,948
Strategic Objective 4 - Projects	\$0	\$0	\$0	\$0	\$4,161,940	\$371,000	\$4,532,940
Strategic Objective 4 - Allocated Project Costs	\$0	\$0	\$0	\$0	\$716,830	\$339,953	\$1,056,783
Strategic Objective 4 - Total	\$0	\$0	\$0	\$0	\$4,878,770	\$710,953	\$5,589,723
Strategic Objective 5 - Projects	\$125,000	\$300,000	\$286,950	\$0	\$757,077	\$66,500	\$1,535,527
Strategic Objective 5 - Allocated Project Costs	\$125,245	\$172,156	\$33,409	\$0	\$852,282	\$87,287	\$1,270,379
Strategic Objective 5 - Total	\$250,245	\$472,156	\$320,359	\$0	\$1,609,359	\$153,787	\$2,805,906
Total Direct Project Costs	\$125,000	\$300,000	\$286,950	\$7,141,695	\$5,555,759	\$557,500	\$13,966,904
Total Allocated Project Costs	\$125,245	\$172,156	\$33,409	\$2,892,995	\$2,283,214	\$566,927	\$6,073,946
Total Unallocated Costs							\$498,274
Total Corporate Costs	\$125,245	\$172,156	\$33,409	\$2,892,995	\$2,283,214	\$566,927	\$6,572,220
Total Expenditure	\$250,245	\$472,156	\$320,359	\$10,034,690	\$7,838,973	\$1,124,427	\$20,539,124
Surplus/ Deficit							-\$905,124

Financial Budget – Project Spend Breakdown 2015/2016

Strategic Objective	Description	Direct Project Costs		Allocated Project Costs		Total APL Cost
		Non R&D	R&D	Non R&D	R&D	
1	Growing Consumer Appeal	5,159,690	-	859,992.06	-	6,019,682
2	Building Markets	1,222,542	779,000	1,360,008.49	757,039.98	4,118,590
3	Driving Value Chain Integrity	200,000	537,205	519,616.10	250,126.98	1,506,948
4	Leading Sustainability	221,000	4,311,940	180,973.64	875,809.31	5,589,723
5	Improving Capability	472,325	1,063,202	273,767.02	996,612.47	2,805,906
Other				262,048.13	236,226.18	498,274
Grand Total		7,275,557	6,691,347	3,456,405	3,115,815	20,539,124

Total R&D	9,807,162
Total Non R&D	10,731,962
Total APL Cost	20,539,124

Definitions of Financial Terminology

Direct project costs:

Specific costs attributable solely to one project on an R&D or non R&D basis, often through third party suppliers.

Allocated project costs:

Corporate cost identified to resource a project.

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