

AUSTRALIAN
PorkTM

AUSTRALIAN PORK LIMITED
Annual Report
2015-2016



Vision

Australian pork – a uniquely contemporary part of our food industry.

Purpose

APL – the catalyst for viable, progressive and market driven pork businesses.

Values

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

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Message from the Chairman

On behalf of the Australian Pork Limited (APL) Board, I am delighted to present to you the company's 2015-2016 Annual Report.

This is the second year of reporting under the 2015–2020 Strategic Plan, which was developed to deliver the company's new vision "Australian pork – a uniquely contemporary part of our food industry". I am pleased to report that APL continues to deliver strong outcomes against that vision.

Growth in domestic production has continued at a steady pace with slaughter numbers reaching five million on a MAT basis – the highest for the last eight years. Domestic consumption of fresh pork on a per capita basis continues to grow and is well ahead of our strategic plan projections (it has now exceeded the projected fresh consumption targets for 2020). This outcome is the result of the industry's effective, targeted and consistent marketing campaigns coupled with the benefits of the temporary price advantage that pork currently enjoys against beef and lamb. The rate of growth in domestic consumption of fresh pork has been higher than production growth and as a consequence we have also had:

- a reduction in exports (despite a more competitive AUD);
- a transfer of meat normally destined for the processing sector into the domestic fresh sector; and
- an increase in imports for the processing sector.

Productivity improvements have been the main driver of production growth and this coupled with the competitive price of grains has allowed producers to maintain satisfactory margins at farm gate. Over 90% of pigs grown are done so under the auspices of the industry quality assurance program, APIQ[®], whilst the industry's voluntary removal of gestation stalls is now effective in over 75% of the total herd.

Investment in research and innovation remains a high priority to ensure the industry's competitiveness and sustainability but equally important is the ability to transfer the knowledge gained onto farms to help improve their productivity and profitability. In addition to the investments derived from levies, APL was successful in being awarded additional research funds through the Federal Government's Rural Research and Development for Profit program. This was achieved as part of a collaborative process with a number of other RDCs working together to resolve common problems.

Some of the current APL programs include:

- innovative methods to convert low value waste products into feed, fertiliser and energy;
- working with producers to safeguard biosecurity;
- assisting producers to understand energy use together with ways to reduce costs through energy audits;
- identifying new Emission Reduction Fund (ERF) methods which enable producers to generate carbon credits as an additional revenue stream;
- trialling of on-farm welfare assessment tools enabling producers to better monitor and assess pig welfare;

- enabling whole of chain traceability of both fresh pork and offal; and
- developing and improving real time communications between producers and other industry stakeholders.

With the Pork CRC entering its final years, good progress has been made between the CRC and APL in creating a sustainable business model that has a strong chance of ensuring that the current high levels of pork research are maintained.

Access to overseas markets is important to give producers and processors alternative options to market their products. Currently good access is available to most Asian markets and the current focus for APL is on China. Even though pork was included as part of the FTA with China, there is a need to resolve the various import protocols including biosecurity before any exports can actually occur. Progress is unfortunately slow but the APL team continues to work closely with the appropriate authorities of both countries to try and achieve a satisfactory outcome. In parallel the marketing team have been trying to identify potential trade opportunities for when market access is eventually granted.

The Australian pig herd enjoys a relatively high health status and ensuring that appropriate biosecurity protocols are in place is critical to the maintenance or improvement in the health status. Recent work has focussed on a robust traceability system (i.e. PigPass) which is currently being presented to various Governments for ratification and implementation.

APL continues to work on improving its efficiency and effectiveness to ensure that the maximum amount of the levy funds are invested in programs. One example of this is the broadening of the use of the CRM system across the Company for data capture and management underpinned by robust governance rules.

This annual report provides me with an opportunity to thank the Board, management and staff of APL. Their continuing leadership, innovation and commitment throughout the past year together with their dedication to and enthusiasm for the industry is critical to delivering further growth, profitability and value to our stakeholders.



Enzo Allara AM
Chairman



Message from the CEO

The financial year 2015-2016 will be remembered as a relatively positive one for the Australian pork industry. Profitability levels on farm have been healthy, the industry is motivated to grow and planning in that direction is taking place, and pork continues to carve out a distinctive niche on the plates and palates of Australian consumers.

For the first time in a number of years, Australian Pork Limited (APL) invested more than \$20 million on behalf of Australia's levy paying pork producers and the Australian government. This increased investment was made possible by the levy increase that occurred on 1 July 2014.

Despite a bottom line deficit of around \$100,000 for the year, APL retains healthy reserves enabling opportunities to be taken up at a time that suits appropriate investment rather than any income timing.

Industry Trends

Pig slaughters for the year to the end of June 2016 approached 5 million. Production for this year measured as either pig numbers or pigmeat volumes will be around 2 per cent higher than for the previous year. Production is thus continuing its trend of the past few years of continual but slow increase.

Ex farm gate pig prices have also been quite healthy over the past 12 months. The fact that pig prices have continued to rise indicates that despite our increased production, we have not increased as fast as our demand has been increasing.

Whilst export volumes for the year have been mixed, the quality of our exports seems to have improved with average prices received on the up. Singapore once again is taking the major share of high-quality pork exports out of Australia.


Despite the positive signs in our industry, the very fact that we can't meet all of the demand that we would like to, means that extra demand will need to be filled by pork imports. Pork import volumes have thus maintained their high levels for the past year.

Domestic Supply and Demand

One of the most positive aspects of the pork industry in Australia presently is the very high levels of demand for our product being experienced. In particular, domestic fresh pork consumption – measured on a per capita basis – has been steadily increasing for the past five or six years. Adding to this, the very high prices at retail for other alternative proteins such as beef and lamb, retail consumer demand for cost-effective alternatives is being even further enhanced. These alternatives are largely chicken and pork.

Year-on-year growth for the industry of around 2 per cent is going to do little more than meet population growth. Higher pig prices and associated profitability is motivating pig producers to look into expanding their facilities or build new piggeries to increase production into the market. This new infrastructure will take some time to result in increased production.

Consistent strategy and messaging for pork promotion through campaigns such as “Get some pork on your fork” or Australian PorkMark and PorkStar have gained traction over the years and lead to



increased demand for our product. New “how to cook” themed campaigns also seem to be working exemplified through the recent 6-2-2 campaign targeted at pork steaks.

Fresh pork consumption is now approaching 10 kg per capita per annum. This has risen around 1 kg or 10 per cent in the last three years or so. Evidence would seem to suggest that this figure might have been even higher had more product been available in the market.

International Issues

Our longer term play into China continued over the past year with efforts around building relationships to underpin strong future trade and negotiation of trade protocols. We understand that our eventual market presence will be modest, at least at first, and it will take some time to get there. The positioning for Australian pork in China matches that which could work in a number of different Asian countries and this is being followed up as present opportunities.

Productivity and Research Outcomes

Competition for our research dollar continues, with demands around increased productivity, better environmental footprint, improved animal welfare, better food safety and stronger product integrity. Our rigorous investment process continues to deliver the portfolio of research and development projects to meet the 21st-century needs of the industry.

APL remains a major investor in the Pork CRC. This CRC, due to wind up in the middle of 2019, has been very successful in delivering to industry better tools for better pork and better pigs. We work with the CRC to build a long term second tier industry research instrument under the name of APRIL or the Australian Pork Research Institute Limited. The plan is that APRIL and APL in the longer term will work hand-in-hand to enhance investments and outcomes in pork industry research and development.

Sustainability Measures

Pig production expansion plans have put pressure on some parts of the planning processes required for new infrastructure. APL has been working closely with a number of producers with difficulties in this area that exemplifies broader issues for the whole industry to deal with. In the medium term, we look to improve the tools and engagement with planners – at council or state level – building a smoother but no less effective process.

Our industry finds itself fitting neatly into the present environment of attention towards renewable energy initiatives. The number of piggery based bioenergy plants continues to increase and with it, a continual improvement in our industry’s emissions profile. The foot will not come off the gas as new facilities include these new energy plants and market forces continue to make these investments look even better.

The phasing out of sow stalls continues to progress, but as we get closer to the end game, the last pieces are the most challenging. During this year, the industry has decided to go ahead and prompt the review of the standards and guidelines around welfare regulation in Australia’s pork industry. This will do two things. Firstly, by regulating for the cessation of the use of sow stalls, it will help our industry to meet its commitment to complete the phase out by 2017. Secondly, with all of the present investments for increased production within our industry, it will give some certainty as to what tomorrow’s piggeries need to look like.



Our industry is focused on product integrity; firstly because it matters to our markets and secondly because we are good at it. We continue to build these integrity systems, based upon our three key components of the APIQ[✓]® quality assurance program, PigPass traceability system, and Physi-Trace pork trace back. The capability of the overall system continues to build technically, and with the improving support of the whole supply chain as a total industry asset.

New Country of Origin Labelling legislation has been introduced from 1 July 2016. We look forward to seeing how this improves consumer informed choice around supporting Australian pork and Australian pig farmers.

Government Relations

The Australian Government continues to be one of our major investors. Through the matching funding process and grant programs such as the Rural R&D for Profit, the Federal Government contributes significantly to improved R&D outcomes for our industry. By using this funding wisely and responsibly, we hope to demonstrate the ongoing significant spill over benefits to the wider community and continue this fruitful relationship.

Pork and the Community

Pig farms exist within our community and with the support of our community. We need to continually demonstrate our credentials as good community citizens. Being more open and transparent about what happens on pig farms, without compromising the biosecurity demands, remains a challenge for the industry. Step-by-step, we plan to open our industry up to those who care to take a look. We want to show the care and dedication it takes to run a successful pig farm enterprise.

Membership Issues

The three-year membership and delegate recruitment cycle finished at the end of June 2016. This prompted the renewal of all of our members and delegates, and gives us the opportunity to have a broader base of membership across all of the different production types and scales of Australia's pig farming. The huge diversity of Australia's pig farms challenges APL to build membership offerings in a more targeted fashion towards the various players in the industry. This is a challenge we are starting to take up with higher engagement levels with certain membership sectors.

The Operational Team

The Australian pork industry trusts APL to spend a large amount of its money on making our industry even stronger. We take this challenge extremely seriously, and through a largely unknown but dedicated team of people, mainly based in Canberra, we believe we are able to achieve this. I thank this team for their loyalty and hard work for our industry and I also thank the APL Board for having the confidence in and giving their support to the management team on behalf of Australia's pig producers.

Andrew Spencer
Chief Executive Officer





3. Operational and Strategic Overview

3.1 Overall Framework

APL is a company limited by guarantee. It is a unique rural industry service body for the Australian pork industry – a single producer-owned company to deliver integrated services that enhances the viability of producers. The framework for APL was established under the *Pig Industry Act 2001*. Operating and reporting guidelines are provided for in the Funding Agreement (FA) with the Commonwealth of Australia. The FA was renewed on 26 May 2015.

APL's primary funding is derived from statutory pig slaughter levies collected under the *Primary Industry (Excise) Levies Act 1999*. The levy amounts to \$3.125 per carcass at slaughter, of which APL receives \$2.95, consisting of \$1.95 for marketing activities and \$1.00 for research and development (R&D). The remaining \$0.175 is for the Pig Monitoring Residue Program, which is received and managed by the National Residue Survey (NRS), in conjunction with APL. The levy for marketing activities increased on 1 July 2016 by \$0.30 per carcass at slaughter to \$2.25. Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture and Water Resources.

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

- Compliance with all relevant Australian Accounting Standards;
- Development and implementation of a risk management plan in accordance with Australian Standards;
- Development and implementation of a Fraud Control Plan;
- Development of an Intellectual Property Management Plan;
- Measurement of organisational performance against specified outcomes and objectives;
- Adoption of best practice in human resource management and diversity management;
- Adoption of best practice in managing compliance with legislative and regulatory requirements; and
- Establishment of internal policies and procedures in key areas including: Equal Employment Opportunities (EEO), Work Health and Safety (WHS) and privacy.

3.2 Role and Functions

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

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



3.3 Core Values

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

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

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

3.4 Members

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

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

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

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

- Environmental initiatives;
- Animal welfare initiatives;
- Animal health;
- Feed grain security and supply;



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

Levy-paying members are entitled to nominate a Delegate to represent their interests more directly to APL through the well-structured Delegate system. For the reporting period 2015-2016, 34 Delegates represented APL levy-paying members. APL Delegates serve up to a three-year term. The Delegate's term expires and is renewed every three years at the same time memberships expire and are renewed.

3.4.1 Material Changes to Membership

The 2015-2016 reporting period has been a quiet period for membership, being the third year in a three-year membership renewal cycle. All memberships expired on 30 June 2016 and a new membership cycle commenced on 1 July 2016. APL is continuing to target small and outdoor pig producers with its publication *Pigs N' Mud*. The circulation of *Pigs N' Mud* targets those producers with sow herds up to 50 sows.

At the Annual General Meeting (AGM) in November 2015, members approved a change to the APL Constitution. The change allows a pig producer to consent to APL accessing PigPass records for the purposes of assessing the amount of Pig Slaughter Levy the pig producer has paid, both when they first become a member and when voting entitlements are updated every three years. This change will become effective when mandatory pig movement reporting is introduced; simplifying the membership renewal process as a Statutory Declaration attesting to the value of slaughter levy paid in the previous year will no longer be necessary. Associate Corporate memberships remained steady at around 35 members (same as last year) with APL gaining two additional Associate Producer members, bringing the total to seven.

3.5 Other Stakeholders

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

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

3.6 Organisation Structure

3.6.1 APL Senior Management

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



Andrew Spencer
Chief Executive Officer



Deb Kerr
General Manager, Policy



Heather Channon
Acting General Manager,
Research and Innovation



Peter Haydon
General Manager, Marketing



Damien Howse
General Manager, Corporate
Services/Company Secretary

3.6.2 Policy Division

The Policy Division is responsible for strategic policy development, advocacy and government relations across a wide variety of policy issues that affect the Australian pork industry. As a key point of contact with the industry's various stakeholders, including the Australian and State Governments, the division seeks to manage and balance the impact of regulatory shifts, as well as changes to government policy and the compliance requirements, while ensuring the industry



remains competitive and sustainable. The division addresses issues relating to animal health and welfare, climate change, environmental sustainability and planning, food safety and product integrity, traceability, feed security, emergency and issues management, trade and market access, labour and immigration, and biosecurity and quarantine. Following the re-structure of APL in early 2016, the Policy Division now incorporates corporate traditional and social media functions, the transparency initiative, and content for other communications platforms.

3.6.3 Research and Innovation Division

The division is responsible for investing and managing producer levies and matching government R&D funds in projects across a wide range of disciplines. The primary aim of this division is to implement the Pork National R,D&E Strategy to enhance the adoption of research outcomes or products by industry. This is delivered by a robust R,D&E process, and increased collaboration between R,D&E stakeholders including industry (including cross-sector), universities, consultants and government (State and Federal jurisdictions). The division also manages scholarship programs for undergraduate and postgraduate students and training initiatives for the industry. The division also has responsibility for the management of the industry's quality assurance program APIQ[✓][®]. Collaborative investment opportunities that address pork industry R&D priorities are also actively sought by the division to further leverage APL R&D funds.

3.6.4 Marketing Division

This division has responsibility for growing demand for Australian pork, both domestically and internationally. This includes all forms of pork, from fresh raw meat for at home or in-restaurant dining to value-added meats and delicatessen items such as ham, bacon and salami.

Demand is influenced by the division engaging in dialogues with consumers, retailers, processors and farmers and by facilitating mutually beneficial initiatives. Whilst the majority of resources for the Marketing Division are expended in strategic objectives 1 and 2, the current strategic plan has been designed so that all divisions contribute in some way to all strategic objectives.

3.6.5 Corporate Services Division

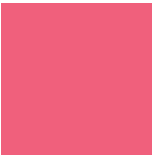
The Corporate Services Division was established during the last financial year. The division's purpose is to provide support to the Board, CEO and other APL divisions. In particular, the division provides capability in finance, human resources, internal policies and procedures, administration and information and communication technology, membership services, event co-ordination and delivery of communications. Company secretarial, risk management and corporate governance services are also provided by this division, as are secretariat services to the Council of Rural Research and Development Corporations and company secretarial support to PorkScan Pty Limited.

3.6.6 Staff

As at 30 June 2016, the Company employed 30 full-time and 5 part-time and casual employees.

3.6.7 The APL Board of Directors

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



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

APL Delegates elect five Producer Directors to the APL Board; in turn, the Board recruits four Specialist Directors to ensure a balance of skills and expertise is represented in accordance with the Funding Agreement criteria. The appointment of Specialist Directors must be ratified by a majority of Delegates at the AGM. Directors retire in rotation and retiring elected directors are eligible for re-election.

3.7 Developing Strategic Directions

The current 2015–2020 Strategic Plan took effect from 1 July 2014 and is reported against for the second time in this 2015-2016 Annual Report.

There are five Strategic Objectives making up the 2015–2020 Strategic Plan:

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

The five Strategic Objectives govern specific programs for APL in order to deliver against the targeted outcome statements. The outcome statements and specific programs sought for each strategic objective are outlined below.

3.7.1 Strategic Objective 1 – Growing Consumer Appeal

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

- Program 1: Better Pork
- Program 2: Pork Made More Popular
- Program 3: Increasingly Different.

3.7.2 Strategic Objective 2 – Building Markets

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

- Program 1: Market Insights
- Program 2: Domestic Market Development
- Program 3: International Market Development.



3.7.3 Strategic Objective 3 – Driving Value Chain Integrity

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

- Program 1: Trust in Pork Provenance
- Program 2: Pork Quality Assured
- Program 3: Fairness in Risk and Reward.

3.7.4 Strategic Objective 4 – Leading Sustainability

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

- Program 1: Addressing Societal Needs
- Program 2: Healthy Herds and Farms
- Program 3: Continuous Productivity Growth.

3.7.5 Strategic Objective 5 – Improving Capability

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

- Program 1: Applied Learning
- Program 2: Building Industry Image and Reputation
- Program 3: Operational Effectiveness.

Operationally, all of the activities of APL are focused directly or indirectly on achieving the objectives of the 2015–2020 Strategic Plan.

3.8 Governance

3.8.1 APL Board

Role

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

The Board’s functions include:

- Setting company policies;
- Appointment of the CEO and providing direction on the appointment, remuneration and evaluation of senior management;
- Approving major strategies, plans and budgets;

- Assessing and reviewing company performance;
- Responding to management recommendations on major initiatives;
- Approving significant capital expenditure; and
- Ensuring the company acts legally and responsibly on all matters and that the highest ethical standards are maintained.

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

Remuneration

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

Meetings

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

Committees

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

- **Audit, Risk and Corporate Governance Committee**
The committee is chaired by a director and includes two other directors. The committee's role is to advise the Board on corporate governance, internal and external financial audit issues and adequacy of accounting procedures, systems, controls and financial reporting. It also reviews risk management and fraud control management, intellectual property management, qualification of research and development and matching expenditure in compliance with major contracts.
- **Human Resources & Remuneration Committee**
The committee is chaired by a director and includes two other nominated Board members. The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management.
- **Market Development Committee**
Directors with "value chain" experience are part of the Market Development Committee, which also includes industry stakeholders from the supply chain. The committee reviews possible marketing developments for the domestic and export markets and advises the Board, through management, on appropriate strategies.



- **Research and Development Advisory Committee (RDAC)**
The committee is chaired by a director and gives direction to activities around the development, management, performance and outcomes of APL's research and associated activities.
- **Quality Assurance and Animal Welfare Committee**
The objective of this committee is to provide input and guidance to the APL Board in the development of policy as well as strategic communications on emerging or specific animal welfare and quality assurance issues that have the potential to significantly impact on producers' future sustainability.

Development and Performance

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

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

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

An internal assessment of the Board was carried out in September 2015. Assessments are part of the Board's commitment to continued good corporate governance. They are also to ensure that newly-elected members to the APL Board have a greater understanding of how the company operates. An extensive induction program is carried out, providing new members of the Board with the opportunity to meet the company's senior managers and operational staff.

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

Policies

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

Business Approach

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

Conflict of Interest

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



3.8.2 Corporate Social Responsibility

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

Some of these endeavours towards sustainability and corporate consciousness are listed below.

Maintaining Ethical and Responsible Marketplace Practices

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

Respecting and Engaging Staff

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

Taking Care of the Environment in which the Company Operates

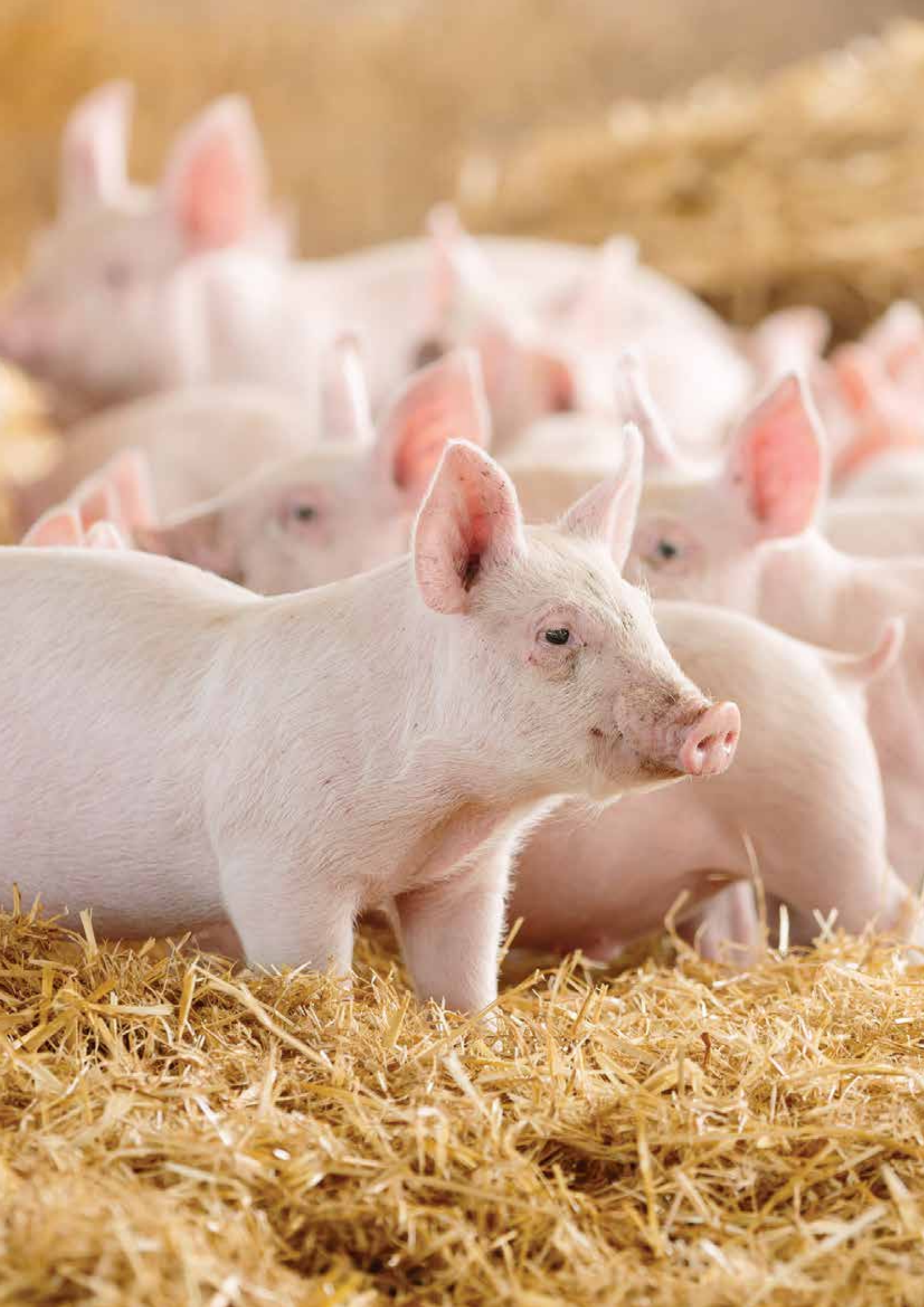
- Implementation of the environmentally sustainable piggeries program;
- Research on issues of importance within the National Environmental Guidelines for Piggeries (NEGP);
- Safeguarding animal health through exotic disease prevention and preparedness;
- Model Code of Practice for Welfare of Animals: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

Strengthening the Company's Place within the Community

- Multi-media educational program for primary and secondary schools;
- Postgraduate scholarships;
- Undergraduate scholarships for farm and industry placements;
- Training and provision of training resources for piggery staff;
- Leadership development programs;
- Travel awards;



- Consumer surveys – animal care and community sensitive issues;
- Reputation management strategy;
- PorkSafe program, market and field days, trade and agricultural shows and sponsorships;
- Producer innovation awards;
- Provision of Christmas hams and pork to charity;
- Communications to members and industry; and
- Implementing the Community Engagement and Transparency program.





4. Report on Performance

4.1 Summary of Objectives – KPIs and Outcomes

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

The table below shows the KPIs and expected Outcomes for each of the Programs within the Strategic Objectives. This provides a clear view of the activities and associated industry benefits linking back to the 2015–2020 Strategic Plan.

Strategic Objective	Program	KPIs	Outcomes
Growing Consumer Appeal	1. Better Pork	Eating Quality Pathways Performance	Decreased incidence of unacceptable taste or texture reported by consumers
		Pork Image Attributes	Improved perceptions of Australian pork
	2. Pork Made More Popular	Net Promoters Score	Increased recommendation of Australian pork
		Advertising Recall	Fresh pork “top of mind” for Australians
	3. Increasingly Different	Australian Processed Pork Share	Increased demand for Australian pork
		PorkMark Awareness	Improved ability for Australians to identify Australian ham and bacon
Building Markets	1. Market Insights	Program Effectiveness through Insights	Maintain “thought leadership” position
	2. Domestic Market Development	Pig Prices	Improved returns to pig producers
		Fresh Pork Consumption	Increased demand ahead of population growth
	3. International Market Development	International Pork Sales Value	Increased international demand for Australian pork
		International Premium Proposition	Find a discernibly different tasting pork with an attractive provenance story

Strategic Objective	Program	KPIs	Outcomes	
Driving Value Chain Integrity	1. Trust in Pork Provenance	Physi-Trace Adoption	Enhanced traceability	
		Pork Provenance Testing	Industry preparedness, rapid response and recovery	
	2. Pork Quality Assured	APIQ [✓] Uptake	Compliance verification for processed ham and bacon products	
		APIQ [✓] Annual Systems Audit	Enhanced pig welfare, health and care on-farm	
			Enhancement of industry reputation for implementation of responsible practices	
	3. Fairness in Risk and Reward	Boar Taint Free Pork	Improved integrity systems	
		Lean Meat Yield Technologies	Robust QA program	
	Leading Sustainability	1. Addressing Societal Needs	Movement Reporting within Two Days	Increased consumer demand
			Gestation Stall Free Uptake – APIQ [✓]	Improved carcass pricing clarity
Gestation Stall Free Uptake – non-APIQ [✓]			Enhanced traceability reduces the risks of exotic and endemic disease outbreaks	
2. Healthy Herds and Farms		Post-wean Mortality Rates	Reputation for responsible practices	
		New Technologies for Better Gilt Progeny	Industry preparedness, rapid response and recovery	
3. Continuous Productivity Growth		Pork Produced per Sow	Validation of industry commitment to move away from gestation stalls to group housing	
		New Technologies to Reduce Reproductive Waste	Reputation for responsible practices	
			Increased reproductive performance	
Improving Capability		1. Applied Learnings	Technology Awareness	Increased awareness of APL R,D&E initiatives
			Technology Adoption	Improved adoption of industry solutions across the supply chain
	2. Building Industry Image and Reputation	Level of Membership	Increased portion of industry that become APL Members	
		APL Positive Image	More positive evaluation of APL's performance	
	3. Operational Effectiveness	Staff Turnover	Balancing, maintaining and refreshing corporate knowledge	
		Corporate Cost Control	Continuous efficiency improvement	



4.2 Strategic Objective I – Growing Consumer Appeal

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

4.2.1 Program I – Better Pork

Program	KPI	Unit	2015-2016 Target	Result
Better Pork	Eating Quality Pathways Performance	Product fail rate percentage in best sales channel	2.15%	3.00%
	Pork Image Attributes	Percentage agreement with “Pork is low in fat and a valuable sources of iron”	18%	16%

KPI Table: Strategic Objective I Program I – Better Pork

Background

Pleasure in eating, both of the cook and the people to who they are serving food is an important factor in all food purchase decisions. The eating experiences can affect both short term and habitual food purchasing. The combination of marketing messages and the rigorous application of APIQ[✓]® both target delivering consumers’ enjoyable eating experiences.

Australian pork has historically been viewed as an indulgent, special occasion meat. Reminding consumers that most meat is a valuable part of a balanced diet and presenting true, but relatively unknown, facts about pork enhances demand for Australian pork.

Achievements/Outcomes

The targeted decrease in chilled pork fail rates was not achieved. Product fail rates remained at 3 per cent, the same level as the two previous years. Eating quality improvement will continue to be a priority, with future focus on improving the positives as well as continued efforts to reduce fail rates.

Consumer perceptions of pork fillets being “low in fat and a valuable source of iron” recovered to 16 per cent in June 2016 having taken a dip in the early part of 2016 as investment in these messages was decreased.

4.2.2 Program 2 – Pork Made More Popular

Program	KPI	Unit	2015-2016 Target	Result
Pork Made More Popular	Net Promoters Score	Percentage of promoters minus detractors	-7%	-8%
	Advertising Recall	Percentage of Australians recalling pork advertising	64%	60%

KPI Table: Strategic Objective I Program 2 – Pork Made More Popular

Background

Most Australians eat meat most days. As a result, they form habits, which are primarily driven on any particular day by the recipes the diners like. Habits can also be driven by the meat species or the type of cooking diners prefer. In order to increase the popularity of Australian pork, which is

eaten infrequently versus other meats, Australian pork needs to be more familiar, seen as likely to taste great, make the cook feel good about what is being served to diners and make them confident about how to cook Australian pork.

The net promoter score is commonly used to identify products or brands that are likely to grow. It takes the number of advocates for a product and subtracts the number of detractors leaving a number suggesting future growth or decline. Pork's reading is negative, in part due to the large number of detractors who avoid pork based on their beliefs. The challenge, however, remains the same: we need to increase the number of advocates. There are encouraging early signs that this is beginning to happen.

Achievements/Outcomes

Advertising recall improved year-on-year from 57 per cent last year to 60 per cent this year. The last read of 2015-2016 was 73 per cent. The year's target of 64 per cent was not achieved due to a delay of a major advertising initiative from February to April 2016. This delay was adopted to ensure adequate stock of Australian pork was in-store, following high levels of demand in late 2015.

The net promoter score was planned to improve from -10 per cent to -7 per cent. Whilst improvement did not reach the target level, further improvement is expected as the major advertising initiative gains traction.

4.2.3 Program 3 – Increasingly Different

Program	KPI	Unit	2015-2016 Target	Result
Increasingly Different	Australian Processed Pork Share	Percentage of processed pork consumption	25.4%	27.7%
	PorkMark Awareness	Percentage of Australians aware of PorkMark	64%	59%

KPI Table: Strategic Objective 1 Program 3 – Increasingly Different

Background



Australian pork does compete with pork from other countries that have more – often many more – diseases in their pig herds that threaten Australian biosecurity. However, imported pig meat heat-treated in government accredited facilities in Australia can be used to make ham and bacon products.

Australian consumers prefer to buy ham and bacon made from Australian pork. The Australian PorkMark program has been developed to clearly identify ham and bacon products that have been made with Australian pork.

Achievements/Outcomes

Australian pork's share of processed meat was higher than predicted even though the awareness of the PorkMark logo did not achieve the envisaged growth. The PorkMark awareness growth was also based on the advertising initiative that was delayed to ensure adequate stock in-store, mentioned in Program Two above.

During this financial year, three significant commercial organisations joined the PorkMark program and active enquiries were received from another two. It is anticipated that more products will appear displaying the PorkMark in the coming months.



Financial Summary

STRATEGIC OBJECTIVE I – GROWING CONSUMER APPEAL							
PROGRAM	NON R&D			R&D			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Pork Made More Popular							
<i>Budget</i>	\$4,927,640	\$491,810	\$5,419,450	\$0	\$0	\$0	\$5,419,450
<i>Actual</i>	\$5,204,203	\$526,405	\$5,730,609	\$0	\$0	\$0	\$5,730,609
Increasingly Different							
<i>Budget</i>	\$232,050	\$368,182	\$600,232	\$0	\$0	\$0	\$600,232
<i>Actual</i>	\$274,565	\$332,782	\$607,348	\$0	\$0	\$0	\$607,348
TOTAL BUDGET	\$5,159,690	\$859,992	\$6,019,682	\$0	\$0	\$0	\$6,019,682
TOTAL ACTUAL	\$5,478,769	\$859,188	\$6,337,956	\$0	\$0	\$0	\$6,337,956

4.3 Strategic Objective 2 – Building Markets

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

4.3.1 Program 1 – Market Insights

Program	KPI	Unit	2015-2016 Target	Result
Market Insights	Program Effectiveness through Insights	Number of significant learnings identified	2	2

KPI Table: Strategic Objective 2 Program 1 – Market Insights

Background

The Market Insights program has a number of roles. It ensures that pig market data – such as the latest prices, grain price trends and volumes of production – useful to producers is available in an accurate and timely manner. The program also guides all APL marketing activity. It creates a “thought leadership” position with retailers and value chain participants by positioning APL as “a centimetre wide but a kilometre deep” (we only really know about consumers and shoppers as their trends, attitudes and behaviours relate to meat and we aspire to know everything there is to know in meat).

The third area that this program operates in is more general industry consumer understanding. This benefits other programs within APL by providing, for example, trends in consumer perceptions of social licence, reconciliation of production forecasts with levies collected, contributions to Australian Bureau of Statistics & Australian Bureau of Agricultural and Resource Economics and Sciences activities and involvement in “Trust in Pork” sample collection.

Achievements/Outcomes

The provision of regular data is a little like being an electricity supplier, people only remember you exist when the lights go out. This year, the lights have not gone out, so we are pleased to report we have been reasonably invisible. Behind the scenes, however, improvements that have been made include a broadening of the base of information suppliers improving the already high reliability of industry data.

We believe that two significant insights (i.e. learnings that are new, commercially significant and actionable) have crystallised since July 2015. The first is that our program in the “out-of-home eating market” is significantly extendable and consequently we are working on how best to capture the value of this opportunity.

Secondly, a combination of already growing demand for Australian pork, combined with high beef prices and a strengthened marketing program funded by increased producer levies, has enabled us to identify and experiment with five new methods of creating demand for Australian pork.



4.3.2 Program 2 – Domestic Market Development

Program	KPI	Unit	2015-2016 Target	Result
Domestic Market Development	Pig Prices	\$/kg Hot Standard Carcase Weight at farm gate (all pigs)	\$3.28	\$3.57
	Fresh Pork Consumption	Carcase weight kilograms of fresh pork consumed per person per annum	9.91	9.71

KPI Table: Strategic Objective 2 Program 2 – Domestic Market Development

Background

This program is focused on converting better, more popular and differentiated Australian pork into sales. This involves collaborating with retail chains, individual butchers and independent supermarket owners, as well as individual restaurants and chefs. These sales reflect pig demand, which is one of the influencers on the price the producer receives.

Achievements/Outcomes

This year, increased demand has been converted into significant increases in pig prices. The combination of higher than anticipated sales of Australian pork in ham and bacon and other processed products and the relatively slow growth in Australian pork production of 1.9 per cent (to May 2016 – Source: Australian Bureau of Statistics) has meant that per capita consumption of chilled pork could not achieve the desired growth versus last year.

4.3.3 Program 3 – International Market Development

Program	KPI	Unit	2015-2016 Target	Result
International Market Development	International Pork Sales Value	Million \$ pork export value	\$117.3m	\$128.1m
	International Premium Proposition	Australian premium pork in-market testing has begun	Yes	Yes

KPI Table: Strategic Objective 2 Program 3 – International Market Development

Background

International market development evolved in the 2015–2020 Strategic Plan from a maintenance business to a growth business. Consumer and market research highlighted that in order to compete internationally, Australian pork will need to evolve a value added and tailored offering rather than be a commodity trade.

As a consequence, increased resources have been allocated to international market development and a planning mentality of “test, learn, test, learn” has been adopted.

Achievements/Outcomes

Several new products have been developed through the testing of different breed, feed and growth rate regimens. Some products have been tested by a panel of accomplished chefs, and from these some products have been further tested in an international city. The findings from these initial tests are informing next steps.

Further work on export protocols for the largest pork market in the world, China, has continued. Relationships and discussions continue to deepen with the next step being government to government discussions.

Financial Summary

STRATEGIC OBJECTIVE 2 – BUILDING MARKETS							
PROGRAM	NON R&D			R&D			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Market Insights							
<i>Budget</i>	\$0	\$325,089	\$325,089	\$592,000	\$593,847	\$1,185,847	\$1,510,936
<i>Actual</i>	\$0	\$0	\$0	\$823,982	\$605,245	\$1,429,226	\$1,429,226
Domestic Market Development							
<i>Budget</i>	\$922,542	\$839,212	\$1,761,754	\$29,000	\$114,019	\$143,019	\$1,904,773
<i>Actual</i>	\$1,003,949	\$1,030,600	\$2,034,549	\$361	\$32,003	\$32,363	\$2,066,912
International Market Development							
<i>Budget</i>	\$300,000	\$195,707	\$495,707	\$158,000	\$49,174	\$207,174	\$702,881
<i>Actual</i>	\$147,764	\$200,421	\$348,185	\$118,965	\$151,371	\$270,336	\$618,520
TOTAL BUDGET	\$1,222,542	\$1,360,008	\$2,582,550	\$779,000	\$757,040	\$1,536,040	\$4,118,590
TOTAL ACTUAL	\$1,151,713	\$1,231,021	\$2,382,733	\$943,308	\$788,618	\$1,731,925	\$4,114,659



4.4 Strategic Objective 3 – Driving Value Chain Integrity

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

4.4.1 Program 1 – Trust in Pork Provenance

Program	KPI	Unit	2015-2016 Target	Result
	Physi-Trace Adoption	Number of abattoirs subscribed to Physi-Trace	7 export and 1 domestic abattoir	Currently 6 export and 3 domestic abattoirs are routinely collecting raw pork samples.
Trust in Pork Provenance	Pork Provenance Testing	Number of provenance surveys for fresh and processed pork products	Quarterly sampling of ham and bacon products purchased at retail	Three rounds were conducted in 2015/16. This study involves maintenance of a processed pork database which is supported by regular collection of samples of imported ham and bacon from known sources as well as Australian samples. Outcomes from this work, supporting the use of PorkMark, are discussed with brand owners according to Physi-Trace business rules.

KPI Table: Strategic Objective 3 Program 1 – Trust in Pork Provenance

Background

Achieving trust in Australian pork and pork products, in both our domestic and export markets, must be supported by effective transparency and traceability systems. This program is focused on the development, adoption and implementation of programs to enhance consumer trust in the provenance of Australian pork in domestic and export markets.

Achievements/Outcomes

Pork Supply Chain Integrity Program/Physi-Trace

Physi-Trace uses trace elemental profiles, chemical and organic markers to discriminate between pork samples based on region of origin. The integration of Physi-Trace with APIQ[®] and PigPass supports traceability and provenance claims of Australian pork to be verified through the Trust in Australian Quality Pork program. Sampling and analytical plans are in place to deliver Physi-Trace to industry at a cost of \$0.05 per pig. These plans involve the sampling and storage of raw pork samples collected from between 0.5–1.5 per cent of annual slaughter by each establishment, varying with slaughter numbers per tattoo per week, with 5 per cent of these samples randomly selected on a monthly basis for quarterly Physi-Trace analysis to maintain a database for raw pork. Physi-Trace is being used to differentiate between ham and bacon made from Australian or imported pork, supported by the Physi-Trace ham and bacon database. During 2015, investigations were conducted to establish whether algorithms previously developed can be used to link the elemental profiles of pork liver to the elemental profiles of raw meat. Work is continuing into 2016/17 to develop more robust and detailed algorithms for liver so that, in the event of a traceback, raw pork profiles can be used to assist with determining property of origin.

4.4.2 Program 2 – Pork Quality Assured

Program	KPI	Unit	2015-2016 Target	Result
Pork Quality Assured	APIQ [✓] Uptake	Percentage APIQ [✓] certified enterprises of all pig farm enterprises	90%	91.5%
	APIQ [✓] Annual Systems Audit	Number of non-conformances and observations	≤ 1 non-conformance; ≤ 20 observations	No non-conformances; 6 observations.

KPI Table: Strategic Objective 3 Program 2 – Pork Quality Assured

Background

APIQ[✓] is a key platform providing confidence to our consumers, regulators, markets and the Australian public that our production standards are of a high level. APIQ[✓] is an independently audited program, which verifies industry compliance with management, animal welfare, food safety, and biosecurity and livestock traceability standards. APL also 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.

Achievements/Outcomes

APIQ[✓] Activities

APIQ[✓] certification continues to cover more than 90 per cent of Australian commercial sows in production, reaching a high of 91.5 per cent in August 2015. Gestation Stall Free (GSF) compliance reached 70 per cent in October 2015 and sits at 69.4 per cent as at 30 June 2016, as measured only through the APIQ[✓] system. The percentage of sows in outdoor production has decreased from 13 per cent to 11 per cent of all APIQ[✓] certified sows, however, the number of sites and growers certified as Free Range or Outdoor Bred Raised Indoors on Straw has increased.

Period	# sites FR/OB	# Sows	# Growers	% of APIQ [✓] Sows
July 2015	47	28,520	120,819	13
June 2016	57	28,071	138,079	11
Variation	+10	-449	+17,260	

APIQ[✓] certification is supported by 15 independent registered auditors. During 2015-2016, auditors successfully transitioned to using the Green Light electronic Muddy Boots audit reporting system. The auditor summit training, held in Toowoomba, focused on skills development and synchronisation of assessments. It included a tour of a cattle feedlot and training on the National Food Safety Audit (NFSA) program and system to give auditors an appreciation and understanding of requirements in other industries and the similarity of audit skills and techniques.

APIQ[✓] Management (APIQM) continues to assess and investigate incidence, issues and Critical Corrective Actions as required by APIQ[✓] policy. There were three critical correction action reports in 2015/16 requiring APIQ[✓] Panel input, and one that required APL Board involvement resulting in the producer's certification being suspended. APIQM has worked with the producers, the Panel and the Board to resolve each incident, with conditional or current certification restored once all requirements of the Agreed Actions Plans were completed and verified.



Food Safety R&D

This research program is focussed on delivering science based outcomes that support continued reforms in the Pork AEMIS and demonstrate a proactive industry approach to managing market access and commercial risks.

All export pork establishments were involved in Stage 2 of the Abattoir Process Control project, which aims to establish valid monitoring arrangements to verify hygiene performance in both the abattoir and boning room of individual abattoirs. Outcomes from this study identified that *Enterobacteriaceae* was detected more frequently and at higher levels than *E. coli*, both on carcasses and trim product from the boning room. This indicates that *Enterobacteriaceae* is a better indicator than *E. coli* in ongoing process monitoring and in enabling continual process improvement. Of interest, differences in microbiological performance of carcasses from different establishments, were reduced by the boning room with similar end-product results found across establishments. Further work in 2016/17 will include improving our understanding of factors that are contributing to the spread of contamination from chillers into the boning room to investigate where issues may be arising, and the reasons for these, followed by trialling of interventions by individual establishments to reduce these levels.

The type and scope of the feedback that producers receive for the animals they sell for slaughter is relatively limited and can vary between processing establishments. Feedback can range from minimal (e.g. condemn certificates) to quite extensive (e.g. prevalence of pleurisy), whilst partial condemnations, often indicative of herd health issues, are generally not reported. The cost-effectiveness of a national uniform recording and feedback system was conducted involving export pork establishments. Data was obtained across all seasons for four months (July, October, January, April) from five establishments and interventions leading to either total or partial carcass condemnations were applied to 3 per cent of all pigs processed. This alone represents a direct economic loss (i.e. dressed weight opportunity cost) of approximately \$1 million over the four months of the study, with 50 per cent of this loss due to the presence of arthritis, abscesses and bruising. Issues experienced with the collection, collating and analysis of data reflect a significant gap limiting processor' ability to monitor and report reasons for partial condemnations, and understand associated costs. Financial and operating efficiency benefits accrued by both processors and producers if a feedback system for causes of carcass and offal condemnation is implemented are also being assessed.

As part of the Rural R&D for Profit program, APL successfully obtained funding from the DAWR to undertake the project 'Enhancing supply chain profitability through reporting and utilisation of peri-mortem information by livestock producers'. For this project, APL is collaborating with Meat and Livestock Australia (MLA) Australian Meat Processor Corporation (AMPC), South Australia Research and Development Institute and Department of Economic Development, Jobs, Transport and Resources, Victoria. This project aims to deliver a national producer feedback system for uniform, electronic analysis and reporting of causes and incidence of carcass and offal condemnations identified during the processing of Australian beef, sheep, goats and pigs. The project is to be completed by 30 June 2020.

Work to review the post-mortem inspection and disposition judgements for pork detailed in Schedule 2 and 3 of the Australian Standard for the Hygienic Production and Transportation of Meat and Meat Products for Human Consumption (4696; 2007) is underway. The Pork Processor Referral Group (PPRG), at its meeting in April 2016, endorsed the recommendations for validation studies of alternative or reduced inspection procedures to be assessed, using a risk based framework, against traditional procedures to be conducted. This work will be conducted in 2016/17. This project, whilst being independently conducted for pork, is being run in conjunction

with the red meat sector to ensure that the Standards Review process is co-ordinated. As part of this, a steering committee involving representatives from DAWR, APL, MLA, AMPC, Animal Health Australia (AHA), AMIC and Australian Meat Regulators Group (AMRG) has been established, with its first meeting chaired by the DAWR held in March 2016. The purpose of this steering committee is to manage and co-ordinate communication of proposed direction, outcomes and recommendations arising from these research programs to all key stakeholders, including DAWR operational staff.

4.4.3 Program 3 – Fairness in Risk and Reward

Program	KPI	Unit	2015-2016 Target	Result
Fairness in Risk and Reward	Boar Taint Free Pork	Percentage male pigs vaccinated against boar-taint	50%	55%
	Lean Meat Yield Technologies	Milestones achieved	Pork CRC project milestones met	PorkScan Plus system has been developed. Further work to commercially validate the system will be conducted with additional support from the Pork CRC.

KPI Table: Strategic Objective 3 Program 3 – Fairness in Risk and Reward

Background

This program is focused on implementing technologies and systems that improve the understanding of both producers and processors in terms of what contributes to preferred market specifications for pigs and carcasses, how these are aligned to the requirements of buyers and how these measures may be utilised to drive industry profitability.

Achievements/Outcomes

The PorkScan Plus lean meat system has been developed with the support from the Pork CRC and has been installed on the slaughter floor to allow system validation studies to be conducted. With support from both the Pork CRC and PorkScan Pty Ltd, further work to conduct a commercial validation study will be conducted in 2016/17. APL is involved as a funding partner in the MLA-led DAWR Rural R&D for Profit project 'Globally competitive Australian meat value chains enabled by advanced measurement technologies and integrated feedback systems'. This project aims to develop and implement accurate measurement systems of live animals, carcasses and cuts and deliver value chain information to improve decision making and extract maximum value of products. PorkScan Pty Ltd is providing in-kind contributions to this project. It will run over four years and be completed by 30 June 2020.



Financial Summary

STRATEGIC OBJECTIVE 3 – DRIVING VALUE CHAIN INTEGRITY							
	NON R&D			R&D			
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Trust in Pork Provenance							
<i>Budget</i>	\$0	\$0	\$0	\$337,705	\$113,005	\$450,710	\$450,710
<i>Actual</i>	\$0	\$0	\$0	\$386,609	\$103,775	\$490,384	\$490,384
Pork Quality Assured							
<i>Budget</i>	\$200,000	\$519,616	\$719,616	\$198,000	\$126,034	\$324,034	\$1,043,650
<i>Actual</i>	\$85,908	\$355,453	\$441,361	\$397,260	\$288,609	\$685,869	\$1,127,230
Fairness in Risk and Reward							
<i>Budget</i>	\$0	\$0	\$0	\$1,500	\$11,088	\$12,588	\$12,588
<i>Actual</i>	\$0	\$0	\$0	\$947	\$11,502	\$12,449	\$12,449
TOTAL BUDGET	\$200,000	\$519,616	\$719,616	\$537,205	\$250,127	\$787,332	\$1,506,948
TOTAL ACTUAL	\$85,908	\$355,453	\$441,361	\$784,816	\$403,886	\$1,188,702	\$1,630,063

4.5 Strategic Objective 4 – Leading Sustainability

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

4.5.1 Program I – Addressing Societal Needs

Program	KPI	Unit	2015-2016 Target	Result
Addressing Societal Needs	Movement Reporting Within Two Days	Percentage closed PPNVDs reported within two days	90%	84.25%. KPI not met and will remain less than required until mandatory reporting is legislated.
	Gestation Stall Free Uptake – APIQ [✓] [®]	Percentage industry sows housed under the GSF definition	80%	69.4% as measured only through the APIQ [✓] [®] system. Expansion of the sow herd and verification lag time means there is a timing delay.
	Gestation Stall Free Uptake – non-APIQ [✓] [®]		70%	13.04%. KPI not met. Uptake will remain at low levels while the industry initiative is voluntary.

KPI Table: Strategic Objective 4 Program I – Addressing Societal Needs

Background

This program seeks to result in a better informed, and educated, community about how pork is produced in Australia to foster community loyalty, trust and support. The Australian pork industry has a global leadership through initiatives including ‘Shaping our Future’ and the robust biosecurity systems that underpin the health of the Australian pig herd. This program seeks to enshrine this national and global leadership through a suite of projects covering regulatory, policy and community areas. Major outcomes include improving the Australian pork industry’s image that is essential to maintaining the confidence of consumers, government, our markets and the Australian public.

Achievements/Outcomes

Collaborative Activities

The Policy and Research and Innovation (R&I) Divisions work closely to develop industry positions and provide input and advice concerning government policy on issues such as emergency management, planning, biosecurity, environment and animal welfare.

APL works closely with numerous stakeholders including producers, local government, state government agricultural departments, environment protection agencies, livestock sectors and state farming organisations on a range of state, regulatory, planning and policy issues. As part of working with these organisations, APL continues to represent the pork industry in key roles such as the Victorian Government’s Animal Industries Advisory Committee reference group, and working closely with SafeMeat, which was established to deal with post-slaughter meat safety concerns. During 2015/16, APL lodged submissions on numerous issues and policies relating to the industry. This year has seen a focus on environmental laws and planning issues across multiple jurisdictions.



Domestic Abattoir Compliance

APL continues to be concerned about the reputational and other risks to the industry from domestic abattoirs. These concerns cover major risk areas of food safety, animal welfare, biosecurity and increasingly abattoirs are a target for animal activists. This project was partially completed in the 2015/16 financial year with the development of an animal welfare questionnaire that is likely to be rolled out in 2016/17. In addition, APL is represented on the Standards and Guidelines for Abattoirs Stakeholder Advisory Group now underway.

Saleyards Study

Following concerns raised with APL in relation to animal welfare and other issues, an investigation to determine whether saleyards are fit-for-purpose and compliant with state government animal welfare and biosecurity laws, and standards and guidelines for saleyards, pigs and transport was conducted. This project was completed late in the financial year and APL will consider the report's recommendations in 2016/17.

CCRSPI

APL supports and participates in the Climate Change Research Strategy for Primary Industries (CCRSPI), a collaborative response to the opportunities and challenges posed by climate change for Australian agriculture, fisheries and forestry. It is a joint initiative of the Rural Research and Development Corporations, State and Federal Government and Commonwealth Scientific and Industrial Research Organisation (CSIRO).

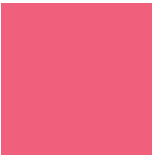
Animal Welfare

The industry has a duty of care to the animals we are raising. APL continues to provide research outcomes to assist producers to continue to improve animal welfare. Humane methods of slaughter, to satisfy both meat quality standards and consumer expectations, is a national project involving key industry partners. Carbon dioxide (CO₂) stunning is the most common method of stunning for pigs in Australia and standard operating procedures associated with CO₂ stunning that safeguard animal welfare outcomes are being developed.

The On-Farm Welfare Assessment Panel, comprised of key producers and APL, was established to define the elements of an on-farm welfare assessment plan and present recommendations to producer groups and industry. The trialling of a welfare assessment plan has commenced on additional farms. A number of smaller farms have expressed interest in the assessment plan, and will be included in the study.

Husbandry procedures, such as tail docking, can cause a transitory pain response that may lead to welfare consequences. Tail docking methods, cauterisation and clipping, were investigated on their efficacy to reduce the acute pain associated with tail docking. The acute stress response appeared to be alleviated for cauterisation of the tail when administering injectable meloxicam 60 minutes prior to tail docking. Overall, the cauterisation method is a more commercially-viable method (no additional labour and medication costs) and provides welfare benefits to the piglet in the short-term.

Under the National Animal Welfare RD&E Strategy, a review to determine a list of potential novel pain biomarkers to measure pain in animals was conducted. An extensive list of biomarkers were identified from studies using rodent and preclinical models of human pain. These biomarkers provide an opportunity for the pork industry to develop readily available biomarkers, unlike that



of cortisol, which can be susceptible to false positives and negative results. It was concluded that there should not be one single biomarker available to measure pain in animals, but rather multiple biomarkers. The development of multiple biomarkers to measure pain in pigs may be a new research priority for the Australian pork industry.

Environmental Management

This area of focus recognises the environmental risks, challenges and opportunities faced by the Australian pork industry. It identifies research and extension priorities that assist in reducing risk, reducing costs and increasing revenue whilst enabling the industry to be positioned as environmentally sustainable.

On-Farm Greenhouse Gas Mitigation

This area of research focuses on the generation of Greenhouse Gas (GHG) data and information that has not previously been explored in Australian piggeries in order to develop mitigation strategies and technologies from improved and alternative manure management systems.

APL biogas projects together with the Pork CRC bioenergy program have assisted with 28 per cent of available production or 13 per cent total production capturing or utilising biogas. Currently, there are 18 systems across Australia generating approximately \$10.2 million in CFI and ERF credits. This equates to \$6 million purchased electricity savings per annum, over 100,000 CO₂ equivalents abated per year, which is the equivalent of taking 6,300 houses off the grid.

The final two projects from the National Agricultural Manure Management Program (NAMMP) were completed. Composting, as a means of minimising greenhouse gas emissions from the manure supply chain, was evaluated. GHG losses during the stockpiling or composting process (pork, dairy, feedlot, and layer chickens) and the effects of the products when applied to a horticultural rotation were determined. It was concluded that composting of manures does not necessarily reduce emissions compared to stockpiling, whilst aerated composting can result in higher emissions than windrow composting. Nitrous oxide (N₂O) fluxes from pig manure were low as it contained moderate nitrogen and elevated carbon levels resulting in an acceptable carbon to nitrogen ratio for composting. Composted manure reduced N₂O emissions by up to 45 per cent when applied at rates designed to match plant demand and demonstrated that the use of synthetic fertiliser could be reduced by up to 38 per cent without a yield penalty by accounting for the nitrogen from the manure products. The project determined that composting, as a manure management option is not suitable for an Emission Reduction Fund (ERF) methodology, as it did not consistently reduce GHG emissions. However, applying composted, instead of raw, manures to the field would be an effective ERF methodology.

The 'Anaerobic treatment for emissions reduction from solid manures residues' project involved testing and characterisation of anaerobic treatment technologies for spent pig bedding and caged egg layer bedding. A preliminary commercial pathway to adoption was presented and it was determined that a break-even price of \$0.40 per kWh was needed in the case of electricity generation or \$1 per litre LPG in the case of fuel substitution. It concluded that the commercial potential for the technologies is marginal, mainly due to high capital costs for the equipment at full scale. The project developed a simulation model for manure stockpile emissions to estimate methane and N₂O. This will be beneficial for the future design and operation of stockpiles in regards to impacts on emissions as well as nutrient losses and recovery. The outcomes from the extensive testing and characterisation of solid manures from fresh and stockpiled aged manures highlighted the nutrient value of the solid residues in terms of nitrogen, potassium and phosphorus.



The four previously completed NAMMP projects investigated 67 mitigation options for the pork, egg, chicken, feedlot and dairy industries. The six best options were included in a benefit cost analysis (BCA) that was used to guide development of ERF methods. Two new methods targeting manure management emissions in pig production may prove cost effective and warrant further development. These are the use of short hydraulic retention pond systems and deep litter housing. This work has been commissioned by APL to commence in 2016/17. It was also identified that the covering of manure stockpiles, whilst not a cost effective strategy for developing an ERF method with layer manure, appeared to be at cost breakeven for piggeries. Further work is also warranted to determine if this strategy could be applied to deep litter spent bedding from piggeries.

New and Emerging Technologies

This research area aims to develop new strategies, technologies and practices to improve environmental performance, offset resources and generate revenue streams for Australian piggeries, while maintaining or improving production.

Three long-term projects are underway to assist in understanding and converting the underutilised and low valued waste products from piggeries into innovative products (fertiliser, feed and energy) which will have higher economic and agronomic value whilst removing handling and transport barriers.

A review of closed loop systems identified a low cost, scalable water purification technology that may be suitable for all sized piggeries to convert effluent streams into a safe, potable water source. Work is continuing in its development for the industry.

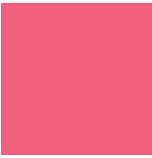
Innovation and Uptake of Best Management Practices (BMPs)

This area of research aims to increase industry capability and encourage consideration, uptake and adoption by using technology transfer programs and developing materials to extend research outcomes to producers and stakeholders.

Forty-two energy audits were conducted on piggery enterprises across Australia as part of the Pork Industry Energy Efficiency program. This program audited, monitored and identified potential efficiency strategies to reduce energy use on pork farms. Paybacks of 2–6 years for many piggeries have been identified for conversion to biogas systems, with solar photovoltaic (PV) systems showing paybacks of 2–5 years. Workshops will be conducted in 2016/17 to present the audit findings to producers across Australia.

Ninety-nine farmers, advisors and pig producers attended ecoshelter bedding workshops in St Arnaud Vic., Corowa NSW, Narrogin WA & Monto QLD (the latter in conjunction with Burnett Catchment Care Association). The workshops presented the latest information and case studies on the benefits and uses of spent bedding to increase its utilisation whilst linking producers of spent bedding with potential end users of the product (croppers) to open up market opportunities. Feedback received indicated that these workshops were both extremely valuable and relevant, with the majority of participants intending to either use or recommend ecoshelter bedding as a broad acre fertiliser.

Interesting outcomes were obtained from the analysis of soil parameters conducted as part of the 'Tracking nutrients and soil health indicators in outdoor piggery paddocks' project. Results confirmed agronomic observations that salt levels were variable but did not result in toxic salinity levels despite significant increases. Whilst electrical conductivity (EC) is a typical indicator of salinity, in paddocks with heavy co-deposition of both nutrients and salts, EC tended to display higher levels



than were expected. Salinity was more reliably indicated by chlorine and sodium. Outcomes indicated that it might be beneficial to plant salt tolerant cereal crops, such as barley, in the first year after the pig phase to reduce yield decline in hot spot areas. In hot spot areas, low pH and high sodicity may be mitigated by targeted applications of lime or gypsum prior to cropping, depending on whether sodicity or acidification is the issue. Moving of shelters, feeders and waterers frequently, resulted in wider distribution of nutrients and salts across the area.

The National Environmental Guidelines for Piggeries 2010 (2nd Ed revised) was reviewed and is in the process of being updated. Industry and stakeholder consultation is planned for late 2016.

Numerous environmental resources were distributed in 2015/16 with a reprint and update of the National Environmental Guidelines for Rotational Outdoor Piggeries 2013 (revised) and reprints of the Piggery Manure and Effluent Management and Reuse Guidelines and Glovebox Guide 2015 as well as all six Best Management Practice Booklets 2015.

Validation of Industry Environmental Data

This research focussed on the development of techniques and the collection of industry specific data to validate the industry's credentials, develop protocols and calculation methods, enhance reputation, improve efficiencies as well as develop mitigation strategies, BMP's and technologies that suit the needs and drivers of the industry.

The availability of a relatively simple tool to assist with assessing and managing feed wastage could have a major impact on the profitability of the Australian pork industry. A 5 per cent change in feed wastage equates to 82,000 t feed per year or one teaspoon feed per pig hour on a national scale. 'The effect of feed wastage on piggery manure characteristics' project developed a new methodology for assessing piggery feed wastage. The project simulated varied rates of feed wastage by mixing feed with raw shed effluent and found that increased feed wastage resulted in incremental increases in concentrations of total solids, volatile solids, chemical oxygen demand, most nutrients, volatile fatty acids and methane. Increased biogas energy savings from higher levels of feed wastage were considered to be insufficient to compensate for increased feed costs. Further AUSPIG simulations are needed for incorporation into PigBal.

Pork CRC

A key challenge faced by the Australian pork industry is the need to maintain local production of high quality food for a reasonable price and return on production capital invested, without negatively affecting pig welfare, the environment or the health of the consumer. The Pork CRC through innovative, collaborative, whole value chain research, development and education programs continues to enable the pork industry to meet this challenge. Program 1 of the Pork CRC addresses the issues associated with confinement-free sow and piglet management – in order to optimise sow and piglet welfare in confinement-free systems while maintaining production efficiency. The outcomes of Program 2 aim to enhance animal health, while reducing antibiotic use in commercial pork production. Program 3 of the Pork CRC is developing quality assessment and assurance tools for pork for domestic and overseas markets, an understanding of key Asian markets, and how the high integrity Australian pork concept fits within these markets. Program 4 is focused on reducing effluent emissions through novel management, offsetting traditional nutrient inputs with alternate sources derived from algae, and restructuring grain breeding and ingredient evaluation programs to complement these new nutrient sources.



4.5.2 Program 2 – Healthy Herds and Farms

Program	KPI	Unit	2015-2016 Target	Result
Healthy Herds and Farms	Post-wean Mortality Rates	Post-wean mortality percentage	4%	4.3%. The Pork CRC benchmarking study indicates that pig producers continue to reduce post-wean mortality through better on-farm management strategies and use of other technologies.
	New Technologies for Better Gilt Progeny	Number of innovation projects commissioned	One successful research idea to optimise gilt progeny performance	Two research proposals funded to quantify the effects of gilt progeny on overall herd performance.

KPI Table: Strategic Objective 4 Program 2 – Healthy Herds and Farms

Background

Profitable pig producers are dependent on safeguarding the health and wellbeing of the pig herd, while reducing input costs and improving productivity. APL acknowledges that Australia is a participant in a global trading environment that brings inherent risks, including the spread of exotic diseases. Australia's pig herd is dependent on strong science-based biosecurity arrangements at the border, and on farm, to protect against disease incursions that could decimate naïve herds, and the industry. Our high herd health status is an asset that underpins the industry's reputation for quality and safety of pork produced.

Over 2015/16, this program has implemented technologies, systems and management strategies in support of these science-based biosecurity arrangements.

Achievements/Outcomes

PigPass

PigPass is the Australian pork industry's live pig traceability system, which continues to be progressively implemented. 2015-2016 was the first full year of voluntary movement reporting. While this continues to be implemented across the industry, APL has been working at the integration of the PigPass and NLIS databases to allow pig movement data to be uploaded through the NLIS database to the state government "mirror databases". State governments require this information in the event of an emergency disease outbreak. In addition, the PigPass Business Rules have been re-drafted into standards (NLIS Pigs Standards) that are used by state governments to legislate the requirements for PigPass. SafeMeat Partners endorsed these Standards at the end of June 2016.

Keeping our Pigs Safe

While pig producers value biosecurity highly, the broader Australian public is less understanding of the need for biosecurity although they know it stands for something important. Keeping our Pigs Safe is an APL initiative to improve the understanding of the Australian public, through the development of a micro-website and Facebook page. The project is a work in progress that will be finalised in 2016/17.



Animal Health Australia (AHA)

AHA has responsibility for the coordination of Australia's preparedness for disease incursions, with involvement of all Australian governments and the livestock industries. APL continues to be actively involved through the Industry and Partnership Forums. APL also contributes to a number of preparedness activities, such as the Foot-and-Mouth Disease (FMD) bank, and a cross-sectoral swill feeding project. The Swill Feeding Compliance and Awareness Project is ensuring consistency across States regarding the approach to swill feeding by the development of national swill feeding guidelines and recording templates to assist with the harmonisation of national swill feeding legislation. Work in this area is also enabling ongoing confidence in APL's emergency management readiness to deal with an FMD incident by training of industry personnel in real-time FMD training.

Exotic Disease and Biosecurity R&D

The set of activities within this project collectively identify the potential risks to the Australian pork industry associated with emergency animal diseases (EADs). This project also investigates other potential biosecurity risks such as reverse zoonoses or antimicrobial resistance (AMR) that affect the health and welfare of the Australian pig herd. This project is focussed on developing strategies to eliminate these risks and management recommendations and technology transfer programs for take-up by industry. The culmination of industry's biosecurity endeavours is APL's National Biosecurity Strategy for the Pork Industry 2015–2020, which is a detailed plan for safeguarding the health of our animals, and ensuring production continuity through addressing biosecurity challenges. This document is due for release shortly.

Important stakeholders in the dissemination and uptake of information are the pig vet consultants. The APL pig vet consultant group is a valuable conduit for technical information for stakeholders. The Pig Vets EADs Symposium, held in April 2016 at the Australian Animal Health Laboratories (AAHL), was one of the highlights of this program. The Symposium, held in collaboration with AAHL, provided updates about recent innovations and challenges in pig EAD surveillance, diagnostics and management. The majority of Australia's pig vet consultants attended the Symposium.

The World Health Organization (WHO) regards antimicrobial resistance (AMR) to be one of the key global health issues facing our generation. Surveillance and reporting of AMR and antibiotic usage in human medicine, veterinary medicine and agricultural production is a global health priority. The Australian pork industry has been proactive in identifying issues and investigating strategies that can form the platform for an Antimicrobial Stewardship Strategy. Discussions have commenced with other livestock industries to develop an Antimicrobial Stewardship Framework which will be the basis of the Strategy. The Australian pork industry is currently undertaking a surveillance program of antimicrobial resistance in pigs with support from the Commonwealth Government and industry.

Phases I and II of the FMD Vulnerabilities project (a cross-sectoral project managed by AHA) have been completed. The package of research activities under this project will better prepare Australian livestock industries for an outbreak of FMD. The project has focused on improving diagnostic capability and increasing understanding of the epidemiology and pathogenesis of FMD virus strains in the region, thereby building capacity both here and in neighbouring countries. Focus has also been on verifying that the currently available vaccines protect against newly emerging strains of this continually evolving virus and this has involved vaccine trials in different animal species.



As a result of collaboration with laboratories in South East Asia, detailed information has been gathered not only about the viruses circulating in the region, but also additional data on FMD vaccine performance. Further studies have provided a better understanding of the infectious process in pigs that could ultimately lead to improved vaccines. Livestock industries were consulted in 2015 for a possible Phase 3 of the project, with a focus on a rapid return to trade in the case of an outbreak. Possibilities for further funding via industry contributions and Meat and Livestock Australia's Donor Company are being pursued. In addition, a proposal that also included other issues around FMD surveillance and control was supported as part of Round 2 of Australian Government's Rural R&D for Profit program.

Zoonotic Biosecurity R&D

This area of research aims to determine the potential risks to the Australian pork industry associated with reverse zoonotic pathogens (i.e. those transmitted from humans to pigs) and develop management recommendations and technology transfer programs that extend research to producers and stakeholders. A review identified 22 agents with reverse zoonotic potential that could present some risk to the Australian pig production industry. These agents included exotic and endemic viral agents, parasitic agents and several bacterial agents. Many have similar potential risks to the industry, and require similar education campaigns to minimise transmission. Details on potential surveillance programmes were outlined. The major pathways for entry of these pathogens into a herd are via farm workers, water supply and feed supply. A key early measure that could be easily and rapidly adopted by industry would be an education campaign to be distributed on-farm, using the information in this review to outline to workers the risks of transmission of these organisms. Adequate sanitation of incoming water and high level personal hygiene when mixing feeds or working on feeders, are key to minimising risk of transmission.

Environmental and Health

This research area aims to develop strategies to attenuate the impact of environmental and health stressors on the pig during the weaner and grower and finisher phases. A review identified key management practices associated with an increased risk of disease outbreaks, and investigated the impact of single or multiple respiratory pathogens on variation in composition and size of primal cuts. Pigs challenged with multiple respiratory pathogens were found to have a 16 kg reduction in mean live weight compared to that of healthy pigs at 20 weeks of age. This variation increased the number of 'tail-ender' pigs, disrupted all-in-all-out production flows, and increased days to slaughter, whereas variation in carcass size, shape and composition led to increased processing costs. Biosecurity, hygiene and all-in-all-out production were the most important factors in reducing the infection pressure and/or transmission of respiratory pathogens.

Recommendations for the optimal omega 6: omega 3 polyunsaturated fatty acid (PUFA) requirements have been delayed due to the required n-6: n-3 PUFA levels in the diet not being met. This project is currently on-hold until a different method can be identified to result in the desired n-6: n-3 levels in the diet.

A preliminary study investigating the effects of supplementing pig diets with the mineral strontium indicated a significant treatment effect for increased average daily gain and reduced feed conversion ratio in the weaner and grower and finisher phases. A dose response study will now be undertaken to identify the optimal dose of strontium.

4.5.3 Program 3 – Continuous Productivity Growth

Program	KPI	Unit	2015-2016 Target	Result
Continuous Productivity Growth	Pork Produced per Sow	Percentage increase in kg pork/sow/year	3%	-3%. The decline has been driven by an increase in sow numbers over the previous year, and a slight decrease in pigs sold per sow per year.
	New Technologies to Reduce Reproductive Waste	Number of innovation projects commissioned	One successful research idea to reduce reproductive waste	KPI has been met. The addition of creatine monohydrate in late gestation sow diets may improve piglet growth and survival. Commercial validation needed.

KPI Table: Strategic Objective 4 Program 3 – Continuous Productivity Growth

Background

The Australian pig herd is classified as a “closed” genetic herd. While the Australian pork industry strongly supports the pork biosecurity protocols, the importation of new genetic lines with higher productivity from overseas is prohibited. As such, it is not possible to improve productivity through the importation of genetics. The Australian pork industry therefore strongly invests in programs to underpin continuous productivity growth, with a focus on reproductive performance and progeny viability. This program seeks to improve the number of piglets born per sow, investigate new technologies to increase the number of female pigs in each litter, increase the growth performance of gilts and provide ongoing base funding of key research development and extension facilities as identified in the National Pork R,D&E Strategy.

Achievements/Outcomes

Pork R,D&E Strategy

APL and the Pork CRC, in conjunction with the various governments, university and industry R,D&E stakeholders, have a comprehensive Pork R,D&E Strategy in place, as part of the National R,D&E Framework. The Pork R,D&E base infrastructure funds are used to effectively support R&D resources and human capability and capacity. The funding of core R,D&E facilities has allowed these key R,D&E facilities to be used to their full potential and improved the timeliness of research conducted. The Pork R,D&E strategy is in its third two-year implementation phase.

Reproductive R&D

The retaining of sows to parity three or greater were investigated across 20 farms in SA, Victoria and Queensland. It was demonstrated that the sow retention rate averaged 60 per cent suggesting that sow longevity may not be as significant an issue as previously considered. However, replacement rates were high with poor reproduction (average 15 per cent; range 0 to 50 per cent) being the most commonly cited reason for sow removal. Thus, poor gilt management, poor heat detection and/or poor mating strategies may explain premature culling of sows.



The addition of creatine monohydrate in late gestation sow diets was found to improve piglet growth and survival, however, commercial validation of the optimal dose is now needed. Similarly, the addition of caffeine into late gestating sow diets also indicated an increase in gestation length, an increase in number of live born and reduced number of stillborn piglets. These results now need to be commercially validated.

Growth & Development R&D

Optimising the performance of gilt progeny is a large R&D program – two of four studies have now concluded. Gilt progeny selected to enter the breeding herd were less developed reproductively at selection and therefore had higher rates of anoestrus than sow progeny before the first mating. However, after farrowing their first litter, gilt progeny performed just as well in the breeding herd as sow progeny; lasting just as long in the breeding herd, at least up until parity 3. The second study involved extensive data sets from three herds. Growth rate was the performance trait that was consistently affected by parity of the birth litter in all herds. Reduced growth of gilt progeny resulted in a reduced profit of \$0.18 to \$1.44 per pig (equivalent of \$0.002 to \$0.018 per kg carcass weight for an 80 kg carcass), in comparison to profit of progeny from older sows.

Financial Summary

STRATEGIC OBJECTIVE 4 – LEADING SUSTAINABILITY							
PROGRAM	NON R&D			R&D			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Addressing Societal Needs							
<i>Budget</i>	\$52,000	\$75,692	\$127,692	\$2,054,415	\$467,350	\$2,521,765	\$2,649,457
<i>Actual</i>	\$330,733	\$117,561	\$448,294	\$2,052,728	\$426,571	\$2,479,299	\$2,927,592
Healthy Herds and Farms							
<i>Budget</i>	\$169,000	\$105,282	\$274,282	\$389,423	\$268,156	\$657,579	\$931,861
<i>Actual</i>	\$312,967	\$288,007	\$600,974	\$388,142	\$103,075	\$491,217	\$1,092,191
Continuous Productivity Growth							
<i>Budget</i>	\$0	\$0	\$0	\$1,868,102	\$140,304	\$2,008,406	\$2,008,406
<i>Actual</i>	\$0	\$0	\$0	\$1,814,929	\$137,152	\$1,952,081	\$1,952,081
TOTAL BUDGET	\$221,000	\$180,974	\$401,974	\$4,311,940	\$875,810	\$5,187,750	\$5,589,724
TOTAL ACTUAL	\$643,700	\$405,568	\$1,049,268	\$4,255,798	\$666,798	\$4,922,597	\$5,971,865

4.6 Strategic Objective 5 – Improving Capability

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

4.6.1 Program I – Applied Learning

Program	KPI	Unit	2015-2016 Target	Result
	457 Visa Adoption	Successful applications for 457 visas under the pork industry labour agreement	95%	100%
Applied Learnings	Technology Adoption	Percent of technologies transferred that have been adopted after two years of project completion	50%	Projects 46%; hero projects 74%. This KPI was not met, however, APL will continue its focus on key influencers rather than general communications to enhance technology adoption. The use of commercial research facilities as per the National Pork R,D&E Strategy continues to have a significant benefit on the timeliness of technology adoption.
	Technology Awareness	Percentage of eligible production aware of subsample of technologies	80%	84.5%

KPI Table: Strategic Objective 5 Program I – Applied Learning

Background

The variation in how stakeholders access information across the supply chain remains an ongoing challenge for the industry. This is especially so when disseminating research outcomes to a number of varying audiences. This program evaluated a number of communication mediums that work for specific audiences, for example, varying IT solutions, as well as the traditional face-to-face meetings with stakeholders in an effort to get more proactive uptake of technology and adoption.

Achievements/Outcomes

Bringing Influencers Together

APL hosts and supports a range of industry events to enable interaction among producers and stakeholders as well as the distribution of information on the latest research outcomes and/or technologies. The APL and Pork CRC roadshows were held in five states in late 2015 and were all well attended by producers, with higher attendances at each of the roadshows in comparison to the previous year.

In 2015/16, APL sponsored the two major events for the Australian pork industry: Australasian Pork Science Association (held in November 2015) and Pan Pacific Pork Expo (held in May 2016). PPPE 2016 was our largest to date, with 676 delegates attending the two-day event, around 200 more attendees than the previous event.

APL also sponsored a number of travel awards used for researchers to present and network at international conferences and report their findings back to the Australian pork industry.



Facilitating Technology Transfer and Adoption

The APL Tech Toolbox App was launched at the Pan Pacific Pork Expo (PPPE) in May 2016. It is designed to quickly disseminate key APL research outcomes, best management practice information and coming events to all levels of industry. The Tech Toolbox will also facilitate industry feedback on adoption levels, including by allowing users to rate APL R&D information and assisting APL to further target information to our stakeholders.

APL is involved in the successful Rural R&D for Profit Project, 'Stimulating Private Sector Extension', led by Dairy Australia. This project is well underway and aims to identify areas where Research and Development Corporations across Australian agriculture are able to work more closely with the private sector to ensure research outcomes are widely distributed, given the change in the way extension is now delivered in Australia.

The Producers Guide to Pig Production and Nutrition (formerly known as the Wean to Sale Manual) has been reviewed, updated and published. It will be delivered to industry in August 2016.

Fostering New Capability

APL has continued to campaign and develop the Australian Pork Industry Education Toolkit ('Pigs in Schools' Program). Over 650 resources have been so far distributed to teachers. These resources have been very well received by teachers, industry and government departments.

The Primary Industries Education Foundation Australia (PIEFA) is a teacher focussed, cross-industry approach to working with schools. It aims to build capacity in the primary industries sector and improve community understanding of food and fibre production. Now in the sixth year of PIEFA membership, APL continues to support the development of primary industry education resources, and has had a more proactive and cohesive support approach towards PIEFA by attending conferences together.

APL once again supported the Science and Innovation Awards. Coordinated by Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), the awards are designed to recognise scientists aged 18–35 years working or studying in the industry. Dr Lauren Hemsworth was awarded the 2016 APL sponsored pork industry prize and is undertaking an innovation industry project titled 'Conditioned feeding to increase intake in the mature gilt model'.

APL continues to fund a number of undergraduate and postgraduate scholarship programs. In conjunction with the Pork CRC, APL has conducted two student workshops during 2015/16 at APSA in November 2015 and PPPE in May 2016. Both workshops were well attended by students and members of industry.

Building Technical Capacity

Both ProHand™ Pigs and ProHand™ Pork Abattoir training programs have been redeveloped. ProHand™ Pigs was officially launched at PPPE in May 2016, and ProHand™ Pork Abattoir will be available in August 2016. The program is free for any member of the Australian pork industry. Stable and easily updated platforms for effective delivery have been used to provide integrated programs that target pig welfare and stockperson attitudes across the whole pork chain. Dr Temple Grandin, an internationally respected leader in animal welfare science, has endorsed these training programs.

4.6.2 Program 2 – Building Industry Image and Reputation

Program	KPI	Unit	2015-2016 Target	Result
Building Industry Image and Reputation	APL Membership	Number of APL members	300	258
	Level of Membership	Membership as a percentage of production	>90%	88%
	APL Positive Image	Members positive perception of APL	85%	78%

KPI Table: Strategic Objective 5 Program 2 – Building Industry Image and Reputation

Background

The projects under this program are designed to expand the reach and impact of the work done by APL on behalf of its levy-paying producers. In particular they are designed to enable and deliver open and frank dialogue, exchange of views, ideas and principles with and to key stakeholder audiences; state and federal governments; educational institutions; research and development organisations; scientific forums; the supply chain; producer groups; agricultural organisations and the general community.

Ultimately, outcomes under this program are designed to ensure the industry's reputation as a global leader in effective and responsible pork production is at least maintained or preferably improved.

Achievements/Outcomes

Communications & Society

APL continues to manage issues on behalf of producers, particularly those that attract attention in traditional and social media. This includes dealing with ad hoc issues, through to regular monitoring of social media. However, due to APL's internal restructure, the development of a social conscience report has been deferred.

APL continued its long presence at the ABARES Outlook Conference in Canberra, sponsoring the bacon and egg roll breakfast with the Australian Egg Corporation Limited and Grains Research & Development Company.

Communications and Industry Promotions

Redevelopment of the Aussie Pig Farmers website continues as part of the industry's transparency initiative and is now being reviewed with both internal and external stakeholders. Work this year has focused on the website design, along with filming of new focus videos for the website.

Stakeholder Survey Management

The annual APL Industry Survey is a key industry measurement and tracking initiative. The survey was conducted online during November and December 2015, and covered important themes such as animal welfare, biosecurity, labour, regulatory and environmental issues.

APL received 124 valid responses, representing 36.6 per cent of commercial production sites, and 65.0 per cent of industry production overall. These responses were spread across all states, with significantly more APIQ[✓]® certified producers responding to the survey than those without APIQ[✓]® certification. The final report was sent to participating producers in June 2016.



4.6.3 Program 3 – Operational Effectiveness

Program	KPI	Unit	2015-2016 Target	Result
Operational Effectiveness	Staff Turnover	Percentage of staff leaving per annum	12%	32%
	Corporate Costs	Percentage of corporate cost increase per annum	CPI less 0.5%	CPI less 4.2%

KPI Table: Strategic Objective 5 Program 3 – Operational Effectiveness

Background

The focus for this program is to continue investing producer levies and government matching funds as efficiently and as effectively as possible to deliver the APL Strategic Plan outcome. The projects and subsequent activities are designed to ensure APL has a reputation for being an organisation of good corporate governance and best practice when meeting its statutory obligations, while at the same time providing a safe and fair work place for its employees.

Above all, the outcomes and achievements under this program deliver ongoing business efficiencies that demonstrate to its membership base the actual value derived from being an APL member.

Achievements/Outcomes

CRM Systems Integrity

APL runs a number of systems on behalf of the Australian pork industry. The security, integrity and rules underpinning these systems is an important requirement. This project has become a large, complex project that will now be delivered over two years. This project remains a work in progress that is likely to be delivered through a series of smaller projects.

OmniPig Project Management System

OmniPig, the online project management system originally created by Fisheries Research & Development Corporation (FRDC) and FI Solutions for APL, has been fully implemented in the R&I Division. This system enables APL to manage effectively not only individual projects and activities; it is integral to the overall APL R&D process. The Pork CRC has now adopted the OmniPig system to support the management of its projects.

Specialist Group/RDAC Activities

There were four Specialist Groups in 2015-2016: (1) Market Development; (2) Production and Welfare; (3) Environmental Management; and (4) Quality Assurance, Biosecurity and Food Safety.

RDAC membership includes the Chairpersons of the four Specialist Groups, a number of APL Directors together with the CEO of APL, the General Manager (GM) Research and Innovation and GM Corporate Services. RDAC's primary function is to provide direction to activities around the development, management, performance and outcomes of APL's research and associated activities through identification of research needs and opportunities as advised through the Specialist Groups, allocation of resources to specific areas of research and research projects through the Specialist Groups, and assessment of performance of the project portfolio and APL's research management.

AGM & Annual Conference

The APL Annual General Meeting and Conference were held on Thursday 19 November 2015 at the Marriott Hotel in Melbourne. It was held in conjunction with the Delegates Forum and the Annual Industry Conference.

CRRDC Activities

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

Cost Benefit Analysis

This project deals with the benefit cost analyses (BCA) applied to our project portfolio, both on an ex ante and ex post basis, to determine (i) where the best value for money investments are for the future as well as (ii) how our past projects have performed in terms of providing value back to industry. Comparing both analyses for the same project acts as a test of the assumptions generated for projects at the time of iteration and design.

APL continues to improve its ex ante cost benefit system to enable APL to be better informed in determining its R,D&E investment decisions.

Human Resources

APL manages its human resources issues with the support of an expert external consultant. Activities include conducting staff surveys, monitoring of staff retention, regularly updating human resources policies and procedures and remaining abreast of legislative amendments at a state and federal level, which affect APL's human resources.

Financial Summary

STRATEGIC OBJECTIVE 5 – IMPROVING CAPABILITY							
PROGRAM	NON R&D			R&D			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Applied Learnings							
<i>Budget</i>	\$0	\$0	\$0	\$571,077	\$415,726	\$986,803	\$986,803
<i>Actual</i>	\$0	\$0	\$0	\$647,821	\$406,044	\$1,053,865	\$1,053,865
Building Industry Image and Reputation							
<i>Budget</i>	\$234,325	\$82,873	\$317,198	\$107,625	\$33,081	\$140,706	\$457,904
<i>Actual</i>	\$219,042	\$94,066	\$313,108	\$64,853	\$35,541	\$100,394	\$413,503
Operational Effectiveness							
<i>Budget</i>	\$238,000	\$190,895	\$428,895	\$384,500	\$547,805	\$932,305	\$1,361,200
<i>Actual</i>	\$197,205	\$137,413	\$334,617	\$389,157	\$515,869	\$905,026	\$1,239,643
TOTAL BUDGET	\$472,325	\$273,768	\$746,093	\$1,063,202	\$996,612	\$2,059,814	\$2,805,907
TOTAL ACTUAL	\$416,246	\$231,479	\$647,725	\$1,101,832	\$957,454	\$2,059,286	\$2,707,012



4.7 Overall Financial Summary by Strategic Objective

SUMMARY							
PROGRAM	NON R&D			R&D			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Growing Consumer Appeal							
<i>Budget</i>	\$5,159,690	\$859,992	\$6,019,682	\$0	\$0	\$0	\$6,019,682
<i>Actual</i>	\$5,478,769	\$859,188	\$6,337,956	\$0	\$0	\$0	\$6,337,956
Building Markets							
<i>Budget</i>	\$1,222,542	\$1,360,008	\$2,582,550	\$779,000	\$757,040	\$1,536,040	\$4,118,590
<i>Actual</i>	\$1,151,713	\$1,231,021	\$2,382,733	\$943,308	\$788,618	\$1,731,925	\$4,114,659
Driving Value Chain Integrity							
<i>Budget</i>	\$200,000	\$519,616	\$719,616	\$537,205	\$250,127	\$787,332	\$1,506,948
<i>Actual</i>	\$85,908	\$355,453	\$441,361	\$784,816	\$403,886	\$1,188,702	\$1,630,063
Leading Sustainability							
<i>Budget</i>	\$221,000	\$180,974	\$401,974	\$4,311,940	\$875,810	\$5,187,750	\$5,589,724
<i>Actual</i>	\$643,700	\$405,568	\$1,049,268	\$4,255,798	\$666,798	\$4,922,597	\$5,971,865
Improving Capability							
<i>Budget</i>	\$472,325	\$273,768	\$746,093	\$1,063,202	\$996,612	\$2,059,814	\$2,805,907
<i>Actual</i>	\$416,246	\$231,479	\$647,725	\$1,101,832	\$957,454	\$2,059,286	\$2,707,012
Unallocated							
<i>Budget</i>	\$0	\$498,272	\$498,272	\$0	\$0	\$0	\$498,272
<i>Actual</i>	\$0	\$152,479	\$152,479	\$0	\$186,426	\$186,426	\$338,905
TOTAL BUDGET	\$7,275,557	\$3,692,630	\$10,968,187	\$6,691,347	\$2,879,589	\$9,570,936	\$20,539,123
TOTAL ACTUAL	\$7,776,336	\$3,235,188	\$11,011,523	\$7,085,754	\$3,003,182	\$10,088,936	\$21,100,460

4.8 Reporting Obligations

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

4.8.1 Material Variations to Budget

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

4.8.2 Funds Spent on Research and Development Activities

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

4.8.3 Funds Spent on Marketing and Strategic Policy Development Activities

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

4.8.4 Funds Spent on National and Rural Research and Development Priorities

Funds spent on National and Rural R&D Priorities are listed in Appendix D.





5. Meeting Industry and Government Priorities

5.1 Alignment with the Rural Research and Development Priorities

Rural Research & Development Priorities		Strategic Research Properties												
		Natural Resource Management	Climate Variability & Climate Change	Productivity & Adding Value	Supply Chain & Markets	Innovative Skills	Technology	Biosecurity	Other	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
Strategic Objectives	AOP Projects	●●●	●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
2	Continuous data and advertising tracking													
2	Diversification of pig producers													
2	Inmarket understanding and activities													
3	Product claim integrity													
3	PSCIP/Physi-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	PigPass													
4	Exotic disease and biosecurity R&D													
4	Environment and health													
4	Reproduction R&D													
4	Growth & development R&D													
4	Pork R,D&E strategy													
5	Bringing influence together													
5	Facilitating technology transfer and adoption													
5	Fostering new capability													
5	Building technical capability													
5	Communication and society													
5	Communication and industry promotions													
5	Stakeholder survey management													
5	Industry engagements and events													
5	OmniPig project management system													
5	Specialist groups/RDAC activities													
5	AGM and annual conference													
5	CRRDC activities													
5	Benefit cost analyses													
5	ICT													
5	Human resource management													



5.2 National Primary Industries Research, Development and Extension Framework

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

Pork R,D&E facilities:

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

Pork R,D&E programs:

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

The Pork R,D&E Strategy has been in the implementation phase since 1 July 2009. The base funding of R,D&E facilities is in the second year of the third two-year cycle. In reviewing the Pork R,D&E Strategy, the pork industry has realised a number of benefits and these are listed below.

- Project savings in first implementation phase (53 per cent based on project comparisons);
- Retention of technical capability at base-funded facilities;
- Research conducted in most suitable facility;
- Regional R,D&E silos removed;
- Researchers and students receive national exposure;
- Researchers and industry engagement increased;
- Timeliness of research outcomes enhanced;
- Technology adoption fast tracked given commercial R,D&E facilities account for 35 per cent of production; and
- Industry-to-industry collaboration significantly enhanced.

Going forward, the pork industry is also planning for life after the Pork CRC. The CRC concept of joint investment between research providers and end-users is now a well-accepted model for pork industry stakeholders and the pork industry has been developing a new R,D&E structure to ensure that a model of co-investment can be sustained post the Pork CRC.



6. Collaboration and Evaluation

6.1 Pork Industry Consultation

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

The APL Delegates continue to be an important consultation process for the industry as it helps to ensure that the views of as many pork producers as possible are considered whether this is the annual and strategic planning processes for the organisation, policy consultation, and extension of research outcomes.

APL initiated a whole-of-company objective for staff aimed to continue to engage small producers. Initiatives such as meeting with small producer groups located within a region, the *Pigs N' Mud* publication, and invitations extended to small producers and the state pork organisations to attend the May 2016 Delegates Forum as observers have all contributed to increasing APL's engagement with small producers. This initiative will be continued into 2016-2017.

APL has also developed strong relationships with the state farming and pork organisations (SFO/SPO), with face-to-face meetings held to coincide with Delegates meetings. Representatives from the SFO/SPOs have attended the Delegates meetings as observers. APL also attends state pork industry meetings to provide updates on issues and research of interest to the industry.

6.2 Supply Chain Engagement

Strong links to the supply chain ensure clear signals from the market back to pig producers as to preferences around products. APL facilitates a forum – the Pork Processor Referral Group – involving representatives from all export establishments and key industry stakeholders to discuss and develop strategies and ideas with the aim of clearing the way for businesses to work smoothly, safely and efficiently.

APL also has strong connections with other players in the supply chain, including retailers, some of which are supported through the activities of the Board's Market Development Committee. In particular, in the 2015/16 year there was significant additional supply chain collaboration in two areas. Firstly, delivering an integrated pork steak cooking marketing campaign, 6-2-2 to consumers with collaboration throughout the supply chain including many retailers. Secondly, a joint funded initiative between export accredited abattoirs and APL to start building commercial relationships in China. Industry representatives are also involved in each of the four Specialist Groups for identifying and prioritising R&D activities for potential support by APL.

6.3 Government Meetings

APL's Chairman, CEO and General Manager Policy regularly meet with Federal and State Government Ministers and senior government officials to keep them up to date with significant industry happenings and to discuss future policy issues and challenges. Those meetings during the 2015-2016 year included:

- Meetings with the Federal Deputy Prime Minister and Minister for Agriculture and Water Resources, the Honourable Barnaby Joyce in compliance with the requirements of the FA and to discuss general industry issues such as Country of Origin Labelling;

- Meetings with Federal Members of Parliament and Senators to discuss general industry issues;
- Meetings with various representatives of the DAWR regarding six monthly FA reporting, and to discuss general industry issues such as trade and market access, biosecurity or specific government policy initiatives;
- Six monthly meetings with the National Residue Survey team to discuss residue monitoring program;
- Meetings with the Department of Foreign Affairs and Trade to discuss Free Trade Agreements and the Australian pork industry's trade preferences;
- Meetings with the Department of Immigration and Border Protection to discuss progress against the Australian pork industry's labour agreement and issues relating to 457 visas;
- Meetings with the Australian Competition and Consumer Commission (ACCC) to discuss APL's sow stall and outdoor bred terminology;
- Meetings with the Australian Bureau of Statistics (ABS) to discuss pork industry data;
- Meetings with state government regulators relating to environment and planning regarding pork industry planning issues; and
- Meetings with state government Primary Industries or Agriculture Ministers and advisers regarding general industry update or specific state issues such as piggery licensing requirements.

In addition, APL is represented on numerous government committees such as the DAWR Export Meat Industry Advisory Committee, the ACCC's Agriculture Industries Consultative Committee, and the Victorian Government's Animal Industries Advisory Committee Reference Group.

6.4 Inter-Organisational Committees

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

- Animal Health Australia Industry and Members' Forums, and its various Committees;
- Biosecurity Strategic Technical Review Committee;
- Export Meat Industry Advisory Committee and its various sub-committees;
- Australian Meat Industry Council;
- Council for Rural Research and Development Corporations;
- International Meat Secretariat and its various Committees;
- Australian Food and Grocery Council;
- SAFEMEAT Executive and Partners and its various Committees;
- Cooperative Research Centre (CRC) for High Integrity Australian Pork;
- Australian Farm Institute;
- National Farmers' Federation and its various Committees;
- NSW Meat Industry Consultative Committee;
- Australian Meat Regulators Group;
- Australian Renderers Association;
- Australia China Business Council;



- Australian Institute of Management;
- Australian Institute of Company Directors;
- Livestock Communications Network Group;
- Export Council of Australia;
- Livestock Biosecurity Network; and
- Australian Bureau of Statistics.

6.5 Commercialisation

In 2015-2016, APL did not create any subsidiary companies. APL continues its participation in PorkScan Pty Limited, the company set up to commercialise carcass measurement technology. APL has two directors representing its interest on the PorkScan Board and provides the company secretary to this board. APL Director Kathy Grigg, was appointed as Chair of PorkScan Pty Ltd in June 2016.

6.6 Agreements

The agreements entered into by the company are, in most cases, subject to commercial non-disclosure clauses. The majority of research and innovation activities are established under agreements, as are the major marketing activities. The financial input of these agreements and the future commitments to these agreements are disclosed in Note 13 in the attached financial statements.

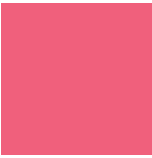
6.7 Cross-Sectoral Initiatives

Climate Change Research Strategy for Primary Industries (CCRSPI) includes all the rural R&D corporations, as well as the state DPIs, the CSIRO and key universities conducting research in the field of agriculture and climate change. The revised CCRSPI structure and its implementation strategy has enabled APL to better participate in a large body of research and be heard on many issues that would otherwise be beyond its research budget or policy influence. APL is a CCRSPI Steering Committee member.

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

APL continues to be actively involved with the development and implementation of a number of other cross-sectoral R,D&E strategies, including the Animal Welfare R,D&E Strategy, the Animal Biosecurity R,D&E Strategy and the Food and Nutrition R,D&E Strategy.

Animal Welfare R,D&E Strategy: APL has played a key role in the development of this strategy and is a member of the Animal Welfare R,D&E Steering Committee, and is in its third year of the implementation phase.



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

APL successfully managed the National Agricultural Manure Management Program on behalf of the livestock rural RDCs including MLA, AECL, Rural Industries Research and Development Corporation (RIRDC), Chicken Meat Council and Dairy Australia. The funding for NAMMP was sourced from DAVR's Filling in the Research Gap program and RDCs. The program's focus is on GHG mitigation from alternative and improved manure management systems. All NAMMP projects have now been completed.

In addition, APL has also been successful in obtaining project funds in collaboration with a number of other RDCs from Round 2 of the Federal Government's Rural R&D for Profit Program. APL is the lead on one project and is a collaborator on four other projects.

6.8 Evaluation of Outcomes for Industry and the Community

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



7. Statutory Reports

7.1 Directors' Report

Your directors present their report for the year ended 30 June 2016.

Outlined below are the names and details of the company's directors.

7.1.1 Elected Directors



Mr Andrew Johnson

Mr Johnson is currently co-owner/manager of Mt Boothby Pastoral Company, a mixed farming family operation comprising a 1,500 sow farrow to finish operation, along with beef, lamb, wool, seed and mixed cropping in the mid north and southeast regions of South Australia. Mr Johnson, a 2005 Nuffield Scholar, is Chairman of Nuffield Australia and a Director of Nuffield International. Mr Johnson is an APL Delegate and enjoys the challenges confronting family farming businesses. He is Deputy Chairman of Pork SA. He chairs the APL Board Quality Assurance and Animal Welfare Committee and the NLIS Pigs Advisory Committee.



Mr Aeger Kingma

B.Bus (Acc), DipEd

Mr Kingma has been involved in the Australian pig industry for the past 28 years. He was past President of the Victorian Farmers' Federation Pig Group (2002/04 & 2007) and is currently part owner/manager of Gunpork Joint Venture. Mr Kingma is on the Board's Audit, Risk and Corporate Governance Committee and chairs the Human Resource & Remuneration Committee.



Dr Brian Luxford

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



Mr David Plant

Mr Plant is General Manager of Monogastric production and a member of the Executive Board for Milne AgriGroup. He is responsible for budgeting, profitability and strategic development of the pig and chicken businesses and works closely with the marketing team on branding and new product development. The meat division is integrated with production, slaughter and further processing capabilities all contributing to a range of branded fresh and further processed retail ready products. With over 35 years' experience in Australian and European pig and poultry industries; he has gained a wealth of experience in staff management, commercial management and business development. In addition, his experience through value chain analysis work with major retailers including Tesco in the UK, Mr Plant has a good knowledge of supply chain management. Mr Plant has been an APL elected director for 5 years and Delegate for seven years and with his passion for the pig industry and knowledge of high welfare production systems he was elected as a member of the Board's Quality Assurance and Animal Welfare Committee. Mr Plant is also a Director of Harvey Pork Gourmet Foods – his passion for quality food led to the creation of a regionally based gourmet food business supplying independent retail and quality butchers.



Mr Rod Hamann

Mr Hamann is CEO of Sunpork Farms – South. He retains Directorships for Auspork Limited, Big River Pork Abattoir and PorkScan Pty Ltd. Mr Hamann also sits as a member of the SA government appointed Pig Industry Advisory Group, the latter charged with recommending state based research projects to the SA Agriculture Minister. He was a founding Director of the Pork CRC until 2015 – and still serves on the CRC R&D Committee.



7.1.2 Specialist Directors



Mr Enzo Allara AM (Chairman)

FCPA, FAIM

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



Mrs Kay Carey

B.Comm

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



Mrs Kathy Grigg

B.Ec. FCPA, FAICD

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



Mr Geoffrey Starr

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

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



7.1.3 Company Secretary



Damien Howse

B.Bus CA GAICD

General Manager – Corporate Services and Company Secretary

Mr Howse joined Australian Pork Limited in March 2016 and was appointed as the Company Secretary in June 2016. He has been a Chartered Accountant since 1996 and a graduate member of the Australian Institute of Company Directors course since 2011.

7.1.4 Directors Meetings

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

Directors	Board of Directors	Audit and Corporate Governance Committee	Human Resource and Remuneration Committee
Mr John Coward	3 (3)		
Mr Andrew Johnson	7 (7)		
Mr Aeger Kingma	7 (7)	4 (4)	2 (2)
Mr Enzo Allara	6 (7)		2 (2)
Mrs Kay Carey	6 (7)		
Mr Geoffrey Starr	7 (7)		
Mrs Kathy Grigg	7 (7)	4 (4)	2 (2)
Dr Brian Luxford	7 (7)	4 (4)	
Mr Rod Hamann	4 (4)		
Mr David Plant	7 (7)		

Directors	Quality Assurance and Animal Welfare Committee	Research and Development Committee	Market Development Committee
Mr John Coward	1 (1)		0 (1)
Mr Andrew Johnson	2 (2)		
Mr Aeger Kingma			
Mr Enzo Allara			
Mrs Kay Carey	2 (2)	1 (2)	2 (2)
Mr Geoffrey Starr		1 (2)	2 (2)
Mrs Kathy Grigg		2 (2)	
Dr Brian Luxford		2 (2)	
Mr Rod Hamann	1 (1)		
Mr David Plant	2 (2)		

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



7.1.5 Indemnification and Insurance of Directors and Officers

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

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

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

7.1.6 Review of Results and Operations

Results

The company's fifteenth year of operation resulted in an operating deficit of \$111,032 (2015: surplus of \$1,696,930). The level of reserves held at 30 June 2016 exceeds the minimum reserves agreed by the Board.

Operations

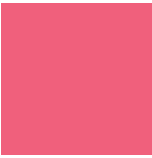
The company operated to provide marketing, research and strategic policy development services for the Australian pork production industry.

7.1.7 Long and Short-term Objectives

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

APL's primary funding is derived from statutory pig slaughter levies collected under the *Primary Industry (Excise) Levies Act 1999*. The levy amounts to \$3.125 per carcass at slaughter, of which APL receives \$2.95, consisting of \$1.95 for marketing and policy activities and \$1.00 for research and development. The remaining 17.5 cents is for the Pig Monitoring Residue Program, which is received and managed by the National Residue Survey (NRS). Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture and Water Resources.

The levy received by APL increased by \$0.30 per pig slaughtered on 1 July 2012 and again on 1 July 2014, with the third and final increase commencing 1 July 2016. From 1 July 2016, APL will receive a total levy of \$3.25. The increases are particularly applicable to what is termed the "Marketing Levy" which is used for those activities not qualifying as research and development under the Government's Funding Agreement definitions. These increases provide APL with capability to provide valuable industry services and benefits. These industry services and benefits include enhancing opportunities for the sustainable growth of the Australian pork industry by delivering integrated marketing, innovation and policy services through the pork industry supply chain.



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

7.1.8 Strategy to Achieve Objectives

The 2015–2020 Strategic Plan took effect from 1 July 2014 and is reported against in this 2015-2016 Annual Report.

There are five Strategic Objectives making up the 2015–2020 Strategic Plan:

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

The five Strategic Objectives govern specific programs for APL in order to deliver against the targeted outcome statements. The outcome statements and specific programs sought for each strategic objective are shown below.

1. Strategic Objective 1 – Growing Consumer Appeal

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

- Program 1: Better Pork
- Program 2: Pork Made More Popular
- Program 3: Increasingly Different.

2. Strategic Objective 2 – Building Markets

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

- Program 1: Market Insights
- Program 2: Domestic Market Development
- Program 3: International Market Development.

3. Strategic Objective 3 – Driving Value Chain Integrity

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

- Program 1: Trust in Pork Provenance
- Program 2: Pork Quality Assured
- Program 3: Fairness in Risk and Reward.



4. Strategic Objective 4 – Leading Sustainability

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

- Program 1: Addressing Societal Needs
- Program 2: Healthy Herds and Farms
- Program 3: Continuous Productivity Growth.

5. Strategic Objective 5 – Improving Capability

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

- Program 1: Applied Learnings
- Program 2: Building Industry Image and Reputation
- Program 3: Operational Effectiveness.

Operationally, the activities of APL are focused directly or indirectly on achieving the objectives of the 2015–2020 Strategic Plan.

7.1.9 Performance Measures and Key Performance Indicators

APL has established industry outcome targets. These targets are a progressive measure of key performance indicators which are designed to measure the success of achievement of a particular target outcome. The success of achievement of these targets are measured through a number of mechanisms including:

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

7.1.10 Significant Changes in the State of Affairs

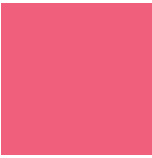
There have been no significant changes in the state of affairs of the company during the year.

7.1.11 Significant Events after Balance Date

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

7.1.12 Likely Developments and Expected Results

The company finalised the 2015–2020 Strategic Plan in late 2014. The contents and direction of this plan have been prepared following significant consultation with producers, processors, retailers, governments – both state and federal, as well as aligned key industry stakeholders. The plan continues those activities from the previous strategic plan that have been shown to be successful in adding value to pig producers’ business. It also initiates investigation into areas of activity necessary for moving into a successful future.



Another significant influence on strategic planning for the coming years is the increase in income for APL brought about by an increase in the pig industry levy. On the 1 July 2016, APL will receive the final increase to the “marketing” levy from \$1.95 per pig slaughtered to \$2.25.

7.1.13 Environmental Regulation and Performance

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

7.1.14 Auditor Independence and Non-audit Services

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

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

Signed in accordance with the resolution of directors.



Mr Enzo Allara AM
Chair
Canberra, 18 August 2016



7.1.15 Directors' Declaration

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

- I. In the opinion of the directors:
 - a. the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including
 - i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and *Corporations Regulations 2001*; and
 - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr Enzo Allara AM
Chair
Canberra, 18 August 2016

7.2 Independent Auditor's Report to the Members of Australian Pork Limited



RSM Australia Partners
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GPO Box 200 Canberra ACT 2601
T +61 (0) 2 6217 0300
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN PORK LIMITED

We have audited the accompanying financial report of Australian Pork Limited, which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Pork Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion the financial report of Australian Pork Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to the Notes to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

RSM AUSTRALIA PARTNERS
Chartered Accountants

Canberra, Australian Capital Territory
Dated: 18 August 2016

GED STENHOUSE
Partner

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



RSM Australia Partners
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Australian Pork Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature of 'RSM' in black ink, enclosed in a thin black rectangular border.

RSM AUSTRALIA PARTNERS
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Ged Stenhouse', enclosed in a thin black rectangular border.

GED STENHOUSE
Partner

Canberra Australian Capital Territory
Dated: 18 August 2016

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7.4 Financial Report 2015-2016

AUSTRALIAN PORK LIMITED

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
REVENUES	3	20,989,427	20,352,868
EXPENSES			
Research and innovation		(7,740,064)	(7,014,342)
Marketing		(9,528,473)	(7,664,654)
Policy		(993,247)	(1,146,698)
Board and CEO		(1,329,033)	(1,317,496)
Finance and administration		(973,823)	(882,320)
Communication		(535,820)	(630,428)
Operating (Deficit)/Surplus Before Tax		(111,032)	1,696,930
Income Tax	2(l)	-	-
(Deficit)/Surplus For The Year		(111,032)	1,696,930

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

AUSTRALIAN PORK LIMITED

Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents		4,158,495	4,586,242
Trade and other receivables	5	3,185,055	3,405,003
Prepayments		57,648	64,861
Investments	6	3,081,627	1,266,180
Loan to Associate – PorkScan Pty Ltd	7	48,000	48,000
TOTAL CURRENT ASSETS		10,530,825	9,370,286
NON-CURRENT ASSETS			
Other Receivables	6	111,299	94,854
Property, plant and equipment	8	279,770	406,377
TOTAL NON-CURRENT ASSETS		391,069	501,231
TOTAL ASSETS		10,921,895	9,871,517
CURRENT LIABILITIES			
Trade and other payables	9	3,721,298	2,505,221
Deferred income	10	1,012,384	960,518
Lease incentive	11	20,757	20,757
Provisions	12	476,578	541,556
TOTAL CURRENT LIABILITIES		5,231,017	4,028,052
NON-CURRENT LIABILITIES			
Lease incentive	11	32,000	52,756
Lease liability		37,371	39,633
Provisions	12	61,034	79,570
TOTAL NON-CURRENT LIABILITIES		130,405	171,959
TOTAL LIABILITIES		5,361,421	4,200,011
NET ASSETS		5,560,474	5,671,506
EQUITY			
Accumulated surpluses		5,560,474	5,671,506
TOTAL EQUITY		5,560,474	5,671,506

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



AUSTRALIAN PORK LIMITED

Statement of Changes in Equity

For the year ended 30 June 2016

	Accumulated Surpluses
At 1 July 2014	3,974,576
Surplus for the year	1,696,930
Other comprehensive income	-
At 30 June 2015	5,671,506

	Accumulated Surpluses
At 1 July 2015	5,671,506
Deficit for the year	(111,032)
Other comprehensive income	-
At 30 June 2016	5,560,474

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

AUSTRALIAN PORK LIMITED

Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Statutory Authority and industry		23,112,981	21,192,925
Payments to suppliers and employees		(21,879,302)	(20,023,519)
Interest received		206,182	171,716
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,439,861	1,341,122
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(36,329)	(200,043)
Proceeds from disposal of property, plant and equipment		614	-
Investments in term deposits		(1,815,447)	(689,345)
Other Investments		(16,446)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1,867,608)	(889,388)
NET (DECREASE)/INCREASE IN CASH HELD		(427,747)	451,734
Cash and cash equivalents at 1 July		4,586,242	4,134,508
CASH AND CASH EQUIVALENTS AT 30 JUNE		4,158,495	4,586,242

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements

For the year ended 30 June 2016

1. Corporate Information

The financial report of Australian Pork Limited (the Company) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 18 August 2016.

a) Company status

The Company is a company limited by guarantee, domiciled and incorporated in Australia and no shares have been issued. At the reporting date there were 258 Members guaranteeing to contribute up to \$1.00 each to the property of the Company in the event of it being wound up.

As at 30 June 2016 the Company employed 30 full-time and 5 part-time and casual employees (2015: 30 full-time and 8 part-time and casual employees).

b) Company details

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

The Company's registered office is:

Level 2, 2 Brisbane Ave
Barton ACT 2600

2. Summary of Significant Accounting Policies

a) Basis of preparation

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

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

b) Statement of compliance

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

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

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

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

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

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

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

d) Cash and cash equivalents

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

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

e) Trade and other receivables

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

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

f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

All repairs and maintenance are recognised in the profit or loss when incurred.

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

The major depreciation periods are:

	2016	2015
Office furniture and equipment	3 to 10 years	3 to 10 years
Computer equipment	3 years	3 years
Leasehold improvements	Term of lease	Term of lease



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

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

(Cont'd) – f) Property, plant and equipment

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

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

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining future economic benefits. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

g) Investments and other financial assets

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

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

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

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

Recognition and derecognition

All purchases and sales of financial assets are recognised on the trade date i.e., the date that the Company commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

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

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

If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

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

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

Subsequent measurement: Loans and receivables

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

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

Impairment losses are recognised in the Statement of Comprehensive Income.

h) Investment in associates and joint ventures

The Company recognises its interest in other entities as an 'Investment in an Associate' where the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date.

The Statement of Comprehensive Income reflects the Company's share of the results of operations of the associate. Any change in Other Comprehensive Income of the investee would be presented as part of the Company's Other Comprehensive Income.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

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

(Cont'd) – h) Investment in associates and joint ventures

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share of profit or loss of an associate is shown at Note 3 and represents profit or loss after tax of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies of the Associate in line with those of the Company.

i) Leases

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

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

j) Trade and other payables

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

k) Revenue recognition

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

Levies

The Australian Bureau of Statistics (ABS) publishes production data which the company uses to calculate levy revenue. Where ABS data lags the reporting period, the Company uses production numbers from its own production survey to calculate levy revenue.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

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

(Cont'd) – k) Revenue recognition

Government contributions – matching

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

Other industry contributions

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

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

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

Interest

Revenue is recognised as interest accrues using the effective interest method.

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

Royalties

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

l) Taxes

Income taxes

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

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

(Cont'd) – I) Taxes

Goods and services tax (GST)

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

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

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

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

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

m) Provisions and employee benefits

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

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

Employee leave benefits

(i) Wages, salaries, and annual leave

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

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

(Cont'd) – m) Provisions and employee benefits

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

n) Comparatives

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

o) Significant accounting judgements, estimates and assumptions

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

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

(i) Make good provision

On 16 January 2012, APL entered into a new lease agreement with The Salvation Army (New South Wales) Property Trust for an initial period of seven years with an option to renew for a further period of five years from 16 January 2019 plus a further five years from 16 January 2024. Section 3 of the Disclosure Statement of the Lease details the make good requirements at the end of the lease, with no make good required on exercise of the first option for a further period of five years. APL's intention is to exercise the first option for a further period of five years. Therefore there is no requirement for a make good provision in 2016.

(ii) Estimation of useful lives of assets

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

3 Revenue

	2016 \$	2015 \$
(a) Revenue from operating activities		
Levies – marketing	9,710,166	9,885,942
Levies – research	4,977,729	5,177,706
Government contributions – matching	5,309,707	4,870,490
Other industry contributions	481,021	82,475
Other revenue	100,601	101,167
	20,579,224	20,117,780
(b) Revenue from non-operating activities		
Royalties	18,419	20,520
Interest – other persons/corporations	185,602	171,716
Payroll tax exemption refund	197,205	-
Share of profit in associate – PorkScan	8,977	42,852
	410,203	235,088
Total Revenue	20,989,427	20,352,868

4 Expenses

	2016 \$	2015 \$
(a) Depreciation		
Depreciation Expenses	162,322	148,506
(b) Employee benefits		
Salaries and wages	4,559,639	4,811,549
(c) Other expenses		
Operating lease expense	240,376	306,231

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

5 Trade and Other Receivables

	2016 \$	2015 \$
Trade debtors	2,684,006	3,377,002
Sundry debtors	147,958	28,001
Accrued Levy Income	326,172	-
Goods and services tax	26,919	-
	3,185,055	3,405,003
Allowance for impairment loss		
No receivables were past due or impaired.		

6 Investments

		2016 \$	2015 \$
Term deposit	(i)	3,081,627	1,266,180
		3,081,627	1,266,180

Terms and conditions

(i) Term deposits attract interest at rates between 2.91% and 3.06% and will mature between October 2016 and November 2016.

Investments Non-current

Investment in associate	(ii)	51,877	42,901
Rental Bond	(iii)	7,469	-
Bank Guarantee	(iv)	51,953	51,953
		111,299	94,854

Terms and conditions

(ii) The Company has a 49% interest in PorkScan Pty Limited. The Company's interest in PorkScan Pty Limited is accounted for using the equity method in the financial statements. PorkScan Pty Ltd had no contingent liabilities or capital commitments as at 30 June 2016 or 2015.

(iii) Rental bond is held by Elizabeth Street Pty Limited, no interest is payable.

(iv) Bank Guarantee is being held for bond for the head office lease. It has a maturity date of 14/09/2016 with an interest rate of 2.40%.

7 Loan to Associate

	2016 \$	2015 \$
Loan to Associate – PorkScan Pty Ltd	48,000	48,000

This loan is due on 1 July 2016 and has been extended to 30 June 2017. Interest is payable at the reserve bank cash rate plus 0.25%.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

8 Property, Plant and Equipment

	Leasehold Improvement	Office Furniture and Equipment	Computer Equipment	Total
	\$	\$	\$	\$
Year to 30 June 2016				
Carrying amount 1 July 2015	216,980	17,674	171,723	406,377
Additions	21,391	2,768	12,170	36,329
Disposals	-	-	(614)	(614)
Depreciation expense	(66,847)	(5,961)	(89,514)	(162,322)
Carrying amount 30 June 2016	171,524	14,481	93,765	279,770
At 30 June 2016				
Cost	466,961	154,683	332,700	954,344
Accumulated amortisation	(295,437)	(140,202)	(238,935)	(674,574)
Net Carrying amount	171,524	14,481	93,765	279,770
Year to 30 June 2015				
Carrying amount 1 July 2014	263,710	20,230	70,900	354,840
Additions	13,641	3,317	183,085	200,043
Disposals	-	-	-	-
Depreciation expense	(60,371)	(5,873)	(82,262)	(148,506)
Carrying amount 30 June 2015	216,980	17,674	171,723	406,377
At 30 June 2015				
Cost	445,571	158,331	353,733	957,635
Accumulated amortisation	(228,591)	(140,657)	(182,010)	(551,258)
Net Carrying amount	216,980	17,674	171,723	406,377

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

9 Trade and Other Payables

	2016 \$	2015 \$
Trade creditors and accruals	3,638,250	2,295,570
Goods and services tax	-	113,498
Other payables	83,048	96,153
	3,721,298	2,505,221
Aggregate amounts payable to related parties:	154,336	20,955

10 Deferred Income

	2016 \$	2015 \$
Income in advance	1,012,384	960,518
Income in advance is grant and co-funding income.		

11 Lease Incentive

	2016 \$	2015 \$
Current	20,757	20,757
Non-current	32,000	52,756
	52,757	73,513

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

12 Provisions

	2016 \$	2015 \$
Current provisions		
Annual leave	199,650	244,242
Long service leave	276,928	297,314
Total current provisions	476,578	541,556
Non-current provisions		
Long service leave	61,034	79,570
Total non-current provisions	61,034	79,570
Total Provisions	537,612	621,126

13 Commitments

(a) Lease expenditure commitments

Operating lease commitments – Company as Lessee

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

	2016 \$	2015 \$	
Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:			
- not later than one year	269,980	253,049	
- later than one year and not later than five years	387,109	598,000	
	657,089	851,049	
The details of the non-cancellable operating leases relating to office premises are as follows:			
Name of premises	Remaining term	Annual Rent increment	Options for renewal on expiry of lease
ACT	30.5 months	3%	2 x 5 years
NSW	30 months	4%	nil
The company has also entered into non-cancellable operating leases for computer hardware.			

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

(Cont'd) – 13 Commitments

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

	2016 \$	2015 \$
Estimated R&D expenditure contracted for at reporting date, but not provided for, payable:		
- not later than one year	2,828,763	3,908,027
- later than one year and not later than five years	3,175,201	4,698,456
	6,003,964	8,606,483

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

14 Related Party Disclosures

(a) Directors

The directors of Australian Pork Limited during the financial year and until the date of this report are as follows.

Mr. Enzo Allara
Mr. Andrew Johnson
Mr. John Coward (retired November 2015)
Mr. Aeger Kingma
Mrs. Kay Carey
Mr. David Plant
Dr. Brian Luxford
Mrs. Kathy Grigg
Mr. Geoffrey Starr
Mr. Rod Hamann (appointed December 2015)

Directors were in office for this entire period unless otherwise stated.

(b) Loans to directors and director related entities

The Company made no loans to directors or director related entities during 2016 (2015: nil).



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

(Cont'd) – 14 Related Party Disclosures

(c) Other related parties

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

Dr B Luxford: General Manager R&I Rivalea (Aust) Pty Limited

Mr R Hamann: CEO of Sunpork Farms – South

Mr E Allara: Chair Sunpork Fresh Foods, Chair Swickers Kingaroy Bacon Factory Pty Limited

Various project and program expenditures were made to the following director related entities. These transactions occurred within normal terms and conditions of various research and marketing program initiatives. The following table provides the total amount of transactions that were entered into with related parties for the 2016 financial year.

	2016 \$	2015 \$
Project and program expenditure		
Rivalea (Australia) Pty Limited	112,844	87,031
Sunpork	89,492	-
Pork CRC	1,884,377	1,729,500

Receivables

APL is owed \$48,000 from PorkScan Pty Limited. This loan was originally repayable on 1 July 2013 and was rolled over for a further three years with interest payable at the reserve bank cash rate plus 0.25%. The loan is due on 1 July 2016 and has been extended to 30 June 2017.

	2016 \$	2015 \$
Income		
PorkScan Pty Ltd		
- IP licence fees	17,000	17,000
- Management fees	20,000	20,000
	37,000	37,000

APL is the major core participant with the Pork CRC. APL's Chief Executive Officer is a Director of the Pork CRC Board. The objectives of the two organisations are not strategically aligned.

APL's Chief Executive Officer is a Director of PorkScan Pty Ltd.

APL Elected Director Rod Hamann is a Director of PorkScan Pty Ltd.

APL Specialist Director Kathy Grigg is also the Chair of PorkScan Pty Ltd.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2016

15 Auditor's Remuneration

	2016 \$	2015 \$
Amounts received or due and receivable by RSM (2015: Ernst & Young) for:		
Audit of the financial report of the Company	25,000	31,000
Other services	-	16,500
	25,000	47,500

16 Subsequent Events

There have been no significant events which have occurred subsequent to 30 June 2016 that require adjustment to or disclosure in the financial report.

17 Contingencies

The Company has provided a bank guarantee of \$51,953 in relation to its Canberra head office lease agreement. The funds for the guarantee are held in an interest bearing term deposit. The deposit is disclosed in Note 6.

The Company has a rental bond of \$7,469 in relation to its Sydney office lease agreement. The funds are held by Elizabeth Street Pty Limited.

18 Director and Key Management Personnel

(a) Details of directors and key management personnel

Australian Pork Limited has nine directors, detailed at Note 14. Key management personnel include the Chief Executive Officer and General Managers of Marketing, Research and Innovation, Policy and Corporate Services.

(b) Compensation of directors and key management personnel

	2016 \$	2015 \$
Directors		
Short-term employee benefits	383,932	387,466
Post-employment benefits	48,652	31,609
Key Management Personnel		
Short-term employee benefits	1,404,270	1,257,156
Post-employment benefits	115,067	89,124
Total Compensation	1,951,921	1,765,355



8. Appendices

8.1 Appendix A

Material Variations to Budget

	Initial Budget \$	Actual Result \$	Variation Over/(Under) \$	Comments and/or Explanation of Major Variations
Income				
Levies	14,455,000	14,687,894	232,894	Actual slaughters were \$79k more than budgeted.
Government contributions – matching claims	4,900,000	5,309,707	409,707	R&D matching expenditure exceeded the budget. Recoupment of matching claims from prior periods.
Other industry contributions	-	481,021	481,021	Grants from DAWR including NAMMP, Waste to Revenue & Antimicro-bial Resistance not included in the budget.
Net other revenue	279,000	510,804	231,804	Payroll Tax exemption refund not included in the budget.
Expenditure				
Research & Innovation	5,555,759	6,321,253	765,494	Approved changes to program budgets to contribute to the achievement of APL's strategic objectives.
Marketing	7,141,695	7,551,997	410,302	Approved changes to program budgets to contribute to the achievement of APL's strategic objectives.
Policy	557,500	349,046	(208,454)	Underspent program budgets.
Communication	286,950	227,933	(59,017)	Net of various individually immaterial variances.
Corporate Services	300,000	300,065	65	Net of various individually immaterial variances.
CEO/Board	125,000	146,333	21,333	Net of various individually immaterial variances.

8.2 Appendix B

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

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

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

The company has established a detailed methodology by which eligibility of matching expenditure is determined. For the 2015-2016 financial year, the significant expenses that were the basis for calculating the matching claim were as follows:

Research and Development Expenditure By Strategy		
Growing Consumer Appeal	Better Pork	-
	Pork Made More Popular	-
	Increasingly Different	-
Building Markets	Market Insights	\$1,429,226
	Domestic Market Development	\$32,363
	International Market Development	\$270,336
Driving Value Chain Integrity	Trust in Pork Provenance	\$490,384
	Pork Quality Assured	\$685,869
	Fairness in Risk and Reward	\$12,449
Leading Sustainability	Addressing Societal Needs	\$2,479,299
	Healthy Herds and Farms	\$491,217
	Continuous Productivity Growth	\$1,952,081
Improving Capability	Applied Learnings	\$1,053,865
	Building Industry Image and Reputation	\$100,394
	Operational Effectiveness	\$905,026
Unallocated		\$186,426
Total research and development expenditure		\$10,088,935
Adjustments – accruals and other non-eligible research and development expenditures		\$32,631
Total matchable expenditure		\$10,121,568
Maximum Claim Allowable to GVP cap		\$11,943,906
Australian Government contributions – matching (@ 50 per cent)		\$5,060,784

Note: APL total non-direct project expenditure for the 2015-2016 financial year was \$6,203,833 which was 29 per cent of total expenditure and 30 per cent of income received. Of this total non-direct project expenditure \$3,003,182 (48 per cent) was attributed to Research and Development.



8.3 Appendix C

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

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

Marketing Expenditure By Strategy		
Growing Consumer Appeal	Pork Made More Popular	\$5,730,609
	Increasingly Different	\$607,348
Building Markets	Domestic Market Development	\$2,034,549
	International Market Development	\$103,573
Total Marketing Expenditure		\$8,476,077
Strategic Policy Development Expenditure By Strategy		
Building Markets	International Market Development	\$244,590
Leading Sustainability	Addressing Societal Needs	\$97,479
	Healthy Herds and Farms	\$381,575
Improving Capability	Operational Effectiveness	\$32,934
Total Strategic Policy Development Expenditure		\$756,577
Other Industry Expenditure By Strategy		
Driving Value Chain Integrity	Pork Quality Assured	\$441,361
Leading Sustainability	Addressing Societal Needs	\$316,278
	Healthy Herds and Farms	\$219,400
Improving Capability	Building Industry Image and Reputation	\$313,108
	Operational Effectiveness	\$301,705
Unallocated		\$152,481
Total Other Industry Expenditure		\$1,744,333
Total Funds Spent on Marketing and Significant Strategic Policy Development Activity as well as Other Industry Issues		\$10,976,987

8.4 Appendix D

Funds Spent on National and Rural Research and Development Priorities

Rural Research & Dev Priorities	National Research Priorities									
	AOP Budget	Actual	An Environmentally Sustainable Australia		Promoting & Maintaining Good Health		Frontier Technologies for Building & Transforming Australian Industries		Safeguarding Australia	
			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
Objective 2. Building Markets	\$1,536,040	\$1,731,927	\$0	\$0	\$1,731,927	\$0	\$0	\$0	\$0	\$0
Objective 3. Driving Value Chain Integrity	\$787,332	\$1,188,702	\$0	\$0	\$219,258	\$711,911	\$35,565	\$30,146	\$191,822	\$0
Objective 4. Leading Sustainability	\$5,187,749	\$4,922,597	\$810,000	\$2,305,081	\$390,000	\$305,000	\$375,090	\$597,190	\$140,236	\$0
Objective 5. Improving Capability	\$2,059,814	\$2,059,285	\$150,000	\$142,590	\$265,000	\$310,378	\$130,360	\$120,055	\$78,000	\$862,902
Unallocated	\$236,226	\$186,426	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$186,426
Totals *	\$9,807,161	\$10,088,935	\$960,000	\$2,447,671	\$874,258	\$3,059,216	\$541,015	\$747,391	\$410,058	\$1,049,328
Percentage	100%	100%	10%	24%	9%	30%	5%	7%	4%	10%

	AOP Budget	Actual
* Direct Project	\$6,691,347	\$7,085,754
Allocated Project	\$3,115,815	\$3,003,181
Total	\$9,807,162	\$10,088,935



9. Acronyms

AA	Animals Australia	CODEX	Codex Alimentarius Commission
AAHL	Australian Animal Health Laboratory	CoOL/COOL	Country of Origin Labelling
AAPV	Australian Association of Pig Veterinarians	CRC	Cooperative Research Centres
AAT	Administrative Appeals Tribunal	CRM	Customer Relationship Management
AAWS	Australian Animal Welfare Strategy	CSIRO	Commonwealth Scientific and Industrial Research Organisation
ABARE	Australian Bureau of Agricultural and Resource Economics	CSR	Corporate Social Responsibility
ABS	Australian Bureau of Statistics	CTM	Certified Trade Mark
ACCC	Australian Competition and Consumer Commission	CVO	Chief Veterinary Officer
AEC	Australian Egg Corporation	DAWR	Department of Agriculture and Water Resources
AGAL	Australian Government Analytical Laboratories	DDGS	Dried Distillers Grain Solubles
AGM	Annual General Meeting	DFAT	Department of Foreign Affairs and Trade
AHA	Animal Health Australia	DIFOT	Delivered in full and on time
AHC	Animal Health Committee	DPI	Department of Primary Industries (various state departments)
AHG	Australian HomeGrown	EAD	Emergency Animal Disease
AMIC	Australian Meat Industry Council	EADRA	Emergency Animal Disease Response Agreement
AMRG	Australian Meat Regulators Group	EDN	Ethane-Dinitrile
AL	Animal Liberation	EEP	Environmental Principles for Piggeries
ANZFRMC	Australian and New Zealand Food Regulation Ministerial Council	EMP	Environmental Management Plan for Piggeries
AOP	Annual Operating Plan	ESI	Export Slaughter Interval
APIQ [✓] [®]	Australian Pork Industry Quality Program	ESP	Environmentally Sustainable Piggeries
APSA	Australasian Pork Science Association	EU	European Union
APL	Australian Pork Limited	F&A	Facilitator & Auditor (APIQ [✓] [®])
AQIS	Australian Quarantine and Inspection Service	FAO	Food and Agriculture Organisation
AUSFTA	Australia-United States Free Trade Agreement	FBT	Fringe Benefits Tax
AVA	Australian Veterinary Association	FCP	Fraud Control Plan
AVR	Australian Veterinary Reserve	FIS	Farm Impact Statements
AWB	Australian Wheat Board	FMD	Foot-and-Mouth Disease
AWCG	Animal Welfare Consultative Group	FOI	Freedom of Information
AWI	Australian Wool Innovation	FRDC	Fisheries Research and Development Corporation
AWSCCG	Animal Welfare Supply Chain Consultative Group	FSANZ	Food Standards Australia and New Zealand
AWWG	Animal Welfare Working Group	FSC	Food Standards Code
BA	Biosecurity Australia	FTA	Free Trade Agreement
BRS	Bureau of Rural Sciences	GATT	General on Tariffs and Trade
BSE	Bovine Spongiform Encephalopathy (Mad Cow Disease)	GBS	Global Benchmarking Study
BTG	Boar Taint Group	GHD	Gutteridge Haskins and Davey Pty. Ltd.
BAWC	Board Animal Welfare Committee	GM	General Manager
CAPE	Confederation of Australian Pork Exporters	GM	Genetically Modified
CCEAD	Consultative Committee on Emergency Animal Diseases	GMO	Genetically Modified Organism
CDM	Communications Design and Management Pty. Ltd.	GRDC	Grains Research and Development Corporation
CIWF	Compassion in World Farming (Animal welfare organisation)	GVP	Gross Value of Production
CMR	Critical Incident Management and Recovery Plan (PorkSafe)	HACCP	Hazard Analysis Critical Control Point (APIQ [✓] [®])
		HGP	Hennessy Grading Probe
		HOB	Ham on the Bone
		HSCW	Hot Standard Carcase Weight

ICIP	Industry Co-operative Innovation Program	PMWS	Post-Weaning Multi-Systemic Wasting Syndrome
ICT	Information and Communication Technology	POS	Point of Sale
ILO	Industry Liaison Officer	PPPE	Pan Pacific Pork Expo
IMR	Issues Reference and Management Response Manual	PPQA	PigPass Quality Assurance
IRA	Import Risk Assessment	PRRS	Porcine Reproductive and Respiratory Syndrome
IRAAP	Import Risk Assessment Appeals Panel	PSCIP	Pork Supply Chain Integrity Programs
IWG	Implementation Working Group	QA	Quality Assurance
JETACAR	Joint Expert Technical Advisory Committee on Antibiotic Resistance	QEAC	Quarantine and Export Advisory Committee
KPI	Key Performance Indicators	QPPI	Queensland Pork Producers Inc
LCA	Life Cycle Analysis	QSR	Quick Service Restaurant
LDCC	Local Disease Control Centre	RABQSARAB	Quality Society of Australia – a company specialising in personnel and training certification
LFGUG	Livestock Feed Grain Users Group		
LRS	Levy Revenue Service	R & D	Research and Development
MAP	Modified Atmosphere Packaging	R & I	Research and Innovation
MAT	Moving Annual Total	RDC	Rural Research and Development Corporation
MBM	Meat and Bone Meal	RFID	Radio Frequency Identification Tags
MCOP	Model Code of Practice	RIRDC	Rural Industries Research and Development Corporation
MDC	Market Development Committee	RIS	Regulatory Impact Statement
MI	Moisture Infused	RMAC	Red Meat Advisory Council
MLA	Meat and Livestock Australia	RMP	Risk Management Plan
MRL	Maximum Residue Limit	RSPCA	Royal Societies for the Prevention of Cruelty to Animals
NAHIS	National Animal Health Information System	SCARM	Standing Committee on Agriculture & Resource Management
NCCAW	National Consultative Committee on Animal Welfare	SECTSE	Special Expert Committee on TSEs
NCIG	The National Pork Industry Critical Incident Group	SEW	Segregated Early Weaning System
NFF	National Farmers Federation	SKU	Stock Keeping Unit
NLIS	National Livestock Identification System	SPS	Sanitary and Phytosanitary
NMG	National Management Group	SFO	State Farming Organisation
NMI	National Measurement Institute	SOP	Standard Operating Procedures
NPD	New Product Development	TBT	Technical Barriers to Trade
NRA	National Registration Authority	The Code	Model Code of practice for the Welfare of Animals for the Pig Industry
NRAC	National Rural Advisory Council		
NRS	National Residue Survey	TSE	Transmissible Spongiform Encephalopathies
NVD	National Vendor Declaration	UQ	University of Queensland
OCVO	Office of the Chief Veterinary Officer	WEA	Wheat Export Authority
OIE	Office International des Epizooties (World Organisation for animal health)	WHP	Withholding Period
PC	Productivity Commission	WSPA	World Society for the Protection of Animals
PCV2	Porcine CircoVirus 2	WTO	World Trade Organisation
PeTA	People for the Ethical Treatment of Animals		
PHMS	Pig Health Monitoring Service		
PIMC	Primary Industry Ministerial Council		
PIRSA	Primary Industries & Resources South Australia		
PISC	Primary Industry Standing Committee		
PM	Prime Minister		
PMC	Porcine Myocarditis Syndrome		

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