

AUSTRALIAN  
**Pork**<sup>®</sup>

**AUSTRALIAN PORK LIMITED**  
Annual Report  
**2016–2017**



# Vision

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

# Purpose

APL – the catalyst for viable, progressive and market driven Australian 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
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 the company's 2016–2017 Annual Report.

This is the third 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 despite the current challenges facing the industry, APL continues to deliver on the outcomes against that vision. A number of the key 2020 KPIs included in this plan have been exceeded, and we are currently in the process of updating and refining some of the strategies and KPIs to ensure that targets remain relevant and focused.

The gross value of domestic pork production exceeded \$1.277 billion which was underpinned by an increase in sow numbers of circa 3 per cent, a 3.2 per cent growth in slaughter numbers to 5.16 million, coupled with an increase in carcase weight bringing total domestic production to 397,000 tonnes or an increase of 5.2 per cent.

The Australian pork industry has enjoyed a number of years of solid growth and profitability. However in recent months a number of unanticipated and negative market factors have combined to create an imbalance of supply and demand thus exerting significant downward pressure on farm gate prices. This combined with buoyant feed grain prices has put substantial pressure on producer margins. APL has invested heavily from its limited resources to try and further stimulate demand and even though there are some early signs that the supply demand gap is closing, it may be some time before acceptable producer margins are restored.

As a backdrop to the challenging market conditions, retail data indicates that Australians have an annual per capita consumption of around 26 kg of pork (in carcase weight equivalent terms) – this is comprised of circa 10.5 kg of fresh pork and 15.5 kg of processed products such as ham, bacon and smallgoods. Per capita consumption of fresh pork in the retail market continues to be the fastest growing protein.

Properly targeted and funded research and innovation remains a high priority to support the industry's long term competitiveness and sustainability. Equally, transferring the knowledge gained from research programs is critical in helping to improve productivity and profitability. In addition to the funds derived from levies, APL was again successful in gaining additional funds from the Federal Government.

Some of the critical industry issues APL is currently focusing on include:

- assisting Australian producers to improve profitability by developing and transferring technology to industry, which will improve production efficiency and effectiveness
- continuing to grow demand for Australian pork by developing domestic and international markets. APL has a particular focus on gaining market access to China
- creating further demand for Australian pork by seeking to understand the source, nature and impact of imported pork. APL will respond to this intelligence with demand creating strategies for Australian pork, and regulatory interventions where appropriate
- maintaining and improving the Australian pork industry's positive animal welfare reputation as a point of difference

- enabling producers to reinvest in the industry by enhancing planning and regulations
- improving communication with producers by providing information which is relevant to producers through channels that are convenient to producers
- maintaining and improving the Australian pork industry's enviable evidence based biosecurity point of difference by continuing to invest in relevant biosecurity research and uptake of the PigPass traceability system, which improves response capability in a disease event.

There are more than 2,700 registered pig production sites across Australia. As of 30 June 2017, APL had 230 levy paying producer members, representing 92 per cent of levies paid to APL. The continuing trend is polarisation toward both larger and smaller production sites as small and medium commercial producers exit the market or get bigger through acquisition.

High Integrity Australian Pork Cooperative Research Centre (Pork CRC) will be dissolved in 2018–2019. The important work performed by the Pork CRC will be continued through a successor organisation, the Australasian Pork Research Institute Limited (APRIL). As a significant industry and organisational stakeholder, APL is represented on the APRIL Board by Edwina Beveridge and Andrew Spencer. APL's representation will contribute to the strategic and collaborative pork research objectives and outcomes to be delivered by APRIL.

I would like to acknowledge and express my appreciation to the Board, management and staff of APL who reacted quickly to mitigate the potential consequences of the challenging market conditions, to ensure Australian pork producers were supported. As a stakeholder in the Australian pork industry, continuation of leadership, innovation and commitment to the industry from the APL team will be critical to delivering creative solutions to support our industry during this current period of challenging circumstances.



Enzo Allara AM  
Chairman



## Message from the CEO

The year to June 2017 has been a very challenging one for the Australian pork industry. Despite increasingly positive consumer attitudes towards our product, a perfect storm of events have combined to collapse farm gate pig prices and with them, profitability for Australia's pig producers has in too many cases gone missing.

The role of APL in this pricing crisis has been to take the lead in trying to restore prices to a reasonable level. This is not an easy task considering that we have limited levers to pull. We don't set production levels, nor do we have the capacity to turn imports on and off like a tap. Our job remains to make a positive difference, giving levy payers an attractive return on investment. This can be cold comfort to a financially stressed pig producer, just attempting to stay afloat.

In operational terms, APL posted a deficit for the year of around \$850K, which was planned and resulted from increased marketing efforts in trying to alleviate the impact of low pig prices. Despite the deficit, our retained earnings remain healthy with reserves well above our minimum target levels.

### Pork supply and pig prices

Pig prices peaked in 2016 at an average of around \$3.75 per kilogram carcass weight equivalent. From Christmas of that year, prices started to drop steeply and deeply. This caught industry by surprise as no one had predicted – through the data that was available – that this was going to occur. Average pig prices at the time of writing are significantly below \$3.00 per kilogram and in many cases, producers are being asked by the market to part with their pigs at below cost of production.

One of the key reasons for the pig price drops commencing around Christmas 2016, has been a continued acceleration in pig production numbers. Official figures to the end of May 2017 show a 3.2 per cent increase in pig slaughters compared to the previous year. This grows to 5.2 per cent for pigmeat production, showing that average carcass weights have increased during the past 12 months. Considering that population growth is somewhere below 1.5 per cent, the industry is clearly in a net growth phase.

APL's producer surveys to refine projections for future pig production trends have typically been quite accurate in their predictions. The problem with the surveys have been the delay in returning the information to our producers. With the help of our export accredited pork processors, this has now been improved through the shorter term reporting by them of weekly pigs processed numbers, allowing the APL team to join the dots between the Australian Bureau of Statistics (ABS) data (typically six to eight weeks delayed) and the first projections calculated from producer provided data.

In November of 2016, the Swickers abattoir in Kingaroy, Queensland, lost its boning room and chillers to a devastating fire. The boning and chilling capacity issues that resulted – despite some amazing efforts from Swickers management to minimise the issues – seem to have also played an important role in triggering some aspects of the pig price collapse as the repercussions were felt up and down the eastern seaboard of the country.



## Import competition

Despite relatively consistent volumes of imported middles and boneless legs for bacon and ham production, imports have also been one of the causal factors for the pig pricing difficulties. Whilst the biosecurity protocols for importation of pigmeat into Australia provides strong safeguards against emergency disease, high wholesale prices for particular pork cuts during 2015 and 2016 have motivated some innovative thinking in how to get a piece of this action.

Retorted bone-in ribs are now being imported into Australia in special packaging with an unrefrigerated shelf life of up to two years. These have been targeted at the food service sector – cafes, pubs and clubs – where the lack of regulated Country of Origin Labelling means that the source of this product remains a mystery to the consumer. Similarly, the increased popularity of pork belly and pulled pork have led to imported bellies and pork neck being cooked in quarantine approved premises and presented to the restaurant sector as a cheaper alternative to the Australian home grown product.

Until now, import statistics as provided through the ABS do not – for our purposes – adequately separate imported pork lines enabling us to transparently see what imports are competing with our fresh pork and what products are going into smallgoods processing. Working with the Department of Agriculture and Water Resources (DAWR) we are now attempting to gain more clarity in pork import reporting enabling a stronger assessment of the impact of this new type of import.

## International marketing

In a growing supply environment, the challenge to find new markets to create demand becomes ever more important. To this end, APL is working with the supply chain in investigating the attributes and attractiveness of our product for Asian markets. In the case of China, we continue to work positively with the Australian government through the DAWR to facilitate the negotiation of pork trade protocols with the Chinese government.

During the past year, a formal request for pork protocols was presented to the Chinese regulators by the Australian government and this request has been formally acknowledged. This is a significant step but we don't kid ourselves – establishing protocols with China for pork will take time measured in years. In collaboration with pork processors, we attend and promote Australian pork at events and functions in Asia including China where we want to be fully prepared once protocols are established.

## Consumer demand

The one positive constant through this very difficult period of low farm gate pig prices has been metrics around the popularity of Australian pork through the retail sector. Such a strong consumer position made the reasoning around the drop in pig prices difficult to understand and to some extent, this still persists.

The retail sector accounts for more than half of the market for Australian pork (as opposed to that product being exported, going into the processing sector or going into the food service or restaurant sector). Consistent feedback from our market research providers demonstrates month after month of strong retail growth figures over the previous year period. This trend has been verified with the help of retailer scan data. Demand for the other sectors is more difficult to measure – in particular that for the food service industry due to its highly fragmented nature.

Fresh pork per capita consumption at the time of writing sits at around 10.5 kg per annum in carcase weight equivalent terms. This has grown from around 8.5 kg per annum in 2010 – growth





that for a habitual commodity like meat is quite remarkable and a very positive asset for our industry.

## Industry innovation

The temptation during periods of crisis is to drop everything and focus on short term solutions. It's true that more of APL's time has been engaged with the pig pricing issues over the past year but the strength of our industry is built on assets that require a longer term outlook.

Industry innovation through our research and development efforts is one of these assets. APL continues to invest in value adding research and development in traditional productivity, welfare and housing, environmental and energy issues, meat science, food safety, quality assurance and eating quality. The vehicles for our investment too are changing, with the Pork CRC due to wind up mid-2019, after having been a great institution for generating industry innovation.

The Pork CRC successor body, APRIL, is now active as an entity with a relatively new and enthusiastic Board (of which I am also a member on behalf of APL). This body will be working in alignment with APL's research and development efforts, able to leverage industry research funding for greater impact. APL will provide services to help administer APRIL ensuring that the dollars available will be directed as much as possible to value creating projects.

## Strategy review

In early 2016, the APL Board instigated a strategy review. There is a standard review of the strategy each year by the APL Board, however, this review was particularly necessitated by many of the consumption related key performance indicators for 2020 in the APL Strategic Plan 2015–2020, having been surpassed already in 2016.

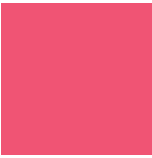
The result of the strategy review is in no way a re-write of the Strategic Plan 2015–2020 but it has drawn attention to five key areas which, when viewed against the backdrop of the industry's current challenges, line up strongly. These include continuing to generate demand for our products, looking for a quantum leap reduction in production costs, maintaining our efforts in export market development, retaining the health status of our pig herd through strong biosecurity practices and continually improving our animal welfare standards.

## Policy challenges and Government interactions

Recently the National Livestock Identification Scheme – Pork (NLIS Pork) Standards were finally signed off by Australia's Agriculture Ministers after 11 years of work by industry and regulators alike. This means that mandatory pig movement reporting using PigPass as the recognised industry system will fully commence from February next year.

With the scrapping of the 457 visa system from next year, APL has been scrambling to represent the need for an appropriate replacement system in our industry to the regulators. Hundreds of 457 visa holders are employed in the Australian pork industry, many of them from the Philippines, and the idea of losing this vehicle for employing piggery staff is untenable. The office of the Deputy Prime Minister in his capacity as Minister for Agriculture and Water Resources is in discussion with the Department of Immigration to ensure that the right pathways for employee recruitment will continue to exist.

Our Policy Division team are kept busy presently with these and other issues including a review of the Animal Welfare Standards and Guidelines for Pigs, working with the Animal Welfare Task Group (AWTG), which is about to formally kick off, trade and import statistics issues, environmental



planning guidelines for piggeries and matters arising from the Intergovernmental Agreement on Biosecurity Review by government.

### Community engagement

Our industry continues to acknowledge that we cannot be sustainable without the support of the communities in which we operate. To this end, we have recently launched the updated Australian Pig Farmers website ([www.aussiepigfarmers.com.au](http://www.aussiepigfarmers.com.au)). This provides a no-holds-barred view of the Australian pork industry from farm to plate, providing uninterrupted transparency right through the supply chain. Already, the feedback from the media in particular has been very positive about the honesty of our site and by extension our industry. It provides answers to those who want to know how our industry works but it's not for everybody.

### APL operations

Our producers entrust us at APL to use their hard earned levy funds responsibly and positively for the benefit of the industry and their businesses. I'd like to thank them for their trust in us to carry this out, especially in difficult times like those that we are experiencing now. We have an enthusiastic and skilled team motivated to deliver for industry and I'd also like to thank them for the efforts they make, and for caring at the end of the day about those to whom they provide a service. I'd also like to thank the APL Chairman and Board for the daily challenges that they give us but importantly for the support they provide that we need to carry them through.



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 delivering integrated services that enhance the viability of producers. The framework for APL was established under the *Pig Industry Act 2001* (Cth). 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* (Cth). The levy amounts to \$3.425 per carcase at slaughter, of which APL receives \$3.25, consisting of \$2.25 for marketing activities and \$1.00 for research and development (R&D). The remaining \$0.175 is retained by DAWR and is used to fund the National Residue Survey (NRS) Pig Monitoring Residue Program. 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 of best practice applied at APL include:

- compliance with all relevant Australian accounting standards
- development, implementation and maintenance of a risk management plan in accordance with Australian standards
- development, implementation and maintenance of a fraud control plan
- development and maintenance 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
- establishment of internal policies and procedures in key areas such as equal employment opportunities (EEO), workplace 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. This is achieved 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. The values 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. While APL membership is free to levy payers, APL's constitution requires that producers apply to become a member, as membership is not an automatic right. Membership entitles producers to benefits including:

- influencing APL direction by attending, speaking and voting at general meetings
- voting on changes to the APL constitution
- nominating and voting for 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
- 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
- domestic and export markets.

Levy-paying members elect delegates to represent their interests more directly to APL through the well-structured delegate system. For the reporting period 2016–2017, 36 delegates represented APL levy-paying members. APL delegates serve up to a three-year term. The delegate's term expires every three years at the same time memberships expire and are renewed. Delegates may stand for re-election.

### 3.4.1 Material Changes to Membership

The 2016–2017 reporting period has been a busy period for membership, being the first 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. As of 30 June 2017, APL had 230 levy paying producer members, representing 92 per cent of levies paid to APL. There were an additional 14 associate producer members and three associate corporate members.

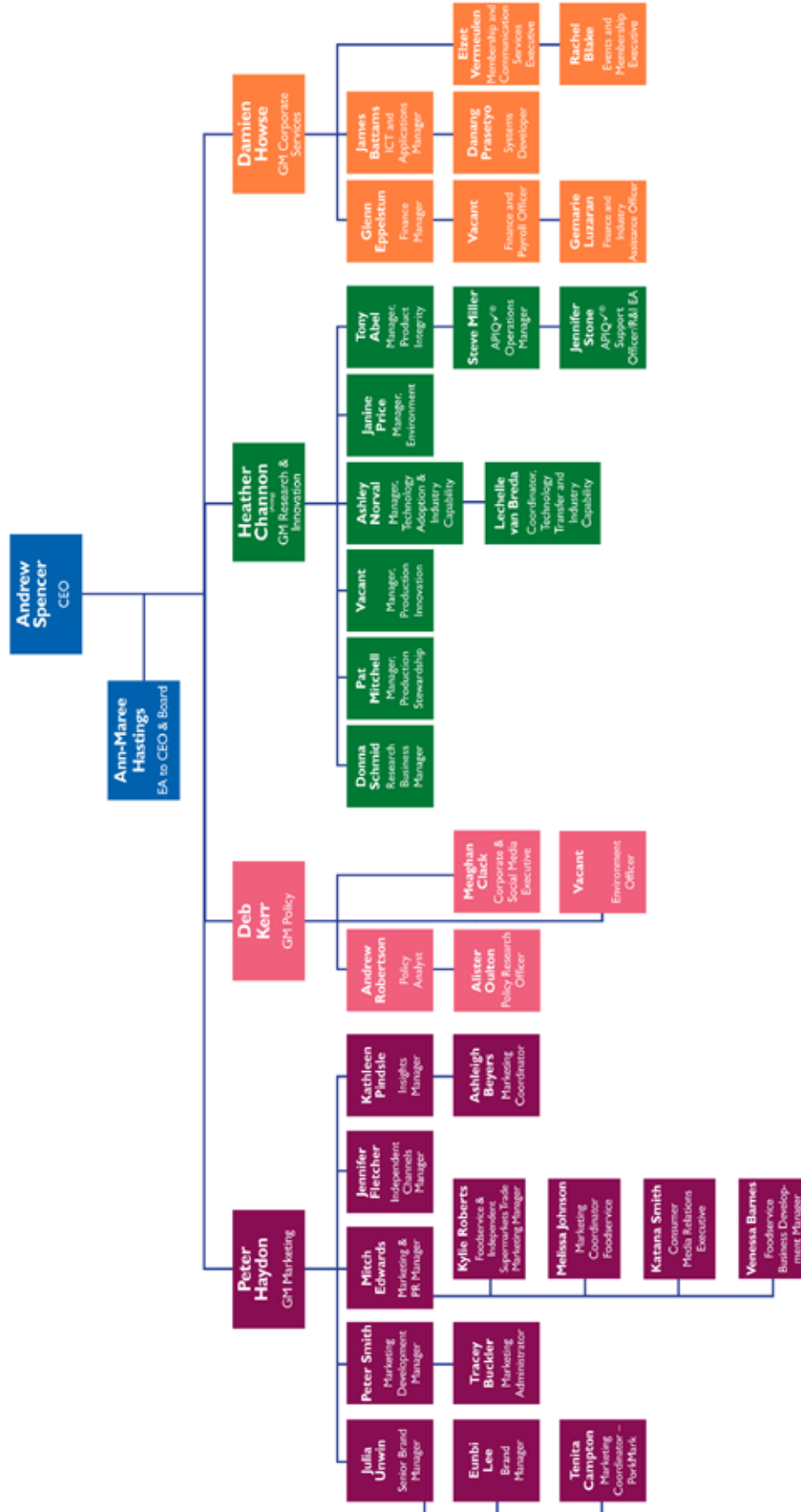
DAWR is undertaking a project to establish a levy payer register. The eventual adoption of the levy payer register may enable APL to amend its constitution to allow levy payers to become and remain members of APL without having to complete a statutory declaration.

## 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 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
- APL staff and suppliers
- Industry employees and suppliers and
- Research institutions and providers.

## 3.6 Organisation Structure



Valid as at 13 September 2017.



### 3.6.1 APL Senior Management



**Andrew Spencer**  
Chief Executive Officer



**Deb Kerr**  
General Manager, Policy



**Heather Channon**  
Acting General Manager,  
Research and Innovation



**Peter Haydon**  
General Manager, Marketing



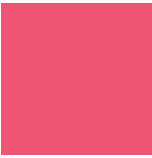
**Damien Howse**  
General Manager, Corporate  
Services/Company Secretary

### 3.6.2 Policy Division

APL's Policy Division is a unique function amongst the rural research and development corporations (RRDCs). The Policy Division's main focus is national representation across all jurisdictional levels. The Division undertakes strategic policy development, advocacy and government relations on areas such as animal health and welfare, feed security, biosecurity, environment sustainability and planning, labour and immigration, food safety, product integrity, traceability, and trade and market access. These are important policy issues affecting the Australian pork industry. As a key point of contact, particularly with external stakeholders such as 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 also works on international policy developments that are likely to affect domestic policy or have implications for our industry. Other priority focus areas include emergency and issues management, the management of corporate traditional and social media functions, the transparency initiative, and content for other corporate communications platforms.

### 3.6.3 Research and Innovation Division

The Research and Innovation (R&I) Division is responsible for investing and managing producer levies and matching government funds in National Research, Development and Extension (R,D&E) projects across a wide range of disciplines including production, animal welfare, traceability, food safety, product quality, environmental management and biosecurity. 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 Australian pork producers and key industry stakeholders. This is delivered by a robust R,D&E process, and increased collaboration between R,D&E stakeholders including industry (and cross-sector), universities, consultants and government (both federal and state 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<sup>✓</sup><sup>®</sup>. Collaborative investment opportunities that address pork industry R,D&E priorities are actively sought by the division to further leverage APL R,D&E 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 (Corporate Services) provides capability and support to the Board, CEO and other APL divisions. Particular capabilities include administration, communication channels, financial functions, event co-ordination, human resources, internal policies and procedures, information and communication technology, and membership services. Governance functions including company secretarial, corporate governance and risk management services are also provided by this division.

Corporate Services also provides secretariat services to the Council of Rural Research and Development Corporations (CRRDC) and company secretarial support to PorkScan Pty Limited.

### 3.6.6 Staff

As at 30 June 2017 the company employed 33 full-time and four part-time 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 FA criteria. 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 in this 2016–2017 Annual Report. A mid-term review of the 2015–2020 Strategic Plan is currently underway. Any approved variations to the plan will be effective after this Annual Report has been





published. In the meantime, the 2015–2020 Strategic Plan remains current. 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
5. Improving Capability.

The five Strategic Objectives will govern specific programs for APL and the wider pork industry in order to deliver against the targeted outcome statements. The outcome statements and specific programs sought for each strategic objective are shown 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 Learnings
- 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 framed within the requirements of the company’s constitution, the *Commonwealth Funding Agreement (Cth)* and the *Corporations Act 2001 (Cth)*. 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
- 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 each meeting 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 occasional 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 have been 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, and qualification of research and development and matching expenditure in compliance with major contracts.
- **Human Resources & Remuneration Committee**  
The committee is chaired by a director and includes two other nominated Board members. The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management.
- **Market Development Committee**  
Directors with marketing experience are part of the Market Development Committee, which also includes industry stakeholders from the supply chain. The committee reviews possible marketing developments for the domestic and export markets and advises the Board, through management, on appropriate strategies.
- **Research and Development Advisory Committee (RDAC)**  
The committee is chaired by a director and gives direction to activities around the development, management, performance and outcomes of APL's research and associated activities.
- **Quality Assurance and Animal Welfare Committee**  
The objective of this committee is to provide input and guidance to the APL Board in the development of policy as well as strategic communications on emerging or specific animal welfare and quality assurance issues that have the potential to significantly impact on producers' future sustainability.

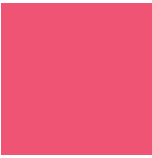
## Development and Performance

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

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

- roles and responsibilities
- timeliness of advice and direction to management
- effectiveness of Board meetings
- interaction with management
- contribution to the ongoing performance of the company.

An internal assessment of the Board was undertaken in September 2015. Assessments are part of the Board's commitment to continued good corporate governance. The assessments also ensure that newly-elected members to the APL Board have a greater understanding of how the company



operates. An extensive Director 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 controls.

### **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. 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, and the Australian pork industry brand information and other logos which include the Australian Pork Industry Quality Assurance Program (APIQ<sup>✓</sup><sup>®</sup>) Free Range and Outdoor Bred: Raised Indoors on Straw
- Maintaining food safety and product integrity in the marketplace.

### **Respecting and engaging staff**

- APL Code of Conduct, including 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
- WHS policy and procedures
- Anti-discrimination policy
- Flexible working arrangements.

### **Taking care of the environment in which the company operates**

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

### **Strengthening the company's place within the community**

- Multi-media educational program for primary schools
- Postgraduate scholarships
- Undergraduate scholarships for farm and industry placements
- Training and provision of training resources for piggery staff
- Leadership development programs
- Travel awards
- 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
- 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 (with 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	All Pig Prices	Improved returns to pig producers
		Baconer Prices (60kg–75kg)	
		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 of pork and pork products Industry preparedness, rapid response and recovery	
		Pork Provenance Testing	Compliance verification of Australian or not for processed ham and bacon products	
	2. Pork Quality Assured	APIQ✓® Uptake	Enhanced pig welfare, health and care on-farm Enhancement of industry reputation for implementation of responsible practices	
		APIQ✓® Annual Systems Audit	Improved integrity systems Robust QA program	
		3. Fairness in Risk and Reward	Generic Lean Meat Yield Benefits	Increased consumer demand
	Lean Meat Yield Technologies		Improved carcass pricing clarity	
	Leading Sustainability	1. Addressing Societal Needs	Movement Reporting within Two Days	Enhanced traceability reduces the risks of exotic and endemic disease outbreaks Reputation for responsible practices Industry preparedness, rapid response and recovery
			Gestation Stall Free Uptake – APIQ✓®	Validation of industry commitment to move away from gestation stalls to group housing
			Gestation Stall Free Uptake – non-APIQ✓®	Reputation for responsible practices
2. Healthy Herds and Farms		Post-wean Mortality Rates	Increased reproductive performance	
		New Technologies for Better Gilt Progeny	Investment in innovation to improve gilt progeny commissioned	
3. Continuous Productivity Growth		Progression of Pork Produced Per Sow	Increased productivity of the breeding herd Lower input costs	
		New Technologies to Control Feed Intake	Improving herd feed conversion	
			Lower input costs	
Improving Capability		1. Applied Learnings	Technology Adoption	Improved adoption of industry solutions across the supply chain
	Technology Awareness		Increased awareness of APL R,D&E initiatives	
	2. Building Industry Image and Reputation	APL producer membership	Increased number of APL producer members	
		Level of Membership	Increased portion of industry that become APL producer 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	2016–2017 Target	Result
Better Pork	Eating Quality Pathways Performance	Product fail rate percentage in best sales channel	2.15%	2.73%
	Pork Image Attributes	Percentage agreement with “Pork is low in fat and a valuable sources of iron”	18%	18%

KPI Table: Strategic Objective I Program I – Better Pork

#### Background

Enjoying the eating experience, both for the cook and the people to whom they are serving food is one of the most important drivers of repeated purchase. The combination of marketing messages (how to cook pork steaks and promoting the versatility of pork via recipe inspiration) and the rigorous application of APIQ<sup>✓</sup>® have combined to deliver consumers’ enjoyable eating experiences.

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

#### Achievements

The targeted decrease in chilled pork fail rates was not achieved. Product fail rates remained at just under three per cent. This is in part driven by increased consumption, meaning some people are trying recipes they are not yet familiar with. 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 19 per cent in April 2016.

### 4.2.2 Program 2 – Pork Made More Popular

Program	KPI	Unit	2016–2017 Target	Result
Pork Made More Popular	Net Promoters Score	Percentage of promoters minus detractors	-7%	-8%
	Advertising Recall	Percentage of Australians recalling pork advertising	80%	73%

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 that 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.

A Net Promoter Score (NPS) is commonly used to identify products or brands that are likely to grow. In this habitual category however, it appears to be an insensitive measure. In the year to 15 July 2017, per capita fresh pork consumption has jumped from 9.71 to 10.81 kg (Hot Standard Carcase Weight, Trim 1), yet we have not been able to measure a change in our NPS.

### Achievements

Advertising recall improved year-on-year from 60 per cent last year to 73 per cent this year. Whilst this did not achieve the ambitious goal that was agreed, it is by far the best recall performance for which we have records.

### 4.2.3 Program 3 – Increasingly Different

Program	KPI	Unit	2016–2017 Target	Result
Increasingly Different	Australian Processed Pork Share	Percentage of processed pork consumption	27.6%	27.8%
	PorkMark Awareness	Percentage of Australians aware of PorkMark	68%	55%

KPI Table: Strategic Objective 1 Program 3 – Increasingly Different

### Background



Australian pork competes with pork from other countries that have significantly more diseases in their pig herds that threaten Australian biosecurity. However, imported pig meat cooked in government accredited facilities in Australia can be used to make ham and bacon products.

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

### Achievements

Australian pork's share of processed meat was higher than predicted even though the awareness of the PorkMark logo did not achieve our envisaged growth. The Australian share of processed meat is driven out of markedly reduced farm gate prices in 2017 compared to 2016. A partial cause of the farm gate price decrease is increased production, this has led to some Australian pork moving into processed pork products at import parity level prices.

The PorkMark awareness growth was based on increased advertising mentioned in Program 2 above. However, it appears that more products displaying the PorkMark are required to achieve the PorkMark awareness goal. This should be aided by this year's achievement of registering the PorkMark trademark.



## Financial Summary

STRATEGIC OBJECTIVE I – GROWING CONSUMER APPEAL				BUDGET \$7,876,437		ACTUAL \$8,663,070	
PROGRAM	NON R&D \$			R&D \$			TOTAL
	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	
Better Pork							
<i>Budget</i>	-	-	-	297,000	129,284	426,284	426,284
<i>Actual</i>	-	-	-	241,441	162,675	404,116	404,116
Pork Made More Popular							
<i>Budget</i>	5,750,703	654,782	6,405,485	-	-	-	6,405,485
<i>Actual</i>	6,827,625	542,028	7,369,653	-	-	-	7,369,653
Increasingly Different							
<i>Budget</i>	260,287	292,714	553,001	220,000	271,667	491,667	1,044,668
<i>Actual</i>	222,967	271,179	494,147	133,351	261,803	395,154	889,300
<b>TOTAL BUDGET</b>	<b>6,010,990</b>	<b>947,496</b>	<b>6,958,486</b>	<b>517,000</b>	<b>400,951</b>	<b>917,951</b>	<b>7,876,437</b>
<b>TOTAL ACTUAL</b>	<b>7,050,593</b>	<b>813,207</b>	<b>7,863,800</b>	<b>374,792</b>	<b>424,478</b>	<b>799,270</b>	<b>8,663,070</b>

## 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	2016–2017 Target	Result
Market Insights	Program Effectiveness through Insights	Number of significant learnings identified	4	5

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”. This means we know a lot 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 ABS and Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) activities and involvement in “Trust in pork” sample collection.

#### Achievements

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 gone out, at least in our ability to predict how supply and demand can be disrupted by supply chain turbulence and timing. The significant reduction in farm gate prices for Australian pork has confirmed our understanding of retail supermarket sales, and also highlighted areas for improvement, notably in the notoriously difficult channels of wholesale and foodservice.

Five significant insights (i.e. learnings that are new, commercially significant and actionable) have crystallised since July 2016. These are listed below:

1. increased advertising weight (at the level of the first three months of 6-2-2 how to cook pork advertising) on nutrition appears to increase forecast retail sales by ten per cent
2. the versatility messaging tested as advertising is more powerful in motivating consumers to put pork in their shopping basket than talking about either flavour or texture of meat (as tested)
3. the most attractive “emotional advertising” messaging that we have found remains versions of the “porked him” campaign (within quite specific executional guidelines and we have two scripts ready to produce that have already been consumer tested)
4. pork schnitzel appears to be a significant opportunity in foodservice, worth significantly more than \$5 million
5. ham on the bone (like turkey) is so associated with Christmas. Trying to expand its usage outside Christmas is challenging enough to discount it from being the most cost-effective option for producer investment in demand.



### 4.3.2 Program 2 – Domestic Market Development

Program	KPI	Unit	2016–2017 Target	Result
Domestic Market Development	All Pig Prices	\$/kg Hot Standard Carcase Weight at farm gate (all pigs)	\$3.76	\$3.39
	Baconer Prices (60kg–75kg)		\$4.00	\$3.47
	Fresh Pork Consumption	Carcase weight kilograms of fresh pork consumed per person per annum	10.12	10.81

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

During 2015–2016, increased demand was converted into significant increases in pig prices. This year – for a multitude of reasons – demand has been converted into increased consumption of pork at lower prices to the consumer, the wholesaler and the pig producer. This has driven a significant (1.1 kg per capita) increase in fresh Australian pork consumption at significantly lower profitability in the value chain.

#### Country of Origin Labelling (CoOL) tool

The new mandatory CoOL system came into force on 1 July 2016, designed to provide consumers a greater understanding about the provenance of the food they purchase. Specific laws cover the claims businesses make about the country of origin of food and the proportions and origins of ingredients, by weight, in the final product. Pork processors will need to be fully compliant by 1 July 2018. Complying with the new requirements will require processors to implement systems that can verify the proportion of Australian ingredient in their products.

APL developed a labelling support tool (the CoOL tool and the introductory Labelling Support Tool guidance document) to calculate the percentage of Australian content. This will assist pork processors comply with the new mandatory CoOL system. The CoOL tool and its supporting instruction document are available on the corporate and pork butchers' websites.

### 4.3.3 Program 3 – International Market Development

Program	KPI	Unit	2016–2017 Target	Result
International Market Development	International Pork Sales Value	International pork sales value	\$132.4m	\$135.6m
	International Premium Proposition	Australian premium pork in-market testing has begun	Yes	No

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. Two significant initiatives have been pursued since 2015. These are firstly to gain on-going international sales to China, which require the agreement of export protocols and establishment accreditation. Secondly, 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 Hong Kong. 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.

## China engagement strategy and international trade reports

APL's advocacy and effort to gain access to China commenced back in 2003, with little appetite for further consideration. Over the past couple of years, APL has significantly ramped up advocacy efforts with the Australian Government, and sought to develop strategic relationships in China. The latter has been aided by our in-country representative working closely with Chinese officials and other key stakeholders. In 2016–2017 this effort has been rewarded with Chinese officials inviting the Australian Government to lodge a draft pork import protocol, with this occurring late in 2016. This is significant progress, with consideration by Chinese officials of the draft protocol likely to take until late 2017 and perhaps into 2018. To assist our advocacy efforts, APL has worked with the China Entry-Exit Inspection and Quarantine Association (CIQA) to survey Chinese importers as to their interest to import Australian pork. This work will fill a gap in our knowledge around the Chinese demand for Australian pork. Investment in our Chinese engagement is a long term project, with expectations that it could take ten years to be fully realised. In addition to our China focus, APL has also partnered with the DAWR in a study of non-tariff measures impacting exports of Australian pork to a number of countries.



## Financial Summary

STRATEGIC OBJECTIVE 2 – BUILDING MARKETS				BUDGET		ACTUAL	
				\$4,724,461		\$4,442,240	
	NON R&D \$			R&D \$			
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Market Insights							
<i>Budget</i>	-	329,551	329,551	998,000	677,833	1,675,833	2,005,384
<i>Actual</i>	-	276,692	276,692	893,041	713,997	1,607,038	1,883,730
Domestic Market Development							
<i>Budget</i>	1,209,000	918,642	2,127,642	-	-	-	2,127,642
<i>Actual</i>	1,056,359	1,066,087	2,122,446	-	-	-	2,122,446
International Market Development							
<i>Budget</i>	324,000	267,435	591,435	-	-	-	591,435
<i>Actual</i>	186,657	249,407	436,064	-	-	-	436,064
<b>TOTAL BUDGET</b>	<b>1,533,000</b>	<b>1,515,628</b>	<b>3,048,628</b>	<b>998,000</b>	<b>677,833</b>	<b>1,675,833</b>	<b>4,724,461</b>
<b>TOTAL ACTUAL</b>	<b>1,243,016</b>	<b>1,592,186</b>	<b>2,835,202</b>	<b>893,041</b>	<b>713,997</b>	<b>1,607,038</b>	<b>4,442,240</b>

## 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	2016–2017 Target	Result
	Physi-Trace® Adoption	Number of abattoirs subscribed to Physi-Trace®	Seven export and three domestic abattoirs	Six export and two 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	Four rounds were conducted in 2016–2017. This study involves regular collection of samples of imported ham and bacon from known sources as well as Australian samples to use to determine whether unknown samples are Australian or not. Outcomes from these tests 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 consumer and community 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. It includes the Physi-Trace®, Health 4 Wealth (H4W), post mortem inspection, and gap analysis for access into China projects and initiatives.

#### Achievements/Outcomes

##### 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 APIQV® and PigPass supports traceability and provenance claims of Australian pork to be verified through the Trust in Australian pork program. 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 2016–2017, routine collection of raw pork samples were made by processors according to agreed sampling protocols and five per cent of these samples were then selected for quarterly analysis to ensure laboratory capability and capacity for trace metal analysis. Algorithms to mathematically transform the liver trace elemental data into equivalent raw pork data were developed to use raw pork profiles to identify the property of origin of an unknown liver sample. Overall, the success rate of being able to accurately trace liver back to processor of origin was greater than 90 per cent (up to 97 per cent). However for tracing an individual liver sample from a specific tattoo back to the equivalent meat tattoo, the success rate was 86 per cent. Further work in this area will be required to validate these algorithms and extend to other offal types.





## 4.4.2 Program 2 – Pork Quality Assured

Program	KPI	Unit	2016–2017 Target	Result
Pork Quality Assured	APIQ <sup>✓</sup> Uptake	Percentage APIQ <sup>✓</sup> certified enterprises of all pig farm enterprises	90%	90.2%
	APIQ <sup>✓</sup> Annual Systems Audit	Number of non-conformances and observations	≤ 1 non-conformance; ≤ 20 observations	The 2016–2017 system audit was deferred due to the Third Party Auditing Trial – this was a recommendation from the 2014–2015 and 2015–2016 system audits

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

### Background

APIQ<sup>✓</sup> is a key platform providing confidence to our consumers, regulators, markets and the Australian public that our pig production standards are of a high level. APIQ<sup>✓</sup> is an independently audited program, which verifies industry compliance with management, food safety, animal welfare, biosecurity, traceability, environment and transport standards. A producer can be certified as APIQ<sup>✓</sup>, which indicates that their pigs are primarily indoors; APIQ<sup>✓</sup> Free Range, which means their pigs are outdoors at all times with access to feed and shelter; and APIQ<sup>✓</sup> Outdoor Bred, Raised Indoors on Straw, which means that breeding pigs are outdoors at all times with access to feed and shelter with weaner and grower pigs kept indoors in loose housing with bedding. APIQ<sup>✓</sup> also gives producers the opportunity to verify their compliance to the five day industry standard for the use of gestation stalls and to standards specific to supplying Coles.

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 and assure the safety of Australian pork and pork products.


### Achievements/Outcomes

#### APIQ<sup>✓</sup> activities

APIQ<sup>✓</sup> certification continues to cover more than 90 per cent of Australian commercial sows in production. Gestation Stall Free (GSF) compliance has reached 82.6 per cent of APIQ<sup>✓</sup> certified sows in production, an increase of 11 per cent since June 2016. The percentage of sows in outdoor production has increased to 12.5 per cent of all APIQ<sup>✓</sup> certified sows, however, the number of sites and growers certified as Free Range or Outdoor Bred, Raised Indoors on Straw has reduced by 1 to 56 (Table I). Outdoor production efficiency appears to be increasing as the number of growers recorded per sow continues to increase and sits at 5.38 per sow as at June 2017.

Period	# sites FR/OB	# Sows	# Growers	# Growers per Sow	% of APIQ <sup>✓</sup> Sows
July 2015	47	28,520	120,819	4.23	13
June 2016	57	28,071	138,079	4.91	11
June 2017	56	27,382	147,321	5.38	12.5
Variation	-1	-689	+9,242	+47	

Table I: Percentage of sows and growers certified as Free Range or Outdoor Bred, Raised Indoors on Straw between July 2015 and June 2017



There were 15 independent APIQ<sup>✓</sup>® auditors at the start of 2016–2017, noting however that four of them had changed employment and significantly reduced their audit capacity. Of the 15, only five are expected to remain by the end of 2017 due to retirement, changed employment and changing priorities. Along with the recommendations from the 2014–2015 and 2015–2016 System Verification Audits, that APIQ<sup>✓</sup>® audits be contracted to a third party organisation, the need for greater credibility, transparency and independence between producers and auditors led to industry calling for expressions of interest in providing Third Party Audit (TPA) services. Expressions were called, received and reviewed by an industry panel, and identified AUS-MEAT Ltd as the preferred provider should industry make the move to TPA. The concept was presented to industry delegates in November 2016 of which the majority voted to support of TPA. The APL Board instructed APIQ<sup>✓</sup>® Management (APIQM) to trial TPA under the AUS-MEAT. Five AUS-MEAT auditors were trained to audit to APIQ<sup>✓</sup>® Standards and two existing auditors agreed to audit under AUS-MEAT. As at 30 June 2017 AUS-MEAT auditors had successfully completed 39 audits. Issues arose and were resolved; however, the majority of feedback from producers, retailers, APIQM and auditors was very positive and in support of TPA. The findings of the TPA trial and a recommended way forward will be presented to the APL Board for decision early in 2017–2018.

Listed below are the key improvements have been made to the Standards:

- requiring a producer to have a working relationship with a vet, rather than having a vet on call
- not requiring Indoor Piggeries to meet environmental standards for outdoor pigs, where pigs are kept outdoors in ‘areas that are not within the piggeries controlled effluent system’. In addition, adding the Australian Competition and Consumer Commission (ACCC) requirement to include the words ‘Raised Indoors on Straw’ for Outdoor Bred Certification
- clarifying that all pigs must have access to outdoors in free range systems
- clarifying that space allowances apply to outdoor bred certifications
- strengthened pest management standards and
- mandatory compliance to the Model Code for six week use of stalls.

APIQM continues to assess and investigate incidences, issues and critical corrective actions as required by APIQ<sup>✓</sup>® policy. There was one critical corrective action in 2016–2017, down from three in 2015–2016. The CCA request (CCAR) was satisfactorily resolved between the producer, auditor, APIQM and the Panel. The Panel continues to be a valuable entity in monitoring and overseeing the development of APIQ<sup>✓</sup>® to achieve industry goals.

## **Food Safety R&D**

APL successfully obtained funding from the DAWR as part of the Rural R&D for Profit (RRnD4P) programme to realise productivity and profitability improvements for primary producers. The project aims to develop standards for the consistent reporting, recording and analysis of peri-mortem information for use by producers, processors, regulators and other key stakeholders. This collaborative R&D project also involves Meat and Livestock Australia (MLA), the Australian Meat Processor Corporation (AMPC), South Australian Research and Development Institute (SARDI) and the Victorian Department of Economic Development, Jobs, Transport and Resources (EcoDev). This project will utilise the benefit cost analysis conducted for APL to assess the economic and operational impact of establishing a national real time slaughter chain reporting scheme for pig producers, processors and industry regulators.



Using Codex risk assessment guidelines, the Schedules 2 and 3 of the Australian Standards for Hygienic Production and Transportation of Meat and Meat Products for Human Consumption (AS 4696) for post-mortem inspection procedures and disposition judgement for pork were reviewed. In total, five submissions have been presented to the Australian Meat Regulators Group (AMRG) for approval – including melanoma, septic pneumonia, polyarthritis, visual inspection and use of company quality assurance personnel for stripping of pleura. The key principle are that any amendments must be equivalent, or better than, the existing AS 4696 procedures in terms of food safety, suitability and hygiene. The implementation of these equivalence procedures are now being assessed through by State and Commonwealth regulators in consultation with industry.

A gap analysis was completed that reviewed China’s requirements for the production of pork and pork products against Australian’s current regulatory and industry practices and systems. The review identified limited specific customer or commercial technical gaps but did identify some regulatory differences between the Australian and expected Chinese requirements. APL has provided the gap analysis to pork processors to allow them to understand and address these differences and assist in future market access requests.

### 4.4.3 Program 3 – Fairness in Risk and Reward

Program	KPI	Unit	2016–2017 Target	Result
Fairness in Risk and Reward	Generic Lean Meat Yield benefits	Number of demonstrated generic Lean Meat Yield industry benefits	3 generic benefits	Refinement of PorkScan Plus system commenced, with support from the Rural R&D for Profit Advanced Livestock Measurement Technologies project.
	Lean Meat Yield Technologies	Number of abattoirs in which Lean Meat Yield system validated	3	The equipment is in hand and plans are in place to install three systems in commercial abattoirs.  Two plants have partial installs as at June 2017, with validation studies be conducted in 2017–2018, funded by the Pork CRC and PorkScan Pty Ltd.

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

#### Background

PorkScan is the industry’s system developed to measure lean meat yield (LMY) of pork carcasses. APL manages the day to day operations of PorkScan under a management agreement between PorkScan Pty Ltd Board and APL.

#### Achievements

PorkScan’s LMY systems are being established in three export plants. Once installed, the systems will be calibrated to ensure assessments accurately reflect LMY and provide useful information to plant management, producers and industry. Planning for a large study covering a wider spectrum of carcasses by genotype, weight, fat depth and gender (i.e. female, immunocastrated males and entire males) commenced in 2016–2017 for completion by mid 2017–2018. This work is being supported through the DAWR RRnD4P Advanced Livestock Measurement Technology project. These studies aim to optimise the accuracy of LMY predictive algorithms that utilise information from the carcass scans as well as P2 fat depth measures captured via ultrasound using PorkScan Lite.

## Financial Summary

STRATEGIC OBJECTIVE 3 – DRIVING VALUE CHAIN INTEGRITY				BUDGET \$1,874,363		ACTUAL \$2,004,042	
	NON R&D \$			R&D \$			
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Trust in Pork Provenance							
<i>Budget</i>	-	-	-	371,017	106,151	477,168	477,168
<i>Actual</i>	-	-	-	418,325	118,787	537,112	537,112
Pork Quality Assured							
<i>Budget</i>	216,000	595,749	811,749	446,000	49,575	495,575	1,307,324
<i>Actual</i>	133,370	518,205	651,576	482,630	153,806	636,435	1,288,011
Fairness in Risk and Reward							
<i>Budget</i>	-	-	-	76,500	13,371	89,871	89,871
<i>Actual</i>	85,089	-	85,089	76,917	16,913	93,830	178,919
<b>TOTAL BUDGET</b>	<b>216,000</b>	<b>595,749</b>	<b>811,749</b>	<b>893,517</b>	<b>169,097</b>	<b>1,062,614</b>	<b>1,874,363</b>
<b>TOTAL ACTUAL</b>	<b>218,459</b>	<b>518,205</b>	<b>736,665</b>	<b>977,872</b>	<b>289,506</b>	<b>1,267,377</b>	<b>2,004,042</b>



## 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	2016–2017 Target	Result
Addressing Societal Needs	Movement Reporting Within Two Days	Percentage closed PPNVDs reported within two days	90%	80.2%. KPI not met and will remain less than required until mandatory reporting is legislated.
	Gestation Stall Free Uptake – APIQ <sup>✓</sup> <sup>®</sup>	Percentage industry sows housed under the GSF definition	90%	82.6% as measured only through APIQ <sup>✓</sup> <sup>®</sup> . Expansion of the sow herd and verification lag time means there is a timing delay.
	Gestation Stall Free Uptake – non-APIQ <sup>✓</sup> <sup>®</sup>		70%	13.6%. 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 and underpin their loyalty, trust and support through a social licence for pig production. The Australian pork industry has a global leadership position through initiatives including Shaping our Future, the robust biosecurity systems that underpin the health of the Australian pig herd and the increasing industry focus on antimicrobial stewardship (AMS). 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, governments, our export markets and the Australian public.

#### Achievements

##### Collaborative activities

The Policy and Research and Innovation 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 (SFO) on a range of state, regulatory, planning and policy issues.



## 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 RRDCs, State and Federal Governments and Commonwealth Scientific and Industrial Research Organisation (CSIRO). APL is a CCRSPI committee member, is also represented on the CCRSPI strategy development working committee and has had input into the consultation and development of the Climate Research Strategy Primary Industries (CRSPI) phase 3 strategy. The strategy has a new focus of coordination, communication, collaboration and co-investment.

## Animal welfare

### Standards and guidelines

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. The Model Code outlines minimum standards for the welfare of pigs on-farm and applies to all pigs whether commercial, pig keeper or pet. The Model Code provides a foundation for animal welfare legislation and is intended as a guide for all people responsible for the welfare of pigs under both indoor and outdoor systems.

For a number of reasons, the review of the current Model Code by governments has been delayed. In May 2016, in support of the pork industry's proactive pig welfare agenda and to add certainty to future industry planning, the majority of the delegates voted to advance the commencement of an Australian Standards and Guidelines for Animal Welfare: Pigs (Pigs SnG) review as soon as it could be put on a procedural agenda. In December 2016, the Agriculture Senior Officials Committee (AgSOC) agreed in principle to the review and asked APL to bring forward a business plan, including a science review terms of reference (TOR), for consideration. The purpose of the science review is to provide an accurate examination of the scientific literature to underpin the future Pigs SnG. The Business Plan was endorsed by the AWTG in mid April 2017, subsequently the approved scientific review TOR was released by APL for tender with a closing. The closing date of all proposals to undertake the review was 29 May 2017.

Humane methods of slaughter, to satisfy both meat quality standards and consumer expectations, is a national project involving key industry partners. Carbon dioxide (CO<sub>2</sub>) stunning is the most common method of stunning for pigs in Australia and operating procedures associated with CO<sub>2</sub> stunning that safeguard animal welfare outcomes have been developed.

### New and emerging technologies

Three long term projects are underway to assist in understanding and converting the under-utilised and low valued waste products from piggeries into innovative products (fertiliser, feed and energy). Such innovation aims to deliver higher economic and agronomic value whilst removing handling and transport barriers. These projects have shown very promising results to date and may have the potential for commercialisation/patenting.

The sensor project has developed a prototype that is being currently trialled on a piggery. Results to date include strong correlations between measured parameters and feed wastage in real time which could have significant implications in reducing industry feed costs. The project is using 3D printing technology to develop components of the system.



As part of the APL-led RRnD4P project 'Wastes to Revenue', a pilot plant has been designed and installed on a piggery to grow purple phototrophic bacteria (PPB) on pig effluent. Initial laboratory results have shown that this can reduce nutrient levels and may potentially be a future feed or feed additive supplement. The fertiliser trial is also showing promise in terms of developing a fertiliser from piggery waste that improves crop growth and reduces emissions.

A recently completed review assessed the feasibility of the bubble column evaporation (BCE) technology. It found that the cost effectiveness of the BCE technology is dependent on the price point of clean (distilled) water and the relative cost of alternative sources of water. The cost of piped water prices used by piggeries ranges from ~\$350/ML to as much as \$4,000/ML. The state with the greatest supply of piped water supply for piggeries, and hence the greatest cost, is South Australia. For the small proportion of the industry that is exposed to high water costs, this technology holds promise to reduce costs. It is also possible that in the mid-term (five to ten years), larger proportions of the industry will be exposed to increased costs for water. The review concluded that moderate investments to test the applicability of the technology and allow a more complete assessment of technical and economic feasibility is of merit for the industry. As a consequence, a follow up pilot plant and testing project on the BCE technology has been funded by APL.

### **Innovation and uptake of best management practices (BMPs)**

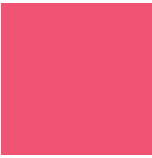
This area of research aims to develop technology transfer programs and materials and increase industry capability by extending research to producers and stakeholders that encourage consideration, uptake and adoption.

Forty-two energy audits conducted on piggery enterprises across Australia as part of the Pork Industry Energy Efficiency program identified potential efficiency strategies to reduce energy use on pork farms. Paybacks of two to six years have been identified for many piggeries for conversion to biogas systems, with solar photovoltaic (PV) systems showing paybacks of two to five years. Workshops were conducted in 2016–2017 to provide the information learned from the program to producers across Australia. A series of ten factsheets are also being finalised for distribution outlining the results.

As part of the NEGP updating APL commissioned a review of all APL funded environmental research since the development of the second edition NEGP. The project developed a report outlining recommendations for incorporation into the third edition of the NEGP. These recommendations were presented to representatives from industry and regulators at two workshops in June 2017. At these consultations, it was agreed that the NEGP should be developed into siting and design guidelines, supported by topic specific management guidelines such as the effluent and manure management and reuse guidelines. Existing guidelines will be updated and revised and a series of new management guidelines will be developed to complement the new NEGP.

A case study booklet on the uses and benefits of using spent bedding from piggeries has been developed from the ecoshelter bedding project. The case studies are from a range of production systems including broadacre cropping, mixed farming businesses and piggeries across a number of states. The case studies booklet will be released by APL in late 2017.

A soil indicators guideline has been produced from the soil sustainability indicator extension project. The guideline is targeted to consultants and agronomists to assist with understanding



piggery effluent and its effects on soil parameters. This will also be released in late 2017. In addition, a nutrient loss index approach is being explored to assess nutrient risks associated with effluent application.

A number of additional extension tools are in development including outdoor production best practice videos, explainer videos for planners and outdoor producers and the revision of the outdoor factsheets.

### **Validation of industry environmental data**

This focus of this research is on the development of techniques and the collection of industry specific data that can be used to validate the industry's credentials, develop protocols and calculation methods, enhance industry reputation, improve efficiencies and develop mitigation strategies, BMPs and technologies that suit the needs and drivers of the industry.

In a sludge accumulation project, a number of existing ponds of varying ages and desludging regimes were surveyed to generate an understanding of how sludge deposits in effluent ponds. This information will assist with designing ponds in the future and be used to complement the development of a hydrodynamic model to predict sludge build up and movement in various shaped ponds.

### **On-farm Greenhouse Gas Mitigation**

This project 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.

A cost benefit analysis and consultation process has seen the progression of a number of potential emission reduction fund (ERF) methodologies, identified from the National Agricultural Manure Management Program (NAMMP), presented to the Federal Government for consideration. A streamlined methodology approach will likely see the addition of a couple of new ERF pathways for piggery facilities to generate carbon credits.

### **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 outputs from Program 2 aim to enhance animal health, while reducing antibiotic use in commercial pork production. Program 3 of the Pork CRC is focussed on 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	2016–2017 Target	Result
Healthy Herds and Farms	Post-wean Mortality Rates	Percentage mortality post weaning	4%	4.5% Pork CRC benchmarking study.
	New Technologies for Better Gilt Progeny	Number of innovation projects commissioned	One successful research idea to optimise gilt progeny performance	Optimising gilt progeny performance through gilt development and lactation feeding interventions-project identified that the consistency of feeding level through gilt preparation, gestation/lactation is important for progeny birthweight.

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

### Background

Profitable pig producers are dependent on safeguarding the welfare, health and wellbeing of the pig herd, while reducing input costs, improving productivity as well as maintaining continual scrutiny of global information to identify potential risks. 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 naive 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 2016–2017, this program has implemented technologies, systems and management strategies in support of these science-based biosecurity arrangements.

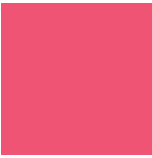
### Achievements/Outcomes

#### PorkSAFE

One of APL's Emergency Animal Disease Response Agreement (EADRA) normal commitments is to review our industry's emergency plan. This plan can be activated for exotic disease incursions, but is also able to be activated for a range of issues, such as a food safety or a major public image issue. The plan has been re-crafted in line with current standards for such plans, and the APL General Managers underwent training on the new arrangements given the major change in senior management over the last few years. A larger training exercise will be undertaken during the next financial year to assess our preparedness to deal with major issues affecting our industry.

#### 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 ensures consistency across all states 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, as well as AHA training for industry consultants as regards EADRA protocols.

### **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 and antimicrobial resistance (AMR) that can 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.

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. APL held its annual Pig Vet Symposium just prior to the 2017 Victorian Pig Fair in Bendigo. The Symposium provided updates for both APL and Pork CRC projects. APL projects discussed included EAD projects, AMR surveillance and AMS as well as an APL-led RRnD4P project dealing with animal disease and pathology surveillance and condemnation feedback to producers. Also discussed was an innovative project between APL and DAWR (Meat Export Branch) concerning the welfare of pigs during transport and lairage. The project was initiated by Dr Barry Lloyd and seeks to strengthen the communication and engagement between APL, pig veterinary consultants and on plant veterinarians (OPV) who work in export accredited abattoirs through involvement in DAWR's training activities. The majority of Australia's pig veterinary consultants attended the Symposium.

The World Health Organization (WHO) regards 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 developing strategies that can form the platform for an AMS. One of the most important initiatives is the ongoing evolution of the Livestock Antimicrobial Stewardship Group. The group was originally formed as a collaboration between Australian Chicken Meat Federation, Australian Lot Feeders Association and APL. The group now also includes Australian Eggs Corporation Limited (AECL) and MLA. A very significant outcome from this group is the development of an Australian Livestock Industries AMS plan, which will incorporate each industry's AMS plan.

Additionally, the results of the proof of concept AMR surveillance project funded by DAWR were very favourable for the Australian pork industry. Results showed that the bacteria isolated from pigs at slaughter did not have resistance to a number of antibiotics that are considered critically important to humans. These results have been presented at a number of industry and human medical conferences. As a result of these presentations, the Australian Chief Veterinary Officer is facilitating additional engagement between the livestock industries, DAWR and the Australian Chief Medical Officer, Professor Brendan Murphy.

### **Environment and health**

This research area aims to develop strategies to attenuate the impact of environmental and health stressors on the pig during the weaner, grower and finisher phases.

Methyl donors influence many metabolic processes including hormone signalling, protein synthesis and cell growth. Metabolic requirements were investigated to identify opportunities to manipulate tissue growth in different pig classes. High homocysteine (HCY) levels indicate an imbalance in the methionine (an essential amino acid) cycle. Studies conducted in Queensland and South Australia found that plasma HCY concentrations were higher than what is considered normal, suggesting



an imbalance in the methyl donor pathways in commercially raised pigs. Sows were found to have the lowest HCY concentrations, close to the accepted normal range, with weaners having the highest. The inclusion of betaine, choline and methionine in diets was shown to reduce plasma HCY concentrations but not to below the accepted normal levels, and did not result in a production effect.

Recommendations for the optimal omega 6: omega 3 polyunsaturated fatty acid (PUFA) requirements were again delayed due to the required n-6: n-3 PUFA levels in the diet not being met. A different method to result in the desired n-6: n-3 levels in the diet have now been identified. This project will commence in August 2017.

### Keeping our Pigs Safe

Keeping our Pigs Safe is an initiative to seed the broader public's understanding of biosecurity. It consists of a number of tools, at the heart of which is a dedicated micro-website informing the broader public on biosecurity and outlining the impacts to pigs, producers, industry, the broader community and export markets from major exotic disease incursions. The micro-website will be enhanced with a soon to be released Facebook page to generate wider public discussion and should our pork biosecurity import protocols at the border come under pressure to be more open to fresh pork imports.

### PigPass

For the last 11 years, governments and the pork industry have been working towards rules that underpin pig movement reporting. Known to our industry as PigPass, the system consists of the ability to generate PigPass National Vendor Declarations (documents that must accompany pigs moved from one property to another) and the PigPass reporting database. Originally developed as Business Rules, these were converted to Standards that could be used by state and territory governments to legislate the mandatory reporting of pig movements. This year, the process proceeded up until the point of Ministerial decision, which was subsequently given in July 2017. This paves the way for mandatory pig identification and movement reporting. This is critical to locate pigs that may be the source of disease in the event of a disease incursion. A communications strategy has been developed to ensure all supply chain participants understand their obligations ahead of the introduction of mandatory reporting (notionally 1 February 2018).

This year PigPass has been further developed with an App close to being finalised. The PigPass App will make our pig traceability system truly electronic, with the ability for a paperless traceability system. The App is also capable of sending a notification to, e.g. abattoirs, that pigs are being transported. This will facilitate the ability to manage lairage and personnel at the receival premises. The App is in final testing phases and will be rolled out to producers in 2017–2018.

## 4.5.3 Program 3 – Continuous Productivity Growth

Program	KPI	Unit	2016–2017 Target	Result
Continuous Productivity Growth	Progression of Pork Produced Per Sow	Percentage increase in kg pork/sow/year	3%	4.76% Pork CRC Benchmarking study.
	New Technologies to Control Feed Intake	Number of innovation projects commissioned	One successful research idea to control feed intake	Two completed research reports addressing this issue.

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. It is therefore not possible to improve productivity through the importation of genetics. The Australian pork industry therefore 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

### 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, contributed by both APL and the Pork CRC, are used to effectively support R&D resources and human capability and capacity. The funding of core R,D&E facilities allows these key R,D&E facilities to be available and used to their full potential, improves the timeliness of research conducted and assists with the technology adoption of R&D outcomes by industry.

### Reproductive R&D

High sow replacement rates have a direct effect on herd feed efficiency through increased numbers of gilts being introduced to the herd, with a contributing factor being the reduced output from gilts and the poorer survivability and growth of their progeny compared to progeny of sows with more than one litter. Minimisation of sow replacement through optimisation of gilt development and reproductive efficiency will contribute significantly to improve whole herd feed conversion efficiency. The key to a long reproductive life is to optimise the entry of the gilt into the breeding herd through meeting key weight targets by maintaining an adequate level of nutrition.

A study was conducted to enhance gilt progeny by optimising gestational and lactational feeding management to improve milk output and progeny weaning weight. At selection, gilts were allocated to either a restricted or on demand treatment. At mating, these groups were allocated to a restricted treatment with a stepped gestation and lactation feeding program or on demand feeding program. Reproductive performance through to the third litter was not impacted by the gilt development programme. The impact of access to feed was minimal during lactation with no influence on reproductive performance except for a small but significant increase in first litter stillbirths. Neither treatment impacted on performance suggesting that both may be viable sow management programs. However, as lower birth weights were found for piglets from gilts allocated to either of the cross-over treatments, switching between management programs may not be wise.

A discussion paper on the opportunities and challenges around using genomic selection technologies in the Australian pork industry identified that there is scope for improvement in rates of genetic progress, by between 10 to 50 per cent or \$0.25 to \$1.25 per pig. However, implementing genomic selection will increase costs of a breeding program, mainly due to genotyping costs.



## Growth and development R&D

The suppression of voluntary feed intake is a desirable component of industry's tool-box to control or manipulate production in each stage of the production cycle. A study was conducted to determine whether feeding lauric acid, a medium chain fatty acid, can suppress the voluntary feed intake of finisher pigs. It was shown that feeding low levels of lauric acid to finisher pigs for 28 days prior to slaughter reduced feed intake by 329 grams per day and improved feed conversion ratio without affecting average daily gain. Another study identified that feeding immunocastrated male pigs a diet containing mineral salts on demand for up to 28 days prior to slaughter suppressed voluntary feed intake and reduce backfat. However, feeding pigs lupins at 20 per cent reduced feed intake, body fat and backfat levels, while growth performance was adversely impacted. Mineral salts may be useful in reducing feed intake and improving feed conversion when reducing back fat is not an objective.

## Financial Summary

STRATEGIC OBJECTIVE 4 – LEADING SUSTAINABILITY				BUDGET		ACTUAL	
				\$5,305,221		\$5,450,847	
	NON R&D \$			R&D \$			
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Addressing Societal Needs							
<i>Budget</i>	67,000	56,946	123,946	1,953,694	451,365	2,405,059	2,529,005
<i>Actual</i>	600,290	37,785	638,075	1,954,946	406,748	2,361,694	2,999,769
Healthy Herds and Farms							
<i>Budget</i>	272,106	259,220	531,326	402,504	257,855	660,359	1,191,685
<i>Actual</i>	212,477	210,526	423,003	363,695	106,596	524,291	947,293
Continuous Productivity Growth							
<i>Budget</i>	-	-	-	1,497,464	87,067	1,584,531	1,584,531
<i>Actual</i>	-	-	-	1,435,612	68,173	1,503,785	1,503,785
<b>TOTAL BUDGET</b>	<b>339,106</b>	<b>316,166</b>	<b>655,272</b>	<b>3,853,662</b>	<b>796,287</b>	<b>4,649,949</b>	<b>5,305,221</b>
<b>TOTAL ACTUAL</b>	<b>812,767</b>	<b>248,311</b>	<b>1,061,078</b>	<b>3,754,253</b>	<b>635,516</b>	<b>4,389,769</b>	<b>5,450,847</b>

## 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 Learnings

Program	KPI	Unit	2016–2017 Target	Result
Applied Learnings	Technology Adoption	Percent of technologies transferred	Projects 50%+ Hero Projects 75%+	56% (combination of hero projects and projects). New survey methodology including all sized producers within NSW and QLD. Smaller survey response rate for SA, WA, VIC.
	Technology Awareness	Percentage of eligible production aware of subsample of technologies	80%	48% (new survey methodology has impacted result*).

KPI Table: Strategic Objective 5 Program I – Applied Learnings

\* The difference between the target and the result for 2016–2017 is due to differences in survey methodology used to capture this information from producers. The survey in 2016–2017 involved producers of varied herd sizes and production types to obtain a more accurate representation across the Australian pig herd of their awareness and adoption of APL R&D of key projects, rather than focusing on adoption and awareness by larger herds as done in the past.

### 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

#### Industry economic analysis

Every five years, APL invests in economic analysis to show the industry’s benefit to the Australian economy. This information is critical to underpin APL’s advocacy efforts, but also will enable producers to represent the benefit of their piggery development to their local council. This year work commenced on updating the 2011 report. Key parts of this report will be state level economic figures, export market analysis and a new local government level value of production. The final report will be available in early 2017–2018.

#### Bringing influencers together

Investment in this activity assisted APL to both host and support a range of industry events that enable valuable interactions amongst producers and key industry stakeholders. Increasing the capability and capacity of the private sector to influence uptake of R&D technologies by stakeholders, advisors and suppliers acknowledges that commercial partners are as equally engaged in modern day technology transfer & adoption (TT&A) and are critical to the overall success of the R,D&E strategy.

About 380 delegates attended the Victorian Pig Fair held in Bendigo in May 2017. Delegates included producers, key stakeholders and several international exhibitors. Technical presentations were made on outcomes of key initiatives being funded by both APL and the Pork CRC, including welfare benchmarking and the Autism in Agriculture program being conducted by SunPork Farms. Bringing



Influencers Together supports events such as these to enable direct communication between producers and industry experts. This activity also supports smaller, though equally valuable, producer meetings.

APL was a major sponsor of the first GrowAg conference, hosted by the Rural Industries Research and Development Corporation (RIRDC) and supported by the DAWR. This event aimed to bring the next farming leaders from around Australia together – the Australian pork industry was well represented at this event.

### **Facilitating TT&A**

Although it is clear that information and communication technology (ICT) has a place in modern agricultural extension, there is also a growing interest and appreciation in the return of paper based brochures that producers receive in the mail. The publication Pigs to Pork has filled a gap in this space. Pigs to Pork is a quarterly publication designed to highlight APL's R&D outcomes to all levels of industry. The publication is mailed out to every producer contact in APL's database as well as to key industry stakeholders. Feedback from all areas of production has been overwhelmingly positive – in particular, the fact that the publication is in hard copy format allows it to be shared with other staff.

The Producers Guide to Pig Production and Nutrition has been updated and delivered to industry. This is a valuable resource that the majority of pig producers in Australia would find of use.

The People in Agriculture website was officially launched by the Minister for Agriculture and Water Resources, the Honourable Barnaby Joyce in late 2016. This website is a collaborative project between five RDC's, and aims to assist producers with their human resourcing information. The website has both general and industry specific information relating to employment in agriculture – including Australian legal requirements.

### **Fostering new capability**

By supporting school students and postgraduates, the industry will be better placed to influence the broader community's perception of the Australian pork industry. APL has worked proactively to promote the educational units across its various communication networks and platforms, particularly via Agricultural and Science Teaching Conferences where APL is able to directly address an audience of teachers. The resources have been received by teachers with enthusiasm since their inception. Uptake of the resources has been exponential since their release. In just over two years since the program began, over 900 copies of the resources have been distributed throughout Australia, with demand remaining high.

For the 2016–2017 program there were seven APL supported postgraduate students. In the 2015–2016 program, seven students completed their studies with five gaining employment within the Australian pork industry – giving the industry a 71 per cent retention rate of postgraduate students. This figure highlights the success of the APL postgraduate student program and, indeed, how important the program is for the succession planning of the Australian pork industry's R,D&E activities.

### **Building technical capacity**

ProHand™ Pigs and ProHand™ Abattoir training programs have been redeveloped and launched in 2016. Stable and easy platforms for effective delivery have been used to provide integrated programs that target pig welfare and stockperson attitudes across the whole pork supply chain. To date, over 680 members of the pork supply chain have signed up to use either the abattoir or pig program. APL is currently working to commercialise ProHand™ so that it can be used in New Zealand and the United States of America. Both of these countries have expressed an interest in implementing the program in their industry.

A major focus of this activity area is to develop a young leadership course within the Australia pork industry. The industry is aging and the future leaders (currently aged 25–35) are now looking for further development and challenges. Results from the 2015 APL Annual Industry Survey have shown that only 51 per cent of producers in Australia have some sort of a succession plan. A young leadership program is currently being developed in collaboration with Nuffield Australia that will ensure that the industry's next leaders have the vision, capability and skills to continue to develop and grow the sustainability of the Australian pork industry.

In addition to the young leadership course, APL is once again a sponsor to the Australian Rural Leadership Foundation Scholarship Course 24.

#### 4.6.2 Program 2 – Building Industry Image and Reputation

Program	KPI	Unit	2016–2017 Target	Result
Building Industry Image and Reputation	APL producer members	Number of APL producer members	300	230
	Level of Membership	Membership levy as a % of total levies	>95%	92%
	APL Positive Image	Members positive perception of APL	>80%	91.8%

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.

Ultimately, outcomes under this program are designed to ensure the industry's reputation as a global leader in effective and responsible pork production.

#### Achievements

##### APL delegates renewal

2016–2017 was the first year of a new three year membership period for producers. All memberships expired on 30 June 2016. Pork producers who became full members between 1 July and 1 September 2016 were eligible to vote for a delegate to represent them at APL delegates forums. During this process, 36 delegates were elected – the highest number ever elected. This was a direct result of the high coverage of members as a proportion of total levy paid to APL.

This is a significant outcome because delegates are an important way for the industry to communicate with APL, and vice versa. The more delegates APL has, the better it is able to engage with the pork industry, ensuring APL can continue to listen to its membership base and understand the concerns and priorities of the industry.

##### Communications and society

APL continued its long presence at the ABARES Outlook Conference in Canberra, sponsoring the bacon and egg roll breakfast with the AECL and Grains Research & Development Company (GRDC).





## Issues management and support and media monitoring

APL progressed the re-development of the Aussie Pig Farmers website this year as part of the industry's transparency initiative. The work this year involved restructuring the website, drafting of the new text and completion of the videos, with the relaunch occurring in July 2017. The website is a refreshed no holds barred view inside the pork industry from farm to plate. It is focused on embracing transparency and building positive relationships with the Australian community. With themes of pigs, people and pork, the site also seeks to focus on the people of the industry through showcasing short videos of people from farms, to researchers to the processing process.

APL continues to manage the impact of the media and balance the public debates in a timely, effective manner through continued media engagement and advocacy. This includes issues management on behalf of producers, especially those that receive both traditional and social media attention. Porter Novelli is engaged to assist in managing the reputational risk issues that are of significant media focus and includes activist monitoring. Our media monitoring contract with iSentia provides oversight of proactive and reactive media attention in regards to the pork industry. For example, we know we have had in excess of 1,800 media items, with an audience reach of over 53 million. Major media issues of note for this year include planning applications, 457 visa abolition, the Swickers fire, the pricing crisis and imported pork.

### 4.6.3 Program 3 – Operational Effectiveness

Program	KPI	Unit	2016–2017 Target	Result
	Staff Turnover	Percentage of staff leaving per annum	14%	20%
Operational Effectiveness	Corporate Costs	Percentage of corporate cost increase per annum	1.4%	7.9% The result is measured as an increase from the comparative value of 12 months prior. The value 12 months prior was particularly low because there were vacant employee positions. Therefore the result exceeded the target on this occasion. However it should be noted that despite the result exceeding target, the result is nonetheless within budget.

KPI Table: Strategic Objective 5 Program 3 – Operational Effectiveness

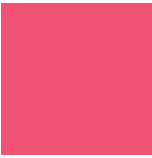
## Background

This program is focussed on ensuring that producer levies and government matching funds are invested as efficiently and as effectively as possible to deliver the APL Strategic Plan outcomes. 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 producer member.

## Achievements

### OmniPig project management system

OmniPig, the online project management system, is now fully implemented in the R&I Division. This system enables APL to manage individual projects and activities and is integral to the overall



APL R&D process. The Pork CRC has adopted the OmniPig system to support the management of its projects and is managed separately by the Pork CRC.

### **Specialist Group and RDAC activities**

There were four Specialist Groups in 2016–2017 covering market development; production and welfare; environmental management and quality assurance; biosecurity and food safety. The Board's R&D Advisory Committee's (RDAC) primary function is to provide direction to activities around the development, management, performance and outcomes of APL's research and associated activities. This is achieved through identification of research needs and opportunities as advised through the Specialist Groups, allocation of resources to specific areas of research and assessment of performance of the project portfolio and APL's research.

### **AGM and Annual Conference**

The APL Annual General Meeting and Annual Conference were held on Thursday 17 November 2016 at the Marriott Hotel in Melbourne. They were held in conjunction with the Delegates Forum.

### **CRRDC activities**

APL continues to be a member and funder of the 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 Executive Officer, 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:

1. where the best value for money investments are for the future and
2. how our past projects have performed in terms of providing value back to industry.  
Comparing both analyses for the same project acts as a test of the assumptions generated for projects at the time of iteration and design.

APL continues to improve its ex post cost benefit system to enable APL to better evaluate the outcomes arising from 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				BUDGET \$2,763,075		ACTUAL \$2,606,862	
	NON R&D \$			R&D \$			
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Applied Learnings							
<i>Budget</i>	-	-	-	703,551	360,784	1,064,335	1,064,335
<i>Actual</i>	-	-	-	578,744	387,847	966,591	966,591
Building Industry Image and Reputation							
<i>Budget</i>	230,875	91,871	322,746	131,125	29,042	160,167	482,913
<i>Actual</i>	276,809	131,077	407,886	106,693	58,908	165,602	573,488
Operational Effectiveness							
<i>Budget</i>	234,000	32,233	266,233	442,804	506,790	949,594	1,215,827
<i>Actual</i>	\$176,606	15,647	192,253	396,586	477,944	874,530	1,066,783
<b>TOTAL BUDGET</b>	<b>464,875</b>	<b>124,104</b>	<b>588,979</b>	<b>1,277,480</b>	<b>896,616</b>	<b>2,174,096</b>	<b>2,763,075</b>
<b>TOTAL ACTUAL</b>	<b>453,415</b>	<b>146,724</b>	<b>600,139</b>	<b>1,082,024</b>	<b>924,700</b>	<b>2,006,723</b>	<b>2,606,862</b>

## 4.7 Overall Financial Summary by Strategic Objective

SUMMARY				BUDGET \$22,895,975		ACTUAL \$23,552,359	
	NON R&D \$			R&D \$			
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
<b>Growing Consumer Appeal</b>							
<i>Budget</i>	6,010,990	947,496	6,958,486	517,000	400,951	917,951	7,876,437
<i>Actual</i>	7,050,593	813,207	7,863,800	374,792	424,478	799,270	8,663,070
<b>Building Markets</b>							
<i>Budget</i>	1,533,000	1,515,628	3,048,628	998,000	677,833	1,675,833	4,724,461
<i>Actual</i>	1,243,016	1,592,186	2,835,202	893,041	713,997	1,607,038	4,442,240
<b>Driving Value Chain Integrity</b>							
<i>Budget</i>	216,000	595,749	811,749	893,517	169,097	1,062,614	1,874,363
<i>Actual</i>	218,459	518,205	736,665	977,872	289,506	1,267,377	2,004,042
<b>Leading Sustainability</b>							
<i>Budget</i>	339,106	316,166	655,272	3,853,662	796,287	4,649,949	5,305,221
<i>Actual</i>	812,767	248,311	1,061,078	3,754,253	635,516	4,389,769	5,450,847
<b>Improving Capability</b>							
<i>Budget</i>	464,875	124,104	588,979	1,277,480	896,616	2,174,096	2,763,075
<i>Actual</i>	453,415	146,724	600,139	1,082,024	924,700	2,006,723	2,606,862
<b>Unallocated</b>							
<i>Budget</i>	-	352,418	352,418	-	-	-	352,418
<i>Actual</i>	-	212,853	212,853	-	172,445	172,445	385,298
<b>TOTAL BUDGET</b>	<b>8,563,971</b>	<b>3,851,561</b>	<b>12,415,532</b>	<b>7,539,659</b>	<b>2,940,784</b>	<b>10,480,443</b>	<b>\$22,895,975</b>
<b>TOTAL ACTUAL</b>	<b>9,778,250</b>	<b>3,531,487</b>	<b>13,309,737</b>	<b>7,081,981</b>	<b>3,160,641</b>	<b>10,242,622</b>	<b>\$23,552,337</b>



## 4.8 Reporting Obligations

APL's FA with the Commonwealth of Australia imposes a number of reporting obligations on the company. The following statements are provided in response to 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		Advanced Technology	Biosecurity	Soil, water and managing natural resources	Adoption of R&D	Other Research	National Research Priorities
Strategic Objectives	AOP Projects	●	●	●●●●	●●●●	●	○ Soil and water ○ Food ○ Energy ○ Environmental change ○ Advanced manufacturing ○ Transport ○ Cybersecurity ○ Health ○ Resources
1	Transformational market growth						
1	Premium pork						
2	Differentiation						
2	Continuous data and advertising tracking						
3	Trust in pork provenance						
3	Globally competitive Australian meat value chains						
3	Food safety						
4	CCRSPI						
4	Animal welfare interventions						
4	Environmental management						
4	Pork CRC						
4	Breeding females						
4	Environment and health						
4	PigPass						
4	Exotic disease						
4	Reproduction						
4	Growth and development						
4	Pork R,D&E strategy						
5	TT&A activities						
5	Industry awards						
5	Post graduate awards						
5	Building technical capacity						
5	Industry economic analysis						
5	Annual survey						
5	Industry events						
5	Communication and society						
5	Communication and industry						
5	CRM policy						
5	OmniPig						
5	Specialist groups/RDAC meetings						
5	AGM and 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 the pork industry investment in R,D&E is focused, efficient and delivers outcomes in a timely manner. The 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 for 2016–2017 is the first year of the fourth 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
- industry-to-industry collaboration significantly enhanced.

Going forward, the pork industry is implementing its plan for a post Pork CRC environment, when its agreement with the Commonwealth Government expires on 30 June 2019. APRIL has been formed, with its first Board meeting held in early 2017. APL is a member of APRIL and has two representatives on the APRIL Board. APRIL is a collaborative research entity and will enable a highly collaborative approach to research and development. It will ensure the delivery of research outcomes to the Australian pork industry as well as commercial outcomes that will generate financial returns to APRIL and support ongoing R,D&E. In conjunction with APL, APRIL will also contribute to base funding of core research providers into the future.





## 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. With new member and delegates, it remains important to target consultation efforts. Pig producers more generally are a focal point for specific programs such as PigPass and small producer workshops.

As part of APL's drive to engage more closely with producers, up to five young producers are invited to be observers at delegates forums. Feedback suggests that this has been a worthwhile exercise for those who have participated to date. APL seeks nominations in the lead up to each delegates forum via the SFOs and state pork organisations (SPO). APL continues to meet with the SFOs and SPOs, with face-to-face meetings held to coincide with delegates forums. Representatives from the SFOs and SPOs also attend the delegates forums as observers. APL also attends state pork industry meetings to provide updates on issues and research of interest to the industry.

Pork and supply chain industry representatives are also involved in each of the four Specialist Groups to identify and prioritise R&D activities for potential support by the APL Board through APL's Annual Operating Plan.

A significant focus during 2016–2017 has been assistance provided to producers in relation to planning and development application issues, including retrospective applications, and the pork price crisis through responding to inquiries and presentations to delegates and producers. The APL Board and staff continue to engage in identifying strategic solutions.

### 6.2 Supply Chain Engagement

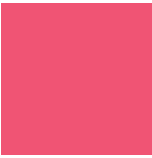
The Pork Processor Referral Group (PPRG) comprises the quality assurance representatives from all export establishments and key industry stakeholders. The PPRG continues to be an important engagement focus for our product integrity R,D&E initiatives. The PPRG meets biannually to discuss research findings and strategies to ensure safe pork for consumers. This also assists in providing clear signals from the market back to pig producers.

The Marketing Division also has strong connections with other players in the supply chain, including retailers and food service. The Board's Market Development Committee continues to be a significant collaboration particularly between the marketing and senior representatives in the pork supply chain. A key area of work continues to be the joint funded initiative between pork export establishments and APL to build commercial relationships in China. An important milestone in 2016–2017 was the signing of a Memorandum of Understanding between APL and the Cuisine Association of China.

### 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 2016–2017 year included:

- meetings with the Federal Ministers, Assistant Minister and Shadow Ministers and/or their



staff to discuss specific industry issues such as China market access, pork import data, CoOL, trade and market access, office of animal welfare and other policy matters

- meetings with Federal Members of Parliament and Senators to discuss general industry issues
- meetings with senior officials and other representatives of the DAWR regarding six monthly FA reporting, and to discuss general industry issues such as pork import data, trade and market access, biosecurity or specific government policy initiatives
- six-monthly meetings with the NRS team to discuss residue monitoring program
- meetings with the multi-jurisdictional committees such as the Animal Health Committee, AWTG, and the AMRG
- meetings with the Department of Foreign Affairs and Trade (DFAT) to discuss Free Trade Agreements (FTA) and the Australian pork industry's trade preferences
- meetings with the Department of Immigration and Border Protection to discuss issues relating to 457 visas and reforms announced by the Australian Government in early 2017
- meetings with the ACCC to discuss APL's sow stall and outdoor bred terminology
- meetings with the ABS and ABARES to discuss pork industry data
- meetings with state government regulators relating to a range of policy issues such as food safety and environment and planning
- meetings with state government Primary Industries or Agriculture Ministers and advisers regarding general industry or specific state issues such as piggery licensing requirements.

In addition, APL (or producers representing APL) is represented on numerous government committees such as the;

- DAWR Export Meat Industry Advisory Committee
- ACCC's Agriculture Industries Consultative Committee
- Biosecurity Roundtable
- NSW Intensive Agriculture Consultative Committee
- Victorian Government's Animal Industries Advisory Committee Reference Group
- Planning for Sustainable Animal Industries Implementation Reference Group and
- a number of planning Technical Committees.

APL continues to work with Australian government and has provided submissions on numerous issues and policies covering environment and planning, animal health and welfare, biosecurity, food safety and integrity, traceability, residues, labour, and trade and market access. A key focus is to reduce red tape and unnecessary regulatory burden by demonstrating, through a science based approach, the risks and mitigation practices specific to the Australian pork industry.

## 6.4 Inter-Organisational Committees

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

- Agribusiness Australia
- Australia China Business Council



- Australian Farm Institute
- Australian Food and Grocery Council
- Animal Health Australia Industry and Members' Forums, and its various project committees
- Animal Welfare R,D&E Strategy
- Australian Institute of Company Directors
- Australian Meat Industry Council
- Australian Meat Regulators Group
- Australian Renderers Association
- Australia Sino 100
- Biosecurity Strategic Technical Review Committee
- China-Australia Chamber of Commerce (AustCham Beijing)
- China Cuisine Association
- Climate Change Research Strategy for Primary Industries Committee and Strategy Development Working Group
- Cooperative Research Centre (CRC) for High integrity Australian Pork
- Council for Rural Research and Development Corporations
- Export Council of Australia
- Export Meat Industry Advisory Committee and its various sub-committees
- Food Safety Information Council
- GIRA Food
- International Meat Secretariat and its various Committees
- Livestock Communications Network Group
- National Farmers' Federation and its various Committees
- National Press Club and Rural Press Club
- NSW Meat Industry Consultative Committee
- SAFEMEAT Executive and Partners and its various Committees.

## 6.5 Commercialisation

In 2016–2017, 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.

## 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 18 in the attached financial statements.



## 6.7 Cross-Sectoral Initiatives

APL engages in a number of R&D cross-sectoral initiatives, which are outlined below.

**CCRSPI** is a collaboration between the RRDCs, the CSIRO, state and territory governments and DAWR. CCRSPI partners work together, sharing knowledge and experience, to shape research investments so that they deliver maximum value for primary industries. While the program does not invest in research directly, it brings partners together to discuss their research activities and to identify priorities for future investment and collaboration.

CCRSPI is governed by a R,D&E Strategy. Guided by the themes and principles in the Strategy partners continue to work together to:

- prioritise and direct their research funds on priority climate change research
- identify key research organisations and specific skills and capacity
- collaborate on research projects and activities
- communicate with government and policy makers on key climate change issues facing the primary industries sector.

**Feed Grain Partnership** is a collaboration between APL, AECL, MLA, GRDC, Pork CRC, Dairy Australia, RIRDC – Chicken Meat Program, and the SFMCA. The Feed Grain Partnership integrates and identifies collaborative R&D initiatives across participating R&D funding agencies involved with the feed grain and livestock supply chain.

**Animal Welfare R,D&E Strategy** is a collaboration between major investors and providers of animal welfare R,D&E. The strategy focus areas include animal welfare assessment, pain assessment and management, management, housing and husbandry, transport, euthanasia and slaughter, public attitudes, social science and the community, education, training and extension and policy and market access.

**National Animal Biosecurity R,D&E Strategy (Biosecurity R,D&E)** aims to ensure Australia's R,D&E capacities are aligned with future needs, and to improve international collaboration, and covers pests and diseases that pose a significant risk to livestock, or affect trade and public health. During 2016–2017, the priorities were revised to cover prevention, preparedness, eradication, containment, management and communication.

APL is either project lead or collaborator in several RRnD4P:

- **Round 1**
  - Stimulating private sector extension in Australian agriculture to increase returns from R&D.
  - Waste to revenue: novel fertilisers and feeds (lead RDC).
  - A profitable future for Australian agriculture: biorefineries for higher-value animal feeds, chemicals, and fuels.
- **Round 2**
  - Advanced measurement technologies for globally competitive Australian meat (PorkScan).
  - Enhancing the profitability and productivity of livestock farming through virtual herding technology.



- Enhancing supply chain profitability through reporting and utilisation of peri-mortem information by livestock producers (lead RDC).
- Accelerating precision agriculture to decision agriculture.
- **Round 3**
  - APL submitted proposal 'High throughput technology for defining antimicrobial resistance status of pork and chicken meat enterprises leading to a competitive advantage in the global market place'.
  - APL collaboration:
    - wastes to profits: value propositions for better management of wastes in animal supply chains
    - forecasting extreme events.

## 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 R&D evaluation process conducted by the CRRDC.

APL has a two year contract with ACIL Allen Consulting to perform ex-post BCA for a suite of R&D projects. The benefit:cost ratio for the projects for which ACIL Allen have completed their evaluation is 7.89:1. Evaluation of further projects is in progress and the benefit cost ratio will be provided in their reports. ACIL Allen Consulting was paid \$50,000 during the year ended 30 June 2017.





## 7. Statutory Reports

### 7.1 Directors' Report

Your directors present their report for the year ended 30 June 2017.

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

#### 7.1.1 Elected Directors



##### **Mr Andrew Johnson**

Mr Johnson is currently co-owner and manager of Mt Boothby Pastoral Company, a mixed family farming operation comprising a 1,000 sow farrow to finish operation, along with beef, lamb, wool, seed and mixed cropping in the southeast regions of South Australia. Mr Johnson, a 2005 Nuffield Scholar, is also a Director of Nuffield Australia. Mr Johnson is an APL Delegate who 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.



##### **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, Logistics 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 Advisory Committee, and is a member of the Board's Audit, Risk and Corporate Governance and Human Resource & Remuneration Committees.



### **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 six years and Delegate for eight 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 Pork SA's Pig Industry Fund Sub-Committee, charged with recommending funding for SA based research projects. He was a founding Director of the Pork CRC until 2015 – and still serves on the CRC R&D Committee. Prior to his current roles in Australia, Mr Hamann spent 17 years in the pork industries of the USA and Britain where he held various technical, marketing and production operations roles including Executive Vice President (VP) Heartland Pork Enterprises, VP Production Murphy Farms, and PIC USA National Sales Manager, plus UK Technical Manager. He brings broad experience and knowledge across the whole pork supply chain from genetics through production into abattoir operations and customer needs.





**Ms Edwina Beveridge (elected November 2016)**

B. Comm, Former CA, GAICD

Ms Beveridge commenced her career as an accountant but her agricultural background drew her back to the industry. Ms Beveridge is a Director of Blantyre Farms Pty Limited which carries on a mixed farming enterprise including a 2,200 sow farrow to finish farm at Young in NSW. Ms Beveridge has a particular interest in emerging, innovative and disruptive technology and business methods. The Blantyre farming operations include a methane digestion system; power generation and recycling of food waste products for pig feed. In addition to strategic and operational responsibilities for Blantyre Farms, Ms Beveridge is a Director of APRIL Pty Ltd., Deputy Chair and Member NSW Farmers Pork Committee, Member NSW Primary Industries Ministerial Advisory Committee, and Member NSW Farmers Biosecurity Committee. Ms Beveridge represents other Australian pork producers as an APL Delegate. Consistent with Ms Beveridge's interest in renewable energy emerging innovative technology, she is a Director of Hydro Power Pty Ltd.



**Mr Aeger Kingma (retired November 2016)**

BBus(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 (2002–2004 & 2007) and is currently part owner and manager of Gunpork Joint Venture. Prior to Mr Kingma's retirement, he was on the Board's Audit, Risk and Corporate Governance Committee and chaired the Human Resource & Remuneration 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 also currently Chairman of the Sunpork Group as well as Chairman of APL's Human Resource and Remuneration Committee. Over the years 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. In June 2012, Mr Allara was recognized for his services to the food industry and the community through executive roles with Foodbank Australia and the food and processing industry, by being made a Member of the Order of Australia (AM).



### **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 Chair 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 Deputy Chancellor 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 Geoff Starr**

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

Mr Starr has an impressive 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. Geoff chairs the Market Development Committee and is a member of the Research and Development Advisory Committee. He was an industry advocate to the Australian Government for the Food and Beverage industry and is a Director of Food Innovation Ltd., the Agribusiness and Food Growth Centres, chairs the CRC for Distinctive Foods and is Chairman of Cannpal.

### 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

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee meeting held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

Directors	Full Board		Audit, Risk and Corporate Governance Committee		Human Resource and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Andrew Johnson	7	7	-	-	-	-
Dr Brian Luxford	7	7	4	4	1	1
Mr David Plant	6	7	-	-	-	-
Mr Rod Hamann	7	7	-	-	-	-
Ms Edwina Beveridge	4	4	1	1	-	-
Mr Aeger Kingma	3	3	2	2	1	1
Mr Enzo Allara AM	7	7	-	-	2	2
Mrs Kay Carey	6	7	-	-	-	-
Mrs Kathy Grigg	7	7	4	4	2	2
Mr Geoff Starr	5	7	-	-	-	-

Directors	Quality Assurance and Animal Welfare Committee		Research and Development Committee		Market Development Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Andrew Johnson	3	3	-	-	-	-
Dr Brian Luxford	-	-	2	2	-	-
Mr David Plant	3	3	-	-	-	-
Mr Rod Hamann	3	3	-	-	1	1
Ms Edwina Beveridge	-	-	-	-	-	-
Mr Aeger Kingma	-	-	-	-	-	-
Mr Enzo Allara AM	-	-	-	-	-	-
Mrs Kay Carey	3	3	2	2	1	2
Mrs Kathy Grigg	-	-	2	2	-	-
Mr Geoff Starr	-	-	2	2	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.



### 7.1.5 Short and long-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 the company was established under the *Pig Industry Act 2001* (Cth). Operating and reporting guidelines are provided for in the Funding Agreement with the Commonwealth of Australia and the company's constitution.

The company's primary funding is derived from statutory pig slaughter levies collected under the *Primary Industry (Excise) Levies Act 1999* (Cth). The levy amounts to \$3.425 per carcase at slaughter, of which the company receives \$3.25, consisting of \$2.25 for marketing and policy activities and \$1.00 for research and development activities. The remaining \$0.175 is retained by DAWR and invested in residue monitoring under the NRS Pig Monitoring Residue Program. Additional research funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture and Water Resources.

The levy allows the company to provide valuable industry services and benefits including 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.

The company 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.

### 7.1.6 Strategy for achieving the objectives

The 2015–2020 Strategic Plan came into effect on 1 July 2014 and is reported against in this 2016–2017 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
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.

### 7.1.7 Contributions on Winding Up

In the event of the company being wound up, ordinary members are required to contribute a maximum of \$1 each.

The total amount that members of the company are liable to contribute if the company is wound up is \$221, based on 221 current ordinary members.

### 7.1.8 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.

### 7.1.9 Auditor Independence and Non-audit Services

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001* (Cth).

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'E Allara', with a long horizontal stroke extending to the right.

Mr Enzo Allara AM  
Chairman  
Canberra, 17 August 2017





### 7.1.10 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* (Cth), 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  
Chairman  
Canberra, 17 August 2017

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



### RSM Australia Partners

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN PORK LIMITED

#### Opinion

We have audited the financial report of Australian Pork Ltd. (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is 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 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

#### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

**RSM AUSTRALIA PARTNERS**

Canberra, Australian Capital Territory  
Dated: 18 August 2017

**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 2017, 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.

  
**RSM AUSTRALIA PARTNERS**

Canberra Australian Capital Territory  
Dated: 18 August 2017

  
**GED STENHOUSE**  
Partner

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

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RSM Australia Partners ABN 36 965 185 036  
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## 7.4 Financial Report 2016–2017

### AUSTRALIAN PORK LIMITED

# Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>LEVIES AND OTHER CONTRIBUTIONS</b>	<b>4</b>	<b>22,444,262</b>	<b>20,478,623</b>
Share of profits of associates accounted for using the equity method		4,689	8,977
Other income	<b>5</b>	253,326	501,828
Total income		22,702,277	20,989,428
<b>EXPENSES</b>			
Research and Innovation		(7,516,991)	(7,740,064)
Marketing		(11,536,771)	(9,528,473)
Policy		(1,414,344)	(993,247)
Board and CEO		(1,411,074)	(1,329,033)
Corporate Services		(1,673,157)	(1,509,643)
Total expenses		(23,552,337)	(21,100,460)
<b>Deficit before income tax expense</b>		<b>(850,060)</b>	<b>(111,032)</b>
Income tax expense	<b>7</b>	-	-
<b>Deficit after income tax expense for the year attributable to the members of APL</b>		<b>(850,060)</b>	<b>(111,032)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the members of APL</b>		<b>(850,060)</b>	<b>(111,032)</b>

The above Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

## AUSTRALIAN PORK LIMITED

# Statement of Financial Position

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	3,778,110	4,158,495
Trade and other receivables	9	2,936,394	2,858,883
Investments	10	1,143,522	3,081,627
Loan to Associate		-	48,000
Other	11	767,588	383,821
<b>TOTAL CURRENT ASSETS</b>		<b>8,625,614</b>	<b>10,530,826</b>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	12	56,566	51,877
Property, plant and equipment	13	175,502	279,770
Bank guarantees and rental bonds		59,422	59,422
<b>TOTAL NON-CURRENT ASSETS</b>		<b>291,490</b>	<b>391,069</b>
<b>TOTAL ASSETS</b>		<b>8,917,104</b>	<b>10,921,895</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,817,086	3,599,250
Employee benefits		548,233	476,579
Deferred lease incentives		20,757	20,757
Grant and co-funding income received in advance		1,042,793	1,012,384
Accrued expenses		679,342	122,046
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,108,211</b>	<b>5,231,016</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	28,394	37,371
Employee benefits		58,842	61,034
Deferred lease incentives		11,243	32,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>98,479</b>	<b>130,405</b>
<b>TOTAL LIABILITIES</b>		<b>4,206,690</b>	<b>5,361,421</b>
<b>NET ASSETS</b>		<b>4,710,414</b>	<b>5,560,474</b>
<b>EQUITY</b>			
Accumulated surplus		4,710,414	5,560,474
<b>TOTAL EQUITY</b>		<b>4,710,414</b>	<b>5,560,474</b>

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 2017

	Accumulated Surplus \$	Total Equity \$
<b>Balance at 1 July 2015</b>	5,671,506	5,671,506
Deficit after income tax expense for the year	(111,032)	(111,032)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(111,032)	(111,032)
<b>Balance at 30 June 2016</b>	<b>5,560,474</b>	<b>5,560,474</b>

	Accumulated Surplus \$	Total Equity \$
<b>Balance at 1 July 2016</b>	5,560,474	5,560,474
Deficit after income tax expense for the year	(850,060)	(850,060)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(850,060)	(850,060)
<b>Balance at 30 June 2017</b>	<b>4,710,414</b>	<b>4,710,414</b>

*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 2017

	Note	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Statutory Authority and Industry		22,186,211	23,112,981
Payments to suppliers and employees		(20,650,567)	(21,879,302)
Interest received		142,301	206,182
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>1,677,945</b>	<b>1,439,861</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment	13	(43,918)	(36,329)
Proceeds from disposal of property, plant and equipment		-	614
Investments in term deposits		(1,957,435)	(1,815,447)
Other investments		(48,000)	(16,446)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,049,353)</b>	<b>(1,867,608)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liability		(8,977)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(8,977)</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(380,385)</b>	<b>(427,747)</b>
Cash and cash equivalents at the beginning of the financial year		4,158,495	4,586,242
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	<b>3,778,110</b>	<b>4,158,495</b>

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 2017

### 1. Corporate Information

The financial statements cover Australian Pork Limited as an individual entity. The financial statements are presented in Australian dollars, which is Australian Pork Limited's functional and presentation currency.

Australian Pork Limited is an unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 August 2017. The Directors have the power to amend and reissue the financial statements.

### 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the AASB and the *Corporations Act 2001*, as appropriate for not-for-profit oriented entities.

##### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

##### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

#### c) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 2. Significant accounting policies

#### (Cont'd) – c) Current and non-current classification

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### d) Investments and other financial assets

Investments and other financial assets, other than investments in associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

##### *Impairment of financial assets*

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 2. Significant accounting policies

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

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

#### e) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. 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.

#### f) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

#### g) Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost

#### h) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 2. Significant accounting policies

#### (Cont'd) – h) Employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### i) Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

#### j) Comparatives

Comparatives, where necessary, have been realigned to the current year presentation.

### 3. Critical 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, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 3. Critical accounting judgements, estimates and assumptions

#### *Estimation of useful lives of assets*

The Company determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Lease make good provision*

On 16 January 2012, the Company 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. The lease agreement 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. The Company intends to exercise the first option for a further period of five years. Therefore, no provision has been provided for in the financial statements.

### 4. Levies and other contributions

	2017 \$	2016 \$
Levies – marketing	11,488,190	9,710,166
Levies – research	5,105,865	4,977,729
Government contributions – matching	5,095,813	5,309,707
Other industry contributions and grants	754,394	481,021
<b>Levies and other contributions</b>	<b>22,444,262</b>	<b>20,478,623</b>

#### **Accounting policy for income recognition**

Income is recognised when it is probable that the economic benefit will flow to the Company and the income can be reliably measured. Income is measured at the fair value of the consideration received or receivable.

#### *Levies*

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

#### *Government contributions – matching*

Government matches funding on a dollar for dollar basis of the approved research and development project expenditure. Matching funding is capped to the lesser of levies received or 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 income as the eligible research and development program expenditure is incurred.

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 4. Levies and other contributions

#### *Other industry contributions and grants*

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 income statement over the expected useful life of the relevant asset by equal annual instalments.

### 5. Other income

	2017 \$	2016 \$
Interest	142,301	185,602
Royalties	20,306	18,419
Other income	90,719	297,807
<b>Other income</b>	<b>253,326</b>	<b>501,828</b>

#### **Accounting policy for other income recognition**

##### *Interest*

Interest income 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.

##### *Other income*

Other income is recognised when it is received or when the right to receive payment is established.

### 6. Expenses

	2017 \$	2016 \$
<b>Deficit before income tax includes the following specific expenses:</b>		
<i>Rental expense relating to operating leases</i>		
Total rental expense relating to operating leases	276,685	240,376
<i>Superannuation expense</i>		
Defined contribution superannuation expense	571,858	556,081



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 6. Expenses

#### **Accounting policy for operating leases**

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

#### **Accounting policy for defined contribution superannuation expense**

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### 7. Income tax

#### *Accounting policy for income tax*

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.

### 8. Current assets – cash and cash equivalents

	2017 \$	2016 \$
Cash on hand	400	400
Cash at bank	1,083,381	766,843
Cash on deposit	2,694,329	3,391,252
	<b>3,778,110</b>	<b>4,158,495</b>

#### *Accounting policy for cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 9. Current assets – trade and other receivables

	2017 \$	2016 \$
Trade receivables	2,797,338	2,684,006
Other receivables	105,801	147,958
Goods and services tax recoverable	33,255	26,919
	<b>2,936,394</b>	<b>2,858,883</b>

#### *Impairment of receivables*

The Company has recognised a loss of \$nil (2016: \$3,681) in expenses in respect of impairment of receivables for the year ended 30 June 2017.

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 9. Current assets – trade and other receivables

#### **Accounting policy for trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### 10. Current assets – investments

	2017 \$	2016 \$
Term deposits	1,143,522	3,081,627

Term deposits accrue interest at rates between 2.48% and 2.50% and will mature in July 2017 and August 2017 (2016: 2.91% and 3.06%).

### 11. Current assets – other

	2017 \$	2016 \$
Accrued levy income	617,737	326,172
Prepayments	149,851	57,649
	<b>767,588</b>	<b>383,821</b>

### 12. Non-current assets – investments accounted for using the equity method

	2017 \$	2016 \$
Investment in associate – PorkScan Pty Ltd	56,566	51,877





## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 12. Non-current assets – investments accounted for using the equity method

#### **Interests in associates**

Information relating to associates that are material to the Company are set out below:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2017	2016
		%	%
PorkScan Pty Ltd	Australia	49.00	49.00

#### *Contingent liabilities*

PorkScan Pty Ltd had no contingent liabilities at 30 June 2017 or 30 June 2016.

#### *Commitments*

PorkScan Pty Ltd had no commitments at 30 June 2017 or 30 June 2016.

#### **Accounting policy for associates**

Associates are entities over which the Company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### 13. Non-current assets – property, plant and equipment

	2017 \$	2016 \$
Leasehold improvements – at cost	472,117	466,961
Less: accumulated depreciation	(359,578)	(295,437)
	112,539	171,524
Office furniture and equipment – at cost	148,242	154,683
Less: accumulated depreciation	(136,593)	(140,202)
	11,649	14,481
Computer equipment – at cost	358,576	332,700
Less: accumulated depreciation	(307,262)	(238,935)
	51,314	93,765
	<b>175,502</b>	<b>279,770</b>

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Leasehold improvement	Office furniture and fittings	Computer equipment	Total
	\$	\$	\$	\$
Balance at 1 July 2016	171,524	14,481	93,765	279,770
Additions	5,156	3,106	35,656	43,918
Depreciation expense	(64,141)	(5,938)	(78,107)	(148,186)
<b>Balance at 30 June 2017</b>	<b>112,539</b>	<b>11,649</b>	<b>51,314</b>	<b>175,502</b>

#### Accounting policy for property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### 14. Current liabilities – trade and other payables

	2017 \$	2016 \$
Trade payables	1,730,022	3,516,204
Other payables	87,064	83,046
	<b>1,817,086</b>	<b>3,599,250</b>

#### **Accounting policy for trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### 15. Non-current liabilities – borrowings

	2017 \$	2016 \$
Lease liability	28,394	37,371

#### *Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	2017 \$	2016 \$
Lease liability	28,394	37,371

#### *Assets pledged as security*

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

#### **Accounting policy for borrowings and leases**

##### *Borrowings*

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

##### *Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 15. Non-current liabilities – borrowings

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

### 16. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

#### **Accounting policy for fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### 17. Contingent liabilities

	2017 \$	2016 \$
Bank guarantee	51,953	51,953
Rental bond	7,469	7,469
	<b>59,422</b>	<b>59,422</b>

The Company has provided a bank guarantee in relation to its Canberra head office lease agreement. The funds for the guarantee are held in an interest bearing term deposit.

The Company has a rental bond in relation to its Sydney office lease agreement. The funds are held by Elizabeth Street Pty Limited.



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### 18. Commitments

	2017 \$	2016 \$
<b>Lease commitments – operating</b>		
<b>Committed at the reporting date but not recognised as liabilities, payable:</b>		
Within one year	281,060	269,980
From one to five years	131,352	387,109
	<b>412,412</b>	<b>657,089</b>
<b>Research and development (R&amp;D) expenditure commitment</b>		
<b>Committed at the reporting date but not recognised as liabilities, payable:</b>		
Within one year	3,141,070	2,828,763
From one to five years	3,709,936	3,175,201
	<b>6,851,006</b>	<b>6,003,964</b>

#### *Operating*

The Company has entered into commercial leases on certain computer hardware and office premises. These leases have an average life of between 18 months and 39 months with respective renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

The ACT premises have a rental increment of 3 per cent per annum and have an option to extend for two five-year periods on expiry after the rental term expires in 39 months.

The NSW premises have a rental increment of 4 per cent per annum and have no option to extend on expiry after the rental term expires in 18 months.

#### *R&D expenditure*

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

### 19. Key management personnel disclosures

#### *Compensation*

The aggregate compensation made to Directors and other members of key management personnel of the Company is set out below:

	2017 \$	2016 \$
Aggregate compensation	1,540,073	1,951,921

## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### 20. Related party transactions

#### *Associates*

Interests in associates are set out in note 12.

#### *Key management personnel*

Disclosures relating to key management personnel are set out in note 19.

#### *Significant influence*

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

Mr Enzo Allara: Chair Sunpork Group

Dr Brian Luxford: General Manager R&I Rivalea (Australia) Pty Ltd

Mr Rod Hamann: CEO of Sunpork Farms – South.

The Company is the major core participant with Pork CRC. The Company's Chief Executive Officer, Andrew Spencer, is a Director on the Pork CRC Board. The objectives of the two organisations are not contradictory.

The Company is a core member of APRIL. Edwina Beveridge and APL's Chief Executive Officer, Andrew Spencer, are both Directors of the APRIL Board. The objectives of the two organisations are not contradictory.

The Company's Chief Executive Officer, Andrew Spencer, is a Director on the PorkScan Pty Ltd Board. Board Director Kathy Grigg is the Chair of the PorkScan Pty Ltd Board.

#### *Transactions with related parties*

The following transactions occurred with related parties:

	2017 \$	2016 \$
<b>Income</b>		
PorkScan Pty Ltd		
- Intellectual Property licence fees	17,000	17,000
- Management fees	20,000	20,000
<b>Project and program expenditure:</b>		
- Rivalea (Australia) Pty Ltd	27,448	112,844
- Sunpork Farms	38,500	89,492
- Pork CRC	1,798,931	1,884,377



## AUSTRALIAN PORK LIMITED

# Notes to the financial statements (cont'd)

For the year ended 30 June 2017

### (Cont'd) – 20. Related party transactions

#### *Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2017 \$	2016 \$
Current payables:		
Trade payables to related parties	-	154,336

#### *Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2017 \$	2016 \$
Current receivables:		
Loan to PorkScan Pty Ltd	-	48,000

The loan was repaid during the year and interest was payable at the reserve bank cash rate plus 0.25%.

#### *Terms and conditions*

All transactions were made on normal commercial terms and conditions of various research and marketing program initiatives.

### 21. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.







## 8. Appendices

### 8.1 Appendix A

#### Material Variations to Budget

	Initial Budget \$	Actual Result \$	Variation Over/(Under) \$	Comments and/or Explanation of Major Variations
<b>Income</b>				
Levies	16,737,500	16,597,055	(143,445)	Actual slaughters were 44k less than budgeted.
Government contributions – matching claims	5,321,412	5,095,813	(225,599)	R&D matching expenditure was less than budget.
Other industry contributions	-	666,944	666,944	Consistent with past convention, grants from DAWR including Waste to Revenue, Antimicrobial Resistance & Enhancing Supply Chain Profitability were not included in the budget.
Net other revenue	379,000	345,465	(33,535)	n/a
<b>Expenditure</b>				
Research & Innovation	5,749,729	6,134,359	384,630	Grant expenditure is offset by expensing income grant income (\$666,944). The difference is the offset of underspent program budgets (\$282,314).
Marketing	8,762,990	9,346,704	583,714	Approved mid-term variations to program budgets to contribute to the achievement of APL's strategic objectives.
Policy	934,606	704,740	(229,866)	Underspent program budgets.
Corporate Services	526,304	544,353	18,049	Net of various individually immaterial variances.
CEO/Board	130,000	130,076	76	n/a

## 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 and Board/CEO division expenditures.

The company has established a detailed methodology by which eligibility of matching expenditure is determined. For the 2016–2017 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	404,116
	Pork Made More Popular	-
	Increasingly Different	395,154
Building Markets	Market Insights	1,607,038
	Domestic Market Development	-
	International Market Development	-
Driving Value Chain Integrity	Trust in Pork Provenance	537,112
	Pork Quality Assured	636,435
	Fairness in Risk and Reward	93,830
Leading Sustainability	Addressing Societal Needs	2,361,694
	Healthy Herds and Farms	605,918
	Continuous Productivity Growth	1,422,158
Improving Capability	Applied Learnings	966,591
	Building Industry Image and Reputation	126,093
	Operational Effectiveness	914,039
Unallocated		172,445
<b>Total research and development expenditure</b>		<b>10,242,623</b>
Adjustments – accruals and other non-eligible research and development expenditures		(50,996)
<b>Total matchable expenditure</b>		<b>10,191,627</b>
Maximum Claim Allowable to GVP cap		12,775,262
<b>Australian Government contributions – matching (@ 50 per cent)</b>		<b>5,095,813</b>



## 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 and attributed to each of the key core objectives, is summarised below:

Marketing Expenditure By Strategy		\$
Growing Consumer Appeal	Pork Made More Popular	7,369,653
	Increasingly Different	494,147
Building Markets	Market Insights	276,692
	Domestic Market Development	2,073,662
	International Market Development	164,472
<b>Total Marketing Expenditure</b>		<b>10,378,626</b>

Strategic Policy Development Expenditure By Strategy		\$
Building Markets	Domestic Market	48,783
	International Market Development	271,570
Leading Sustainability	Addressing Societal Needs	91,220
	Healthy Herds and Farms	388,003
Improving Capability	Building Industry Image	245,988
	Operational Effectiveness	40,200
<b>Total Strategic Policy Development Expenditure</b>		<b>1,085,764</b>

Other Industry Expenditure By Strategy		\$
Driving Value Chain Integrity	Pork Quality Assured	736,665
Leading Sustainability	Addressing Societal Needs	546,855
	Healthy Herds and Farms	35,000
Improving Capability	Building Industry Image and Reputation	122,389
	Operational Effectiveness	191,562
Unallocated		212,853
<b>Total Other Industry Expenditure</b>		<b>1,845,324</b>
<b>Total Funds Spent on Marketing and Significant Strategic Policy Development Activity as well as Other Industry Issues</b>		<b>13,309,714</b>

## 8.4 Appendix D

### Funds Spent on National and Rural Research, Development and Extension Priorities

		National Research Priorities									
Measure	AOP Budget		Advanced Technology		Biosecurity		Soil, Water and Managing Natural Resources		Adoption of R&D		Other Research
	\$	%	Advanced Manufacturing	Soil and Water	Transport	Cyber-security	Health	Resources	Food	Energy	
Objective 1. Growing Consumer Appeal	\$ 917,951	799,270	-	79,927	-	-	-	-	-	-	719,343
	9	8	-	1	-	-	-	-	-	-	7
Objective 2. Building Markets	\$ 1,675,833	1,607,038	-	-	-	-	-	-	-	321,408	1,285,630
	15.7	15.7	-	-	-	-	-	-	-	3.1	12.6
Objective 3. Driving Value Chain Integrity	\$ 1,062,613	1,267,377	-	418,234	-	697,057	-	-	-	152,085	-
	10.0	12.4	-	4.1	-	6.8	-	-	-	1.5	-
Objective 4. Leading Sustainability	\$ 4,649,949	4,389,769	-	1,097,442	-	1,097,442	-	965,749	-	1,229,135	-
	44	43	-	11	-	11	-	9	-	12	-
Objective 5. Improving Capability	\$ 2,174,097	2,006,723	-	100,336	-	120,403	-	100,336	-	1,123,765	561,882
	20.4	19.6	-	1.0	-	1.2	-	1.0	-	11.0	5.5
Unallocated	\$ 161,006	172,445	-	-	-	-	-	-	-	-	172,445
	1.5	1.7	-	-	-	-	-	-	-	-	1.7
Totals *	\$ 10,641,449	10,242,622	-	1,695,940	-	1,914,903	-	1,066,085	-	2,826,393	2,739,301
Percentage	100	100	-	17	-	19	-	10	-	28	27

	AOP Budget	Actual
	\$	\$
* Direct Project	7,539,659	7,081,981
Allocated Project	3,101,790	3,160,641
Total	10,641,449	10,242,622





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