



AUSTRALIAN PORK LIMITED

Annual Operating Plan Summary

2016/2017



Message from the CEO

It is my pleasure to present the 2016/ 17 Annual Operating Plan for Australian Pork Limited (APL).

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

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

APL budgeted income outlined in this plan has increased due to the levy increase taking place on the 1st July, 2016. On this date, the marketing levy increases from \$1.95 to \$2.25 per slaughter pig, and multiplied over the 5.15 million expected slaughter pigs, total levy income is more than \$16 million (also considering the \$1.00 per slaughter pig R&D levy). Alongside this is the government's investment in our industry through the matching funding for R&D activities, adding more than \$5 million to income, ensuring that our total income for the year will be well over \$22 million.

Whilst we do envisage a significant deficit for 2016/ 17, a longer term strategic view shows that APL reserves remain well above minimum levels. A windfall gain in 2015/ 16 for the refunding of payroll tax for a previous number of years amounting to around \$1 million gives us the opportunity of getting more resources working for Australia's pig producers in the shorter term.

A combination of factors seem to have resulted in excellent demand for pork in Australia and a number of export markets. One of these factors is responses to industry funded promotional programs which have seen domestic fresh pork consumption consistently increase over the past five years. Another factor is undoubtedly in the last couple of years, the restocking of the Australian beef herd and excellent export demand for it, resulting in shortages of beef and associated high prices. This has led to species substitution at a consumer level with them looking for more cost effective protein.

This demand for pork, coupled with limitations in available infrastructure to increase supply in the short term, has resulted in pork prices reaching very attractive levels for producers. The high prices are now stimulating investment in increased production capacity within the industry which will hit the market over the next couple of years. Our challenge at APL through the promotional plans is to ensure that we do everything we can to avoid the “overshoot” scenario where we end up with an over-supply of Australian pork and a crash in prices. In short, we have to continue to invest in demand creation and this Plan is consistent with this requirement.

The Plan continues to look for improvements in fresh pork consumption domestically. We are seeking to move per capita consumption from 9.75kg to 10.12kg. Four years ago, this figure was around 8.4kg.

The Plan also continues to look for progress in the phase out of sow stalls, committed to in 2010, up to a level of 90% of the industry (measured on a sow or production basis), recorded either through our APIQ[®] verification process or other means.

The Plan is consistent with our longer term aspirations of increasing international trade in Australian pork, investing in market development and access in particular through China and the rest of Asia. Strategically, this is seen as an important development in reducing the risks associated with participation in a limited number of markets.

The relative shortage of pork in the Australian market leading to our higher prices, is not a situation that allows for us to increase our participation in the processed pork sector in Australia. Our market share in this sector is now below 30% and we don't expect it to increase over the next 12 months.

The 6;2;2 campaign, helping consumers to cook their pork steaks, is one of our key promotions for the coming year, having already commenced earlier in the 2015/ 16 year. Concept testing in South Australia showed very good industry returns on investment for such a campaign and we look forward to good results nationally.

This is occurring alongside our longer term "Get Some Pork On Your Fork" health advertising, the PorkMark campaign (with Bacon and Ham Weeks) highlighting Australian origin, and the PorkStar campaign focussing on the food service sector. Changes to Country of Origin Labelling legislation, due to take effect over the next two years, presents an opportunity for Australian pork to be more clearly differentiable in retail stores and perhaps will facilitate some stronger promotional work highlighting the benefits of "Australian".

Improving the production of our pigs – in terms of alignment with community expectations and increased productivity – is always a focus for the APL R&D program. Alongside seeking improvements in on-farm productivity, projects contained within this plan continue to demonstrate our investments into continuous improvement of pig welfare, continuous improvement of our industry's environmental footprint, stewardship of the use of antibiotics, better pork and improved product integrity systems.

The High Integrity Australian Pork Cooperative Research Centre (Pork CRC) remains a key partner to APL in the performance of relevant research and development on behalf of the industry. The total industry R&D program is planned in such a way as to maximise the use of resources, hit our strategic targets and avoid duplication. With this Pork CRC due to cease in mid-2019, planning is already well underway by the Pork CRC with APL as partner into an ongoing model to engage industry in the industry's R&D activities.

The Australasian Pork Research Institute Ltd (APRIL) will be the model to continue the highly collaborative approach to R&D that the Pork CRC has helped so much to foster. Memberships and structures for APRIL are now starting to be formed. APRIL will also help to continue the base funding of core research providers into the future which has proven to be both a stabilising influence on research relationships as well as improving cost effectiveness of research provision.

As part of the rural research and development corporations (RDC) community, we continue to look for opportunities to learn from each other, improve our efficiency by working together and seek research targets of common interest mutually. More recent successes in Rural R&D for Profits Program grants will facilitate significant collaborative R&D efforts in 2016/ 17 with other RDC's.

As always, we design our operational plans with outcomes for our pig producers and the Australian government as our major investors in mind, but understanding that ultimately, the consumer (or the tax

payer) will be the beneficiary of our labours. Maximising the benefits with our limited resources is our focus.

A handwritten signature in black ink, appearing to read "A. Spencer".

Andrew Spencer
Chief Executive Officer

CONTENTS

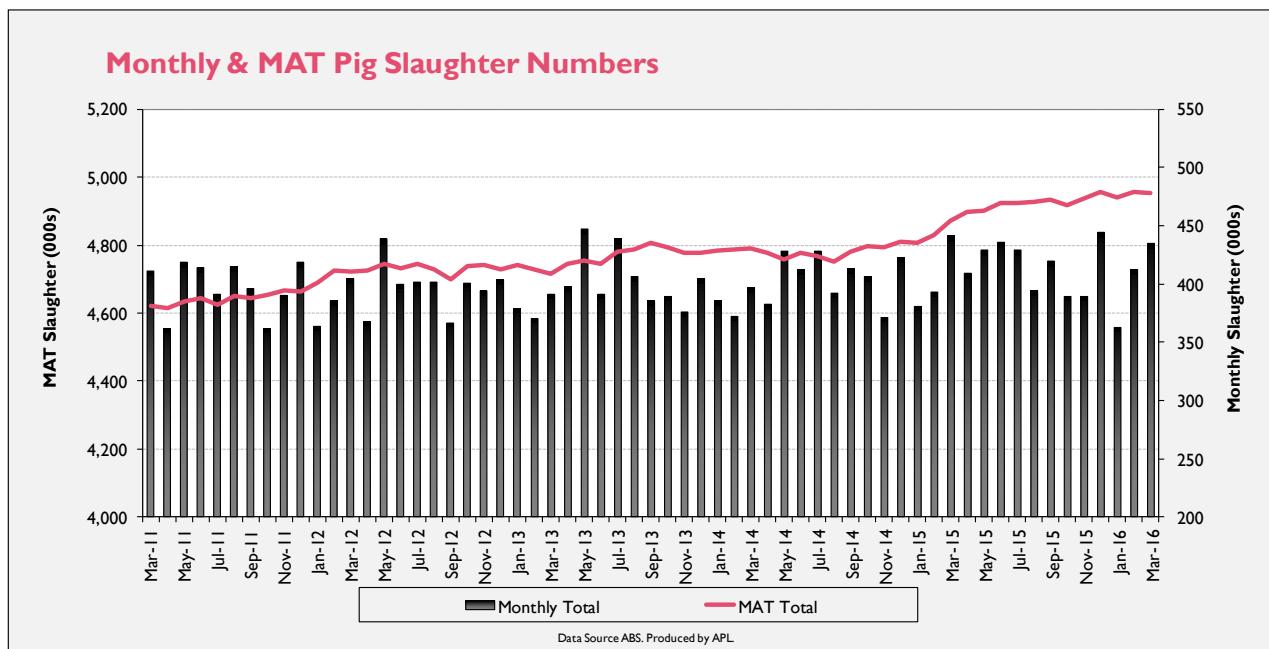
| | |
|---|-----------|
| The Competitive Environment | I |
| Domestic Market | I |
| <i>Grain Prices</i> | 2 |
| <i>Beef</i> | 3 |
| <i>Sheep Meats</i> | 3 |
| <i>Chicken</i> | 3 |
| <i>Pork</i> | 4 |
| <i>Pork Imports</i> | 4 |
| Export Market | 5 |
| Strategic Objective I – Growing Consumer Appeal | 7 |
| Industry Outcomes | 7 |
| Program I: Better Pork | 7 |
| Program 2: Pork Made More Popular | 7 |
| Program 3: Increasingly Different | 7 |
| Risks & Opportunities | 8 |
| Strategic Objective 2: Building Markets | 9 |
| Industry Outcomes | 9 |
| Program I: Market Insights | 9 |
| Program 2: Domestic Market Development | 9 |
| Program 3: International Market Development | 9 |
| Risks & Opportunities | 10 |
| Strategic Objective 3: Driving Value Chain Integrity | 11 |
| Industry Outcomes | 11 |
| Program I: Trust in Pork Provenance | 11 |
| Program 2: Pork Quality Assured | 11 |
| Program 3: Fairness in Risk and Reward | 12 |
| Risks & Opportunities | 12 |
| Strategic Objective 4: Leading Sustainability | 13 |
| Industry Outcomes | 13 |
| Program I: Addressing Societal Needs | 13 |
| Program 2: Healthy Herds and Farms | 13 |

| | |
|--|-----------|
| Program 3: Continuous Productivity Growth | 14 |
| Risks & Opportunities | 14 |
| Strategic Objective 5: Improving Capability | 15 |
| Industry Outcomes | 15 |
| Program 1: Applied Learnings | 15 |
| Program 2: Building Industry Image and Reputation | 16 |
| Program 3: Operational Effectiveness | 16 |
| Risks & Opportunities | 16 |
| Government Research Priorities Attributed to R&D Program | 17 |
| Strategic Objective Expenditure by National Research Priorities | 18 |
| Financial Budget – 2016/2017 | 19 |
| Financial Budget – 2016/2017 (Cont.) | 20 |
| Financial Budget – Project Spend Breakdown 2016/2017 | 21 |
| Definitions of Financial Terminology | 21 |

The Competitive Environment

Domestic Market

Pig slaughter numbers and pork production volumes have taken a step up over the past twelve months. The slow and steady rise we have been used to for the past few years has been interrupted with a swift increase across several months with what seems now like a period of consolidation. We expect moving annual total pig slaughters to surpass five million later in calendar 2016, with the budget for this period expecting that number to increase to 5.15 million by the end of June, 2017.

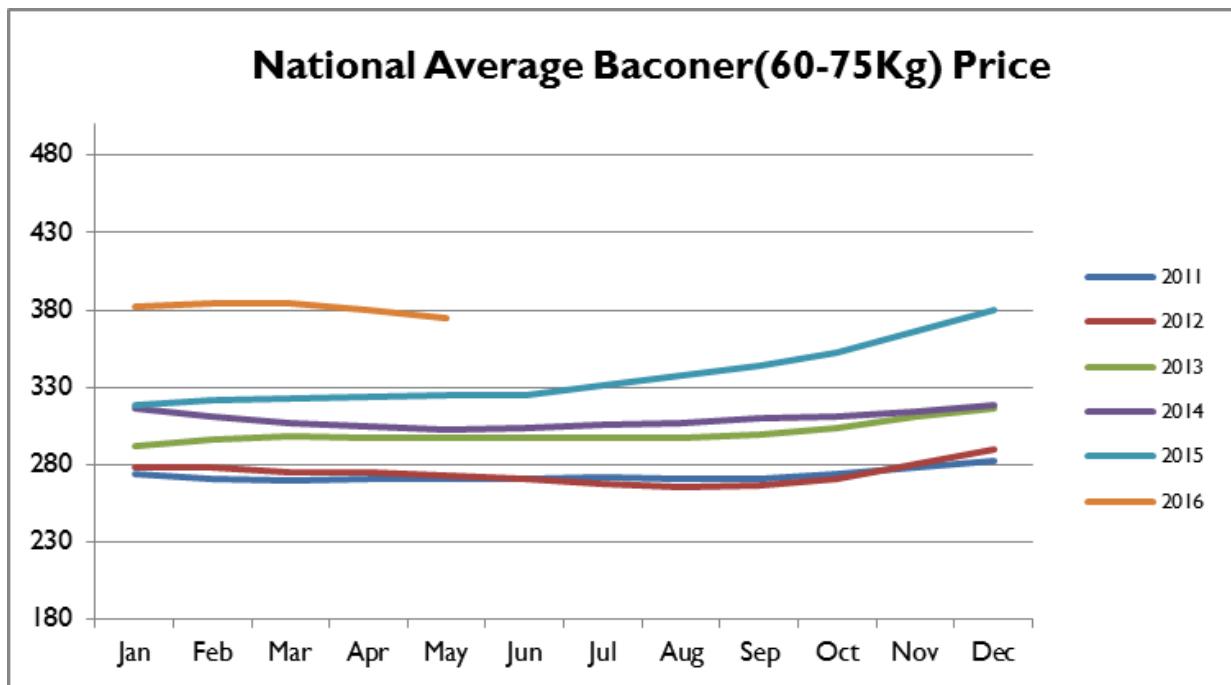


Graph I: Monthly and Moving Annual Total Pig Slaughter Numbers in Australia 2011–2016

Strong pig prices – which have net effect increased over the past year – have resulted in more industry interest in production increases. The increases in production happening so far have had little impact on softening pig prices. There is a significant lag in investing in increased production and that hitting the market (a couple of years at least typically) so increasing production volumes are expected to continue for some time to come. Grain prices have decreased over the past year, increasing the profit drive for increased production.

Whilst the impact of the shift of the industry away from sow stalls is not complete, a lot of the shorter term productivity impacts have now been overcome. We start to see slow but real improvement in key indices across the industry such as piglets born alive and pigs weaned per sow per year.

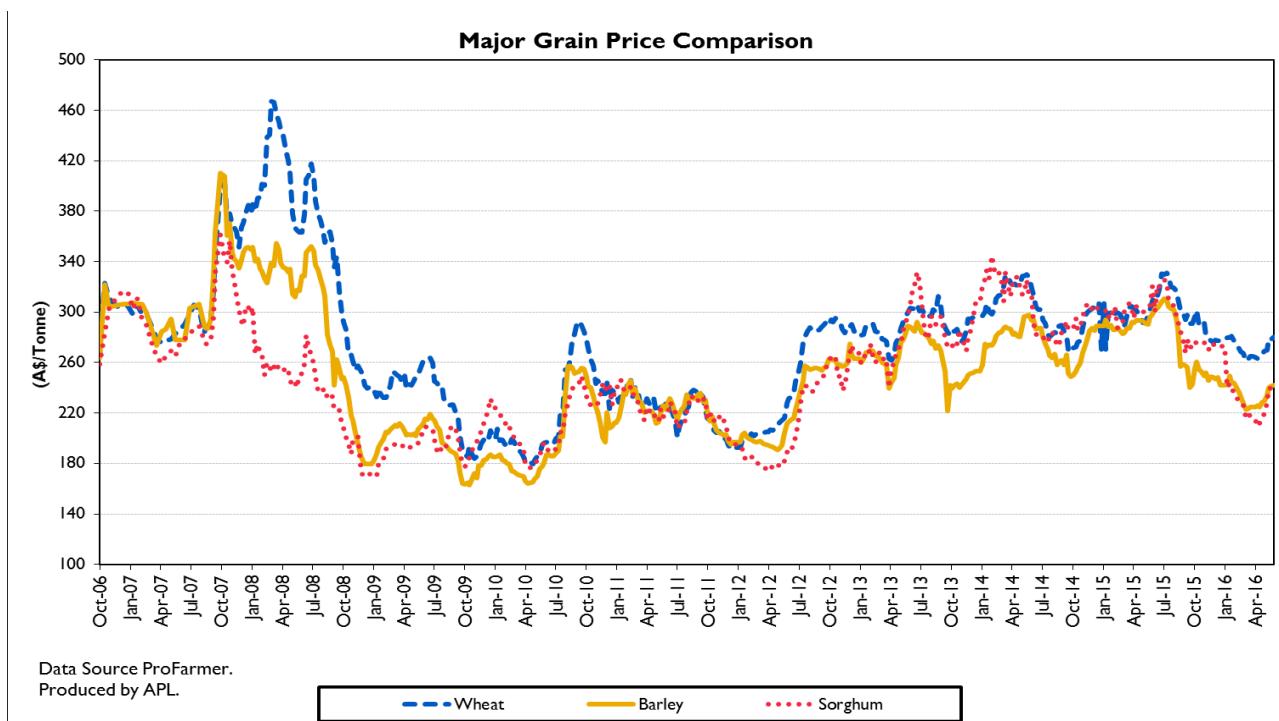
Not only now do our annual price cycles avoid the mid-year slump which was previously a natural and expected part of the planning process, but prices have shown steep growth over the past year as a result of strong domestic demand for fresh pork. This strong demand is partly underpinned by dynamics in the red meat industry (see later section) and is not expected to significantly change for a couple of years.



Graph 2: Average Australian National Baconer Prices Surveyed by APL 2011–2016

Grain Prices

Grain represents the most significant input into the cost of producing a pig in Australia. The price of grain has come down in real terms over the past year mainly as a result of global grain market dynamics and better seasonal conditions. Shorter term volatility around the value of the Australian dollar continues to affect prices and our domestic grain seems locked into a basis premium over the same quality product traded on international markets.



Graph 3: Monthly Major Grain Price Trends 2006–2016

Beef

Projections for the beef industry were released by Meat and Livestock Australia in January, 2016, as follows:

'The Australian cattle industry will be influenced by a number of extreme forces in 2016.

From a cattle supply point of view, numbers over the coming two years will fall to levels not seen in more than twenty years. This alone will more than likely stimulate strong competition between restockers, feedlots and processors for the limited availability.

The national herd is estimated to fall to 26.2 million head by 30 June 2016, before declining slightly again in 2017, to 25.9 million head. If this occurs, it will represent a 3.4 million head, or 12%, fall since 2013 and become the lowest national herd for 24 years (1993).

Working to partly offset the projected 16% year-on-year decline in adult cattle slaughter for 2016, at 7.6 million head, will be the expectation that average carcase weights will increase considerably. This assumption is based on much lower stocking rates, a greater proportion of lighter northern cattle exported live, a higher proportion of cattle on feed and fewer female cattle processed.'

Clearly cattle price expectations are very solid for the medium to longer term, maintaining the environment for higher protein prices overall.

Sheep Meats

Projections for the sheep industry were released by Meat and Livestock Australia in April, 2016, as follows:

'The 2016 Sheep Industry Projections April Update encompasses some significant revisions to the December Projections. Most notably, there is a larger sheep flock and a 750,000 head increase in the number of lambs expected to be processed in 2016 (to 22 million head) - yet this will still be down 3% from the 2015 record.

Lamb production is now forecast to decline 3% year-on-year in 2016, to 488,400 tonnes cwt.

Despite anticipated tighter sheep and lamb availability through the winter months, prices may be tested by the strengthening A\$ and if there are prolonged hot and dry conditions.

Australian lamb exports in 2016 are forecast to be fairly steady with the past two years, at 235,000 tonnes swt, before gradually growing with production to 280,000 tonnes swt by 2020.'

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

Chicken

The chicken meat industry continues to be characterised by a close linkage between supply and demand through the limited number of volume players and a relative lack of volatility. Market share of free range product does seem to be continuing to take a kick upwards. With the higher retail prices of red meat in particular over the past year or two, chicken fits alongside pork as the protein which has taken the most advantage of this situation.

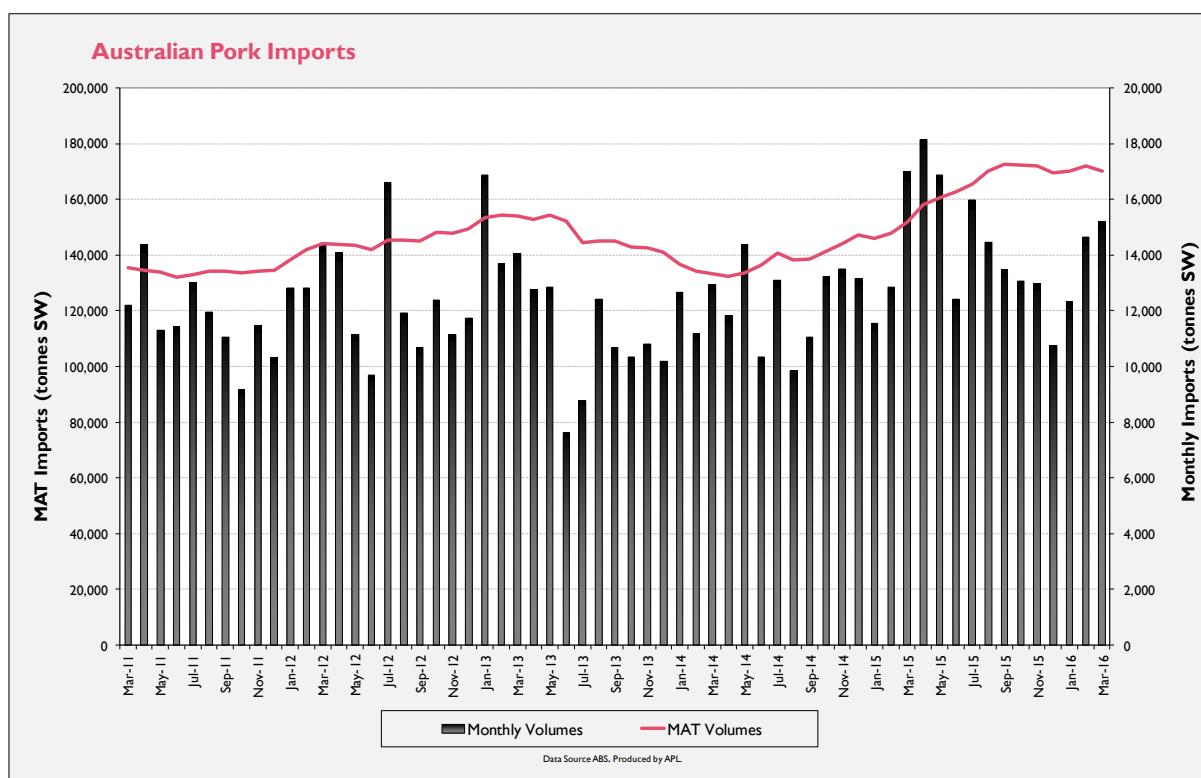
Pork

Very good demand for fresh pork has already seen supply limitations lead to continued market share decreases for Australian pork sourced smallgoods, with most product going into the fresh market. Whilst volumes remain likely to increase over the coming year, they are unlikely to fully satisfy the strong fresh pork demand which is likely to see high pork prices maintained and high competitive protein prices (see above).

Pork Imports

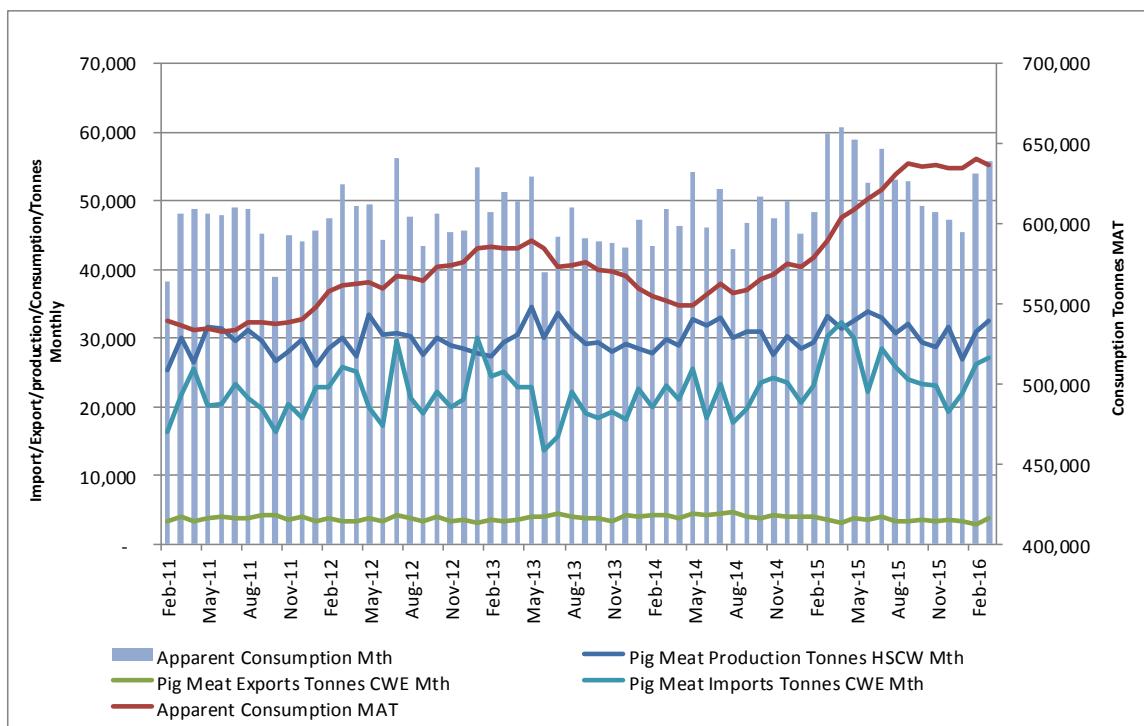
The past year has seen high imported pork volumes maintained consistent with expectations.

High apparent consumption levels (see Graph 5) exist at present, the root cause linked to increased domestic production and maintenance of high import volumes. Imports over the past year have maintained supplies of pork for processing as more of the domestic carcase is diverted to fresh pork markets.

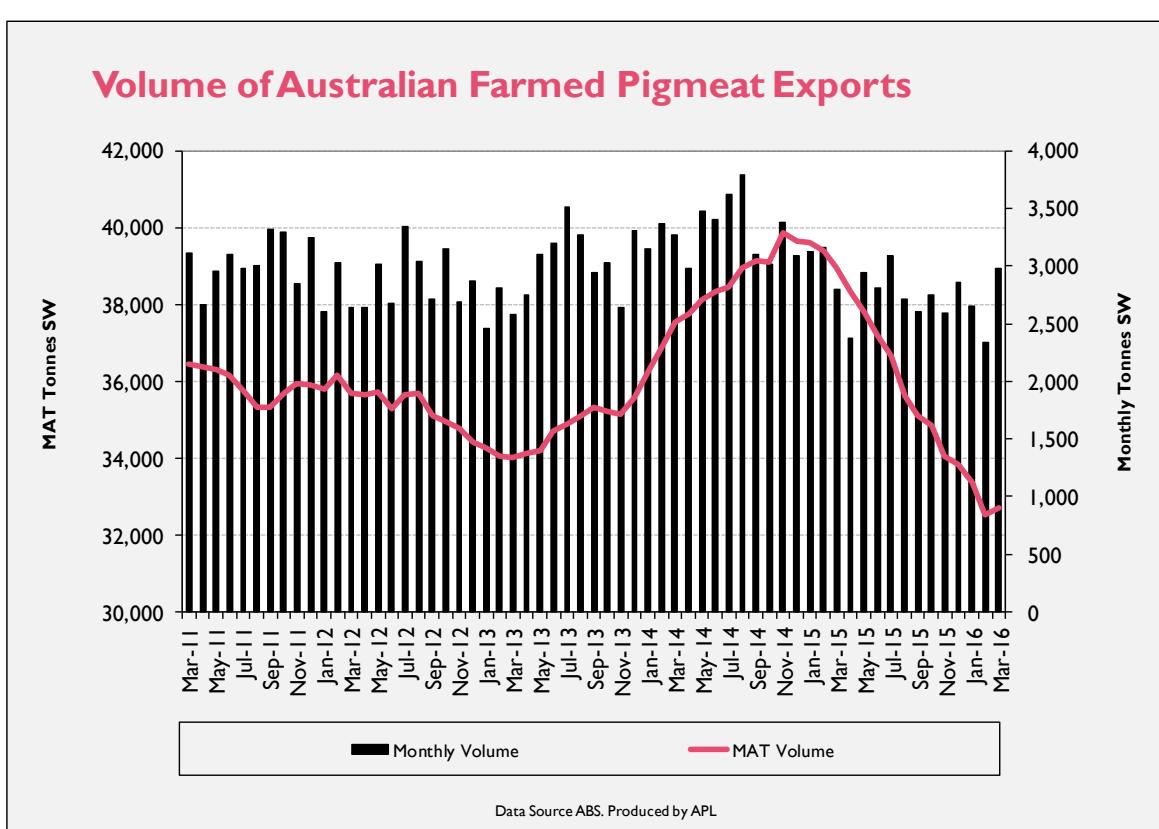


Graph 4: Australian Pork Import Volumes – Monthly and Moving Annual Total 2011–2016

Internationally, pork prices remain low on average due to ongoing trade blockages into Russia due to various sanctions in place. This is very much against the trend of what is happening in Australia, causing a greater than usual divide between Australian and global pig prices and motivating pork trading nations to continue to seek fresh pork access into Australia (which the industry fights vehemently as a biosecurity threat).



Export Market



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

Despite the reduction in overall volumes of pork being exported from Australia, the value of pork exports has increased in the past year as the higher value markets (Singapore in particular) continue to take advantage of the improved relative competitiveness of Australian product through the lower valued Australian dollar compared to some years back.

Strategic Objective I – Growing Consumer Appeal

Industry Outcomes

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

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

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

Program I: Better Pork

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

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

Program 2: Pork Made More Popular

Popularity in this case remains focussed on the consumer. Both awareness of Australian pork as well as positive associations have been built by continuous advertising over the 2010-2016 period. The effectiveness of the outcomes to date justify continued investment in this strategy.

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

Consumer advertising will continue at the elevated levels of 2015-16 with investment in helping Australians increase both their anticipated and actual eating pleasure from Australian pork.

Program 3: Increasingly Different

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

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

Risks & Opportunities

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

Strategic Objective 2: Building Markets

Industry Outcomes

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

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

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

Program 1: Market Insights

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

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

This year also includes additional qualitative and quantitative research activities across the whole consumer adoption process. This process starts with awareness and impact in-home, through increased understanding of those consumers easiest to increase purchase frequency of and ends at point-of-sale with sub-channel research in shopping for meat to be consumed both in-home and out-of-home.

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

Program 2: Domestic Market Development

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

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

Program 3: International Market Development

International markets are an increasing focus for the Australian pork industry. Initial investigations have determined that a sustainable model can exist at the higher end (rather than commodity end) of the

market. In the last year new improved pork has successfully been developed. In the 2016-17, numerous trials are planned to learn our way into consistently replicating and improving uniquely Australian, high quality and discernible different pork.

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

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

Risks & Opportunities

- Risk – The expanded consumer and channel research may stretch APL's capacity to execute the research to the usual high quality standards expected. New information is a currency that is a requirement for fast moving retailers in particular. This risk has largely already been mitigated through the development of internal experts and a back-up network of tested consumer research specialists and firms.
- Opportunity – APL staff are well practiced and with many collaborators have broad and deep relationships. This increasingly gives us access to greater quantities of data, enabling additional insight and understanding, hopefully resulting in improved activities and outcomes.

Strategic Objective 3: Driving Value Chain Integrity

Industry Outcomes

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

The focus of this year is to advance the systems that better enable the pork industry to demonstrate greater compliance against industry and government standards to maintain consumer and community confidence and trust in Australian pork products.

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

Program I: Trust in Pork Provenance

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

This program will step up the adoption and implementation of programs that enhance consumer trust in the provenance of Australian pork in domestic and export markets and across a range of pork products.

The key projects will be (i) Physi-Trace traceability project and involves increasing the adoption of the traceability initiatives by industry including the retailers and the update of the technology's capability to trace a range of pork products linked to a single fresh pork trace-elemental database; (ii) APL's Trust in Australian Pork Quality Standards Program that will demonstrate increased compliance verification for a number of pork product and program descriptors and claims, supported by the integration of the Physi-Trace database into APL's client relationship management system.

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

Program 2: Pork Quality Assured

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

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

The key focus in this program is (i) implementation of the revised APIQ^{✓®} standards, systems and administration of this industry QA program following the minor review, and investigations that will enable APIQ^{✓®} to eventually move to an independent third party auditing system; and (ii) activities that encompass the industry's food safety R&D with a specific focus on abattoir process control and review of inspection procedures and disposition judgements for the Pork-AEMIS.

Key outcomes from this program will be adoption of the revised APIQ^{✓®} standards by producers and increased recognition of the APIQ^{✓®} program by regulators and retailers.

The food safety data outcomes will be used to implement a science based meat inspection, verification and export certification system reflecting the needs of the pork industry in its current and future markets.

Program 3: Fairness in Risk and Reward

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

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

There is one project within this program and relates to the continuing focus on identifying and evaluating objective carcase measurements suitable for pork to support industry endeavours to provide consistently high quality pork to consumers.

Risks & Opportunities

- Risk – the use of the Physi-Trace technology by the pork industry could be limited by technology patents owned by other livestock sectors.. This will be mitigated by APL lodging its own innovation patent to enable unrestricted use of this technology by the Australian pork industry domestically as well as across its current and future export markets.
- Risk – the potential for supply chain partners to not engage and look to prevent reward to flow to appropriate points within the supply chain. Whilst APL cannot ever claim to mitigate this risk, closer engagement with partners via projects including the PorkScan carcase classification system will strengthen relationships along the value chain that may allow reward to flow to appropriate value chain partners.
- Opportunity – ability for pig industry to demonstrate higher market compliance against agreed standards
- Opportunity – ability for Australian pork to demonstrate higher product integrity against imported pork and pork products
- Opportunity - improve the already high regard for and adoption of the Australian Pork Industry Quality program, APIQ^{✓®}, by producers, retailers, and regulators.

Strategic Objective 4: Leading Sustainability

Industry Outcomes

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

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

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

Program 1: Addressing Societal Needs

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

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

Ongoing projects in this program will look at collaborative activities, with organisations such as Climate Change Strategy for Primary Industries (CCRSPI), Animal Health Australia, the Pork CRC and SAFEMeat. Others will seek improvements to animal welfare, domestic abattoir compliance, sale yards pig management and continuing APL’s leadership in environmental management is demonstrated through BMP, novel fertilisers and feeds and mitigation strategies for greenhouse gases.

Program 2: Healthy Herds and Farms

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

This program will look to implement technologies, systems and management strategies that underpin the biosecurity systems within the supply chain to ensure healthy herds and farms. Ongoing projects include the expansion of PigPass, the pork industry's live animal traceability system, and Keeping our Pigs Safe, which will seek to improve the community's understanding of biosecurity.

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

Program 3: Continuous Productivity Growth

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

This program will consolidate its approach and focus on the adoption and implementation of programs that underpin continuous productivity growth for the pork industry by focusing on improving reproductive performance of the Australian pig breeding herd and enhancing the viability of the progeny.

The key areas of focus will be (i) to improve the pigs born per sow per year, and also investigate technologies to deliver more female pigs within each litter to avoid issues with boar taint; and (ii) the growth performance of the gilt progeny in particular given the high productivity losses associated with this group.

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

Risks & Opportunities

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

Strategic Objective 5: Improving Capability

Industry Outcomes

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

The 2016-2017 operational year will strive for increased awareness of new and available technologies. The availability of mobile phone applications, including the Tech Tool Box, will support the expansion of a better informed and connected stakeholder base and result in increased awareness and uptake of R,D&E technology transfer and adoption to all of industry. The ongoing quest for efficiencies throughout the entire pork supply chain underpins the industry’s capacity to expand into new and emerging markets and continue to compete globally.

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

Program I: Applied Learnings

Industry stakeholders, vary in the way they access information. These stakeholders access this information through a range of communication channels that specifically suit their needs and increasingly, this dissemination is being sought via modern IT solutions and social media in addition to traditional face to face stakeholder engagement.

This program will focus on these IT platforms to improve our reach to better enable our transfer and adoption of technologies developed. Our programs will continue to utilise the valuable network channels that key influencer groups provide to more effectively disseminate our messages to increase awareness of, and the expected benefits resulting from, the adoption of new technologies, especially on farm, by producers.

Additionally, this program will seek to enhance the capacity and capability of the industry and research providers to implement technologies on farm and develop solutions across a range of the supply chain disciplines.

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

Program 2: Building Industry Image and Reputation

The focus for this program will be to build better and more effective communication forums to engage with the community and to share how pork producers care for their animals. Project outcomes will assist to inform those who want to know about what happens to the animals all the way along the supply chain, put the pork industry into context and show members of the community that the industry has nothing to hide.

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

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

Program 3: Operational Effectiveness

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

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

Risks & Opportunities

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

Government Research Priorities Attributed to R&D Program

| | Advanced Manufacturing | Soil and Water | Transport | Cybersecurity | Health | Resources | Food | Energy | Environmental Change |
|---|------------------------|----------------|-----------|--|--------|-----------------|------|----------------|----------------------|
| | | | | | | | | | |
| Rural RD&E Priorities | Advanced technology | Biosecurity | | Soil, water and managing natural resources | | Adoption of R&D | | Other Research | |
| Transformational Market Growth | | | | | | | | | |
| Premium Pork | | | | | | | | | |
| Differentiation | | | | | | | | | |
| Continuous Data and Advertising Tracking | | | | | | | | | |
| Trust in Pork Provenance | | | | | | | | | |
| Globally Competitive Australian meat value chains | | | | | | | | | |
| Food Safety | | | | | | | | | |
| CCRSPI | | | | | | | | | |
| Animal Welfare Interventions | | | | | | | | | |
| Environmental Management | | | | | | | | | |
| Pork CRC | | | | | | | | | |
| Breeding Females | | | | | | | | | |
| Environment and Health | | | | | | | | | |
| PigPass | | | | | | | | | |
| Exotic Disease | | | | | | | | | |
| Reproduction | | | | | | | | | |
| Growth and Development | | | | | | | | | |
| Pork RD&E Strategy | | | | | | | | | |
| TTA Activities | | | | | | | | | |
| Industry Awards | | | | | | | | | |
| Post Graduate Awards | | | | | | | | | |
| Building Technical Capacity | | | | | | | | | |
| Industry Economic Analysis | | | | | | | | | |
| Annual Survey | | | | | | | | | |
| Industry Events | | | | | | | | | |
| Communication and Society | | | | | | | | | |
| Communication and Industry | | | | | | | | | |
| CRM Policy | | | | | | | | | |
| Omnipig | | | | | | | | | |
| Specialist Groups/RDAC meetings | | | | | | | | | |
| AGM & Conference | | | | | | | | | |
| CRRDC Activities | | | | | | | | | |
| Benefit Cost Analysis | | | | | | | | | |
| ICT | | | | | | | | | |
| Human Resource Management | | | | | | | | | |

Strategic Objective Expenditure by National Research Priorities

| | AOP Budget | National Research Priorities | | | | | | | | |
|--|--------------|------------------------------|----------------|-------------|---------------|--|-----------|------|-----------------|----------------------|
| | | Advanced Manufacturing | Soil and Water | Transport | Cybersecurity | Health | Resources | Food | Energy | Environmental Change |
| | | Advanced technology | | Biosecurity | | Soil, water and managing natural resources | | | Adoption of R&D | |
| Rural Research & Dev Priorities | | | | | | | | | | |
| Objective 1. Growing Consumer Appeal | \$917,951 | \$57,813 | | \$0 | | \$0 | | | \$0 | |
| | 9% | 0.5% | | 0.0% | | 0.0% | | | 0.0% | |
| Objective 2. Building Markets | \$1,675,833 | \$502,750 | | \$0 | | \$0 | | | \$0 | |
| | 15.7% | 4.7% | | 0.0% | | 0.0% | | | 0.0% | |
| Objective 3. Driving Value Chain Integrity | \$1,062,613 | \$71,897 | | \$724,955 | | \$0 | | | \$265,761 | |
| | 10.0% | 0.7% | | 6.8% | | 0.0% | | | 2.5% | |
| Objective 4. Leading Sustainability | \$4,649,949 | \$1,061,732 | | \$1,077,716 | | \$1,449,449 | | | \$1,061,052 | |
| | 44% | 10.0% | | 10.1% | | 13.6% | | | 10.0% | |
| Objective 5. Improving Capability | \$2,175,471 | \$68,349 | | \$121,987 | | \$68,349 | | | \$1,209,303 | |
| | 20.4% | 0.6% | | 1.1% | | 0.6% | | | 11.4% | |
| Unallocated | \$161,006 | \$0 | | \$0 | | \$0 | | | \$0 | |
| | 1.5% | 0.0% | | 0.0% | | 0.0% | | | 0% | |
| Totals * | \$10,642,824 | \$1,762,541 | | \$1,924,658 | | \$1,517,798 | | | \$2,536,117 | |
| Percentage | 100% | 16.6% | | 18.1% | | 14.3% | | | 23.8% | |
| | | | | | | | | | | |

| | |
|-------------------|--------------|
| * Direct Project | \$7,539,659 |
| Allocated Project | \$2,942,159 |
| Total | \$10,481,818 |

Financial Budget – 2016/2017

| Australian Pork Limited - Financial Overview ~ 2016/2017 AOP | | | | | | |
|--|-----------------------------------|----------------|-------------------|------------------|------------------|-------------------|
| Revenue | Statement of Revenue and Expenses | | | | | Total |
| | CEO/ Board | CSD | Marketing | Res. & Innov. | Policy | |
| Revenue - Levies | | | 16,737,500 | | | 16,737,500 |
| Revenue - R&D Matching funds | | | 5,321,412 | | | 5,321,412 |
| Revenue - Other | | | 379,000 | | | 379,000 |
| Total Revenue | | | 22,437,912 | | | 22,437,912 |
| Expenses | | | | | | |
| Direct Project Costs | 130,000 | 526,304 | 8,762,990 | 5,749,730 | 934,606 | 16,103,630 |
| Corporate Project Costs allocated to projects | 54,157 | 32,147 | 3,374,693 | 2,379,639 | 599,292 | 6,439,928 |
| Corporate Costs apportioned between Divisions | 1,378 | 15,526 | 148,182 | - | 187,331 | 352,417 |
| <i>Total Corporate Costs (Allocated)</i> | <i>55,535</i> | <i>47,672</i> | <i>3,522,875</i> | <i>2,379,639</i> | <i>786,623</i> | <i>6,792,345</i> |
| Total Expenditure | 185,535 | 573,976 | 12,285,865 | 8,129,369 | 1,721,229 | 22,895,975 |
| Surplus / Deficit | | | -458,063 | | | |

Financial Budget – 2016/2017 (Cont.)

| Analysis of Total Expenditure | | | | | | |
|---|------------|---------|------------|---------------|-----------|------------|
| | CEO/ Board | CSD | Marketing | Res. & Innov. | Policy | Total |
| Strategic Objective 1 | | | | | | |
| Strategic Objective 1- Direct Project Costs | - | - | 6,430,990 | 97,000 | - | 6,527,990 |
| Strategic Objective 1- Allocated Corporate Costs | - | - | 1,329,820 | 18,627 | - | 1,348,447 |
| Strategic Objective 1 - Total | - | - | 7,760,810 | 115,627 | - | 7,876,437 |
| Strategic Objective 2 | | | | | | |
| Strategic Objective 2 - Direct Project Costs | - | - | 2,332,000 | - | 199,000 | 2,531,000 |
| Strategic Objective 2 - Allocated Corporate Costs | - | - | 2,044,873 | - | 148,588 | 2,193,461 |
| Strategic Objective 2 - Total | - | - | 4,376,873 | - | 347,588 | 4,724,461 |
| Strategic Objective 3 | | | | | | |
| Strategic Objective 3 - Direct Project Costs | - | - | - | 1,109,517 | - | 1,109,517 |
| Strategic Objective 3 - Allocated Corporate Costs | - | - | - | 764,846 | - | 764,846 |
| Strategic Objective 3 - Total | - | - | - | 1,874,363 | - | 1,874,363 |
| Strategic Objective 4 | | | | | | |
| Strategic Objective 4 - Direct Project Costs | - | - | - | 3,733,662 | 459,106 | 4,192,768 |
| Strategic Objective 4 - Allocated Corporate Costs | - | - | - | 769,784 | 342,669 | 1,112,453 |
| Strategic Objective 4 - Total | - | - | - | 4,503,446 | 801,775 | 5,305,221 |
| Strategic Objective 5 | | | | | | |
| Strategic Objective 5 - Direct Project Costs | 130,000 | 526,304 | - | 809,551 | 276,500 | 1,742,355 |
| Strategic Objective 5 - Allocated Corporate Costs | 54,157 | 32,147 | - | 826,382 | 108,035 | 1,020,721 |
| Strategic Objective 5 - Total | 184,157 | 558,451 | - | 1,635,933 | 384,535 | 2,763,076 |
| Corporate Costs apportioned between Divisions | 1,378 | 15,526 | 148,182 | 0 | 187,331 | 352,417 |
| Total Expenditure | 185,535 | 573,976 | 12,285,865 | 8,129,369 | 1,721,229 | 22,895,975 |

Financial Budget – Project Spend Breakdown 2016/2017

| Strategic Objective | Description | Direct Project Costs | | Allocated Project Costs | | Total APL Cost |
|---------------------|-------------------------------|----------------------|------------------|-------------------------|------------------|-------------------|
| | | Non R&D | R&D | Non R&D | R&D | |
| 1 | Growing Consumer Appeal | 6,010,990 | 517,000 | 947,496 | 400,951 | 7,876,437 |
| 2 | Building Markets | 1,533,000 | 998,000 | 1,515,628 | 677,833 | 4,724,461 |
| 3 | Driving Value Chain Integrity | 216,000 | 893,517 | 595,749 | 169,096 | 1,874,363 |
| 4 | Leading Sustainability | 339,106 | 3,853,662 | 316,166 | 796,287 | 5,305,221 |
| 5 | Improving Capability | 464,875 | 1,277,480 | 122,729 | 897,991 | 2,763,076 |
| Other | | | | 191,411 | 161,006 | 352,417 |
| Total | | 8,563,971 | 7,539,659 | 3,689,180 | 3,103,165 | 22,895,975 |

| | |
|------------------------|-------------------|
| Total Non R&D | 12,253,151 |
| Total R&D | 10,642,824 |
| Total APL Costs | 22,895,975 |

Definitions of Financial Terminology

Direct project costs:

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

Allocated project costs:

Corporate cost identified to resource a project.

AUSTRALIAN PORK LIMITED

ABN 83 092 783 278

Level 2, 2 Brisbane Avenue Barton ACT 2600
PO Box 4746 Kingston ACT 2604 Australia

P: 02 6285 2200 F: 02 6285 2288
E: apl@australianpork.com.au

www.australianpork.com.au