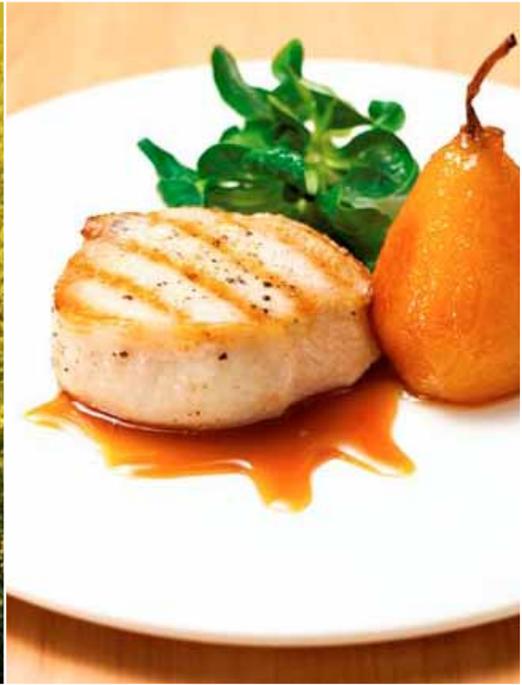




AUSTRALIAN PORK LIMITED

Annual Report

2011-2012



VISION

A COMPETITIVE, RESPONSIBLE AND SUSTAINABLE AUSTRALIAN PORK INDUSTRY

PURPOSE

DRIVE PROFITABILITY AND SUSTAINABILITY FOR PORK PRODUCERS THROUGH THE PROVISION OF PROGRAMS AND SERVICES TO THE AUSTRALIAN PORK INDUSTRY

VALUES

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

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Mr Enzo Allara AM
Chairman

Message from the Chair

As Chairman, I present to you on behalf of Australian Pork Limited (APL) Board the company's 2011–2012 Annual Report.

This is the third year of operating under the Strategic Plan 2010–2015 and APL has continued to deliver against the agreed strategic objectives.

Last year we reported on the final planned deficit for the 2010–2015 Strategic Plan and am pleased to advise that for this reporting period we have delivered a small surplus of \$215,500. I would like to congratulate the staff for the diligent manner in which they continued to deliver programs under tight budgetary constraints, while continuing to achieve positive outcomes for the industry.

It is pleasing to see that farmgate prices have continued to remain relatively stable throughout the past year and this, coupled with the good availability of feed grains at competitive prices, has enabled producer margins to be acceptable. However, with the recent drought-influenced crop forecast changes in USA, Europe and Russia, domestic grain prices have moved up sharply, which is putting significant pressure on pig prices and margins.

It is always difficult to know when is the right time to ask the industry for an increase in the pig levy. The Board decided last year that with budgetary constraints curtailing a number of key policy and marketing activities, and having been without a levy increase for eighteen years, it was time to undertake an extensive consultation process with producers and key stakeholders about a levy increase. This process resulted in a positive vote by the industry to increase the marketing levy by 90 cents per pig that will be introduced in three separate tranches of 30 cents per pig over the next four years. The first one was effective from July 2012.

The industry's research and development initiatives, programs and portfolio continue to be jointly managed by the Pork CRC and APL in a very proactive manner. An example of this proactive approach is when the Federal Government introduced the Carbon Farming Initiative (CFI) the pork industry was the first agricultural industry to have a CFI methodology approved (Capturing and converting methane to renewable energy). Since then the pork industry, as the leader of a consortium of a number of animal industries, has secured a significant Federal Government Grant to research better methodologies of manure management.



APL continues to push forward with the “Shaping Our Future” initiative, the industry’s move to voluntarily phase out the use of sow gestation stalls by 2017. This was an historic decision and despite the number of logistical and financial challenges that producers are facing in this move, overall progress to new sow housing environments has been faster than originally anticipated. This initiative, which has gained traction with retailers, regulators and politicians, is part of the long-term strategy of differentiating Australian pork from imports and, more importantly, of reassuring consumers of the ethical and sustainable practices adopted by Australian producers.

In conclusion, I would like to thank the APL Board, management and staff for their leadership, insightfulness, commitment and dedication throughout the year. The last year has been a challenging year with budgetary constraints in place; however this has not stifled APL’s capability of thinking creatively and continuing to deliver a strong performance for our key stakeholders.



Enzo Allara

Chair, Australian Pork Limited



Andrew Spencer
Chief Executive Officer

Message from the CEO

The year just gone has been another challenging one for the industry and Australian Pork Limited (APL). Resource limitations due to the erosion of our levy income by inflation (as well as the shrinkage of the industry since the profitability crisis of 2007–08) has meant that we have had to adjust how we perform some of those services that are expected of us by our constituents, Australian pork producers. Nevertheless, there have been some positive and important outcomes for the industry during the past year contributing to our goals for a competitive, sustainable and responsible Australian pork industry.

Market Issues

Pork prices over the past year have again shown a significantly different trend to what we are traditionally used to. In contrast to the normal dip in prices during the middle of the year, the last two years have seen a much flatter price maintained through the full 12 months. The new stability that we see is likely due to a number of different factors, including a greater proportion of our production being contracted through dedicated supply chains (itself perhaps facilitated by the different and changing standards of production demanded by major players at the retail end of the market). Pig slaughter numbers have been slowly growing during the year. The statistics are expected to show that for the year to the end of June that we produced around 100,000 pigs more during the 2011–2012 year than the previous year, representing around 2 per cent growth in volume. The impact of the different standards of pig production being sought by the two major retailers will continue to be felt in the market, but not always in a predictable way. Compensation for the differentiated product is hopefully one factor supporting prices and will continue to do so.

Export business remains relatively depressed into our most interesting markets, Singapore and New Zealand. The strong Australian dollar and competition from other markets (including from cheap frozen product) continues to limit our opportunities. Asian and Pacific markets are the destination of higher volumes of lower-value export products such as offal. This results in the total value of our export trade declining.

Imports are as strong as ever, which is disappointing considering that there have been signals in the market that our share of Australian consumer processed pork products may have been increasing. Movements in trade stocks can provide some hard-to-explain trends in apparent product consumption, so we will be continuing to monitor our successes in securing increases in share of Australian product through differentiation efforts.

Global Grain Market Dynamics

The most significant concern for the industry looking forward is the steep rise in global grain prices since the end of June. We know that when this last happened in 2007, the industry went through a very stressful period of financial losses resulting in an exodus of producers and 15 per cent of our production base disappearing. What is clear is that pork prices in the short term unfortunately have almost nothing to do with costs of production. Only when financial strain forces a shift in production volumes will we fully see the price compensation necessary to cover the increase in grain prices. In our pork industry, this takes some time due to the lag between the decision not to mate a sow (for example) and the result in the market the best part of a year later when pig numbers are subsequently reduced.

We will however be trying to build awareness in the market as to the impact of the grain prices on forward supplies. This can hopefully result in more forward contracted buying positions being taken, impacting positively on today's pig prices.

Strategic Plan 2010-2015

The year we are now entering is the fourth under the APL Strategic Plan 2010–2015. Within our present operating environment, there are two significant and noteworthy deviations from the assumptions in the APL Strategic Plan 2010–2015.

Firstly, at the time of drafting the Strategic Plan, there had been an assumption of a marketing levy increase of \$0.75 per slaughter pig, to come into effect on the 1 July 2012. In the discussions at Board level leading up to seeking the approval of the industry to this increase, it was decided that a phasing in of the increase over four years was likely to be seen as more acceptable by pig producers. This has now been achieved with the first tranche of the levy increases of \$0.30 per slaughter pig implemented as of the 1 July 2012. The second and third tranches of the same amount are due to be implemented in two-year intervals thereafter on the same date in 2014 and 2016. KPIs derived from expectations of the increased expenditure made possible by the levy increase have been adjusted in line with the new levy increase arrangements.

Secondly, the past few years of initiatives under core objective three – “Efficient Value Chains” – has shown that our engagement with the supply chain is more difficult than just with the production base, due to their different drivers and motivators. This has compromised some of the outcomes of the planned programs and projects, to the point where we have put activities under this core objective on hold. This in no way represents any diminishing of the perceived importance, or any change to our longer-term aspirations to work hand in glove with this part of the industry. There remain projects involving the supply chain, but in our forward plans these have been captured in core objectives other than three.

Our five-year strategic planning cycle dictates that we will need a new “Strategic Plan 2015–20” by mid 2014. The development of such a plan is normally allocated a full year of consultations with producers and deliberations with the Board. The process to develop this plan will therefore be kicking off at the start of financial year 2013–14.

Levy Increase after 18 Years

At APL, we have been proud of our ability over the years to continue to provide a high level of services into the industry through productivity improvements whilst our real income was decreasing. We recognised a few years ago that eventually our services would have to be compromised if resource limitations were not addressed. With the support of the Board, we thus embarked on an initiative to work with industry to increase the levy payable under the “Marketing” category for the first time since 1994.

Our consultation around the proposal to increase the marketing levy was highlighted through our producer meetings around the country. This was a great opportunity to discuss with those producers present the marketing initiatives that we undertake on their behalf and the results we measure for the industry overall.

It is never easy to ask producers to pay more through their compulsory levies, but in the end, we were very appreciative of the support we received through the process. This included the eventual levy vote, where around 73 per cent of the industry (on a production volume basis) supported the reasoning to increase the levy in three separate tranches as described above. The vote result was, of course, not unanimous, and we see this as a challenge to not only continue to create value for the industry, but also to demonstrate better that value. We also recognise a significant difference between larger and smaller producers in terms of what they know about APL, how engaged they are in APL activities and whether they see APL as effective for their business. Producer confidence and support for our activities is important for us in being an effective representative body, so we see still some work to do in this area.

Progress on “Shaping Our Future”

Pig production in Australia is now going through significant change, much of it due to our initiative to phase out voluntarily the use of sow stalls. The historic resolution at the 2010 Annual General Meeting of APL committed producers to significant investment and a difficult transition in production arrangements. It is arguable that the most powerful driver of the shift away from sow stalls is, however, the market itself where the two major retailers are demanding sow stall free pork for the future – whether it comes from overseas for processed product or from domestic producers.

The challenge we have faced over the past year is going to remain for future years – that is to maximise the value of this initiative to the industry through the differentiation power it gives us for the brand “Australian Pork”. We have already seen some benefits coming back to the industry as a result of our stand on sow stalls, such as retailer commitments to standards for all pork supplies, increased pressure on smallgoods processors to support the Australian industry, improved government relations as a result of their seeing us in a leadership role on welfare and credit coming from welfare agencies such as the RSPCA.



There is a lot more to be done before our job is complete around “Shaping Our Future”. What gives us leverage in gaining benefits from this commitment is the continued industry progress in meeting it. As of last November (2011), an industry survey showed that a third of the Australian pork industry is operating under “sow stall free” conditions, which is an impressive result after just one year. We expect this type of progress to continue, which will certainly help us to demonstrate that the industry is walking the talk around looking after our animals.

Carbon and the Environment

Our industry has also demonstrated its credentials over the past year in emissions and environmental management. We were successful in working with the Department of Climate Change and Energy Efficiency in having the first methodology for a reduction in emissions approved under the Carbon Farming Initiative. We also led a consortium of livestock industries in applying for funding under the Carbon Farming Futures “Filling the Research Gap” program, worth around \$3 million over the next few years.

We believe the pork industry has a lot to offer in terms of reducing emissions and good environmental practice and this also needs to be a recognised part of our brand “Australian Pork”.

Government R&D Policy Statement

The Federal Government has recently released its “Rural Research and Development Policy Statement” in response to the Productivity Commission inquiry into the Rural Research and Development Corporations and the Rural Research and Development Council Investment Plan. We expect that the implementation of the policies within the statement will have some future implications for how APL, and the other rural R&D corporations, will work. We look forward to working with government as one of our most important investors and with stakeholders in making the necessary changes to the way we operate, whilst retaining our core roles of delivery for industry in an efficient and effective manner.

The Fresh Pork Threat from Afar

As legal decisions currently stand in New Zealand, pig producers there could have fresh pork competition from imports within a matter of months. The decision to allow fresh pork imports seems to us unfathomable, considering the potential for the outbreak of exotic disease – in particular, Porcine Reproductive and Respiratory Syndrome (PRRS) – which today exists in neither Australia nor New Zealand. The big pork exporting nations of the world – mainly Europe and North America – will see this as a win for their exporting objectives and we will be the next opportunity in their sights.

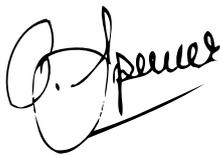
The impact of a disease outbreak such as PRRS in Australia would be an absolute disaster for our industry, and we intend to defend the scientific basis for the present import protocols with all resources available to us. It is clear that the pork exporting nations of the world have no interest in our clean herd health status (in fact, for them, it is a competitive disadvantage) and they will be trying to get their product into our market for sale as fresh meat.

APL Operations

The year 2011–2012 saw other achievements on behalf of the industry, including the drafting of the APIQ✓[®] Free Range standards, continued uptake of the APIQ✓[®] system generally on-farm and the continuation of our iconic “Get some pork on your fork” TV and radio advertisements. We also moved offices in Canberra earlier in the year to manage costs and improve efficiency and staff amenities.

More than 30 staff turn up at those APL offices each morning to do their work for our industry. Many of them will never be known to our producers. They do a great job, sometimes in very difficult circumstances, and without broader acknowledgement, in making our industry better, year by year. I would like to recognise and thank them for their efforts.

Thanks should also go to our Board who skillfully find the right mix of “getting in” and “standing back” to provide the expert guidance to APL management in getting the job done. We plan to keep challenging ourselves to find what it takes to keep the industry moving in a positive direction in the years to come.

A handwritten signature in black ink, appearing to read 'A. Spencer', with a stylized flourish at the end.

Andrew Spencer
Chief Executive Officer

3. Operational Strategy Overview

3.1 Overall Framework

APL is a company limited by guarantee. It is a unique rural industry service body for the Australian pork industry — a single producer-owned company to deliver integrated services that enhance the viability of producers. The framework for APL was established under the Pig Industry Act 2001. Operating and reporting guidelines are provided for in the Statutory Funding Agreement (SFA) with the Commonwealth of Australia. The original SFA was renewed on 12 July 2011. The new version brings APL in line with the SFAs of other Industry Service Bodies (ISBs), although APL's operations differ from the other ISBs in that the Pig Industry Act 2001 enables APL to use marketing levies to fund strategic policy development or other activities for the benefit of the Australian pig industry.

APL's primary funding is derived from statutory pig slaughter levies collected under the Primary Industry (Excise) Levies Act 1999. The levy amounts to \$2.525 cents per carcass levy at slaughter, of which APL receives \$2.35, consisting of \$1.35 for marketing activities and \$1.00 for R&D. The remaining \$0.175 is for the Pig Monitoring Residue Program, which is received and managed by the National Residue Survey (NRS). Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture, Fisheries and Forestry. As reported elsewhere, the levy received by APL has been the same since 1994 when it was introduced. From 1 July 2012, APL will receive an increase in the marketing levy from \$1.35 per pig slaughtered to \$1.65, the first of three tranches of \$0.30 between now and 2016. This is particularly applicable to what is termed the "Marketing Levy" which is used for those activities not qualifying as research and development under the government's definitions. This increase will secure APL's ability to provide valuable industry services and benefits.

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

- Compliance with all relevant Australian accounting standards;
- Development and implementation of a risk management plan in accordance with Australian standards;
- Development and implementation of a fraud control plan;
- Development of an intellectual property management plan;
- Measurement of organisational performance against specified outcomes and objectives;
- Adoption of best practice in human resource management and diversity management;
- Adoption of best practice in managing compliance with legislative and regulatory requirements; and
- Establishment of internal policies and procedures in key areas such as equal employment opportunities (EEO), occupational health and safety (OH&S) and privacy.

3.2 Role and Functions

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

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

3.3 Core Values

APL's values are the organisation's essential and enduring guiding principles that are not to be compromised for financial gain or short-term expediency. These goals 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. Creating the future our farmers need; and
5. Celebrate achievement.

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

3.4 Members

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

- Influencing APL direction by attending, speaking and voting at general meetings;
- Voting on changes to APL Constitution;
- Nominating delegates to represent members' concerns directly to 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;
- More opportunities for networking with industry experts and other groups; and
- Early access to the results of research projects.

In addition to the category of full APL member, there are the membership categories Associate Producer and Associate Corporate members. These two categories do not pay a pig slaughter levy but do fulfil an important role in the industry and within APL. Both memberships are entitled to all the benefits ascribed to full members however these categories have no voting rights under the APL Constitution.

All members also 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 timely and relevant information, including APL's progress on:

- Environmental initiatives;
- Animal welfare initiatives;
- Animal health;
- Feed grain security and supply;
- Regulatory changes;
- New trends in industry research and technology;
- Eating quality; and
- Domestic and export markets.

Levy-paying members are entitled to nominate a delegate to represent their interests more directly to APL through the well-structured Delegate Communication Program. For the reporting period 2011–2012, there were 31 delegates voted in by APL levy-paying members to represent them.

3.4.1 Material Changes to Membership

The 2011–2012 reporting period is the second year of the three-year cycle of membership renewal. During this period levy-paying membership increased from 342 (2010–2011) to 346. This was despite APL receiving notification of cessation of membership from six producers. There was also growth in Associate membership numbers. Associate Producer members went up from 14 in the previous year to now total 17, and Associate Corporate members went from 13 in the last reporting period to 18 by the end of June 2012.

The explanation for the overall increase may have as a main driver the membership incentive packages offered to APL members attending Pan Pacific Pork Expo (PPPE). However, the flat fee of \$250.00 per annum, pro rata for the three-year period, has certainly contributed to the increase in Associate Corporate membership.

3.5 Other Stakeholders

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

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

3.6 Organisation Structure

APL Senior Management

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



Andrew Spencer
Chief Executive Officer



Kathleen Plowman
General Manager, Policy



Emily Mackintosh
General Manager, Communication



Peter Haydon
General Manager, Marketing



Darryl D'Souza
General Manager, Research
and Innovation



Christine Quick
General Manager, Finance
and Administration

Policy Division

The division is responsible for strategic policy development across a wide variety of policy issues that impact on the industry and producers' viability. As a key point of contact with the industry's various stakeholders, including the Australian Government 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 in our markets, while ensuring the industry remains competitive and sustainable. The division addresses issues relating to animal health and welfare, climate change and environmental sustainability, food safety and product integrity, quality assurance, biotechnology, feed security, emergency and issues management, trade and market access, labour and biosecurity and quarantine.

Research and Innovation Division

The division is responsible for investing and managing producer levy and matching government research and development funds in projects across a wide range of disciplines and for promoting and facilitating adoption of research outcomes or products by the industry. In addition, scholarship programs for undergraduate and postgraduate students, as well as training initiatives for the industry, are also managed by the division.

Marketing Division

The division has responsibility for domestic and international marketing initiatives, as well as the ongoing development of a strong and growing demand for Australian pork products, both fresh and processed. The division facilitates interactions between Australian producers, processors, retailers and most importantly, consumers. The target is to achieve Core Objective One of “*Building Consumer Demand*” by the effective implementation of the marketing strategy in domestic and overseas markets.

Finance and Administration Division

The division's purpose is to provide a strong platform capability that supports APL's operational areas. It provides services in the areas of finance, human resources, internal policies and procedures, administration and information and communication technology. Company secretarial, risk management and corporate governance services are also provided by this division, as are secretariat services to the Council of Rural Research and Development Chairs, payroll services to the Sugar Rural Research and Development Corporation and company secretarial support to PorkScan Pty Limited.

Communication Division

The division provides communication support around the outcomes of the valuable work carried out by other divisions within APL, on behalf of Australian pork producers. This is via strategic utilisation of the media, publications, electronic mediums, events, conferences and producer meetings.

Whilst the primary audiences are APL members and Australian pork producer levy payers, other audiences include key government and political stakeholders and influencers, regulators, consumers (domestic and international), communities, retailers, wholesalers and processors, researchers and scientists, nutritionists, educators and students.

Staff

As at 30 June 2012, APL employed 28 full-time staff and eight part-time and casual employees.

The Board of Directors

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

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 statutory funding agreement criteria. Directors retire in rotation and retiring elected directors are eligible for re-election. Mr Paul Pattison and Mr Neil Ferguson resigned when their terms came up for rotation. Dr Brian Luxford and Mr David Plant were elected following a ballot by delegates.

3.7 Developing Strategic Directions

The current 2010–2015 Strategic Plan, after consultation with all stakeholders during 2009, took effect from 1 July 2009 and is reported against in this 2011–2012 Annual Report.

There are five key core objectives making up the Strategic Plan 2010–2015:

1. Build Consumer Demand;
2. Viable Productive Farms;
3. Efficient Value Chains;
4. Leadership, Preparedness, Stewardship; and
5. Industry Cohesion and Responsiveness.

The outcomes sought for each Core Objective are shown below.

3.7.1 Core Objective 1 — Building Consumer Demand

- Increased frequency of consumer purchase at retail for fresh pork
- Improved margin per pig

3.7.2 Core Objective 2 — Viable Productive Farms

- Improved margin per pig
- Consistent nutrient supply and cost

3.7.3 Core Objective 3 — Efficient Value Chains

- Stronger understanding between value chain players/components/partners
- More informed and focused value chain
- Maintain focus on producer benefit/value on-farm

3.7.4 Core Objective 4 — Leadership, Preparedness, Stewardship

- Optimum pig welfare and care
- Enhanced livestock traceability, biosecurity and animal health preparedness
- Safe food
- Robust quality assurance that builds customer and regulatory confidence
- Minimal disruption to market access
- Industry preparedness for, rapid response to, and effective recovery from, crisis
- Environmentally sustainable and carbon neutral industry
- Industry leadership enhances reputation for responsible practices and resource efficiency

3.7.5 Core Objective 5 — Industry Cohesion & Responsiveness

- Stronger positive recognition of the Australian pork industry
- Shared vision

- Informed industry
- Adopted technologies
- Effective APL capability

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

3.8 Governance

3.8.1 APL Board

Role

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

The Board is responsible for ensuring company funds are used to the best advantage for the long-term benefit of Australian levy-paying pork producers, the industry and the broader community. It strives to create member value by constructively engaging with management to ensure the appropriate development, execution and monitoring of the company's agreed strategies.

The Board's functions include:

- Setting company policies;
- Appointment of the CEO and providing direction on the appointment, remuneration and evaluation of senior management;
- Approving major strategies, plans and budgets;
- Assessing and reviewing company performance;
- Responding to management recommendations on major initiatives;
- Approving significant capital expenditure; and
- Ensuring the company acts legally and responsibly on all matters and that the highest ethical standards are maintained.

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

Remuneration

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

Meetings

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

Committees

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

- ***Audit, Risk and Corporate Governance Committee***
The committee is chaired by a director and includes two other directors. The committee's role is to advise the Board on corporate governance, internal and external financial audit issues and adequacy of accounting procedures, systems, controls and financial reporting. It also reviews risk management and fraud control management, intellectual property management, qualification of research and development and matching expenditure in compliance with major contracts.
- ***Human Resources & Remuneration Committee***
The committee is chaired by a director and includes two other nominated Board members. The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management.
- ***Market Development Committee***
The Market Development Committee consists of directors with marketing experience and 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 committee is chaired by a director and provides input and guidance to the APL Board in the development of policy and 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 will review its performance in the following areas on a regular basis:

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

External assessment of the Board was again carried out during early 2012, less than two years since that carried out in June 2010, as part of the Board commitment to continued good corporate governance. To ensure that newly-elected members to the APL Board have a greater understanding of how the company operates, an extensive induction program is carried out, providing new members of the Board with the opportunity to meet the company's senior managers and operational staff.

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

Policies

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

Business approach

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

Conflict of interest

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

3.8.2 Corporate Social Responsibility

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

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 preference, including Australian PorkMark APIQ[✓][®] outdoor-bred and free-range pork lifestyle and environmentally-friendly packaging and labelling
- Maintaining food safety and product integrity in the marketplace.

Respecting and Engaging Staff

- APL 'Code of Conduct', behavioural standards regarding harassment and conflict of interest
- Ethical behaviour by employees monitored and reported

- Improved workplace culture by example across the whole workforce
- Performance management, reward and recognition processes
- Training and development plan and study assistance
- Reclassification and promotion when appropriate
- Succession planning and career management
- Employee engagement with the Board
- OH&S 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 of issues of importance within the National Environmental Guidelines for Piggeries (NEGP)
- Safeguarding animal health through exotic disease prevention and preparedness
- Model Code of Practice for Welfare of Animals: Pigs
- Australian Pork Industry Quality Assurance Program (APIQ[✓]®)
- Animal welfare research projects
- Voluntary phase out of the use of sow stalls by industry by 2017.

Strengthening the Company's Place within the Community

- Multi-media educational program for primary schools
- Postgraduate scholarships
- Undergraduate scholarships for farm and industry placements
- Training and provision of training resources for piggery staff
- Leadership development programs
- Travel awards
- Promoting awareness publications
- Consumer surveys - animal care and community sensitive issues
- Reputation management strategy
- PorkSafe program, market and field days, trade and agricultural shows and sponsorship
- Producer innovation awards
- Provision of Christmas hams and pork to charity
- Communications to members and industry.

4. Report on Performance

4.1 Summary of Objectives – KPIs and Outcomes

The table below shows the Key Performance Indicators (KPIs) and expected Outcomes for each of the Programs within the Strategies that are in turn within the Core Objectives. This provides a clear view of the activities and associated industry benefits linking back to the Strategic Plan. The specific reporting against the KPIs is shown in the following pages within the Core Objective reports.

Core Objective	Strategy	Program	KPIs	Outcomes
Build Consumer Demand	1. Assuring Eating Quality	1.1 Fresh Pork Nutrition	1.1.1 Nutrition & Health	Progress on eating quality
			1.1.2 Nutrition Marketing	Health perceptions improved
	2. Increasing Frequency of Use	2.1 Fresh Pork Frequency of Use	2.1.1 Consumption	Higher consumption of Australian Pork
			2.1.2 Expenditure	Higher consumer expenditure on Australian pork
			2.1.3 Advertising Recall	Higher memorability of Australian pork advertising
			2.1.4 Purchase	More frequent average consumer purchasing of Australian pork
			2.1.5 Share of all fresh meats (including seafood)	Increased share of Australian pork of fresh meats
	3. Promoting "Australian"	3.1 Australian Awareness	3.1.1 Awareness of Australian Pork logo	Higher awareness of Australian Pork Mark
			3.1.2 Australian processed	Increased share of Australian pork of all processed pork
		3.2 Expand International Business	3.2.1 Volume of exports	Maintain export volume sales
3.2.3 Value of exports			Maintain export value sales	
Viable Productive Farms	1. Reduce Input Costs	1.1 Reducing the impact of disease	1.1.1 Average pigs weaned per sow per year	Improved margin per pig Consistent nutrient supply
		1.2 Efficient and cost effective nutrient supply	1.2.1 Grower-finisher liveweight feed conversion ratio	
	2. Improve Process Efficiency	2.1 Globally competitive cost of production	2.1.1 Pork produced per sow	
	3. Build Skills & Capability	3.1 Facilitate skills & capacity development on-farm	3.1.1 Technology adoption	Shared vision Informed industry Adopted technologies

Core Objective	Strategy	Program	KPIs	Outcomes
Efficient Value Chains	1. Create & capture value improvements	1.1 Research & development of technical innovation	1.1.1 Least cost sampling frequency of slaughter pigs in Physi-Trace program	Stronger relationships
	2. Enhance linkages between the value chain partners	2.1 Enhancing market signal flow	2.1.1 Proportion of boar taint-free male pigs	Transparent market signal
	3. Optimise value chain efficiency and quality	3.1 Enhancing supply chain efficiency and quality	3.1.1 Proportion of PorkScan graded carcasses	
Leadership, Preparedness, Stewardship	1. Address Changing Expectations & Standards for Food Production	1.1 Taking care of our animal	1.1.1 Pig herd covered by APIQ✓®	Enhanced and validation of pig welfare, health and care on-farm
			1.1.2 Producers APIQ✓® certified	Enhanced pig welfare, health and care on-farm Improved efficiency and productivity on-farm Reputation for responsible practices
			1.1.3 Conformation with APIQ✓® animal welfare standards	Validation of pig welfare, health and care on-farm Market access for pork products retained Reputation for responsible practices
		1.2 Strengthening biosecurity	1.2.1 Producers APIQ✓® certified	Enhanced biosecurity and animal health preparedness on-farm reduces risks of exotic and endemic disease outbreaks Improved efficiency and productivity on-farm Reputation for responsible practices
			1.2.2 Conformance with APIQ✓® biosecurity standards	Validation of biosecurity practices on-farm Market access for pork products retained Reputation for responsible practices
	2. Manage the Impact of Regulatory Shifts	2.1 Safe food	2.1.1 Conformance with APIQ✓® food safety standards	Safe food Increased confidence in product integrity Reputation for responsible practices
	3. Government Policy and Compliance Requirements	3.1 Climate change and sustainability	3.1.1 Carbon farming methodology developed	Environmentally sustainable and carbon neutral industry Positioning pork in relation to climate change
			3.2 Issues and emergency management	3.2.1 Conformance with APIQ✓® traceability standards
		3.2.2 Minimal disruption to trade	Increased confidence in product integrity Market access for pork products retained Reputation for responsible practices Industry preparedness, rapid response and recovery	

Core Objective	Strategy	Program	KPIs	Outcomes	
Industry Cohesion and Responsiveness	1. Engage and Connect the Industry	1.1 Enhance effective communication	1.1.1 Overall membership	Heightened awareness of the Australian pork industry to key audiences Increase in membership/ greater distribution of the positive work carried out by APL	
		1.2 Growing valuable industry networks			
	2. Facilitate Rapid Uptake of Information & Technology	2.1 Communication and facilitation of technology adoption	2.1.1 Increased awareness of new information	2.1.2 Technologies adopted	Shared vision Informed industry Adopted technologies
	3. Enhance the Reputation and Effectiveness of APL	3.1 Public affairs and stakeholder relations	3.1.1 Positive APL image		Greater support for Australian pork producers
			3.2 APL organisational capacity	3.2.1 Staff turn over 3.2.2 Efficient alignment of the organisation to support achievement of the strategic objectives	Effective APL capability

4.2 Core Objective I – Build Consumer Demand

The Core Objective related to increasing the demand for Australian pork from domestic and international consumers.

4.2.1 Strategy I – Assuring Eating Quality

Background

Consumer research shows that whilst there are four primary factors that affect a cook's decision to try a new recipe, 86 per cent of repeated use is determined by the eating experience. This means that the only meaningful determinant of consumers habitually using a particular recipe is the positive response of the people they serve it to.

APL, through the CRC for High Integrity Pork, has two active projects in this area. The first is to complete our predictive model on "eating quality pathways". That is, what routes are there to delivering guaranteed premium quality pork to the consumer?

The second is a benchmarking study, comparing the effects of different feeding, nutrition and growing periods on consumer perceived eating quality.

Achievements/Outcomes

The draft report has been received and is under review. The main factors confirmed to affect the eating quality of pork was (i) gender – pork from entire male pigs was the least preferred for most eating quality attributes and (ii) cooking method rather than cooking temperature had a greater effect on eating quality attributes. The results from this study will now be used to define the eating quality pathways for pork. Once completed these eating quality pathways will be validated by commercial supply chains.

4.2.2 Strategy 2 – Increasing Frequency of Use

Performance vs. KPIs

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Increasing Frequency of Use	Fresh Pork Frequency of Use	Consumption	CWE kgs/capita/annum	8.8*	8.31
		Expenditure	\$/capita/annum	\$62.09*	\$59.41
		Advertising Recall	Percentage	43%	54%
		Purchase	Frequency per annum	8.3	8.1
		Share of all fresh meats (including seafood)	Value share	10%	10%

KPI Table: Core Objective 1 Strategy 1 - Increasing Frequency of Use

* Note – these figures were amended during the year following the provision of more accurate sales data from AC Nielsen to 8.42 kg per capita volume consumption and \$59.80 per capita expenditure.

Fresh pork demand appears to be increasing, just not in volume sales.

Background

Meat is an habitual part of the Australian diet. Habits change slowly. APL's continuous communication approach (as with any successful activity that creates consumer demand) may be converted into either additional volume sales or higher consumer prices.

This truth is complicated in pork given that circa 60 per cent of available pork goes into smallgoods and 40 per cent into fresh pork sales. Therefore, it is possible for demand for Australian pork to increase, and fresh pork volume sales to decrease. This is what appears to have occurred during 2011–2012.

Pork's average price has increased whereas the average price for all other fresh meats has decreased, driven particularly by demand for chicken.

Achievements/Outcomes

Consumer Advertising

Consumer recognition of APL's advertising reached its highest recorded level in both May and June of 2012 of 62 per cent. The average recognition for the year was 54 per cent, 1.25 times target.

This was driven by improvements both in the quality of advertising and in the efficiency of media thinking and buying.

Nutrition Marketing

Enhancing the iron content of fresh pork

The project conducted by Murdoch University to enhance the iron content of fresh pork through dietary manipulation will be completed by 31 July 2012. This study involved feeding pigs diets either low (50-55 ppm) or high (200-220 ppm) in iron during the grower and finisher phases and determining whether depletion followed by repletion of iron can influence muscle iron absorption. Although muscle iron levels were increased after dietary-induced depletion and repletion during the growing and finishing phases respectively, this was only observed in the highly aerobic muscle in the hind leg, rather than in the loin muscle. Pork from pigs fed the high iron diet during both the grower and finisher stages was redder in colour than those from the other treatments. Dietary iron content did not influence ultimate pH and drip loss. Gene expression studies are being conducted on muscle samples in this study to understand better the regulation of iron metabolism in the pig.

Communication of research outcomes on health

A science communicator has been commissioned to prepare articles detailing key outcomes from APL and Pork CRC's co-investment in projects investigating the benefits of including pork in the diet on human health. This project aims to improve information dissemination on how pork is perceived nutritionally by health professionals and consumers as well as refine key messages of interest to consumers and other key parties about pork. These articles will be used in the development of brochures for consumers and general promotional material; they will be available in APL and Pork CRC publications and websites, and included on other relevant websites, journals, newsletters and trade publications of professional societies of nutritionists, dieticians, medical practitioners and other health professionals. This project will be completed by September 2012.

APL and Pork CRC have also invested in the sponsorship of a symposium at the Nutrition Society of Australia's Annual Scientific Meeting in Wollongong in November 2012 where oral presentations will be made on outcomes of APL and Pork CRC nutrition, eating quality and consumer research.

4.2.3 Strategy 3 – Improving the Image of Fresh Pork

Background

The image of fresh pork is clearly impacted by all of the in-market activities conducted by APL and all other participants in the pork value chain.

This strategy relates particularly to activities and outcomes in the foodservice channel, and particularly the restaurant sub-channel. This is because chefs tend to create dishes that influence in indirect ways what the more adventurous cooks try at home. These adventurous cooks tend to influence their less adventurous friends and therefore this channel tends to create a "trickle down" effect.

The APL foodservice program, PorkStar, has been consistently executed for seven years now and in the course of the last 12 months APL has measured its impact in more diligent ways than it has been able to until now.

Achievements/Outcomes

PorkStar is now recognised amongst chefs as the best known of all the restaurant programs measured amongst chefs.

In addition, a survey of more than 600 chefs (which included usage by meat) found that fresh pork's share of volume in the restaurant channel was 15 per cent, 50 per cent ahead of pork's volume share in retail which is circa 10 per cent.

A usage and attitude study of more than 2,000 Australians (the sample being demographically and geographically representative) found that pork had the highest perceived positive momentum in usage of all meats.

4.2.4 Strategy 4 – Promoting “Australian”

Performance vs. KPIs

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Promoting “Australian”	Australian Awareness	Awareness of Australian Pork logo	Percentage	50%	41%
		Australian Processed	Percentage share	27%	35%
Expand International Business		Volume of exports	Tonnes	36,500	35,792
		Value of exports	\$ million	\$113.50	\$104.9

KPI Table: Core Objective 1 Strategy 4 - Promoting “Australian”

It appears that additional Australian volume is going into ham and bacon products.

Background

Whilst fresh pork volume has been flat, total Australia pork production has increased by around 3 per cent. It appears that after years of increasing imports, the last year has seen lower imports until February 2012. Imports have increased again in the February to May 2012 period, but given that demand (and therefore pricing) for Australian pigs has remained constant, it appears that these increased imports have gone into stock.

Achievements/Outcomes

Increased Sales of Australian Ham & Bacon

It is a combination of factors throughout the supply chain that has caused an apparent increase in Australian ham and bacon. APL believes that the increased awareness of the Australian pork logo has been a contributing factor.

Whilst the stretching 2011–2012 objective of 50 per cent awareness for the logo was not achieved, at 41 per cent this is still satisfactory growth on the 30 per cent from the previous year. On average, almost a third of Australians claimed to have bought a product with this logo on it in 2011–2012.

Exports have experienced a minor decline

Exports account for circa 10 per cent of Australian pig production and have declined slightly as the continued high demand in Australia combined with a high Australian dollar impact sales. There has been deterioration in the quality as well as quantity of sales as APL focuses on building a stronger domestic sales base before re-addressing international marketing in-market.

4.2.5 Financial Summary

CORE OBJECTIVE I - BUILD CONSUMER DEMAND				BUDGET		ACTUAL	
				\$7,063,222		\$6,997,205	
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Assuring Eating Quality	NON R&D			R&D			
Budget	\$2,735,000	\$348,502	\$3,083,502	\$40,374	\$13,104	\$53,478	\$3,136,981
Actual	\$2,418,086	\$351,962	\$2,770,047	\$40,419	\$66,167	\$106,586	\$2,876,633
Increasing Frequency of Use							
Budget	\$479,000	\$608,915	\$1,087,915	\$942,802	\$873,523	\$1,816,325	\$2,904,240
Actual	\$475,613	\$610,186	\$1,085,799	\$1,052,737	\$966,099	\$2,018,836	\$3,104,635
Improving the Image of Fresh Pork							
Budget	\$290,000	\$372,287	\$662,287	\$0	\$0	\$0	\$662,287
Actual	\$258,197	\$371,361	\$629,559	\$0	\$0	\$0	\$629,559
Promoting "Australian"							
Budget	\$110,000	\$249,714	\$359,714	\$0	\$0	\$0	\$359,714
Actual	\$126,598	\$259,780	\$386,378	\$0	\$0	\$0	\$386,378
TOTAL CORE OBJECTIVE I - BUDGET							
	\$3,614,000	\$1,579,419	\$5,193,419	\$983,176	\$886,627	\$1,869,803	\$7,063,222
TOTAL CORE OBJECTIVE I - ACTUAL							
	\$3,278,494	\$1,593,289	\$4,871,783	\$1,093,156	\$1,032,266	\$2,125,422	\$6,997,205

4.3 Core Objective 2 – Viable Productive Farms

The Core Objective relates to the Australian pork producer being internationally competitive and profitable in an ever-changing global food market.

4.3.1 Strategy 1 – Reduce Input Costs

The strategy relates to input costs on-farm with the major on-farm costs being feed and disease management.

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Reduce Input Costs	Reducing the impact of disease	Average pigs weaned per sow per year	pigs/sow/year	21	21.8
	Efficient and cost effective nutrient supply	Grower-finisher liveweight feed conversion ratio	Kg feed/kg liveweight	2.20	2.47

KPI Table: Core Objective 2 Strategy 1 - Reduce Input costs

The Pork CRC Benchmarking Study indicates that the current pigs weaned per sow per year is currently 21.8 and this KPI has been achieved. The current grower-finisher feed conversion ratio is 2.47 and has actually increased from previous years. Much of this decrease in efficiency relates to the impact of current retailer marketing strategies that do not allow producers to use certain growth promoting technologies such as porcine somatotrophin and ractopamine. Further analysis of farms that still use these technologies do however report a grower-finisher feed conversion ratio of 2.11.

Background

This core objective relates to the Australian pork producer being internationally competitive and profitable in an ever-changing global food market. Australia has a relatively low on-farm cost of production, but is significantly disadvantaged in international competitiveness by domestic grain prices. Feed grain prices are likely to be under continued pressure resulting in a new global benchmark and rising costs of production for producers. Improved feed formulations, development and access to new designated feed grain varieties and the identification of new feed sources needs to be considered.

Pig diseases in Australia can have a major impact on the cost of production of pork and there is significant scope to significantly enhance the Australian pork industry's efficiency and competitiveness by better controlling the diseases that adversely affect pork production. In addition, the use of innovative nutritional and management technologies will also play a major part in ensuring that the Australian pork industry continues to enhance its production efficiency and competitiveness.

Achievements/Outcomes

Reducing the impact of disease

This project also examines the relationship between haemoglobin levels and pre-weaning mortality. Improving piglet survival remains an important goal for the Australian pig industry in order to improve farm productivity. Haemoglobin levels were unexpectedly low in a recent Australian study by Payne (2009) who found that 50 per cent of piglets not receiving creep feed were borderline anaemic. Genetic associations between haemoglobin levels in sows and piglets were not found in the literature. An understanding of phenotypic relationships between haemoglobin levels and performance of sow, piglets and growing pigs can be used to improve husbandry practices in Australian pig farms. The overall project is due for completion in August 2013.

Cross-sectoral facilitation of feed grain R&D

This project is an initiative that allows APL to continue to work and engage with the key cross-sectoral Feed Grain Partnership initiative members, including Grains Research and Development Corporation (GRDC), Dairy Australia (DA), Meat & Livestock Australia (MLA), Australian Egg Corporation Limited (AECL) and the Pork CRC, to ensure feed grain R&D continues to be a focus for both the GRDC and grain growers, and that the group identify and address key feed grain R&D priorities. These include feedgrain usage data collection and analysis. A key outcome from this group is a Feedgrain Forum at the Australian Grain Industry Conference. Other outcomes from this group were a review of the R&D Strategy for the Feedgrain R&D Partnership.

4.3.2 Strategy 2 – Improve Process Efficiency

This strategy relates to the enhancement of the various processes on-farm, including feed efficiency and reproductive performance.

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Improve Process Efficiency	Globally competitive cost of production	Pork produced per sow	HSCW/sow/year	1700	1564

KPI Table: Core Objective 2 Strategy 2 - Improve Process Efficiency

The Pork CRC Benchmarking Study indicates that the pork produced /sow/ year is currently at 1564 kg and is below the KPI of 1700 kg.

Background

The global competitiveness of the Australian pork industry is closely linked to our ability to enhance continuously the production efficiency of the herd. The main areas of focus will be to enhance the reproductive performance of the herd, reducing efficiency losses due to disease (mortality/morbidity) and enhancing meat yield without compromising eating quality of pork.

Achievements/Outcomes

Globally competitive cost of production

Feed conversion

Technologies such as Paylean and pST whilst effective have a limited lifespan given that retailers have already banned or limited the use of such technologies. Therefore, this area of research needs renewed investigation into alternatives, especially technologies that stimulate the pig's growth hormone systems rather than exogenous administered growth hormones. APL commissioned a full review of possible technologies to enhance pig growth and improve production efficiency. This review also sought potential ideas beyond pig science. Potential technologies identified by this review will be researched in 2012–13.

Recent Pork CRC research (Edwards et al. 2011; Moore and Mullan, 2009) indicate that the Single Diet performs similarly overall as the various phase feeding treatments but appears to offer considerable feed cost savings over current three phase programs and considerable logistical enhancements for both the milling and production components of the supply chain. However, the results suggest these outcomes may be an artefact of the experimental design rather than a confirmation of the validity of the Single Diet approach. A number of protein requirement studies were commissioned in 2011–2012 at both research and commercial facilities to confirm the protein requirements in finisher pigs. These studies will be completed by December 2012.

Pork RD&E base infrastructure fund

To ensure the increased alignment and coordination of the various pork RD&E programs, and as part of the National RD&E Framework, APL and the Pork CRC, in conjunction with the various governments, university and industry RD&E stakeholders, has in place a comprehensive Pork RD&E Strategy that comprises a number of important components.

Pork RD&E Facilities:

- i. Focussing resources into fewer but better funded 'experimental ready' facilities that are critical to meeting the current and future needs of the industry; and
- ii. Providing certainty for these facilities by base funding them on a rolling two-year basis.

Pork RD&E Programs:

- i. Moving from a project by project basis to a coordinated 'national program' approach; and
- ii. Enhancing the development and retention of appropriate human resources and skills.

A costing comparison for 17 (13 projects conducted in base-funded RD&E facilities) Grower/Finisher Cost Reduction projects was recently conducted. On average, the cost of projects in base-funded facilities was \$28,405 compared to \$92,460 for projects not conducted in base-funded RD&E facilities.

The funding of core RD&E facilities has also meant that these key RD&E facilities are used to their full potential. This also ensured that scientists will be able to focus on

delivering the research programs that will enhance the sustainability of the pork industry rather than having to constantly worry about securing funding for their key technical staff. Scientists currently not linked to a pork RD&E facility have been able to conduct their research at an appropriate site. The timeliness of research conducted has also been enhanced. A number of production-focused R&D projects have been conducted in commercial facilities rather than first being conducted in 'discovery sites' and then 'trials' at commercial facilities.

Pork CRC

The CRC for High Integrity Australian Pork commenced 1 July 2011. 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 impacting pig welfare, the environment or the health of the consumer. Whilst the focus of this new Pork CRC is animal welfare and climate change, a number of subprograms and projects were commissioned to address globally competitive cost of production factors. These projects were essentially carried over from the Pork CRC 1 and were completed in 2011–2012.

4.3.3 Strategy 3 – Build Skills and Capability

This strategy relates to the enhancement of the on-farm skills set and capability of the industry to address the technological challenges that arise on-farm, and the adoption of new on-farm technological solutions.

Strategy	Program	KPI	Unit	2011–2012 Target	Result
Build Skills & Capability	Facilitate skills & capacity development on-farm	Technology adoption	% of technologies adopted	45	35

KPI Table: Core Objective 2 Strategy 3 - Build Skills and Capability

The percent of technologies adopted as assessed by producer survey data was 35 per cent and is below the target of 45 per cent. APL has initiated a number of activities to revamp this area and these are outlined in Core Objective 5.

Background

The global competitiveness of the Australian pork industry is closely linked to the competency of our on-farm staff to implement existing and new technology to enhance the production efficiency of the herd. The pork industry is becoming more technologically complex with more use made of specialised instruments and procedures. This has made increasing demands on the training and extension components of the subprojects, as it is important that the latest information is transferred to industry and not only reaches but is easily understood by the industry's employees. The main areas of this strategy will be to enhance on-farm training and development of piggery staff, facilitate initiatives that alleviate on-farm labour issues by improved piggery management and staff development, and improved access to skilled labour.

Achievements/Outcomes

Promoting Leadership

Australian Rural Leadership Program

APL sponsored Mr Richard Evison, Production Manager, Westpork, WA to participate in Course 18 of the Australian Rural Leadership Program. Mr Evison has completed all six modules including a study tour to India and speaks highly of the program and the opportunity to develop his skills, especially public speaking. The Australian Rural Leadership Program remains one of APL's key leadership development activities for industry.

Future Leaders Program - SA Pilot

This project carried over from 2010–11 where a 'Future Leaders' group consisting of 15 under 35 year olds in the South Australian pork industry came together on four occasions to promote leadership development. The first meeting coincided with the 2010 APL Delegates Forum and gestation stall vote; a second meeting consisted of a sow housing workshop hosted by Mundigo, followed by a tour of Primo Abattoir, Port Wakefield and a tour of Ridley AgriProduct's feed mill in Murray Bridge. Feedback from the group was extremely positive and participants would like to see it continue.

The four key successes of the program were:

- The group was driven by its members but had an experienced facilitator to plan and oversee the group's proposed activities;
- The group was driven from the 'ground up' with a pull-not-push focus. Members 'wanted' to be engaged in the group and found value in being involved;
- A variety of forums were used to engage members (workshop, site visits, informal meals); and
- Activities undertaken were identified by members as being relevant to their current businesses and careers/ positions within industry.

Future Leaders Program - WA Pilot

Following the early success of the SA pilot project, it was agreed that a similar initiative in another state would be commissioned to validate the program's benefits. This project was commissioned to the Department of Agriculture & Food WA under the supervision of Hugh Payne. Members have been identified and it is likely the group will meet for the first time at the WA Pork Producers' Association meeting in August 2012.

Building Technical Capacity

National training network

A scoping exercise was undertaken to benchmark the current scope and capacity of Registered Training Organisations (RTO) delivering pig industry training. There are few training providers operating in this space given the number and distribution of stock people nationally. There are currently 16 RTOs offering pig related training: two in Qld; four in NSW; one in Tas; two in Vic; three in SA and three in WA, plus one nationally, and

their trainee participation rates are relatively low. That said, the two large production companies cover a large proportion of the herd's stock people. Issues identified by the study included a lack of suitably qualified trainers/ assessors, lack of current industry resources, insufficient funds and/or business for RTOs to remain involved, and geographic distance between RTOs and trainee workplaces. There were originally plans to coordinate a workshop of trainers/ assessors to undertake moderation of assessment tools and to identify gaps and resource deficiencies. Due to the findings from the scoping exercise, it was decided to terminate the project at this point and determine more strategically what APL's role and investment in vocational training should be.

ProHand™

ProHand™ continues to be well utilised, especially in South Australia. Graeme Pope completed the last APL supported training with 54 trainees completing Day 1 and of these, 37 completing Day 2. A total of 449 stock people and industry stakeholders have completed both days of ProHand™ training since the release of Version 2 in 2009. The Animal Welfare Science Centre (AWSC) was commissioned to undertake a project to review registered ProHand™ facilitators. This project is ongoing. A four year technical support agreement has also been commissioned with the AWSC to take on technical assistance and upgrades where possible.

Diploma of Pork Production resources

The 2011/12 program was the third year of a five-year agreement with Assiniboine Community College for ongoing access to their Diploma resources modified for use by the Australian industry. CHM Alliance has piloted delivery of the resources to two groups (Bendigo & Murray Bridge) and modifications to the course material are currently being made. The first year of a four-year agreement with CHM Alliance was also funded to oversee the maintenance and use of Diploma resources by RTOs nationally.

Ron Collins Memorial Travel Award

Greg Mills of NSW Department of Primary Industries was announced as the winner of the award at the Pan Pacific Pork Expo on 16 May 2012. Greg will use the grant to attend the Food Integrity Summit in the US, spend time with the Centre for Food Integrity in Missouri and visit pork producers involved in the FarmersFeedUs initiative to gain producer insight into the development of a social licence.

Training support

APL sponsored 16 producers and industry personnel to attend the Pig Science Course coordinated by Professor Paul Hughes at the University of Adelaide, Roseworthy. While the course is targeted at undergraduates, feedback from industry participants is very positive. Rivalea Australia have successfully applied for funding to have 21 of their staff upskilled in the current Certificate 4 Trainer/Assessor qualification to enable them to continue delivering certified training and assessment as part of their RTO function.

4.3.4 Financial Summary

CORE OBJECTIVE 2- VIABLE PRODUCTIVE FARMS				BUDGET		ACTUAL	
				\$2,771,892		\$2,721,584	
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Reduce Input Costs		NON R&D		R&D			
Budget	\$0	\$0	\$0	\$80,000	\$26,209	\$106,209	\$106,209
Actual	\$0	\$0	\$0	\$76,615	\$27,260	\$103,876	\$103,876
Improve Process Efficiency							
Budget	\$0	\$0	\$0	\$1,900,000	\$563,555	\$2,463,555	\$2,463,555
Actual	\$0	\$0	\$0	\$1,847,322	\$558,837	\$2,406,159	\$2,406,159
Build Skills and Capability							
Budget	\$0	\$0	\$0	\$172,032	\$30,096	\$202,128	\$202,128
Actual	\$0	\$0	\$0	\$171,751	\$39,798	\$39,798	\$39,798
TOTAL CORE OBJECTIVE 2 - BUDGET							
	\$0	\$0	\$0	\$2,152,032	\$619,860	\$2,771,892	\$2,771,892
TOTAL CORE OBJECTIVE 2 - ACTUAL							
	\$0	\$0	\$0	\$2,095,688	\$625,896	\$2,721,584	\$2,721,584

4.4 Core Objective 3 – Efficient Value Chains

This Core Objective relates to development of stronger understanding between value chain layers/ components/ partners to be a more informed and focused value chain, whilst still maintaining focus on producer benefit/ value on-farm.

4.4.1 Strategy 1 – Reduce Input Costs

This strategy relates to identifying opportunities to improve the value chain systems by enhancing our knowledge/requirements of the various sectors within the value chain.

Strategy	Program	KPI	Unit	2011–2012 Target	Result
Create & Capture Value Improvements	Research & development of technical innovation	Least cost sampling frequency of slaughter pigs in Phys-Trace program	Percentage	5 samples/ tattoo/month	46% reduction in total sample collection

KPI Table: Core Objective 3 Strategy 1 - Reduce Input costs

The KPI for this strategy was achieved with a 46 per cent reduction in the total sampling protocol across tattoos and across sites.

Background

Enhanced communication between supplier and buyer will ultimately mean a greater understanding of what contributes to the right pork product for the buyers' needs, and better planning through the life of the pigs produced. APL is working with a number of value chains in the Australian pork industry to improve product integrity that will underpin the whole supply chain.

Achievements/Outcomes

Research & development of technical innovation

Ensuring product integrity

Physi-Trace is a traceability tool, which uses: (1) trace element profiles to construct elemental fingerprints of fresh pork meat from various regions; (2) the inter-relationships of these trace element fingerprints; and (3) multivariate analysis to discriminate the fresh pork meat into groups of interest, in this case, region of origin. Data produced from experimental methodology includes:

- Trace element data produced by Inductively Coupled Plasma Mass Spectrometry (ICP-MS) and Inductively Coupled Plasma Atomic Emission Spectroscopy (ICP-AES);
- Stable isotope data produced by Isotope Ratio Mass Spectrometry; and
- Statistical data produced by multivariate analysis such as Linear Discriminant Analysis (LDA) and factor analysis.

The Physi-Trace Stage IIIa project commenced in September 2011 with the aim of further developing and integrating Physi-Trace into APL's Product Integrity Program, including food safety, traceability and product quality. The project further developed the Physi-Trace database using the revised sampling and analysis protocol developed under the Physi-Trace III project. The revised protocol resulted in a 46 per cent reduction in Physi-Trace sampling intensity, thereby substantially reducing the cost of sampling. A traceback investigation of a sample of unknown origin was successfully undertaken which further demonstrated the ability to perform a traceback to the Physi-Trace standard (36 hours). This followed a previous demonstration of the Physi-Trace technology to the Agri-Food and Veterinary Authority of Singapore in successfully tracing (100 per cent classification) 36 unknown carcass and retail samples of Western Australian and Queensland origin, taken from various parts of the pig carcass and from retail packs in Singapore. Processed Canadian and fresh and processed Australian pork samples were also analysed as a basis for development of a plan to facilitate the assessment of country of origin labelling of processed pork samples using the Physi-Trace technology. The Physi-Trace Business Rules were also refined under the Physi-Trace IIIa project.

4.4.2 Strategy 2 – Enhance Linkages Between the Value Chain Partners

This strategy relates to the development of systems that use common information along the value chain. This is particularly relevant to new technologies that are adopted and that allow information transfer along the value chain.

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Enhance Linkages Between the Value Chain Partners	Enhancing market signal flow	Proportion of boar taint free male pigs	% male pigs vaccinated against boar-taint	50	35

KPI Table: Core Objective 3 Strategy 2 - Enhance Linkages Between the Value Chain Partners

The percentage of entire male pigs vaccinated against boar taint is currently about 35 per cent and is an improvement from approximately 20 per cent in 2010/11 but is lower than the KPI of 50 per cent. A number of factors have affected this KPI, including a major supply chain being directed by a retailer to cease using the boar taint vaccine. APL is working with these supply chains to highlight the benefits of such technologies in terms of eating quality, animal welfare and environmental impacts.

Background

The Australian pork industry must be consumer focussed. The establishment of strong collaborative links and relationships within pork value chains will enable effective market signal flow and allow for consumer requirements to be effectively captured by the respective partners. This program will seek to quantify some of the value along the supply chain to better meet the consumers' needs and demonstrate the need for improved linkages to secure these benefits.

Achievements/Outcomes

Enhancing market signal flow

Selection for carcass quality

This project is being undertaken by the Animal Genetics and Breeding Unit (AGBU) at the University of New England and is seeking to gain further understanding of the quantification of saleable meat yield. Recording of weights of primal cuts (shoulder, back leg, belly and loin) has commenced and will be completed by October 2012. A recording procedure has been developed to collect digital images of the back of pigs as they stand in the weighing scale. A free software package for image analyses has been identified that allows recording of multiple linear and area measurements easily. Staff at the abattoir, APL and Greenleaf have collaborated closely in regard to getting the PorkScan™ light-stripping equipment operational at the participating abattoir. A number of issues were fixed during a visit of Greenleaf staff to the abattoir. Unfortunately, a malfunction of the camera system meant that the system needed to be sent overseas for service. The teams at the abattoir, APL and Greenleaf continue their close collaboration in order to get the system running.

4.4.3 Strategy 3 – Optimise Value Chain Efficiency and Quality

The strategy focuses on a more economically efficient pig, but will seek to use technologies and strategies to ensure that the quality of the pork is not compromised.

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Optimise Value Chain Efficiency and Quality	Enhancing supply chain efficiency and quality	Proportion of PorkScan graded carcasses	Percentage	60%	45%

KPI Table: Core Objective 3 Strategy 3 - Optimise Value Chain Efficiency and Quality

The proportion of carcasses graded using the PorkScan technology is approximately 45 per cent and is below the KPI of 60 per cent.

Background

The implementation of quantifiable tools will enable the Australian pork industry to move beyond a supply/demand focus to one where value chain relationships and opportunities between value and volume are better understood and can be used for planning purposes to ensure industry profitability and sustainability. The focus will still remain on a more economically efficient pig, but will seek to use technologies and strategies to ensure that the quality of the pork is not compromised.

Achievements/Outcomes

Enhancing supply chain efficiency and quality

PorkScan IP Protection

PorkScan is a carcass assessment and grading initiative developed by APL, in conjunction with five Australian pork processors, and with additional funding from AusIndustry. APL, as the owners of the Intellectual Property generated from the PorkScan Carcass Measurement project, filed for National Phase Entry in Australia and New Zealand for the light striping component of the PorkScan system in February 2012.

Refinement of the PorkScan lean meat yield measurement system for pig carcasses has been funded by the Cooperative Research Centre for High Integrity Australian Pork (CRC HIAP), with APL and PorkScan Pty Ltd providing in-kind support to the project. During 2011–2012, PorkScan Pty Ltd has focussed on developing a cost-competitive system for the Australian and New Zealand pork processors to increase the number of carcasses assessed using PorkScan for the measurement of fat and muscle depth at the P2 site, whilst also overcoming software and hardware integrity issues. This new system was officially launched by The Hon Joe Ludwig, Minister for Agriculture, Forestry and Fisheries, at the Pan Pacific Pork Expo in May 2012.

4.4.4 Financial Summary

CORE OBJECTIVE 3 - EFFICIENT VALUE CHAINS				BUDGET		ACTUAL	
				\$440,362		\$447,339	
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Create & Capture Value Improvements		NON R&D		R&D			
Budget	\$0	\$0	\$0	\$171,000	\$115,510	\$286,510	\$286,510
Actual	\$0	\$0	\$0	\$171,415	\$136,264	\$171,415	\$171,415
Enhance Linkages Between the Value Chain Partners							
Budget	\$0	\$0	\$0	\$75,000	\$13,832	\$88,832	\$88,832
Actual	\$0	\$0	\$0	\$72,789	\$9,084	\$81,874	\$81,874
Optimise Value Chain Efficiency and Quality							
Budget	\$0	\$0	\$0	\$25,000	\$40,020	\$65,020	\$65,020
Actual	\$0	\$0	\$0	\$3,916	\$53,871	\$57,786	\$57,786
TOTAL CORE OBJECTIVE 3 - BUDGET							
	\$0	\$0	\$0	\$271,000	\$169,362	\$440,362	\$440,362
TOTAL CORE OBJECTIVE 3 - ACTUAL							
	\$0	\$0	\$0	\$248,120	\$199,219	\$447,339	\$447,339

4.5 Core Objective 4 – Leadership, Preparedness, Stewardship

In today's fast changing environment with shifting expectations and standards for food production, the Australian community and government look to the Australian pork industry to provide leadership, preparedness and stewardship to deliver a safe food that:

- secures consumer and public confidence in Australian pork;
- optimises the health and welfare of our animals;
- is produced in a sustainable environment; and
- ensures our producers' social licence and freedom to operate continues through value-based communication that builds trust in our farming systems (i.e. scientifically verified, economically viable and ethically grounded).

4.5.1 Strategy I – Address Changing Expectations & Standards for Food Production

Strategy	Program	KPI	Unit	2011-2012 Target	Result	
Address Changing Expectations & Standards for Food Production	Taking care of our animal	Pig herd covered by APIQ✓ [®]	% of breeding herd APIQ✓ [®] certified	90%	87%	
		Producers APIQ✓ [®] certified	% of producers APIQ✓ [®] certified by breeding herd size (21-150)	75%	31%	
			% of producers APIQ✓ [®] certified by breeding herd size (151-500)	95%	78%	
			% PPQA certified producers that move to APIQ✓ [®] certification	75%	55%	
		Conformance with APIQ✓ [®] animal welfare standards	Ratio of major and critical animal welfare CARs against number of total sites audited	Establish baseline	Baseline established	
	Strengthening biosecurity	Producers APIQ✓ [®] certified	% PPQA certified producers that move to APIQ✓ [®] certification	75%	55%	
			Conformance with APIQ✓ [®] biosecurity standards	Ratio of major and critical biosecurity CARs against number of total sites audited	Establish baseline	Baseline established

KPI Table: Core Objective 4 Strategy I - Address Changing Expectations & Standards for Food Production

Only 31 per cent of producers with a breeding herd size of 21-150 became APIQ✓[®] certified, falling well short of the 75 per cent target. This sector of production is extremely difficult to engage due to their wide distribution across Australia combined with the lack of market incentive, with producers frequently citing that their buyers do not require quality assurance. Only 78 per cent of producers with a breeding herd size of 151-500 became APIQ✓[®] certified, also falling short of its target of 95 per cent. The substantial number of producers APL was required to approach and then engage to meet this target was not achievable in the timeframe, given their widespread distribution across Australia.

While APL provided direct support to assist PPQA producers in transitioning to APIQ✓[®], again the lack of market incentive for producers was evident: frequently citing that their buyers do not require quality assurance. This in turn contributed to the shortfall of APIQ✓[®] certified producers in the 21-150 breeding herd category.

Background

APL seeks to promote and drive self-regulation to manage the impact of regulatory shifts, changes to government policy, market access requirements and consumer expectations. The industry's quality assurance program APIQ✓[®] is a key platform in



providing confidence to our consumers, regulators, markets and the Australian public that our standards are of a high level. APIQ✓® is an independently audited program which verifies industry compliance with animal welfare, food safety, biosecurity and traceability standards

Achievements/Outcomes

Program I – Taking care of our animals

Integral to retaining consumer and public confidence in Australian pork is proof that we are taking care of our animals. APL is not a regulator, but through APIQ✓® producers and the industry can verify compliance with the animal welfare standards that are regulated in each state. The APIQ✓® program combined with targeted industry research and development, and extension programs actively supports and assists producers in improving their stockperson skills and management of their production systems and animals, in turn enhancing the care and health of their herd.

There has been significant progress by the industry in meeting its 2010 voluntary commitment to be gestation stall free by 2017 - a world industry first. The 2011 Annual Industry Survey shows that already one third of the Australian pork industry is "sow stall free".

While there are increasing reports internationally of other pig-producing countries also committing to transition to sow stall free, Australian producers are one of a very select few that will not use gestation stalls; other countries' commitments will still see them keeping sows in gestation stalls for at least 28 days. Importantly the Tasmanian Government has adopted APL's definition of gestation stalls and has provided \$500,000 in financial assistance to Tasmanian pig farmers to make the transition out of using sow stalls by July 2013.

To successfully manage and care for pigs in a group environment requires not just more labour but skilled stockpersons. Continuing labour shortages in the industry, particularly in the key mining states of Western Australia and Queensland, and the inconsistent policy applied by Department of Immigration and Citizenship (DIAC) in relation to new 457 visa applications for 'Agricultural Technicians' in the pig industry, is a potential obstacle to producers' ability to continue this pace of change. APL has worked closely with producers and DIAC to develop a Labour Agreement Template, prompted in part by the need for skilled labour as a result of managing group housing. In conjunction with DIAC, the Labour Agreement Template will assist producers in accessing skilled migrant labour.

It is important that compromised sick or injured pigs are identified early, enabling prompt, effective appropriate treatment, to improve their health and welfare, reduce their suffering and increase their chances of recovery. To assist producers in the care and management of compromised pigs, APL has developed the Care of the Compromised Pig Manual.

New national standards for the transport of livestock, including pigs, were finalised, bringing consistency to the way livestock are transported nationally, and to ensure good

welfare practices for all livestock journeys. The Australian Standards & Guidelines for the Welfare of Animals – Land Transport of Livestock (LTS) were developed by industry, welfare organisations and government through the Australian Animal Welfare Strategy (AAWS). These standards replace existing codes of practice.

The APIQ✓® Free Range standards and Outdoor Bred standards were approved by the APL Board. Notably, the APIQ✓® Free Range standards preclude shelters or sheds with verandas or small pens attached as Free Range. A producer with this setup does not qualify for Free Range certification as under the National Environmental Guidelines for Piggeries (2nd Edition Revised, 2010) they would be considered as a “Feedlot Outdoor Piggery”. All APIQ✓® auditors received training on the Free Range standards and their application.

Sow housing

- i. *Effects of aggressive characteristics of individual sows & mixing strategies on the productivity & welfare of group-housed gestating sows.*

This project funding has been transferred to the CRC HIAP, but project management remains the responsibility of APL. The project has been delayed and the expected completion date is now 1 February 2013.

- ii. *Evaluation of space requirements for group-housed pregnant pigs at different parities.*

This project is re-evaluating the effects of space allocation in gestating sows of varying sizes (eg. gilts versus mature sows) with a view to understanding the space needs of the modern sow in terms of her production and welfare. Due to issues relating to the availability of diagnostic kits, the project was delayed by an additional ten months. The submission of the final report is due by the end of July 2012.

- iii. *Feeding strategies to reduce ‘frustration’ & aggression amongst group-housed gilts and sows.*

The current study tested the hypothesis that providing group-housed sows and gilts with a high fibre (bulky), slowly digestible diet would reduce the incidence of aggression, as evidenced by behavioural measures and injury scores, whilst maintaining reproductive output. The most significant finding from this experiment was that feeding the high fibre diet significantly reduced the number of aggressive encounters post-feeding (equating to a 75 per cent decrease), and resulted in a 150 per cent increase in the time sows spent engaged in feeding behaviour.

The data from this trial provides strong evidence that feeding sows a high fibre, bulky diet during the first 30 days of gestation reduces incidences of aggression during and following feeding. Importantly, the high fibre diet did not impair subsequent litter size, suggesting that increasing high fibre gestation diets can be used commercially to reduce aggression and increase satiety in group-housed sows.

- iv. *Planning, managing and evaluating group housing systems.*

This project was conducted by IAS Management Services, Department of Agriculture, Fisheries and Forestry (DAFF) Queensland and Graeme Pope Consulting. The project examined infrastructure changes to existing stalls, taking into account various individual physical systems as well as management practices. Both sow performance



and the economics of setting up and maintaining the system was included. The final report was accepted in May 2012 and has been distributed to producers and industry. APL has also commissioned the development of a decision tree /checklist to assist producers in deciding which group housing system to adopt. The outcomes of this project and the decision tree will also be presented during the upcoming APL/Pork CRC Roadshow, as well as the Sow Group Housing Refresher Course convened by the Pork CRC and APL.

Stockperson methodology

This project is being conducted by Monash University and the AWSC and is linked to a PhD student. It aims specifically to develop valid and reliable metrics that have widespread practical application in the Australian pork industry. The knowledge section of the stockperson questionnaire was piloted in early November 2011. Data analysis determined which questions would remain based on the results. Four large commercial piggeries in Victoria, New South Wales, South Australia and Queensland have agreed to participate in the project, with a total of 12 individual farms visited for behavioural observations. The majority of these farms are located in either New South Wales or Queensland, however due to a low response rate, an additional 30-60 stockpeople were recruited. The project is due for completion in May 2013.

Survey transport mortality and practices

This research aims to identify the gaps in our knowledge regarding welfare issues during transport and while in lairage. Pigs are transported over great distances due to the rationalisation of the abattoir sector and this situation is likely to continue. Transport of pigs over great distances and time in lairage could be seen by the community and consumer as a welfare concern. Currently, the industry has limited information to defend practices during transport or in lairage. This project is being conducted by DAFF Queensland, IAS Management Services and Graeme Pope Consulting. The objectives of the project are to:

- Collect accurate and meaningful data on transport mortalities and condemnations that occur during transport and lairage nationally;
- Analyse deaths and condemnations by abattoir, time of year, distance travelled and stocking density on truck; and
- Produce a report summarising deaths and condemnations by abattoir, time of year, distance travelled and stocking density on truck.

Project progress had been delayed because of the Queensland floods and the subsequent recovery, however, significant progress has been made to date. The survey form was developed and tested for six weeks by co-operating producers, truck drivers and key abattoir personnel in Queensland and South Australia. The survey form was modified on advice from co-operators. A full list of co-operators was developed for the 12-month collection period to start from 1 May 2011. Data is being collected from 16 producers, three abattoirs and five transport companies. To date, 520 consignments, representing 104,000 pigs, have been entered. The final report for this project is due in July 2012.

Community engagement

i. Identify and integrate measures of animal welfare that meet the needs of animals and society

This project is a cross-sectoral project (Animal welfare RD&E Strategy) supported by APL, AECL, Australian Meat Processor Corporation, DA, MLA, RIRDC, AAWS and DPI Victoria. This project is led by Commonwealth Scientific and Industrial Research Organisation (CSIRO) Livestock Industries with collaborative input from the AWSC, Murdoch University and AgResearch Ltd, NZ.

There is considerable uncertainty and a lack of agreement among scientists on the perception of animal welfare. This uncertainty arises largely because scientists differ in their concept of animal welfare and thus how animal welfare should be measured or judged. There are three prominent concepts of animal welfare in the literature with the welfare of animals judged on the basis of:

- a. How well the animal is performing from a biological functioning perspective;
- b. Affective states, such as suffering, pain and other feelings or emotions; and
- c. The expression of normal or 'natural' behaviours.

The aims of this project are to undertake a comprehensive review of the scientific literature on welfare measures and assessment. The review will identify the most credible scientific measures/methodologies that could be developed into a uniform field index and recommend where further research to validate welfare concepts and methodologies is required. The best measures identified in the review will be integrated into a uniform field index to assess animal welfare. The project is due for completion in October 2012.

Welfare methodology

i. Usefulness of preferences for resources & biological functioning to assess animal welfare

This project is being conducted by the AWSC. The proposed research will build on and extend previous research to contribute to the validation of welfare research methodology. This methodology is used to establish welfare standards and help develop tools to measure welfare in the field. Signing of project agreement was delayed due to negotiations regarding the budget and timing of the milestones. The report has been further delayed as the principal investigator has taken up a new position with the South Australian Research and Development Institute (SARDI) and the original contact with Monash University has been terminated and a new contract issued and agreed upon with the AWSC. The final report is due March 2013.

ii. Developing qualitative behavioural assessment as an objective measure of pig welfare (ongoing)

This project is being conducted through Murdoch University and is also linked to a PhD student. Qualitative behavioural assessment (QBA) is essentially about human perception of an animal's body language. A good stockman can identify an animal that is ill or lame since it behaves differently from a healthy pig. Welfare measures based on QBA are easily understood and a good choice when dealing with different stakeholders. The use of QBA has been tested as an assessment tool for piglets, and footage of sows (for the purpose of examining the effects of housing on behavioural expression) is currently being collected for the next part of this project. The final report is due June 2014.

Program 2 – Strengthening biosecurity

APL seeks to enhance biosecurity and quarantine through a multilayered approach and shared responsibility with government to safeguard the health status and competitive advantage of the Australian pig herd by preventing exotic disease incursions in the face of a higher import environment and increasing global travel.

APIQ✓[®] seeks to minimise these risks on-farm through its biosecurity and traceability standards. The smaller production tail of the Australian pork industry is considered historically a higher risk sector of the industry concerning on-farm biosecurity practices, traceability and movement documentation, disease knowledge, understanding of swill feeding and veterinary contact. To encourage uptake of APIQ✓[®] in the small producer sector, the definition of small holder was expanded. While small producers are still required to meet traceability, food safety, biosecurity and animal welfare standards following Good Agricultural Practice, there are specific tools available, including record keeping to assist them meet APIQ✓[®] certification requirements.

Other APL activities to promote uptake of APIQ✓[®] and improve biosecurity and traceability in the industry include:

- Regional workshops and on-farm consultations to assist producers to develop their APIQ✓[®] documentation and understand the standards and compliance requirements to achieve APIQ✓[®] certification.
- Through the National Saleyards Initiative, APL visits all regular pig saleyards across Australia, big and small, assisting producers, buyers and agents on sale day with their obligations under the National Livestock Identification System (NLIS) - Pork and state legislation regarding the movement of pigs, the correct use of PigPass National Vendor Declarations (PPNVD) and, pig identification. We also provide information on APIQ✓[®] animal welfare, biosecurity and swill feeding. Feedback from our National Saleyards Initiative activities and findings is communicated both directly to the relevant State Department of Primary Industries/Agriculture (DPI) personnel and livestock agents as well as through a quarterly newsletter. APL has gained a good understanding of the operation of pig traceability systems in all states and of producer compliance levels.
- APL also started visiting pig abattoirs across Australia through a similar project called the National Processor Initiative. This project provides an important opportunity to communicate with, and receive feedback from the supply chain on APIQ✓[®], the importance of movement documentation and livestock traceability enabling them to meet not only their obligations but also to assist producers.

NLIS Pork is designed to facilitate identification and traceability of pigs for biosecurity, food safety and market access purposes and enables the industry to meet the Standing Committee of Primary Industries' (SCoPI) livestock traceability performance standards. An important part of the ongoing development of NLIS (Pork) is the establishment of the NLIS (Pork) Business Rules, which are being developed by a national consultative committee to ensure a consistent approach and outcome across states. The Business Rules are near finalisation and will be presented to SafeMEAT for endorsement. This will then enable regulators to harmonise existing regulations, particularly those relating to pig identification and approved movement documentation, including the recording of pig movements.

The Matthews Report – A review of Australia's preparedness for the threat of foot and mouth disease (FMD) – identified eleven issues with the potential to substantially reduce the effectiveness of Australia's efforts against the threat of FMD. Of particular interest to the industry is the issue of the effectiveness of swill feeding prohibitions and the report's recommendations in relation to this issue. Because of this report, APL is a member of the Animal Health Committee's Sub-Committee on Emergency Animal Disease Swill Feeding Working Group to develop and recommend:

- a consistent definition of swill feeding across jurisdictions; and
- an effective education and enforcement program including an investigation, reporting and compliance system for swill feeding.

APL is also represented on the Industry Government Working Group on FMD. This working group is also assisting in developing and implementing action plans to address the issues raised in the Matthews report, in particular issues relating to: detection and surveillance; biosecurity training and awareness programs; vaccination; swill feeding; surge capacity; and recovery and business continuity.

Exotic disease R&D

The 2011/12 program was made up of five projects that addressed the key priority areas of biosecurity and disease risk.

i. Exotic disease R&D (FMD vulnerabilities project)

The project is a package of research activities that need to be completed to better prepare Australian livestock industries for an outbreak of FMD. Completing these activities will also enable Australia to optimise its joint industry/government investment in the FMD antigen bank held in the UK. Contribution split is based on the Gross Value of Production (GVP) figures used to calculate industry subscription. The final report is due December 2015.

ii. Testing antibody response of pigs to FMD

Australia has invested in a FMD vaccine bank that contains nine antigens stored at ultra deep temperatures. These antigens can be used to formulate vaccine at short notice. It was necessary to test these vaccines in Australian pigs to ensure they provide a rapid and strong immune response should they be used during an outbreak. The project was undertaken by CSIRO at the Australian Animal Health Laboratory (AAHL). The high potency vaccines provided from Merial, drawn from the Australian vaccine bank, induce antibodies in Australian pigs. Sero-conversion was comparable to that of other studies. Since the animals could not be challenged, it is not known whether they will be protected against clinical disease. The experiments planned under the FMD Risk Management Project, jointly funded by industry and government, will provide a more accurate estimate of the potency of these vaccines.

iii. Evaluation of the economics of the control and prevention of animal health emergencies in the Australian pig industry

A novel framework for addressing the economic and intangible impacts of emergency animal diseases is examined within this project. This framework investigates the consequences of an emergency animal disease from risk analysis



to outline scope, followed by economic and intangible analysis. The framework is being applied to an industry level analysis of economic and intangible impacts on the Australian pork industry, linking with research project 2011/1012.345 (*A risk assessment and simulation modelling framework for exotic disease prioritisation in the Australian pig industry*) that identifies the diseases of greatest concern to the industry. From this study, PRRS has been selected as a disease of greatest concern to be analysed within the framework. This project is linked to a PhD student and is being undertaken by the University of Sydney. It is due for completion in October 2012.

iv. Survey-prevalence of *Mycoplasma suis*

The bacteria *Mycoplasma suis* is a bacterial pathogen that attaches to and causes deformity and damage to porcine red blood cells. *M. suis* was traditionally considered a problem of grower pigs. While *M. suis* has been shown to be a significant disease in pigs in most overseas countries, in Australia there has never been a study to determine the prevalence of this mycoplasma in the Australian pig herd. In overseas countries *M. suis* infection has been shown to have a prevalence of 10-40 per cent and it has been shown that this organism causes significant losses in production. The project was undertaken by CSIRO at the Australian Animal Health Laboratory. The survey gave an estimate for the prevalence of *M. suis* in the farms supplying the sampled abattoir to be approximately 4 per cent, i.e. based on molecular detection techniques, *M. suis* has been confirmed to be present within Australia, although the extent of its distribution is yet to be determined. Based on the absence of clinical signs in the tested herds, and the lack of reporting of acute disease in commercial pig herds, it is likely that infections are sub-clinical or appear as chronic, rather than acute disease.

v. Prevalence of *C. difficile* & role in neonatal scours

Clostridium difficile is reported outside Australia to be a major cause of neonatal diarrhoea in piglets. There is significant mortality (up to 16 per cent) and piglets that survive are underweight. In the Netherlands, strains of *C. difficile* from pigs are infecting humans. While it has been suggested that transmission is by food, this is unlikely and environmental contamination is a more logical explanation. Preliminary investigations have confirmed that *C. difficile* is present in many pig herds in Australia, however, these investigations have been done in a non-systematic fashion. This project aims to determine the extent of *C. difficile* in pig herds in Australia by a systematic prevalence survey and to try then to determine its role in disease by undertaking a case control study. The project is being undertaken by the Department of Microbiology and Immunology at the University of Western Australia and the Division of Microbiology and Infectious Diseases, PathWest Laboratory Medicine, Queen Elizabeth II Medical Centre, WA. The project, recently commissioned, is due for completion February 2013.

4.5.2 Strategy 2 – Manage the Impact of Regulatory Shifts

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Manage the Impact of Regulatory Shifts	Safe food	Conformance with APIQ [✓] ® food safety standards	Ratio of major and critical food safety CARs against number of total sites audited	Establish baseline	Baseline established

KPI Table: Core 4 Strategy 2 - Manage the Impact of Regulatory Shifts

Background

Community expectations, market access requirements and the impact of policy and regulatory shifts resulting from food safety concerns must be managed to minimise the growing costs of compliance while also providing a safe product. It is important that the development of future standards is practical, cost effective and meets the requirements of our markets.

Achievements/Outcomes

The pork industry can be proud of this year's National Residue Survey (NRS) results achieving an overall compliance rate of 99.85 per cent with Australian Standards for the chemical residues tested for in samples collected during 2010-11. With these results, domestic and overseas customers are assured of the excellent residue and contaminant free status of Australian pork. Australian consumers are further assured by the results of the recently published Australian total diet study conducted by Food Standards Australia New Zealand (FSANZ). Like previous years, the study found that estimated dietary exposures to all 214 agricultural and veterinary chemical residues tested were well below the relevant reference health standards.

The Commonwealth Government's response to the Independent Review of Food Labelling Law and Policy was reasonably positive for the pork industry. APL provided a submission considered by the government in their response addressing Country of Origin Labelling (CoOL) and production method labelling. In line with APL's position, government agreed that standards and definitions relating to food production methods (e.g. free range) are a matter for industry to progress through self-regulation, with assistance provided by government agencies if requested, and they agreed that current CoOL requirements should be maintained and extended to cover all primary products.

APL provided a submission for consideration in the development of the Federal Government's National Food Plan raising the issue of food labelling, particularly country of origin labelling. The National Food Plan seeks to address the need for an overarching food policy framework by better integrating food policy along the whole supply chain. A submission also was made to the Senate Inquiry into Australia's Food Processing Sector to explain the current situation in the pork industry relating to food labelling and antidumping measures.

Food Safety R&D

APL commissioned three new projects with the South Australian Research and Development Institute (SARDI) focused on *Salmonella typhimurium*, the main serotype associated with pork food safety outbreaks in Australia. Previous APL research has identified that the incidence of *Salmonella typhimurium* on-farm in Australia is increasing, but the cause of this is not yet understood. The Australian pork industry requires tools to determine if strains of *Salmonella typhimurium* causing human outbreaks are the same as those found in pigs and pork. The University of Melbourne and SARDI jointly supported a PhD scholarship aimed at developing molecular epidemiological tools to enable the rapid assessment of the *Salmonella* serotype involved in the pig industry. APL is also supporting the development of a risk model that aims to identify the most effective areas along the pork supply chain to mitigate the public health and market access risks associated with *Salmonella typhimurium* as part of a second PhD project with the University of Tasmania and SARDI. Once completed, this model will be used to test intervention scenarios as an alternative to conducting costly microbiological studies.

Toxoplasmosis, caused by human infection with *Toxoplasma gondii*, has emerged second only to Salmonellosis as a leading cause of pork associated foodborne disease. Previous serological studies in Australia conducted by SARDI identified a prevalence of exposure of finisher pigs to *Toxoplasma gondii* in the order of one to four per cent, with prevalence for sows of 10 per cent. However, this may be an underestimation given the lack of sensitivity of commercial serological test kits that have been observed with Australian strains. APL is supporting work aimed at developing capability for molecular characterisation of *Toxoplasma gondii* DNA fragments from pork and pork products to determine their relationship to isolates from clinical infections in humans. This project is being undertaken by SARDI in collaboration with a human specialist parasitologist at the University of Technology, Sydney to assist with methodology development and refinement of existing molecular tests that are effective with pork. A bioassay is being conducted at the Institute for Medical and Veterinary Sciences, Adelaide for detection of viable cysts.

Data use for pork processors

This project has involved providing *E. coli* and *Salmonella* Monitoring (ESAM) data to pork processors on a monthly basis and a national report to the Australian Quarantine and Inspection Service (AQIS) and APL. The project involves providing functional summaries to individual processors in combination with industry averages over specified periods to allow processors to benchmark their company's data against national ESAM data. Support and training has been provided to pork processors to interpret the reports. This information has been used to support the pork industry's focus on abattoir microbiological hygiene performance for verification by Biosecurity Australia under the new Australian Export Meat Inspection System (AEMIS).

MRSA risk communication

A retail survey of Australian pork mince has been completed to determine whether pork mince is a potential infection pathway of Multi Resistant *Staphylococcus aureus* (MRSA) in Australia. Food borne *Staphylococcus aureus* is associated with post-cooking contamination coupled with temperature abuse. Samples were obtained from retail butchers and supermarkets in Brisbane, Adelaide, Melbourne, Sydney and Perth and examined for *Staphylococcus aureus* and the presence of the MRSA strain. Overall, the incidence of coagulase positive *Staphylococcus aureus* was 1.4 per cent and MRSA was not detected.

Pork AEMIS validation

The new Australian Export Meat Inspection System (AEMIS) was implemented in October 2011 as a consequence of the Australian Government and Australian Meat Industry Council (AMIC) review of export certification through the Joint AMIC/ AQIS Ministerial Taskforce. This review was initiated by the Beale review of Australian Biosecurity in 2008. Pork AEMIS was adopted in the pork industry whereby AQIS Authorised Officers (AAO) perform inspection functions under the supervision, control and verification of the government On Plant Veterinary Officer (OPVO). The new AEMIS model is underpinned by the Product Hygiene Index (PHI), an objective measure of meat wholesomeness that consists of a number of Key Performance Indicators (KPIs) that correspond to visual and microbial contamination of meat. The PHI incorporates plant data and data from independent AQIS verification checks. Data capture and reporting for the PHI have been in place since 2011, however the PHI calculations have undergone several changes since then.

To validate the Pork AEMIS model, the project aimed to elucidate differences in PHI and carcass microbiology between the previous meat inspection systems; the Meat Safety Enhancement Program (MSEP) - where company staff performed post mortem meat inspection under OPVO supervision and verification - and traditional government inspection (non MSEP) where government meat inspectors performed post mortem inspection. There was shown to be considerable overlap between MSEP and non-MSEP plants and variability in a plant's PHI over time, however, in the case of the ESAM and baseline data sets, there did not appear to be a clear delineation between MSEP and non-MSEP plants.

While, at times, there can be considerable differences between the plant and AQIS PHIs, these differences were found to be the result of differences in Meat Hygiene Assessment (MHA) only. For some plants there was close alignment between plant and AQIS PHIs and for all plants, monthly changes in PHI over time mimic the same trends. In addition, there did not appear to have been a consistent improvement or decline in PHI (plant or AQIS) for the two non-MSEP plants as a result of moving to the Pork AEMIS model. Effective meat inspection and process verification systems assist the pork and red meat industries to deliver safe and wholesome meat and enables market access, both of which are of primary importance to the pork industry. In this project, little evidence was found to indicate differences in hygiene and process control performance between non-MSEP and MSEP plants.

4.5.3 Strategy 3 – Government Policy and Compliance Requirements

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Government Policy & Compliance Requirements	Climate change and sustainability	Carbon farming methodology developed	Completion of carbon farming methodology	Completed	Completed
	Issues and emergency management	Conformance with APIQ [✓] ® traceability standards	Ratio of major and critical traceability CARs against number of total sites audited	Establish baseline	Baseline established
		Minimal disruption to trade	Ratio of the number of market closures as a proportion of potential market closures	0:3 ratio	0.3

KPI Table: Core Objective 4 Strategy 3 - Government Policy & Compliance Requirements

Background

With the increasing focus on climate change, coupled with rising government and community concern both domestically and internationally, environmental sustainability has become a critical priority for the industry. Improving on-farm resource efficiency and farming adaptability and capacity, and verifying the industry's carbon friendly climate change credentials and environmental sustainability are the cornerstones of this strategy.

Effective issues and emergency management are also integral to retaining confidence in the Australian pork industry and our product, to safeguard our markets and competitiveness, and to shape our standing in the community and with government.

Achievements/Outcomes

Program 1 – Climate change and sustainability

APL provides input and advice concerning government policy on climate change, as well as working with producers, livestock sectors and state farming organisations on a range of state environmental issues, including regulatory and planning and policy issues.

APL made representations to the NSW Government concerning amendments to the NSW Protection of the Environment Legislation Amendment Act 2011. APL's active intervention prompted clarifications from the NSW Minister for the Environment and the NSW Environmental Protection Authority as to how holders of an environment protection licence would be required to monitor and report environmental impacts.

APL worked closely with the Australian Lot Feeders Association on Coal Seam Gas (CSG) to ensure producers are not adversely impacted by CSG activity. APL made submissions and representations on the debate in Queensland and New South Wales, and to the review by the Australian Government Senate into Coal Seam Gas and Large Coal Mining Development. APL raised concerns that the CSG industry may

irreversibly affect the quality, quantity and flow of ground water in affected regions unless appropriately regulated by State Governments, while also ensuring decisions and regulations have a scientific basis.

APL is also an active participant of the Sustainable Agriculture Initiative (SAI) Platform, which involves stakeholders along the agriculture, food and beverage supply chain, providing an opportunity for the sharing of knowledge and learning and collaboration on projects with a focus on agricultural production systems, water and customers and consumers.

Climate change and environmental sustainability

APL has worked across all pig producing states, engaging and assisting producers and government on a number of environmental, regulatory, planning and policy issues. Over the past 12 months, a number of significant achievements have occurred. APL has undertaken considerable work in relation to the Carbon Tax, including modelling with the Australian Farm Institute (AFI) of expected impacts on producers, and exploring potential opportunities to reduce impacts on the industry through the Carbon Farming Initiative (CFI) and Clean Energy Futures program.

The Australian pork industry was the first industry to have a methodology endorsed and approved by the Domestic Offsets Integrity Committee (DOIC) for the CFI in Australia. The methodology titled '*Destruction of methane generated from manure in piggeries*' was developed by APL in conjunction with the Department of Climate Change and Energy Efficiency (DCCEE) and a technical working group made up of industry experts. The methodology contains the requirements for implementing and monitoring Greenhouse Gas (GHG) abatement in order for producers to generate carbon credits. APL has also liaised extensively with DCCEE, the Department of Agriculture, Fisheries and Forestry (DAFF) and the Clean Energy Regulator on various aspects of the CFI process.

APL has successfully led a manure management research consortium bid, worth \$6.19 million, with \$2.97 million funded under the Australian Government's Carbon Farming Futures program '*Filling the Research Gap*'. The program now known as the National Agriculture Manure Management Program (NAMMP) was developed and supported by the intensive livestock rural Research and Development Corporations (RDCs) and included Meat & Livestock Australia (MLA), Australian Egg Corporation Limited (AECL), Rural Industries Research and Development Corporation's (RIRDC) Chicken Meat Council, and Dairy Australia (DA). The program's focus is on GHG mitigation from alternative and improved manure management systems with the aim of developing CFI methodologies and subsequent carbon credit opportunities for producers. The projects funded within the program include:

- Coordination of NAMMP (APL);
- Mitigating the GHG potential of Australian soils amended with livestock manure (Dr Sasha Jenkins, University of WA);
- Advancing livestock wastes as low emission-high efficiency fertiliser (Dr Matthew Redding, DAFF Queensland);
- Pork GHG mitigation (Eugene McGahan, FSA Consulting); and
- Poultry GHG mitigation (Stephen Wiedemann, FSA Consulting).

CCRSPI contribution

APL continues to support the cross-sectoral Climate Change Research Strategy for Primary Industries (CCRSPI) and will look to disseminate its NAMMP findings through a range of CCRSPI fora.

Innovation and uptake of best management practices

This program focused on developing research and materials to assist producers in understanding key environmental issues and implementing associated practices, strategies and technologies. Research focused on a better understanding of outdoor production systems, nutrient best practice, Envirocheck and extension of industry's environmental credentials to policy makers and regulators.

i. Making Money from Manure

Interactive workshops brought together best practice research from numerous projects to provide information to producers on by-product reuse and effluent management, interpretation of soil tests and calculation of the value of manure, nutrient budgeting and getting the most from manure - whether it is better to sell or utilise on farm - marketing and nutrient recovery. The workshops were held in Toowoomba, Lismore, Young, Bendigo, Roseworthy and Perth.

ii. Demonstrating the utilisation of spent shelter bedding

This activity will provide information on spent bedding by developing a profile of the product, establishing demand and calculating its economic value as a saleable product, especially to broadacre cropping. It will also explore its potential as a soil improver and integrate improved soil testing techniques to better predict the likelihood of crop vigour reductions and mitigating strategies. Preliminary results are indicating that spent shelter bedding is a comparable fertiliser product to spent chicken litter, with low heavy metals and good potential as a soil conditioner. Field trials and extension activities with the cropping industry are ongoing. Results and trial visits have been presented to producers at the Making Money from Manure workshop, various media releases, articles in cropping newsletters and presentations at the Australasian Pig Science Association (APSA) and Pan Pacific Pork Expo (PPPE) conferences.

iii. Development of microbial indicators of soil quality and the benefits and risks associated with applying piggery by-products to land

This activity aims to improve by-product quality by increasing the activity of beneficial microbes and developing monitoring tools and indicators to quantify the risks. To date, the project has identified that there are different risks associated with different by-products and that a range of beneficial microbes in by-products can be potentially modified. The project is in the process of developing molecular indicators.

The *Queensland sedimentation and evaporation ponds* trial aims to demonstrate that this alternative effluent management system is effective in a summer-dominant rainfall climate. Unfortunately, this project has experienced delays due to the devastating Queensland floods last year.

Sludge management for a covered lagoon at Bears Lagoon piggery is exploring options for sludge extraction and drying. Unfortunately, setbacks with pumps and the Victorian floods have delayed the finalisation of the project.

Regulator forums were successfully held in New South Wales, Queensland, Western Australia, South Australia and Victoria. The aim of the forums was to update regulators on the issues, drivers and environmental initiatives of the Australian pork industry and to discuss planning tools and resources to assist them in assessments and decision making. The full day event was attended by 48 participants from various State environmental protection authorities, Departments of Primary Industries and local councils, and was very well received.

There are three inter-related outdoor production projects under this program. These projects are looking at collecting long-term management data on an outdoor system, gathering odour, dust and noise information, developing best management practice materials and a training course. The preliminary results are indicating very low levels of odour, dust and noise. A series of fact sheets has been released and course materials developed for workshops next year. These projects are also linked to the electro-magnetic (EM) mapping project, APIQ✓[®] Free Range and National Environmental Guidelines for Outdoor Production.

Thirteen Envirocheck assessments were conducted across South Australia, New South Wales, Victoria, Queensland and Western Australia. Envirocheck is a third party assessment of how well a piggery aligns with the National Environmental Guidelines for Piggeries (2nd Edition Revised, 2010). It is envisaged that these will be developed into case studies.

The *nutrient extraction from spent bedding and pond sludge* project explored emerging technologies and economic assessment for extracting nutrients from piggery manure. A range of extraction techniques were considered for sludge and spent bedding. Results showed that these were unsuitable for different reasons. While spent bedding proved technically suitable for anaerobic digestion using a leach bed system, this research was only able to demonstrate a fair economic performance for one of the beddings tested.

Validation of environmental performance data

This project focused on the development of techniques and collection of Australian industry-specific data that can be used to validate the pork industry's credentials, enhance industry reputation and provide accurate representative data for planning, reporting, monitoring, modelling, design and development of new technologies and best practice.

i. PigBal Stage 2

This activity is a validation project of the original PigBal model that is used for designing effluent and solids systems. Following on from a literature review and expanded feed ingredient list, PigBal Stage 2 has completed a feed trial which, when analysed, will provide the industry with more accurate information on volatile solids and methane potential. Government has accepted PigBal as the model used to calculate the baseline for the CFI methodology.

ii. The Life Cycle Assessment (LCA) of waste treatment and additional pork supply chains

This activity provides further information that expands on the preliminary LCA to give us better representative industry data. This LCA included an additional three farms and explored waste treatment systems such as covered anaerobic ponds. Fact sheets were released that show alternative treatment systems can potentially reduce emissions on-farm by 62-80 per cent.

iii. PigGas

This activity has developed a farmer-friendly calculator that can calculate the emissions profile of individual piggeries and provide different scenarios to see the impact on overall emissions. The draft calculator has been developed and is currently in the process of being validated against six case studies. This project was slightly delayed due to NSW DPI staff working on the Northern New South Wales floods.

iv. Tracking nutrient in outdoor piggery systems

This activity utilises electromagnetic (EM) tracking and follows on from an initial project that indicated uneven nutrient distribution. This project expands on this data but is also looking at tracking nutrients at depth. An initial round of tracking has been completed. This project is linked to the other outdoor production best practice projects.

Case studies were developed and distributed to producers on the ten Nutrient Management and Implementation Plans developed for the *Caring for Our Country* project completed last year. A researcher forum was conducted that allowed all of APL's environmental researchers to present their findings to date and consider gaps, potential collaborations and projects for the future.

Methane mitigation

This project focuses on researching and understanding the processes, technologies and strategies in relation to mitigating GHG and utilising biogas as an alternative energy source. To do this, the project takes into account the Australian and industry specific drivers and economic viability. Performance data has been collected from two sites including the M2M site in Grantham. This performance data was utilised to develop the CFI methodology and is being used in the design of new systems. The activities collecting biogas performance data both identified issues with regulatory requirements. Following on from a review of biogas regulations that identified nonexistent or excessive natural gas supply requirements, APL has commissioned the development of an industry code of practice for the handling and use of biogas on-farm. This is being done in parallel with the New Zealand standards review of biogas on-farm.

i. Bioengineering of microbial communities

To understand the processes operating in a covered piggery pond this activity has been characterising microbes in the system and identifying optimal and sub-optimal conditions in order to maximise biogas production. The project has also looked at inhibitors and their impact on microbes and biogas production. The last results from this project are being analysed and early next year the project results, guide and log book will be made available to producers.

ii. Assessment of treatment technologies

This activity recently completed a literature review and economic modelling on a range of waste management systems that show the greatest potential to reduce emissions using a case study analysis (including CFI and Renewal Energy Certificates (RECs) modelling). An economic analysis was carried out for the systems which displayed the most potential in terms of reducing emissions and providing attractive financial returns. The economic modelling showed that the most profitable systems included the trafficable sedimentation basin with uncovered pond combination, the

Covered Anaerobic Pond (CAP) with a generator or Combined Heat and Power (CHP) unit, and the engineered digestion system with CHP. These systems all displayed high cumulative profits over the assumed ten year lifetime of the project and short payback periods.

Future biogas work such as feasibility studies and the Bioenergy Support Program has been transferred to the CRC for HIAP's Program 4. APL will continue to focus on-farm GHG emissions such as nitrous oxide mitigation.

Program 2 – Issues and emergency management

Ongoing projects in this area involving emergency preparation include FMD vulnerability; ensuring the currency of the industry's emergency plan, PorkSAFE and Issues Reference Manual; and collaborating with government and industry partners in the planning of the National Livestock Standstill Simulation Exercise. The proposed exercise will test Australia's readiness to respond to an incursion of foot-and-mouth disease, particularly during the initial stage of an outbreak.

APL is an active member of Animal Health Australia (AHA) which addresses various key areas such as Emergency Animal Disease Response Agreement (EADRA), animal disease surveillance, disease risk mitigation, livestock welfare, biosecurity and emergency response training. APL, through participation in the AHA Animal Welfare Compensation Committee, has been working with other livestock industries and government representatives to progress the issue of compensation for animals slaughtered for animal welfare reasons in an emergency animal disease response.

Working with pig producers, regulators and AHA, APL has reworked the outdated pig valuation and compensation provided in the AUSVETPLAN Valuation and Compensation Manual. These rules determine how much money producers receive as compensation when their animals are slaughtered during an emergency disease response. The new valuation and compensation rules and definitions for different classes of pigs are now under consideration. APL, through AHA, is seeking to have the proposed changes formally ratified through the proper channels.

APL also provided comment to AHA on the revisions of the AUSVETPLAN's enterprise manuals on Aujeszky's Disease, Classical Swine Fever, Swine Vesicular Disease and Transmissible Gastroenteritis. AUSVETPLAN is a comprehensive framework of manuals that sets out the various roles, responsibilities and policies to be followed by all agencies in an emergency animal disease (EAD) response. AUSVETPLAN manuals are also used for training purposes and during exercises to ensure that relevant structures and processes are in place well in advance of an EAD outbreak.

APL monitors every Free Trade Agreement (FTA) negotiation Australia is, or is potentially involved with, and makes submissions on behalf of the industry. Representations were made recently on the Australia-Malaysia FTA, the Australia-Japan FTA and the Trans Pacific Partnership.

APL made a joint submission with the Australian Dairy Industry Council to the Department of Foreign Affairs and Trade (DFAT) opposing the entry of Canada into the Trans Pacific Partnership (TPP) negotiating group at this stage. This submission is notable in that it is the first joint submission APL has made regarding trade issues, reflecting



the high level of concern in the agricultural sector regarding the TPP. The TPP goes beyond a traditional trade agreement; it will also deal with behind-the-border impediments to trade and investment. The TPP serves as a pathfinder to broader regional economic integration similar to the EU. The 11 party TPP will account for nearly 30 per cent of global GDP, and has the potential to form a basis for free trade across the Asia-Pacific region. Ultimately, the aim of the TPP negotiations is to include all 21-member economies of the Asia-Pacific Economic Cooperation (APEC).

APL made representations to DFAT on the industry's priorities on all pork lines concerning the bilateral free trade agreement Australia is negotiating with Japan. APL highlighted the restrictiveness of the existing Japanese import regime, the high levels of non ad valorem duties and the priority lines against which industry would like to see greater liberalisation, as well as the removal of the tariff rate quota.

APL participated in a Close Processed Agricultural Goods Working Group. The Working Group examined the existing close processed agricultural provisions of the Customs Act to work out how to improve access to anti-dumping measures for primary producers. Getting these provisions right is important to the pork industry to ensure industry can action antidumping measures against product dumped on the processed pork market.

Exotic disease prioritisation

Part 1 Risk assessment & simulation

The Beale Report (2008) called for livestock industries to take more responsibility for Australia's quarantine and biosecurity system, to identify hazards and develop appropriate response strategies. The objectives of this project are therefore:

- To undertake a risk assessment to prioritise the potential exotic disease hazards for the Australian pig industry;
- Develop a simulation model specifically tailored to exotic disease spread in the Australian pig industry;
- Parameterise the disease spread model via literature review, expert opinion and questionnaire surveys; and
- Target the three highest exotic disease hazards and prioritise future surveillance based on estimated epidemic size, duration and financial impact.

The final report is due in December 2013.

Part 2 Feral Pigs

An outbreak of exotic disease in feral pigs would pose a very immediate problem for the industry. As a member of key national decision-making bodies, APL would be required to rapidly opt for a potentially expensive eradication campaign or simply push for recognition of compartmentalisation of the domestic industry from feral pigs. These deliberations would be very important due to the financial implications for the pig industry. The objectives of this project were to:

- Conduct an aerial survey of feral pigs;
- Using a disease spread model, simulate likely disease spread scenarios based on the estimated population at-risk and population demographics;

- Calculate the minimum number of feral pigs that would need to be sampled to detect disease presence or to demonstrate freedom from exotic diseases that threaten the Australian pig industry, such as Classical Swine Fever, by post-hoc sampling of the simulated outbreaks;
- Investigate the influence of the spatial distribution of feral pigs, family groupings, and age and gender distributions on the methodology developed; and
- Develop a decision-making tool for APL use following the discovery of an outbreak of disease in feral pigs.

This work has been completed and useful findings from the research are that, according to simulation modelling, Classical Swine Fever will not always establish for any length of time in feral pigs in some low density areas of northern Australia. The feral pig distributions in the Kimberley appear to be on the cusp. In some years, disease may establish and spread for some time, but in other years disease may not establish. For example, in the year that aerial surveys were conducted the abundance and population structure was not sufficient to sustain infection for longer than two to three months. This was likely to be caused by a 'big wet' season, which reduced the feral pig population substantially. The simulation modelling reveals that targeted, spatially explicit surveillance around an index case is the most efficient sampling strategy. Depending on the length of time an epidemic had been progressing, the densities of herds and the prevalence of disease, as few as two herds or as many as 230 herds were required to be surveyed before an epidemic was detected.

4.5.4 Financial Summary

CORE OBJECTIVE 4 - LEADERSHIP, PREPAREDNESS, STEWARDSHIP				BUDGET		ACTUAL	
				\$3,181,255		\$3,081,967	
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Address Changing Expectations & Standards for Food Production		NON R&D			R&D		
Budget	\$231,850	\$451,354	\$683,204	\$608,962	\$143,023	\$751,985	\$1,435,189
Actual	\$178,698	\$472,258	\$650,956	\$601,072	\$64,223	\$665,295	\$1,316,251
Managing the Impacts of Regulatory Shifts							
Budget	\$168,990	\$397,160	\$566,150	\$190,000	\$52,418	\$242,418	\$808,567
Actual	\$122,051	\$486,119	\$608,170	\$195,026	\$78,630	\$273,656	\$881,826
Government Policy and Compliance Requirements							
Budget	\$4,000	\$203,671	\$207,671	\$591,661	\$138,167	\$729,828	\$937,499
Actual	\$10,953	\$129,611	\$140,564	\$572,466	\$170,861	\$743,326	\$883,890
TOTAL CORE OBJECTIVE 4 - BUDGET							
	\$404,840	\$1,052,185	\$1,457,025	\$1,390,623	\$333,607	\$1,724,230	\$3,181,255
TOTAL CORE OBJECTIVE 4 - ACTUAL							
	\$311,702	\$1,087,988	\$1,399,690	\$1,368,563	\$313,714	\$1,682,277	\$3,081,967

4.6 Objective 5 – Industry Cohesion and Responsiveness

4.6.1 Strategy 1 – Engage and Connect the Industry

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Engage and Connect the Industry	Enhance effective communication	Overall membership	Percentage of production represented by membership	96%	88%
	Growing valuable industry networks		Number and percentage of producers as APL members	450 72%	346 56%

KPI Table: Core Objective 5 Strategy 1 - Engage and Connect the Industry

Background

The speed at which the industry communicates will impact on its ability to deal with and respond effectively and efficiently to any and all issues. Alternatively, when instantaneous communication is not required, the industry benefits from face to face communication. This allows open and frank dialogue and exchange of views, ideas and principles. A balance between these two forms of communication will underpin APL's reputation as a worthy industry body for the Australian pork industry.

Achievements/Outcomes

The increase in member communication via the electronic medium of email continues to grow from 70 per cent of members in the last reporting period 2010–2011 to 86 per cent for this reporting period. This has certainly increased the immediacy of the two-way flow of information between the membership base and APL.

The project "Shaping Our Future" and the industry's voluntary move away from sow stalls continues to gather momentum with one in three sows now reported to be sow stall free, according to the industry's agreed definition of "sow stall free". This momentum is expected to continue as more and more producers obtain the go ahead from state regulators to alter their shed structures, investigate alternative methods of sow housing from industry research and development projects and as government negotiated trade-offs are agreed to around things like accelerated depreciation of on-farm assets.

Following extensive industry consultation during this reporting period, the federal government has now agreed to move forwards in regulating for an increase in the Pig Slaughter Levy. The overall increase of 90 cents will happen in three tranches of 30 cents, with the first increase coming into effect 1 July 2012.

The 2011–2012 year was the second year in the three-year membership renewal cycle. Membership has held steady in the past 12 months finishing on a total of 346 members for levy-paying producers, as against 342 for the previous reporting period. There were six notifications of cessation of membership.

Where there has been significant growth in membership has been in the Associate Corporate membership with numbers climbing from 13 to 18 and Associate Producer membership from 14 to 17 members.

Growing valuable industry networks

Fostering new capability

i. Postgraduate scholarships

Six APL supported PhD students continued their studies in 2011/12:

- Social strategies of sows in groups (Megan Verdon) – due to finish March 2014
- Metrics to benchmark stock handling (Lauren Roberts) – due to finish June 2014
- Exotic disease prioritisation (Viki Brookes) – due to finish June 2014
- Qualitative behavioural assessment (Taya Clarke) – due to finish July 2014
- Alleviation of adverse stimuli in pigs (Rebecca Wilson) – due to finish June 2014
- Traceability of pork offal and its relationship to the Pork Meat Physi-Trace Database (Natasha Kreitals) – due to finish December 2012.

ii. Undergraduate scholarships

Four Undergraduate Industry Scholarships were awarded to University of Adelaide students to undertake two to six weeks on South Australian farms:

- Rachel Sutter - five weeks at Salt Lake Bacon, Lochiel (Butch & Kerry Moses)
- Stephanie Abbott - six weeks at Top Multiplier, Bower (Gregg Bisset)
- Jessica Zemitis - three weeks at Mallee Park Piggery, Port Vincent (Greg & Diana Parsons)
- Ashleigh Coleman - two weeks at Mt Boothby, Owen/Snowtown (Andrew Johnson).

Jessica Zemitis was awarded the 2012 Ron Pollard Undergraduate Scholarship Award for her sound academic record and enthusiastic participation in her farm placement.

There was also three Undergraduate Research Scholarships awarded:

- A comparison of sow and piglet behaviour and productivity in the UMB farrowing pen compared to conventional farrowing crates (Rebecca Matthews)
- MMA risk factors and impact pre/post farrowing (Hong Yao Lin)
- Comparing the effects of incremental feed changes of gestational diets on piglet birthweight (Charles Webb).

iii. Student workshops

Thirty three APL and Pork CRC funded honours and postgraduate students attended a workshop preceding the Australasian Pig Science Association (APSA) conference in November 2011, including presentations from students on their project and a number of invited guest speakers. Another workshop was held prior to the Pan Pacific Pork Expo (PPPE) in May 2012 where 24 students were trained in *Preparing Posters for Scientific Audiences* by Dr Ian Williams. Student workshops continue to be well received and are particularly useful for students' exposure to industry. This activity is co-funded by the Pork CRC.

iv. RIRDC Investing in Youth Undergraduate Studentship Program

2011/12 was the third of four years of support for the Investing in Youth (rebranded Horizon) scholarship. Horizon aims to encourage talented students studying agricultural science or related degrees to enter careers in our sector. Sean Dickson is studying a Bachelor of Rural Science at the University of New England. He has participated in a number of industry events and undertaken two separate farm placements to help increase his industry knowledge.

v. Intercollegiate Meat Judging Competition

APL supported the Intercollegiate Meat Judging Competition held in Wagga Wagga in July 2012, and co-sponsored the University of Melbourne team which went on to win the competition. This event is a useful channel for increasing awareness of meat quality amongst potential future industry entrants.

Enabling professional networks

i. Travel awards

Five Travel Awards encouraging interaction with international colleagues in relevant fields of industry research were awarded during 2010/11:

- Maxine Rice to attend the 45th Congress of the International Society for Applied Ethology - US
- Travel assistance for visiting US meat science post graduate (Justin Johnston)
- Sara Willis to attend the Alltech Symposium and Study Tour - US, Brazil & Chile
- Alicia Wynne to attend the Gordon Research Conference for Mammary Gland Biology - Italy
- Jean-Loup Rault to attend the Annual Meeting of the International Society of Applied Ethology - Austria.

ii. Bi-annual meeting of the NSW/Victoria Pig Veterinarians Liaison Group (2010-2011)

This was a carryover project from 2010/11, which is now complete. Three meetings of the NSW/Victoria Pig Veterinarians Liaison Group were facilitated during 2010/11. There has been positive feedback from industry and government vets on the usefulness of this mechanism for sharing industry information.

iii. Australasian Pig Science Association Conference

APL was again the co-principal sponsor of APSA along with the Pork CRC. There were 262 full registrations and 38 day-delegates and 107 papers published. A record \$95,000 in sponsorship was attracted by the 2011 Committee.

4.6.2 Strategy 2 – Facilitate Rapid Uptake of Information & Technology

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Facilitate Rapid Uptake of Information & Technology	Communication and facilitation of technology adoption	Increased awareness of new information	Percent of technologies transferred	75%	70%
		Technologies adopted	Percent of technologies transferred that have been adopted	45%	35%

KPI Table: Core Objective 5 Strategy 2 - Facilitate Rapid Uptake of Information & Technology

The percent of technologies transferred and adopted as assessed by producer survey data was 70 and 35 per cent respectively and is below the target of 75 and 45 per cent. APL has initiated a number of activities to revamp this area. This includes a more tailored approach to technology dissemination, and this will be done according to stakeholder engagement plans for each pig science discipline. The use of ad hoc surveys to evaluate technology transfer and adoption is a widely used methodology to assess progress, however is a very insensitive tool. This approach will be used in a more targeted manner to better ascertain technology transfer and adoption estimates.

Background

This strategy is a major driver for the facilitation and rapid adoption of information and technology for key APL and Pork CRC projects. It will ensure the positive work being developed in the programs is communicated to industry and, where applicable, adopted on-farm to ensure maximum efficiency gains are achieved by the industry.

Achievements/Outcomes

Communication and facilitation of technology adoption

Bringing influencers together

i. APL/Pork CRC Roadshow

The 2011 Roadshow was held in October 2011 in five states (but not NSW due to other events at that time) and attracted 143 producers and industry stakeholders. The eight speaker program included information on directions for the CRC for High Integrity Australian Pork, advances in reproduction, effects of group housing during gestation on sow welfare and reproduction, learnings from value chain mapping, Nutrient Management Plan case studies, and high boar taint risk in Australia. Local speakers were invited in most states to assist with reducing cost, including grain processing and feed manufacturing technologies, innovations in feed intake R&D, 2010 Ron Collins Award winner Mark McLean spoke on Asian pork marketing, food safety of Australian pork, an update on nutrition and Improvac[®], lecithin supplementation and pork quality, Pork CRC outcomes that will make you money, an update on industry and organisational issues from APL, and US industry issues from visiting Fulbright Scholar, Hyatt Frobose. This model for industry engagement continues to receive positive feedback. This activity is co-funded by the Pork CRC.

ii. Pan Pacific Pork Expo

The 2012 Pan Pacific Pork Expo (PPPE) was held on 16-17 May on the Gold Coast. The one and a half day program included five plenary speakers and nine concurrent speakers covering topical industry issues and relevant R&D outcomes. The health workshop facilitated by Chris Richards and Associates was very well received. A total of 495 delegates attended the Expo and the trade exhibition attracted 50 exhibitors. All presentations were recorded and are available on APL's website for future reference. This activity is co-funded by the Pork CRC.

iii. Optimising Feed Efficiency Refresher Course

Funding for this project was to cover the re-scheduled Optimising Feed Efficiency Refresher Course in 2010/11 but was delayed due to the volcanic ash cloud interrupting flights. There were no additional refresher courses held in 2011/12 as planned due to many other industry events. This activity is co-funded by the Pork CRC.

iv. CHM Managers' Conference

APL supported Eugene McGahan, FSA Consulting and Sasha Jenkins, UWA to disseminate results of APL funded R&D to the CHM group's managers at their annual conference.

v. SA Industry Day

APL supported Megan Verdon to present group sow housing R&D outcomes at the SA Industry Day held in February 2012. The SA industry coordinated the program focused on group housing, optimising feed efficiency and an update from the APL Marketing Division. The seminar program was followed by a trade partnership program with commercial suppliers promoting their products and services. The day culminated with the Ronald J Lienert Memorial Scholarship Dinner where the 2012 scholarship was awarded to Emma Greenwood of the University of Adelaide.

Facilitating Technology Transfer & Adoption

i. Research report database

A digital repository has been purchased for housing all R&D related publications in a widely accessible online environment. There is work to be done in populating the repository, however it will offer a long term solution for making APL's R&D outcomes available to stakeholders and the public.

ii. Revision of Birth to Bacon Series

ACE Livestock Consulting has been directly commissioned to undertake the revision of the Wean to Sale manual in the Birth to Bacon series. It will result in a review of the two manuals: Weaning to Sale and A Producers Guide to Pig Nutrition. This activity is co-funded by the Pork CRC.

iii. Technology transfer & adoption awards

Technology transfer and adoption awards assist industry to undertake small scale applied research and to attract distinguished guests to speak at industry events.

Two Group Demonstration Awards were carried over from 2010–2011:

- Measurement of primal cut weights using the PorkScan technology
- Increasing feed conversion efficiency by reducing the bridging effect in feed silos.

Four new Group Demonstration Awards were awarded:

- Urrbrae Agricultural High School integrated livestock biogas generation and flaring
- Bi-annual meeting of the NSW/Victorian Pig Industry Liaison Group (2011-2013)
- Lactation pens
- Comparison trial for fish peptide isolate (Perfect Digest), spray dried porcine plasma and spray dried bovine plasma.

Four Distinguished Visitor Awards were awarded:

- Graeme Pope to speak in Tasmania on group housing and management of sows
- Charlie Arnot to present at AWSC seminar
- Prof John Deen to present at Bendigo producer seminar: Reducing Piggery Mortality
- Prof John Deen & Dr John Carr to present at Survivability - The Key to Success.

iv. Adoption case studies

Greg Mills of NSW DPI filmed four videos capturing technologies in the pork industry. Two producer stories were used in Pan Pacific Pork Expo (PPPE) presentations (Geordie Charles, Victoria, speaking on group housing of sows, and Tom Smith, Victoria, on biogas capture and mitigation). Footage was taken of the PorkScan carcasse measurement system and used in APL and the Pork CRC's static display at PPPE, and further footage was taken including interviews with users of the system for further PorkScan promotion.

v. PigLink & FastTrack

Costs for PigLink and FastTrack were covered by the Pork CRC, so APL funds were therefore re-allocated to other technology transfer and adoption activities, including posting the Nutrient Management Plan Case Studies document to APL members, printing of APL fact sheets on various technologies for distribution at PPPE, and assistance for the University of Melbourne to publish APL funded welfare R&D in the Journal of Animal Science.

4.6.3 Strategy 3 – Enhance the Reputation and Effectiveness of APL

Strategy	Program	KPI	Unit	2011-2012 Target	Result
Enhance the Reputation and Effectiveness of APL	Public affairs and stakeholder relations	Positive APL image	Number of media outlets and their circulation numbers that take up APL information	2,500 (audience reach of 18 million)	1,702 (audience reach of 15 million)
			Members' perception as a percentage that APL is doing a good job in getting the message out	85%	Survey not conducted until the 2012-2013 reporting period
	APL organisational capacity	Staff turnover	Percent of staff with APL less than one year	15%	14%
		Efficient alignment of the organisation to support achievement of the strategic objectives	Percentage of improvement in efficiencies in resource use	CPI less 1%	CPI less 4.3% (assisted by the one off redundancies in the previous year)

KPI Table: Core Objective 5 Strategy 3 - Enhance the Reputation and Effectiveness of APL

Background

This strategy is about identification and delivery of key messages and actions that will demonstrate to industry stakeholders (levy payers) the value of APL to the Australian pork industry. Under this strategy, the projects are designed to ensure APL's image is associated with good corporate governance; a safe and fair work place; an organisation that promotes sound environmental, animal health and welfare practices; that is publically known as a producer of a modern, wholesome, healthy, nutritious food product that is proudly recognised as Australian grown.

Achievements/Outcomes

APL organisational capability continues to be enhanced with continued implementation of efficiency measures. In January 2012 at the end of the current lease and after considering several options, the ACT staff was relocated from the Deakin office to smaller premises in Barton. The new location is more central to other industry bodies, and will result in rent savings of \$380,000 over the initial seven-year term of the lease. It has a layout designed to be more conducive to cross-divisional project teams. Continued efforts are also occurring in harmonisation across the RDCs with colocation where practical. APL shares office space in both Sydney and Melbourne with Horticulture Australia Limited at significant savings. Hosting and management services for the Council of Rural Research and Development Corporations (CRRDC), management services for PorkScan Pty Limited and payroll services for Sugar Research and Development Corporation also enable some cost recovery of fixed corporate costs.

APL's performance in the media for the 2011–2012 reporting period could best be described as solid, with a total circulation of around 15 million audience reach and just over 1,700 items in a mix of television, radio, newspapers and the internet. This outcome was mainly due to a lower volume of television coverage in the first half of 2012 dragging back the overall total television coverage for the year 2011–2012, in comparison to the previous reporting period of 2010–2011. In the previous reporting period issues such as the announcement around the phase out of sow stalls and the industry's initial backlash to a major retailer's specific requirements around production of Australian pork certainly captured wide media attention.

For this reporting period, those issues that have received consistent media coverage have been: the progress made by Australian producers around the move away from sow stalls and the progress to group housing; the carbon farming initiative and impact on industry with the introduction of the Federal Government's carbon tax; the PorkMark and the continued push for Country of Origin Labelling; and accuracy in labelling especially in association with the term "Free Range". These stories have been in concert with the pork industry's environmental initiatives in reducing the industry's carbon footprint through conversion of methane into renewable energy sources.

APL's membership activities have been reported in this Core Objective under Strategy 1, Achievements and Outcomes. The annual member survey normally conducted in May has been postponed until August 2012 with the results to be reported in 2012–2013.

Specialist Group / RDAC Meeting

A revised RD&E process was implemented in 2007-08. This new process outlined below consists of two key components including the R&D Specialist Groups and the R&D Advisory Committee (RDAC).

The Specialist Groups comprise "expert" participants from industry, research providers and APL R&I program managers, and this process is used to advise the R&D Advisory Committee on relevant research and development in the specialist area and assist the attainment of APL strategic objectives by:

- Utilising expertise within the Specialist Group to match R&D opportunities to APL strategic objectives;
- Prioritising projects and the most appropriate mode of commissioning (e.g. tender, general call);
- Alerting the RDAC to potential shortages in capability, infrastructure or resources that are impeding the pork industry's capacity to meet research and development objectives;
- Placing appropriate emphasis on technology transfer through recognition of the need for investment in the development of skills and infrastructure within the industry as a key element;
- Providing advice on opportunities for the leverage of research funds to secure additional funds; and
- Where appropriate, provide advice on the selection of research projects.



There are six Specialist Groups and these are:

- Marketing, supply chain and product quality
- Genetics, reproduction and welfare
- Nutrition, health and physiology
- Industry capability and technology transfer
- Environmental Management
- Quality assurance, bio-security and food safety.

The Chairpersons of the six Specialist Groups and the R&D Advisory Committee members, together with the CEO of APL and the GM, Research & Innovation, form the R&D Advisory Committee (RDAC). The primary function of the RDAC, on behalf of the APL Board, is to give direction to activities around the development, management, performance and outcomes of APL's research and associated activities through identification of research needs and opportunities as advised through the Specialist Groups, allocation of resources to specific areas of research and research projects through the Specialist Groups, and assessment of performance of the project portfolio and APL's research management.

Benefit Cost Analysis

Levy payers and other investors in APL projects are entitled to know whether their investments in R&D are yielding adequate returns and that there are appropriate processes for project selection, as well as the success or otherwise of the projects after their adoption by producers or other targeted stakeholders. During the 2011 / 2012 year, APL conducted 20 project ex-post analyses with an average BCA 6.5:1. APL continues to improve its pre-project benefit cost analysis (ex-ante BCA) in a way that is consistent with the needs of the RDC's as a total group, but that also contributes specifically to the pork industry by allowing us to choose the most appropriate areas for investment.

The focus at APL R&D over the last three years has been to revamp our R&D process to maximise the return on producer levy investment, and the revised system certainly works at so many different levels. As an investment model, every APL R&I \$1.00 spent leverages approximately \$3.00 in cash/in-kind. This leverage equates to \$6.00 if we take the Pork CRC funding into account.

OmniPig Project Management System

The online project management system created by Fisheries Research and Development Corporation (FRDC) and FI Solutions for APL has now been fully implemented in the R&I Division.

4.6.4 Financial Summary

CORE OBJECTIVE 5 - INDUSTRY COHESION & RESPONSIVENESS				BUDGET		ACTUAL	
				\$2,330,379		\$2,384,771	
STRATEGY	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Engage and Connect the Industry		NON R&D			R&D		
Budget	\$46,500	\$10,775	\$57,275	\$454,020	\$74,855	\$528,875	\$586,150
Actual	\$45,397	\$16,107	\$61,504	\$423,863	\$92,774	\$516,636	\$578,140
Facilitate Rapid Uptake of Information and Technology							
Budget	\$0	\$0	\$0	\$152,000	\$205,655	\$357,655	\$357,655
Actual	\$0	\$0	\$0	\$134,290	\$283,517	\$417,807	\$417,807
Enhance the Reputation and Effectiveness of APL							
Budget	\$253,750	\$45,082	\$298,832	\$477,750	\$609,992	\$1,087,742	\$1,386,574
Actual	\$226,667	\$87,916	\$314,583	\$588,802	\$485,439	\$1,074,240	\$1,388,824
TOTAL CORE OBJECTIVE 5 - BUDGET							
	\$300,250	\$55,856	\$356,106	\$1,083,770	\$890,503	\$1,974,273	\$2,330,379
TOTAL CORE OBJECTIVE 5 - ACTUAL							
	\$272,064	\$104,023	\$376,087	\$1,146,955	\$861,729	\$2,008,684	\$2,384,771

4.7 Overall Financial Summary by Core Objective

SUMMARY				BUDGET		ACTUAL	
				\$16,147,320		\$16,005,111	
CORE OBJECTIVE	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Build Consumer demand		NON R&D			R&D		
Budget	\$3,614,000	\$1,579,419	\$5,193,419	\$983,176	\$886,627	\$1,869,803	\$7,063,222
Actual	\$3,278,494	\$1,593,289	\$4,871,783	\$1,093,156	\$1,032,266	\$2,125,422	\$6,997,205
Viable Productive Farms							
Budget	\$0	\$0	\$0	\$2,152,032	\$619,860	\$2,771,892	\$2,771,892
Actual	\$0	\$0	\$0	\$2,095,688	\$625,896	\$2,721,584	\$2,721,584
Efficient Value Chains							
Budget	\$0	\$0	\$0	\$271,000	\$169,362	\$440,362	\$440,362
Actual	\$0	\$0	\$0	\$248,120	\$199,219	\$447,339	\$447,339
Leadership, Preparedness, Stewardship							
Budget	\$404,840	\$1,052,185	\$1,457,025	\$1,390,623	\$333,607	\$1,724,230	\$3,181,255
Actual	\$311,702	\$1,087,988	\$1,399,690	\$1,368,563	\$313,714	\$1,682,277	\$3,081,967
Industry Cohesion & Responsiveness							
Budget	\$300,250	\$55,856	\$356,106	\$1,083,770	\$890,503	\$1,974,273	\$2,330,379
Actual	\$272,064	\$104,023	\$376,087	\$1,146,955	\$861,729	\$2,008,684	\$2,384,771
Unallocated							
Budget	\$0	\$109,462	\$109,462	\$0	\$250,748	\$250,748	\$360,210
Actual	\$0	\$96,805	\$96,805	\$0	\$275,440	\$275,440	\$372,245
TOTAL BUDGET	\$4,319,090	\$2,796,922	\$7,116,012	\$5,880,601	\$3,150,707	\$9,031,308	\$16,147,320
TOTAL ACTUAL	\$3,862,260	\$2,882,104	\$6,744,364	\$5,952,482	\$3,308,265	\$9,260,747	\$16,005,111



4.8 Reporting Obligations

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

4.8.1 Material Variations to Budget

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

4.8.2 Funds Spent on Research and Development Activities

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

4.8.3 Funds Spent on Marketing and Strategic Policy Development Activities

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

4.8.4 Funds Spent on National and Rural Research and Development Priorities

Funds spent on national and rural R&D priorities are listed in Appendix D.

5 Meeting Industry and Government Priorities

5.1 Alignment with the Rural Research and Development Priorities

DAFF's Rural R&D Priorities are consistent with, and reflect, the Federal Government's National Research Priorities, which are:

1. An environmentally sustainable Australia
2. Promoting and maintaining good health
3. Safeguarding Australia.

5.1.1 Funds Spent on National and Rural Research and Development Priorities

APL's response is to enhance the productivity and profitability of the pork industry.

Progress in 2011–2012

APL has commissioned a number of projects and activities that address this priority. These include:

- Defining inherent health & nutrition attributes of pork
- Enhancing piglet survival
- Pork RD&E Strategy (experimental base fund allocation)
- CRC for High Integrity Pork contribution
- AUSPIG performance modelling
- Enhancing grower finisher pig feed conversion
- Animal Welfare - PigCare
- Shaping Our Future - Stage 2 Implementation, Desktop Review & Environment
- Redefining sow housing
- Developing methodology to assess welfare
- Survey Transport Mortality
- Methodology to assess stockperson skills
- Electronic Applications – producer newsletters etc
- CRRDC Activities
- AGM & Conference
- Annual industry survey
- Industry Events
- Enabling Professional Networks
- Facilitating technology transfer and adoption
- Bringing Influencers Together.



A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.2 Supply Chain and Markets

APL's response is to work with members in key supply chains to identify, commission and help implement the results of research that will improve competitiveness, product quality and returns to levy payers.

Progress in 2011–2012

APL has commissioned a number of activities that address this priority. These include:

- Market Research & Insights
- Understanding & leveraging social media
- CRC for High Integrity Pork contribution
- Selection For Carcase Quality
- Enhancing supply chain efficiency
- Animal welfare and environment community engagement
- Community Awareness and Food Production
- Australian pork industry socio-economic study.

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.3 Natural Resource Management

APL's response is to develop and promote good agricultural practices that enable pork producers to better protect Australia's natural resources.

Progress in 2011–2012

APL has commissioned a number of activities that address this priority. These include:

- CRC for High Integrity Australian Pork contribution
- Feedgrain Partnership group
- Validation of industry environmental data
- Innovation and Uptake of Best Management Practices (BMPs).

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.4 Climate Variability and Climate Change

APL's response is to build resilience to climate variability and enable the pork industry to adapt to and mitigate the effects of climate change.

Progress in 2011–2012

APL has commissioned a number of activities that address this priority. These include:

- CRC for High Integrity Australian Pork contribution
- Innovation and uptake of environmental best management practices (BMPs)
- Manure management and GHG mitigation
- Climate Change Research Strategy for Primary Industries (CCRSPI).

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.5 Biosecurity

APL's response is to work with government agencies and other stakeholders responsible for biosecurity to ensure the pig industry's needs are addressed.

Progress in 2011–2012

APL has commissioned a number of activities that address this priority. These include:

- Ensuring product integrity (Physi-Trace)
- Food Safety R&D activities
- Exotic Disease R&D activities
- Emergency Management - Industry Liaison Officer (ILO) Training.

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.6 Innovation Skills

APL's response is to maintain a viable scholarship program to attract new professionals to the pork industry and provide training opportunities for industry consultants, piggery managers and their staff to reduce staff turnover and promote innovation.

Progress in 2011–2012

APL has commissioned a number of activities that address this priority. These include:

- CRC for High Integrity Pork contribution
- Building Technical Capacity
- Promoting Leadership.

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.7 Technology

APL's response is to provide technologies relevant to all sectors of the value chain to enhance profitability and sustainability.

Progress in 2011–2012

APL has commissioned a number of activities that address this priority. These include:

- CRC for High Integrity Australian Pork contribution
- PorkScan carcass classification system
- Physi-Trace traceability system
- Pig biogas mitigation
- Novel feed ingredients
- Developing methodology to assess welfare.

A description of the above projects is provided under the APL Core Objective achievements reports.

5.1.8 Rural R&D Priorities – Expenditure

Funds spend on national and rural R&D priorities are listed in Appendix D.

5.2 National Primary Industries Research, Development and Extension Framework

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

Pork R,D&E facilities:

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

Pork R,D&E programs:

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

The cost efficiencies as a result of base funding of core R,D&E facilities are very significant. A costing comparison for 17 (13 projects conducted in base funded R,D&E facilities) Grower/Finisher Cost Reduction projects was recently conducted. On average, the cost of projects in base funded facilities was \$28,405 compared to \$92,460 for projects not conducted in base funded R,D&E facilities.

The funding of core R,D&E facilities has also meant that these key R,D&E facilities are used to their full potential. This also ensured that scientists will be able to focus on delivering the research programs that will enhance the sustainability of the pork industry rather than having to constantly worry about securing funding for their key technical staff. Scientists currently not linked to a pork R,D&E facility have been able to conduct their research at an appropriate site. The timeliness of research conducted has also been enhanced. A number of production focused R&D projects have been conducted in commercial facilities rather than first being conducted in 'discovery sites' and then 'trialled' at commercial facilities.

One of the queries raised by researchers during the development of the Pork R,D&E Strategy was the potential for this strategy of base funding R,D&E facilities to stifle collaboration. On the contrary, the base funding arrangements and access to facilities has not stifled collaboration or the inclusion of new researchers and/or organisations in the R&D process. Without exception the base-funded facilities have been extensively used by researchers and students from other organisations and it is generally understood by researchers what is available and generally expected that this is where the majority of R&D and training should be conducted.

A review of R,D&E requirements for APL and the Pork CRC was conducted in July/Aug 2011 and this has required some change to infrastructure requirements for the second implementation cycle of the Pork R,D&E Strategy. The R,D&E infrastructure providers are now signed on for the next two years. DEEDI/University of Queensland has been omitted going forward and replaced with University of Melbourne. This relates to the supply of metabolism study facilities and a mobile Dual Energy X-ray Absorptiometry (DXA) machine to assess carcasse composition.

APL continues to be actively engaged with the development and implementation of cross-sectoral strategies, including climate change and animal welfare that have been endorsed by Primary Industries Standing Committee (PISC). APL is the contracting party for all Animal Welfare R,D&E Strategy projects. APL is also actively involved in the development of cross-sectoral strategies for biosecurity and food and nutrition.

6. Collaboration and Evaluation

6.1 Pork Industry Consultation

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

The major consultation effort for 2011–2012 was around the proposal to increase the pig industry marketing levy. This included electronic and written communications, face-to-face producer meetings and media articles.

The APL Delegate process helps to ensure that the views of as many pork producers as possible are fed into the annual and strategic planning processes for the organisation, increasing the relevance of the efforts being undertaken on behalf of the industry.

6.2 Supply Chain Engagement

The Pork Processor Referral Group (PPRG) was established in 2010 to provide coordinated processor input into the establishment of R&D priorities, and to improve coordination of processor positions on key issues. The PPRG includes representation from all pork export abattoirs. Key areas of focus of the PPRG in 2011–2012 included: export certification reform and the acceptance of a revised meat inspection model which recognises improvements in pork abattoir hygiene performance over time; adoption of the results of food safety research; and development of a minimum cost sampling protocol under the Physi-Trace project.

APL's channel management structure facilitates contacts with key parts of the supply chain, including major retailers, butchers and the food service industry. Our marketing efforts are supported through the direction of the Board Market Development Committee, with external representatives of key supply chain players participating.

6.3 Government Meetings

At a high level, APL's CEO and Chair met with senior government officials on a regular basis to keep them up to date with significant industry happenings and to discuss future policy issues and challenges. Those meetings during the 2011–2012 financial year included:

- A number of meetings with the Federal Minister for Agriculture, Fisheries and Forestry, Senator the Honourable Joe Ludwig in compliance with the requirements of the Statutory Funding Agreement and to discuss general industry issues;
- Participation in the Federal Minister's Land Sector Working Group looking into carbon tax and CFI issues for the rural sector through APL's Chairman, Enzo Allara;
- Meetings with various representatives of DAFF regarding six monthly reporting, the National Food Plan, Biosecurity Advisory Council, consultations on the Productivity Commission report on rural RDCs, GVP issues, levy increase proposal issues and others;

- Participation in Senate Committees to give evidence on behalf of the industry, including Senate Budget Estimates, Senate Inquiry into Food Processing and the Senate Inquiry into Biosecurity and Quarantine Arrangements;
- Meetings with state Primary Industries Minister (Queensland), and state Shadow Ministers (Queensland and New South Wales) regarding the “Shaping Our Future” sow stall phase out initiative; and
- Other meetings with federal or state based independent and Greens Party representatives mainly around industry welfare initiatives including Shaping Our Future.

6.4 Inter-Organisational Committees

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

- Animal Health Australia Industry Forum
- Foot and Mouth Disease Management Advisory Committee
- Emergency Animal Disease Animal Welfare Compensation Committee
- Australian Meat Industry Language and Standards Committee
- Australian Animal Welfare Strategy Livestock Working Group
- Animal Welfare Science Centre Advisory Committee
- Export Meat Industry Advisory Committee
- Australian Meat Industry Council
- Sustainable Agriculture Initiative Platform
- Tax Office Primary Production Industry Partnership
- Council for Rural Research and Development Corporations
- International Meat Secretariat
- Land Sector Working Group
- Carbon Farming Initiative Implementation User Group
- Australian Food and Grocery Council
- SafeMEAT Executive and Partnership
- Cooperative Research Centre for High Integrity Australian Pork
- Australian Farm Institute
- Sub-Committee on Emergency Animal Disease Swill Feeding Working Group
- The Industry-Government Working Group on Foot and Mouth Disease
- Close Processed Agricultural Goods Working Group.

6.5 Commercialisation

In 2011–2012, APL did not create any subsidiary companies. APL continues its participation in PorkScan Pty Limited, the company set up to commercialise carcass measurement technology and APL has two directors 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 arising are disclosed in Note 18 to the financial statements.

6.7 Cross-Sectoral Initiatives

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

APL is a key member of the Cross-Sectoral Feed Grain R&D Partnership, which also includes GRDC, DA, MLA, AECL and the Pork CRC, to ensure feed grain R&D continues to be a focus for both the GRDC and grain growers, and that the group identify and address key feed grain R&D priorities. The Feed Grain Partnership continues its role as a focal mechanism for the major organisations and companies in the feed grain industry, to provide whole of supply chain guidance to the different agencies.

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

Animal Welfare R,D&E strategy: APL has played a key role in the development of this strategy and is a member of the Animal Welfare R,D&E Steering Committee. This strategy has been approved by PISC and has just commenced its first implementation phase.

Animal Biosecurity R,D&E strategy: This strategy is still in the development phase and APL is a member of the Steering Committee overseeing this development.

Food and Nutrition R,D&E Strategy: This strategy is still in the development phase and APL is a member of two working groups chartered to develop the overall strategy. These working groups include Technology Transfer and Food, Nutrition and Health.

APL has successfully led a manure management research consortium bid worth \$6.19 million with \$2.97 million funded under the Australian Government's Carbon Farming Futures program 'Filling the Research Gap'. The program, now known as the National Agriculture Manure Management Program (NAMMP), was developed and supported by the intensive livestock rural Research and Development Corporations (RDCs) and included Meat & Livestock Australia (MLA), Australian Egg Corporation Limited (AECL), Rural Industries Research and Development Corporations (RIRDC), Chicken Meat Council and Dairy Australia (DA). The program's focus is on GHG mitigation from alternative and improved manure management systems with the aim of developing CFI methodologies and subsequent carbon credit opportunities for producers.

6.8 Efficiency Enhancement

APL continues to implement efficiencies at an office operational level, enabling corporate costs to stay well below CPI inflation levels. Paperless systems, application of information technologies, automation of processes and a new office environment have all been implemented during this current year and we will continue to challenge ourselves to find new ways to continue this trend. As reported above, some cost recovery of corporate costs has again occurred. Existing capacity has been leveraged by providing external services to the Sugar Research and Development Corporation and Council of Rural Research and Development Corporations as well as APL subsidiary PorkScan Pty Ltd. Additionally, both tangible and intangible benefits have occurred due to the co-location of the NSW and Victorian state based employees with Horticulture Australia Limited.

6.9 Evaluation of Outcomes for Industry and the Community

APL's culture of performance on behalf of our industry demands that we measure and report against agreed objectives. This happens at a number of levels.

The APL Strategic Plan 2010-2015 contains various KPIs with targets over the strategy period. These targets (amended where necessary) are annually reflected in the Annual Operating Plan and through the detailed divisional planning into individual annual objectives. These KPI targets are reported against at regular intervals throughout the year at Board meetings (and are reported in this document under the Core Objective Reporting Section 4).

Additionally, at a project or program level cost benefit analyses (CBAs) are conducted on an ex-ante and ex-post basis to both ensure the best possible investment decision-making process and test the quality of our assumptions behind project and program decisions. Ultimately, the CBAs are measuring benefit to industry of the activities of APL and are thus reported to industry. Some of these CBAs are included within the annual research and development evaluation process conducted by the CRRDC. The results of these CBAs have been referenced at various points within this Annual Report.

7. Statutory Reports

7.1 Director's Report

Your directors present their report for the year ended 30 June 2012.

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.

Elected Directors



Mr Paul Pattison

(Retired November 2011)

Mr Pattison is the Managing Director of Rivalea (Australia) Pty Ltd; a vertically integrated business which incorporates grain production, pig farming, stockfeed milling, slaughter, processing and boning, and pork sales of both carcasses and boned meat including moisture infused, shelf-ready, branded products. Mr Pattison is Chair of Diamond Valley Pork Pty Limited and was a member of the Board's Animal Welfare and Quality Assurance Committees.



Mr John Coward

Mr Coward has 41 years of experience across all facets of meat processing and animal production including extensive training and knowledge in veterinary public health with a focus on pigs, backed up with 10 years of experience as Managing Director of Swickers Kingaroy Bacon Factory. He has performed a number of roles including a period as Chairman of Burnett Pork Alliance (BPA) and as Manager of the fresh meat division of Hans Continental Smallgoods. Mr Coward is currently President of Pork Queensland Inc. representing Queensland pig farmers and is the Coordinator for Woolworths Supermarkets preferred supply group (PSG). Mr Coward is a member of the Board's Quality Assurance and Animal Welfare Committee and chairs the biannual Pan Pacific Pork Expo Committee.



Mr Andrew Johnson

(Appointed 17 November 2010)

Mr Johnson is currently owner/manager of Mt Boothby Pastoral Company, a mixed family farming operation comprising a 1800 sow farrow-to-finish operation in the mid-north and south-east regions of South Australia. With twenty-two years experience in the pork industry, Mr Johnson has been active in assisting and educating family farms with modern production methods. He was the 2004 Nuffield Scholar and, in addition, successfully completed the "Challenge of Rural Leadership" Worshipful Company of Farmers UK. Mr Johnson is a current APL Delegate and enjoys the challenges confronting family farms aspiring to a viable and sustainable future. He is also a Director of Australian Nuffield Farming Scholars Association and is the Chair of the Board Quality Assurance and Animal Welfare Committee and the National Livestock Identification System Advisory Group.



Mr Aeger Kingma

BBus(Acc), DipEd

Mr Kingma has been involved in the Australian pig industry for the past 23 years. He was past President of the Victorian Farmers' Federation Pig Group (2002-04 & 2007) and is currently part owner/manager of Gunpork Joint Venture. Mr Kingma is on the Board's Audit, Risk and Corporate Governance Committee and chairs the Human Resource & Remuneration Committee.



Mr Neil Ferguson

(Retired November 2011)

Mr Ferguson is the Chief Executive Officer of Westpork Pty Ltd, a commercial pig producer based in Western Australia. Westpork farms encompass a combination of Intensive and Free Range facilities. Neil is currently Chairman of the Agriculture Produce Commission – Pork Committee and is on the committee of Pork Training WA. Mr Ferguson was a member of the Board's Audit, Risk and Corporate Governance and Quality Assurance Committees.



Dr Brian Luxford

(Elected November 2011)

Dr Luxford has been employed at Rivalea, the largest Australian pork producer, since 1988 and has managed the company's Research and Innovation for the past 11 years. 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. Over the period, Dr Luxford has also served as an APL Delegate and served on a number of APL research committees. He currently chairs the Genetics, Welfare and Reproduction Advisory Group and was a member of both the Pork CRC steering committees and is 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 is a member of the Board's Audit, Risk and Corporate Governance Committee and was coopted to the Human Resource & Remuneration Committee for one meeting during discussions on the current specialist director rotations/retirements.



Mr David Plant

(Elected November 2011)

As General Manager of Monogastric production and a member of the Executive Board for Milne AgriGroup, Mr Plant is responsible for budgeting, profitability and strategic development of their pigs, chicken and turkey 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 30 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. Through value chain analysis work with major retailers including Tesco in the UK, he has a good knowledge of supply chain management. Mr Plant has been an APL Delegate for three years and with his passion for the pig industry and knowledge of high welfare production systems was elected as a panel member to the Extensive Producers Committee. Mr Plant is also a Director of Harvey Pork Gourmet Foods. His passion for quality food led to the creation of a regional- based gourmet food business supplying independent retail and quality butchers. Mr Plant is a member of the Board's Quality Assurance and Animal Welfare Committee.

Specialist Directors



Mr Enzo Allara AM (Chairman)

FSA, 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 spent with the Unilever Group of companies. His previous roles have included Chairman CPC/ AJI Asia in Hong Kong and Chairman of Unilever Australasia. He is currently Chairman of Foodbank Australia and a Director of Swickers Kingaroy Bacon Factory Pty Limited and Foodbank Victoria. He has served on numerous Industry and Government bodies including the Prime Minister's Supermarket to Asia Council and as Chairman of the Australian Food and Grocery Council. Mr Allara chairs the Board's Market Development Committee and is also on the Human Resource and Remuneration Committee. In June 2012 Mr Allara was awarded Member in the general division in the Order of Australia (AM) for service to the community through executive roles with Foodbank Australia for services to the food manufacturing and processing industry.



Professor Robert van Barneveld

BAgrSc (Hons) PhD, RAnNutr, FAICD

Prof van Barneveld is a Consultant Research Scientist specialising in nutrition of pigs, poultry and fish. He has been actively involved in the pork industry for the past 22 years and has a range of current roles including General Manager of the CHM Alliance Pty Ltd. He is a Director of the Pork CRC Ltd, a non-Executive Director of the Ridley Corporation, a past President of the Australasian Pig Science Association and is currently Chairman of the Board of Autism Queensland Inc and PorkScan Pty Ltd. Prof van Barneveld holds adjunct Professor status at the University of New England. He has been awarded the Australian Society of Animal Production Young Scientist Award, the Batterham Memorial Award and the Nutrition Society of Australia Research Award. Prof van Barneveld chairs the Board's Research and Development Advisory Committee and is a Fellow of the Australian Institute of Company Directors.



Mrs Kay Carey

BComm

Mrs Carey has extensive experience in marketing and management, previously holding various senior positions including Brand Development Director Unilever Australasia, Food Director Unilever Indonesia and Chairman Unilever Singapore and she was an independent member on the Board of Peter Lehmann Wines. Currently, Mrs Carey manages the Co-op Scholarship Program at the University of NSW. 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 CoINVEST Ltd, a Director of Navy Health Ltd and a Council Member of Deakin University. She is also a member of the Department of Primary Industries Victoria Audit and Risk Management Standing Committee. Previously she has held positions as 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, she 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.

Company Secretary



Mrs Christine Quick

DipBus (Acc), GAICD

Mrs Quick has acted as company secretary since November 2005. She is responsible for financial management and reporting, human resource and payroll, internal policies and procedures, information communication technology, office administration, company secretarial and corporate governance assistance to the Board and CEO, and Board and Audit Committee reporting.

Mrs Quick commenced with APL in June 2003 as Finance Manager and acted as Chief Financial Officer for five months in 2004 and again from April to November 2005 at which time the Board endorsed her promotion to General Manager, Finance and Administration and Company Secretary.

Prior to commencing with APL she spent several years working in private practice in taxation and business services, before being appointed National Finance and Administration Manager for the Australian Property Institute.

Mrs Quick has a Diploma of Business (Accounting), is a Graduate of the Australian Institute of Company Directors and is part way through the Bachelor of Business (Accounting) degree. She is also Company Secretary for PorkScan Pty Limited.

Directors Meetings

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

Directors	Board of Directors	Audit and Corporate Governance Committee	Human Resource and Remuneration Committee
Mr Neil Ferguson	3 (3)	3 (3)	
Mr John Coward	7 (7)		
Mr Andrew Johnson	7 (7)		
Mr Aeger Kingma	7 (7)	4 (4)	5 (5)
Prof Robert van Barneveld	7 (7)		
Mr Enzo Allara	6 (7)		4 (4)
Mrs Kay Carey	6 (7)		
Mr Paul Pattison	3 (3)		
Mrs Kathy Grigg	7 (7)	4 (4)	5 (5)
Dr Brian Luxford	4 (4)	1 (1)	1 (1)
Mr David Plant	4 (4)		

Directors	Quality Assurance and Animal Welfare Committee	Research and Development Committee	Market Development Committee
Mr Neil Ferguson			
Mr John Coward	2 (2)		
Mr Andrew Johnson	2 (2)		
Mr Aeger Kingma			
Prof Robert van Barneveld		2 (2)	
Mr Enzo Allara			0 (2)
Mrs Kay Carey	2 (2)	2 (2)	2 (2)
Mr Paul Pattison			
Mrs Kathy Grigg		2 (2)	
Dr Brian Luxford		1 (1)	
Mr David Plant	2 (2)		

Mr Neil Ferguson retired at the 2011 Annual General Meeting. His last board meeting was 15 November 2011.

Mr Paul Pattison retired at the 2011 Annual General Meeting. His last board meeting was 15 November 2011.

Dr Brian Luxford was elected director at the 16 November 2011 Annual General Meeting. His first board meeting was 16 February 2012.

Mr David Plant was elected director at the 16 November 2011 Annual General Meeting. His first board meeting was 16 February 2012.

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

Indemnification and Insurance of Directors and Officers

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

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

The Association Liability policy indemnifies the directors and officers of Australian Pork Limited and the former directors and officers of Australian Pork Corporation, Pig Research & Development Corporation and Pork Council of Australia Limited. The indemnity extends to civil liabilities. Disclosure of the amount of the premium paid is prohibited by the insurance contract.

Review of Results and Operations

Results

The company's eleventh year of operation resulted in an operating surplus of \$215,453 (2011: deficit of \$1,180,616). The level of reserves held at 30 June 2012 is above the minimum level required.

Operations

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

Long and Short-Term Objectives

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

APL's primary funding is derived from statutory pig slaughter levies collected under the Primary Industry (Excise) Levies Act 1999. The levy amounts to \$2.525 cents per carcass levy at slaughter, of which APL receives \$2.35, consisting of \$1.35 for marketing activities and \$1.00 for research and development. The remaining 17.5 cents is for the Pig Monitoring Residue Program, which is received and managed by the National Residue

Survey (NRS). Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture, Fisheries and Forestry.

The levy received by APL has been the same since 1994 when it was introduced. This levy will increase by \$0.90 per slaughter pig from 1 July 2012, over three stages of \$0.30 each introduced two years apart. This is particularly applicable to what is termed the "Marketing Levy" which is used for those activities not qualifying as research and development under the Government's definitions. This increase will secure APL's ability to provide valuable industry services and benefits. These industry services and benefits include enhancing opportunities for the sustainable growth of the Australian pork industry by delivering integrated marketing, innovation and policy services through the pork industry supply chain.

APL works 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.

Strategy to Achieve Objectives

The current 2010 - 2015 Strategic Plan was put together after consultation with all stakeholders during 2009. This strategic plan took effect from 1 July 2009 and is reported against in the 2011-2012 Annual Report.

There are five key core objectives making up the Strategic Plan 2010–2015:

1. Build Consumer Demand
2. Viable, Productive Farms
3. Efficient Value Chains
4. Leadership, Preparedness, Stewardship
5. Industry Cohesion and Responsiveness.

The Link between the Operations and the Company's Objectives

APL's operational activities are designed for consistency with the Strategic Plan, and to improve our chances of success with respect to the strategic objectives. For each core objective, APL has a number of identified industry outcomes it is targeting, as follows:

1. Build Consumer Demand

- Increased frequency of consumer purchase at retail of fresh pork
- Increased differentiation for Australian pork versus imported pork and other fresh meats in Australia
- Maintain international business.

2. Viable, Productive Farms

- Improved margin per pig
- Consistent nutrient supply and cost.

3. Efficient Value Chains

- Stronger understanding between value chain layers/components/partners
- More informed and focused value chain
- Maintain focus on producer benefit/value on-farm.

4. Leadership, Preparedness, Stewardship

- Optimum pig welfare and care
- Enhanced livestock traceability, biosecurity and animal health preparedness
- Safe food
- Robust quality assurance to build customer and regulatory confidence
- Minimal disruption to market access
- Industry preparedness for rapid response to, and effective recovery from, crisis
- Environmentally sustainable and carbon neutral industry
- Industry leadership enhances reputation for responsible practices and resource efficiency.

5. Industry Cohesion and Responsiveness

- Stronger positive recognition of the Australian pork industry
- Shared vision
- Informed industry
- Adopted technologies
- Effective APL capability.

Operationally, all of the activities of APL are directly or indirectly focused on achieving the objectives of the strategic plan.

Performance Measures and Key Performance Indicators

From the desired industry outcomes that have been identified, APL has established targets, according to key performance indicators, to measure the success in meeting the objectives set. The success of these targets for key performance indicators 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.

Significant changes in the state of affairs

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

Significant events after balance date

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

Likely developments and expected results

The company will continue to operate in accordance with the strategic objectives, goals and financial parameters as outlined in its 2010-2015 Strategic Plan. One significant influence on plans for the coming years is the increase in income for APL brought about by an increase in the pig industry levy. From 1 July 2012, APL will receive an increase in the marketing levy from \$1.35 per pig slaughtered to \$1.65, the first of three tranches of \$0.30 between now and 2016.

Environmental regulation and performance

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

Auditor Independence and Non-Audit Services

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

The following non-audit services were provided by the company's auditor, Ernst & Young:

Financial statement review -

\$2,000

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

Signed in accordance with the resolution of directors.



Mr E Allara AM

Chair

Canberra, 16 August 2012

Directors' Declaration

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

In the opinion of the directors:

- a. the financial statements and notes of the company are in accordance with the Corporations Act 2001, including
 1. giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 2. complying with Accounting Standards and Corporations Regulations 2001; and
- c. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



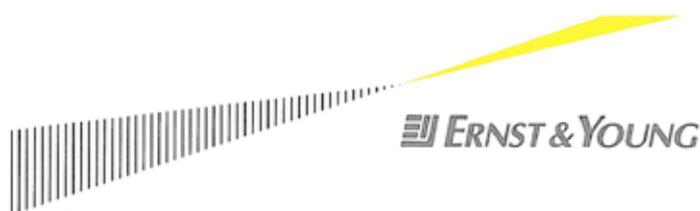
On behalf of the Board

Mr Enzo Allara

Chair

Canberra, 16 August 2012

7.2 Independent Auditor Report to members of Australian Pork Limited



121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601
Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
www.ey.com/au

Independent auditor's report to the members of Australian Pork Limited

Report on the financial report

We have audited the accompanying financial report of Australian Pork Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Liability limited by a scheme approved
under Professional Standards Legislation



Opinion

In our opinion the financial report of Australian Pork Limited 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 2012 and of its performance for the year ended on that date; and
- ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Ernst + Young

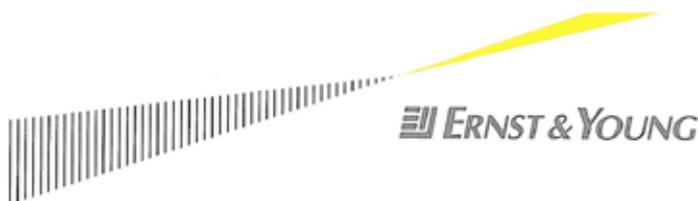
Ernst & Young

Ben Tansley

Ben Tansley
Partner
Canberra

16 August 2012

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



121 Marcus Clarke Street
Canberra ACT 2600 Australia
GPO Box 281 Canberra ACT 2601
Tel: +61 2 6267 3888
Fax: +61 2 6246 1500
www.ey.com/au

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

In relation to our audit of the financial report of Australian Pork Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Ben Tansley'.

Ben Tansley
Partner
16 August 2012

Liability limited by a scheme approved
under Professional Standards Legislation

7.4 Financial Report 2011—2012

AUSTRALIAN PORK LIMITED

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues	4	16,220,562	15,851,225
Expenses			
Research and innovation		(5,609,120)	(5,594,486)
Marketing		(6,085,049)	(6,785,075)
Policy		(1,564,247)	(1,976,354)
Board and CEO		(1,371,428)	(1,328,829)
Finance and administration		(964,736)	(904,055)
Communication		(410,529)	(443,042)
Operating Surplus / (Deficit) Before Tax		215,453	(1,180,616)
Income Tax	2(k)	-	-
Surplus / (Deficit) For The Year		215,453	(1,180,616)
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year; Net of Tax		215,453	(1,180,616)

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

AUSTRALIAN PORK LIMITED

Statement of Financial Position

As at 30 June 2012

	Note	2012 \$	2011 \$
Current Assets			
Cash and cash equivalents	17(b)	3,536,995	3,836,601
Trade and other receivables	6	2,167,419	1,783,951
Prepayments	7	35,017	83,553
Investments	8	73,753	9,964
Total Current Assets		5,813,184	5,714,069
Non-Current Assets			
Loan to Associate – PorkScan Pty Ltd	9	48,000	48,000
Property, plant and equipment	10	468,409	167,997
Total Non-Current Assets		516,409	215,997
Total Assets		6,329,593	5,930,066
Current Liabilities			
Trade and other payables	11	1,904,009	1,924,774
Deferred income	12	97,363	21,220
Lease Incentive	13	20,757	-
Provisions	14	426,999	512,241
Total Current Liabilities		2,449,128	2,458,235
Non-Current Liabilities			
Lease Incentive	15	115,026	-
Provisions	16	162,974	84,819
Total Non-Current Liabilities		278,000	84,819
Total Liabilities		2,727,128	2,543,054
Net Assets		3,602,465	3,387,012
Equity			
Accumulated surpluses		3,602,465	3,387,012
Total Equity		3,602,465	3,387,012

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 2012

	Accumulated Surpluses	Total
At 1 July 2010	4,567,628	4,567,628
Deficit for the year	(1,180,616)	(1,180,616)
Other comprehensive income	-	-
At 30 June 2011	3,387,012	3,387,012

	Accumulated Surpluses	Total
At 1 July 2011	3,387,012	3,387,012
Surplus for the year	215,453	215,453
Other comprehensive income for the year	-	-
At 30 June 2012	3,602,465	3,602,465

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 2012

	Note	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from Statutory Authority and industry		17,280,334	17,898,356
Payments to suppliers and employees		(17,443,997)	(18,518,914)
Interest received		215,053	249,168
Net Cash Flows From/(Used In) Operating Activities	17(a)	51,390	(371,390)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(478,985)	(89,878)
Proceeds from sale of shares		4,226	-
Investment in term deposits		(73,705)	-
Proceeds from disposal of property, plant and equipment		52,172	20,864
Cash received under lease incentive		145,296	-
Net Cash Flows Used In Investing Activities		(350,996)	(69,014)
Net Decrease In Cash Held		(299,606)	(440,404)
Cash and cash equivalents at 1 July		3,836,601	4,277,005
Cash And Cash Equivalents At 30 June	17(b)	3,536,995	3,836,601

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 2012

1 Corporate Information

The financial report of Australian Pork Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 16 August 2012. Australian Pork Limited (the Company) is a company limited by guarantee, and is domiciled and incorporated in Australia.

a) Company status

The Company is incorporated as a company limited by guarantee and no shares have been issued. At the reporting date there were 344 Members guaranteeing to contribute up to \$1.00 each to the property of the Company in the event of it being wound up.

As at 30 June 2012 the Company employed 28 full-time and 8 part-time and casual employees (2011: 28 full-time and 9 part-time and casual employees).

b) Company details

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

The Company's registered office is:
Level 2, 2 Brisbane Ave
Barton ACT 2600

2 Summary of Significant Accounting Policies

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on an historical cost basis, except investments held for trading, which have been measured at fair value.

The financial report is presented in Australian dollars and values have been rounded to the nearest dollar.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

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

b) New accounting standards and interpretations

i. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011:

AASB 124 Related Party Disclosures (amendment) effective 1 January 2011

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)

The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

ii. Accounting Standards and Interpretations issued but not yet effective

No new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

Adoption of these Accounting Standards and Interpretations are not expected to have a material impact on the financial performance or position of the Company.

c) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

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

d) Trade and other receivables

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

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

e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All repairs and maintenance are recognised in the profit or loss when incurred.

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

The major depreciation periods are:

	2012	2011
Office furniture and equipment	3 to 10 years	3 to 10 years
Computer equipment	3 years	3 years
Leasehold improvements	Term of lease	Term of lease
Motor vehicles	4 years	4 years

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

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

f) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying other categories.

Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

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

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held for trading are recognised in the statement of comprehensive income and the related assets are classified as current assets in the statement of financial position.

The fair values of shares classified as held for trading that are actively traded in an organised financial market are determined by reference to quoted market bid prices at the close of business on reporting date.

g) Impairment of non-financial assets

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. Value in use is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining future economic benefits.

Impairment losses are recognised in the statement of comprehensive income.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

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

h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

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

i) Trade and other payables

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

j) Revenue recognition

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

Levies

The Levies and Revenue Service of the Department of Agriculture, Fisheries and Forestry collects statutory levies on behalf of the Company. Revenues from levies are recognised as revenue upon accrual of the levy amounts.

Government contributions – matching

Government matches funding on a dollar by dollar basis on approved research and development projects, up to a level of 0.5 per cent of the gross value of pig production. Government matching funds are recognised as revenue upon incurring the eligible research and development program expenditure.

Other industry contributions

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

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

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

(Cont'd) – j) Revenue recognition

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 intended to compensate.

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

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

k) Taxes

Income taxes

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

Goods and services tax (GST)

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

where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

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

(Cont'd) – k) Taxes

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

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

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

l) Provisions and Employee benefits

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

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

Employee Leave Benefits

(i) Wages, salaries, and annual leave

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

(ii) Long service leave

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

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

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

(Cont'd) – I) Provisions and Employee benefits

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 currencies that match, as closely as possible, the estimated future cash outflows.

m) Comparatives

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

n) Significant accounting judgements, estimates and assumptions

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

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

(i) Make good provision

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

(ii) Estimation of useful lives of assets

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

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

3. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise receivables, payables held for trading investments, cash and short-term deposits.

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

Risk Exposures and Responses

Interest rate risk

The Company's exposure to market interest rates relates primarily to the Company's short-term cash investments. At balance date, the Company had the following mix of financial assets exposed to Australian variable interest rate risk:

Financial Assets	Note	2012 \$	2011 \$
Cash at bank and at call	17(b)	3,536,595	3,836,201
		3,536,595	3,836,201

The Company constantly analyses its interest rate exposure. Sensitivity analysis based on the interest rate risk exposures in existence at the reporting date affect movements in net surplus only, due to higher/lower interest income from cash balances.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

As at 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net surplus from operations would have been affected as follows:

Judgements of reasonably possible movements:	Net Surplus/Deficit Before Tax Higher/(Lower)	
	2012 \$	2011 \$
+ 1% (100 basis points)	35,366	38,362
- 1% (100 basis points)	(35,366)	(38,362)

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

(Cont'd) – 3. Financial Risk Management Objectives and Policies

The movements in net surplus from operations and equity are due to higher/lower interest income from variable rate cash balances. The sensitivity is lower in 2012 than in 2011 because of a decrease in cash balances during 2012.

Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables and held for trading investments. The Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is presented in the following table:

Financial Assets	Note	2012 \$	2011 \$
Cash at bank and at call	17(b)	3,536,595	3,836,201
Trade debtors	6	2,135,373	1,690,657
Investments at fair value through profit or loss	8	73,705	9,916
		5,745,673	5,536,774

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

It is the Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Liquidity risk

Given the level of cash reserves in the Company, liquidity risk is considered low. The Company manages liquidity risk through a minimum reserves policy, the budgeting process and reporting of actual versus budgeted cash flow variances to the Audit, Risk and Corporate Governance Committee on a regular basis.

The following disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities at 30 June 2012. The timing of cash flows for assets and liabilities is based on their contractual terms.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

(Cont'd) – 3. Financial Risk Management Objectives and Policies

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g. trade receivables). Liquid assets comprising cash and receivables are considered in the Company's overall liquidity risk. The Company ensures that sufficient liquid assets are available to meet all required short-term cash payments.

Year ended 30 June 2012	<6 months \$	6-12 months \$	>12 months \$	Total \$
Financial assets				
Cash and cash equivalents	3,536,995		-	3,536,995
Trade and other receivables	2,167,419		48,000	2,215,419
Investments	21,752	51,953	48	73,753
	5,726,166	51,953	48,048	5,826,167
Financial liabilities				
Trade and other payables	1,904,009	-	-	1,904,009
	1,904,009	-	-	1,904,009
Net inflow/(outflow)	3,822,157	51,953	48,048	3,922,158

Year ended 30 June 2011	<6 months \$	6-12 months \$	>12 months \$	Total \$
Financial assets				
Cash and cash equivalents	3,836,601	-	-	3,836,601
Trade and other receivables	1,783,951	-	48,000	1,831,951
Investments	9,916	-	48	9,964
	5,630,468	-	48,048	5,678,516
Financial liabilities				
Trade and other payables	1,924,774	-	-	1,924,774
	1,924,774	-	-	1,924,774
Net inflow/(outflow)	3,705,694	-	48,048	3,753,742

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

(Cont'd) – 3. Financial Risk Management Objectives and Policies

Fair value risk

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

Year ended 30 June 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Investments in shares at fair value through profit and loss	-	-	-	-
Total	-	-	-	-
Year ended 30 June 2011				
Investments in shares at fair value through profit and loss	9,916	-	-	9,916
Total	9,916	-	-	9,916

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

4. Revenue

	2012 \$	2011 \$
a) Revenue from operating activities		
Levies - marketing	6,390,809	6,207,983
Levies - research	4,733,658	4,597,956
Government contributions – matching	4,616,296	4,326,465
Other industry contributions	110,394	228,588
Other revenue	125,607	211,277
	15,976,764	15,572,269
b) Revenue from non-operating activities		
Royalties	25,077	17,483
Net gain from sale of property, plant and equipment	3,668	18,963
Interest – other persons/corporations	215,053	242,510
	243,798	278,956
Total Revenue	16,220,562	15,851,225

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

5. Expenses

	2012 \$	2011 \$
a) Depreciation and amortisation		
Depreciation of non-current assets:		
Office furniture and equipment	12,434	21,230
Motor vehicles	17,811	36,576
Computer equipment	21,419	32,214
	51,664	90,020
Amortisation of non-current assets		
Leasehold improvements	68,893	28,946
<i>Total depreciation and amortisation</i>	120,557	118,966
b) Employee benefits		
Salaries and wages	4,544,643	4,609,986
c) Write-down of assets		
Decrement in value of other financial assets	5,689	1,983
	5,689	1,983
d) Other expenses		
Operating lease expense	305,001	372,825
	305,001	372,825

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

6. Trade and Other Receivables

		2012 \$	2011 \$
Trade debtors	6(a)(i)	2,135,373	1,690,657
Provision for doubtful debts		-	-
		2,135,373	1,690,657
Bank guarantee		-	43,197
Sundry debtors	6(a)(ii)	32,046	50,097
Other receivables		-	-
		2,167,419	1,783,951

a) Terms and conditions

- i. Trade debtors are non-interest bearing and have repayment terms up to 30 days.
- ii. Sundry debtors and other receivables are non-interest bearing and have repayment terms up to 30 days.

Due to the short term nature of these receivables, their carrying value approximates their fair value.

b) Allowance for impairment loss

	2012 \$	2011 \$
At 1 July	-	290,125
Charge for the year	-	-
Amounts written off	-	(290,125)
At 30 June	-	-

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days	61-90 days	+ 91 days	+ 91 days
				PDNI*	CI*	PDNI*	CI*
2012	2,135,373	2,130,928	4,445	-	-	-	-
2011	1,690,657	1,689,329	-	563	-	765	-

* Past due not impaired (PDNI) Considered impaired (CI)

Receivables past due but not considered impaired are \$Nil (2011: \$1,328). Other receivables include GST receivable and bank guarantees on the property. These are not impaired assets and are not past due.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

7. Prepayments

	2012 \$	2011 \$
Prepayments	35,017	83,553

8. Investments

		2012 \$	2011 \$
Bank Guarantee	(i)	51,953	-
Term Deposit	(ii)	21,752	-
Shares – Australian listed - at fair value through profit and loss		-	9,916
Shares in associate		48	48
		73,753	9,964

a) Terms and conditions

- i. Bank Guarantee will mature in June 2013 and has a fixed interest rate of 4.65 per cent.
- ii. Term Deposit will mature in December 2012 and has a fixed interest rate of 4.65 per cent.

Investments at fair value through profit and loss consist of Australian equities and therefore have no fixed maturity date or coupon rate. The fair value of listed shares has been determined directly by reference to published price quotations in an active market. These shares were sold in 2012.

9. Loan to Associate

	2012 \$	2011 \$
Loan to Associate – PorkScan Pty Limited	48,000	48,000

The loan was effected through a conversion of trade debtors relating to the remaining payment of the 2008/09 licence fees under the Agency Agreement with APL to their portion of the shareholder loan. Trade debtors (current assets) decreased in the amount of \$48,000 and non current assets increased in the amount of \$48,000. The loan was initially non-interest bearing for three years with no fixed repayment terms.

This loan was originally repayable on 1 July 2013 and has been rolled over for a further three years with interest payable and is now due on 1 July 2016.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

10. Property, Plant and Equipment

a) Reconciliation of carrying amounts at the beginning and end of the year

	Leasehold Improvements \$	Office Furniture and Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2012					
Carrying amount at 1 July 2011	16,886	44,748	31,549	74,814	167,997
Additions	429,142	6,749	9,349	33,745	478,985
Disposals	-	(6,234)	-	(51,782)	(58,016)
Depreciation expense for the year	(68,893)	(12,434)	(21,419)	(17,811)	(120,557)
Carrying amount at 30 June 2012	377,135	32,829	19,479	38,966	468,409

At 30 June 2012					
Cost	429,142	158,458	163,625	94,872	846,097
Accumulated amortisation	(52,007)	(125,629)	(144,146)	(55,906)	(377,688)
Net carrying amount	377,135	32,829	19,479	38,966	468,409

Year ended 30 June 2011					
Carrying amount at 1 July 2010	43,193	61,864	46,197	47,732	198,986
Additions	2,639	4,285	17,566	65,388	89,878
Disposals	-	(171)	-	(1,730)	(1,901)
Depreciation expense for the year	(28,946)	(21,230)	(32,214)	(36,576)	(118,966)
Carrying amount at 30 June 2011	16,886	44,748	31,549	74,814	167,997

At 30 June 2011					
Cost	196,229	244,615	174,230	146,241	761,315
Accumulated amortisation	(179,343)	(199,867)	(142,681)	(71,427)	(593,318)
Net carrying amount	16,886	44,748	31,549	74,814	167,997

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

11. Trade and Other Payables

	2012 \$	2011 \$
Trade creditors and accruals	1,668,555	1,618,826
PAYG tax payable	104,437	68,080
Other payables	131,017	237,868
	1,904,009	1,924,774
Aggregate amounts payable to related parties:	80,116	36,620

Trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms.

Due to the short term nature of these payables, their carrying value approximates their fair value.

12. Deferred Income (Current)

	2012 \$	2011 \$
Income in advance	97,363	21,220
	97,363	21,220

Income in advance is grant and co funding income.

13. Lease Incentive (Current)

	2012 \$	2011 \$
Lease Incentive	20,757	-
	20,757	-

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

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

14. Provisions (Current)

	2012 \$	2011 \$
Annual leave	263,240	298,087
Long service leave	163,759	150,954
Make-good	-	63,200
	426,999	512,241

a) Reconciliation of make-good provision:

Carrying amount at the beginning of the financial year	63,200	63,200
Arising during the year	26,800	-
Utilised	(90,000)	-
Carrying amount at the end of the financial year	-	63,200

The factors considered in determining that there is no requirement for make-good in 2012 are discussed in Note 2 (n)(i).

15. Lease Incentive (Non-current)

	2012 \$	2011 \$
Lease Incentive	115,026	-
	115,026	-

16. Provisions (Non-current)

	2012 \$	2011 \$
Long service leave	162,974	84,819
	162,974	84,819

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

17. Cash Flow Statement Reconciliation

a) Reconciliation of the net operating profit (deficit) to the net cash flows from operations

	2012 \$	2011 \$
Net operating surplus (deficit)	215,453	(1,180,616)
Adjustment for:		
Depreciation and amortisation of non-current assets	120,557	118,966
Gain on disposal of property, plant and equipment	(3,668)	(18,963)
Decrement in value of other financial assets	5,689	1,983
Changes in assets and liabilities:		
(Increase)/decrease in current receivables	(383,468)	695,283
Decrease/(increase) in other assets	48,536	(25,449)
(Decrease)/increase in current payables	(20,765)	59,010
(Decrease)/increase in current provisions	(85,242)	40,551
Increase/(decrease) in other current liabilities	76,143	(57,814)
Increase/(decrease) in non-current provisions	78,155	(4,341)
Net cash flow (used in) operating activities	51,390	(371,390)

b) Reconciliation of cash

Cash balance comprises:		
• Cash at bank and at call	3,536,595	3,836,201
• Cash on hand	400	400
Closing cash balance	3,536,995	3,836,601

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

18. Commitments

a) Lease expenditure commitments

Operating leases (non-cancellable)

	2012 \$	2011 \$
Minimum lease payments		
- not later than one year	297,574	181,466
- later than one year and not later than five years	1,014,950	44,660
- later than five years	358,800	-
	1,671,324	226,126

The details of the non-cancellable operating leases relating to office premises are as follows:

Name of premises	Remaining term	Rent increment	Options for renewal on expiry of lease
ACT	78.5 months	3%	2 x 5 years
VIC	11.3 months	4%	2 x 2 years

The Company has also entered into non-cancellable operating leases for computer hardware.

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

	2012 \$	2011 \$
Estimated R&D expenditure contracted for at reporting date, but not provided for; payable:		
- not later than one year	3,460,091	1,145,281
- later than one year and not later than five years	4,866,731	905,657
	8,326,822	2,050,938

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.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

19. Related Party Disclosures

a) Directors

The directors of Australian Pork Limited during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Enzo Allara

Mr Andrew Johnson

Mr Neil Ferguson (retired November 2011)

Mr Aeger Kingma

Prof Robert van Barneveld

Mrs Kay Carey

Mr David Plant (from November 2011)

Dr Brian Luxford (from November 2011)

Mr Paul Pattison (retired November 2011)

Mrs Kathy Grigg

Mr John Coward

b) Loans to directors and director related entities

The Company made no loans to directors or director related entities during 2012 (2011: nil).

c) Other related parties

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

Mr P Pattison (retired November 2011)	Managing Director, Rivalea (Australia) Pty Limited Director, Pork CRC Limited
Dr B Luxford (from November 2011)	General Manager Research & Innovation, Rivalea (Australia) Pty Limited
Prof R van Barneveld	Director, Pork CRC Limited General Manager, CHM Alliance Pty Limited Director, Barneveld Nutrition Pty Limited Chair, PorkScan Pty Limited Director, BECAN Consulting Group Pty Limited

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

(Cont'd) – 19. Related Party Disclosures

(Cont'd) – c) Other related parties

Various project and program expenditures were made to the following director related entities. These transactions occurred within normal terms and conditions of various research and marketing program initiatives. The following table provides the total amount of transactions that were entered into with related parties for the 2012 financial year:

Project and program expenditure

	2012 \$	2011 \$
Rivalea (Australia) Pty Limited	117,466	82,909
Pork CRC Limited	1,696,994	1,774,990
The CHM Alliance Pty Limited	15,000	60,631
Barneveld Nutrition Pty Limited	1,667	-
BECAN Consulting Group Pty Limited	26,631	-

Receivables

A loan of \$48,000 has been made to PorkScan Pty Limited. This loan was originally repayable on 1 July 2013 and has been rolled over for a further three years with interest payable, and is now due on 1 July 2016.

Income

	2012 \$	2011 \$
PorkScan Pty Limited		
- IP licence fees	17,000	17,000
- Management fees	20,000	20,000
	37,000	37,000

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

APL is a shareholder in PorkScan Pty Ltd and one of APL's Directors is also a PorkScan Pty Ltd Director. APL's Chief Executive Officer is also a Director on the PorkScan Pty Ltd Board and the General Manager Finance and Administration is the Company Secretary.

Notes to the financial statements (cont'd)

For the year ended 30 June 2012

20. Auditor's Remuneration

	2012 \$	2011 \$
Amounts received or due and receivable by Ernst & Young for:		
- Audit of the financial report of the Company	28,500	28,500
- Other services	2,000	4,830
	30,500	33,330

21. Subsequent Events

There have been no significant events which have occurred subsequent to 30 June 2012 that require adjustment to or disclosure in the financial report.

22. Contingencies

The Company has provided a bank guarantee of \$51,953 in relation to its Canberra head office lease agreement.

23. Director and Key Management Personnel Remuneration

a) Details of Directors and Key Management Personnel

Australian Pork Limited has nine directors, detailed at Note 19. Key management personnel include the Chief Executive Officer and General Managers of Marketing, Research and Innovation, Policy, Communication and Finance and Administration.

b) Compensation of Directors and Key Management Personnel

	2012 \$	2011 \$
Directors		
Short-term employee benefits	364,386	355,500
Post-employment benefits	32,794	31,994
Key Management Personnel		
Short-term employee benefits	1,281,493	1,188,250
Post-employment benefits	89,282	83,703
	1,767,955	1,659,447

Appendix A

Material Variations to Budget

	Initial Budget \$	Actual Result \$	Variation Over/ (Under) \$	Explanation of Major Variations
Income				
Levies	11,280,000	11,124,467	(155,533)	Slaughters of 4.7M were less than the 4.8M slaughters budgeted.
Government contributions - matching	4,396,596	4,616,296	219,700	The initial budgeted R&D matching income was limited by the GVP cap. Subsequently a correction in the calculation methodology increased the GVP cap.
Other industry contributions	100,000	110,393	10,393	Increase in grant income received from DAFF for the Export Market Development funding.
Interest	233,000	215,053	(17,947)	Additional unbudgeted expenditure on the relocation to smaller premises impacted cash at bank part of the year.
Royalties and gain on sale	-	28,745	28,745	Gain on sale of redundant office equipment and copyright royalties.
Other revenue	127,000	125,607	(1,393)	Included in this line are management and hosting fees in relation to the Council of Rural Research and Development Corporations, Sugar Research and Development Corporation and PorkScan Pty Ltd, project refunds, associate membership and levy penalties.
Expenditure				
Research & Innovation – direct project expenditure	4,501,549	4,458,249	(43,300)	Reallocation of funds in several programs occurred with over spend in the Strengthening Biosecurity Program offset by under spend in several smaller programs including Efficient and Cost Competitive Nutrient Supply, Globally Competitive Cost of Production and Growing Valuable Industry Networks.
Marketing – direct project expenditure	4,556,802	4,331,231	(225,571)	The major under spend was in the Nutrition and Health program with advertising cut due to uncertainty around levy income.
Policy – direct project expenditure	626,840	580,712	(46,128)	Reallocation of funds in several programs occurred with the major under spend in the Taking Care of Our Animals Program, offset by unbudgeted spend on the Animal Industry Survey and Client Management System database.
Communication – direct project expenditure	124,500	121,967	(2,533)	Under spend in Media Management.
Finance and Administration – direct project expenditure	240,000	226,308	(13,692)	Under spend in Human Resource consultant fees.
CEO/Board – direct project expenditure	150,000	96,275	(53,725)	The major variance was the Levy Strategy project that came in under budget.

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 Finance and Administration, Communication and Board/CEO division expenditures.

The company has established a detailed methodology by which eligibility of matching expenditure is determined. For the 2011–2012 financial year the significant expenses and adjustments that formed the basis by which the matching claim has been made were as follows:

Research and Development Expenditure By Strategy	
Build Consumer Demand	
• Assuring eating quality	\$106,586
• Increasing frequency of use	\$2,018,836
Viable, Productive Farms	
• Reduce input costs	\$103,876
• Improve process efficiency	\$2,406,159
• Build skills and capability	\$211,549
Efficient Value Chains	
• Create and capture value improvements	\$307,680
• Enhance linkages between the value chain partners	\$81,874
• Optimise value chain efficiency and quality	\$57,786
Leadership, Preparedness, Stewardship	
• Address changing expectations and standards for food production	\$665,295
• Managing the impact of regulatory shifts	\$273,656
• Government policy and compliance requirements	\$743,326
Industry Cohesion and Responsiveness	
• Engage and connect the industry	\$516,636
• Facilitate rapid uptake of information and technology	\$417,807
• Enhance the reputation and effectiveness of APL	\$1,074,240
Unallocated	\$275,440
Total research and development expenditure	\$9,260,746
Exclusion of levy collection costs and other non-eligible research and development expenditures	(\$28,154)
Total matchable expenditure to accumulative levy cap	\$9,232,592
Maximum Claim Allowable to GVP cap	\$9,285,039
Australian Government contributions – matching (@ 50 percent)	\$4,616,296

Note: APL total non-direct project expenditure for the 2011–2012 financial year was \$6,190,369 that was 39 percent of total expenditure and 38 percent of income received. Of this total non-direct project expenditure \$3,308,265 (53 per cent) was attributed to Research and Development.

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. Expenditures incurred on marketing and strategic policy development activities and other industry issues, as attributed to each of the key core objectives, is summarised below:

Marketing Expenditure By Strategy	
Build Consumer Demand	
• Assuring eating quality	\$2,770,047
• Increasing frequency of use	\$1,085,799
• Improving the image of fresh pork	\$629,559
• Promoting 'Australian'	\$386,378
Total Marketing Expenditure	\$4,871,783
Strategic Policy Development Expenditure By Strategy	
Leadership, Preparedness, Stewardship	
• Address changing expectations and standards for food production	\$650,956
• Managing the impact of regulatory shifts	\$608,170
• Government policy and compliance requirements	\$140,564
Industry Cohesion and Responsiveness	
• Enhance the reputation and effectiveness of APL	\$49,899
Total Strategic Policy Development Expenditure	\$1,449,589
Other Industry Expenditure By Strategy	
Industry Cohesion and Responsiveness	
• Engage and connect the industry	\$61,504
• Enhance the reputation and effectiveness of APL	\$264,684
Unallocated	\$96,804
Total Other Industry Expenditure	\$422,992
Total Funds Spent on Marketing and Significant Strategic Policy Development Activity as well as Other Industry Issues	\$6,744,364

Appendix D

Funds Spent on National and Rural Research and Development Priorities

(\$ and % Values) – 2012

Rural Research & Dev Priorities	National Research Priorities														
	AOP Budget		Actual		An Environmentally Sustainable Australia		Promoting & Maintaining Good Health		Frontier Technologies for Building & Transforming Australian Industries		Safeguarding Australia		Other Research		
	AOP Budget	Actual	AOP Budget	Actual	Climate variability & climate change	Productivity & Adding Value	Supply Chain & Markets	Innovative Skills	Technology	Biosecurity	AOP Budget	Actual	AOP Budget	Actual	
Objective 1. Build Consumer Demand	\$1,869,803	\$2,125,423	\$0	\$0	\$53,478	\$106,586	\$1,818,325	\$2,018,837	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	21%	23%	0%	0%	1%	1%	20%	22%	0%	0%	0%	0%	0%	0%	0%
Objective 2. Viable Productive Farms	\$2,771,892	\$2,721,583	\$300,385	\$275,307	\$716,305	\$706,908	\$100,000	\$100,000	\$661,553	\$642,885	\$593,649	\$596,483	\$0	\$0	\$0
	30.7%	29%	3.3%	3.0%	7.9%	7.6%	1.1%	1.1%	7.3%	6.9%	6.6%	6.4%	0%	0%	0.0%
Objective 3. Efficient Value Chains	\$440,362	\$447,340	\$0	\$0	\$0	\$0	\$153,852	\$139,660	\$0	\$0	\$0	\$286,510	\$307,680	\$0	\$0
	4.9%	5%	0%	0%	0%	0%	1.7%	1.5%	0%	0.0%	0.0%	3.2%	3.3%	0.0%	0.0%
Objective 4. Leadership, Preparedness, Stewardship	\$1,724,230	\$1,682,277	\$326,993	\$338,347	\$342,239	\$364,724	\$397,203	\$25,630	\$25,824	\$23,377	\$0	\$77,930	\$80,228	\$54,041	\$64,971
	19%	18%	4%	4%	4%	4%	2%	0%	0%	0%	0%	1%	1%	6%	7%
Objective 5. Industry Cohesion & Responsiveness	\$1,974,273	\$2,008,683	\$0	\$0	\$511,823	\$611,229	\$133,002	\$117,960	\$377,893	\$378,176	\$0	\$0	\$123,997	\$95,155	\$777,320
	21.9%	22%	0%	0%	6%	7%	1%	1%	4.2%	4.1%	0.0%	0.0%	0%	1%	10.5%
Unallocated	\$250,748	\$275,440	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250,748	\$275,440
	2.8%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2.8%	3%
Totals *	\$9,031,308	\$9,260,746	\$627,378	\$613,654	\$742,239	\$764,724	\$1,678,809	\$1,650,353	\$2,229,003	\$2,399,834	\$1,021,061	\$671,579	\$676,711	\$840,551	\$1,081,648
Percentage	100%	100%	7%	7%	8%	8%	19%	18%	25%	26%	12%	7%	7%	9%	12%

Annual Report Acronyms

AAHL	Australian Animal Health Laboratories
AAO	AQIS Authorised Officers
AAWS	Australian Animal Welfare Strategy
AECL	Australian Egg Corporation Limited
AEMIS	Australian Export Meat Inspection System
AFI	Australian Farm Institute
AGBU	Animal Genetics and Breeding Unit
AGM	Annual General Meeting
AHA	Animal Health Australia
AM	Member of the Order of Australia
AMIC	Australian Meat Industry Council
APEC	Asia-Pacific Economic Cooperation
APIQ [✓] ®	Australian Pig Industry Quality Assurance Program
APL	Australian Pork Limited
APSA	Australasian Pig Science Association
AQIS	Australian Quarantine and Inspection Service
AUSVETPLAN	Australian Veterinary Emergency Plan
AWSC	Animal Welfare Science Centre
BCA	Benefit Cost Analyses
BMP	Best Management Practice
BPA	Burnett Pork Alliance
CAP	Covered Anaerobic Pond
CBA	Cost Benefit Analyses
CCRSPi	Climate Change Research Strategy for Primary Industries
CEO	Chief Executive Officer
CFI	Carbon Farming Initiative
CHP	Combined Heat and Power
CoOL	Country of Origin Labelling
CPA	Certified Practising Accountant
CPI	Consumer Price Index
CRC	Cooperative Research Centre
CRRDC	Council of Rural Research and Development Corporations
CSG	Coal Seam Gas
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DA	Dairy Australia
DAFF	Department of Agriculture Forestry and Fisheries
DCCEE	Department of Climate Change and Energy Efficiency
DEEDI	Department of Employment, Economic Development and Innovation
DFAT	Department of Foreign Affairs and Trade
DIAC	Department of Immigration and Citizenship
DOIC	Domestic Offsets Integrity Committee

DPI	Department of Primary Industries
DXA	Dual Energy X-ray Absorptiometry
EAD	Emergency Animal Disease
EADRA	Emergency Animal Disease Response Agreement
EEO	Equal Employment Opportunities
EM	Electromagnetic
EPA	Environmental Protection Agency
ESAM	E. coli Salmonella Monitoring
FMD	Foot and Mouth disease
FRDC	Fisheries Research and Development Corporation
FSANZ	Food Standards Australia New Zealand
FTA	Free Trade Agreement
GHG	Greenhouse Gas
GRDC	Grains Research and Development Corporation
GVP	Gross Value of Production
HIAP	High Integrity Australian Pork
ICP-MS	Inductively Coupled Plasma Mass Spectrometry
ICP-AES	Inductively Coupled Plasma Atomic Emission Spectrometry
ILO	Industry Liaison Officer
ISB	Industry Service Body
KPI	Key Performance Indicator
LCA	Life Cycle Assessment
LDA	Linear Discriminant Analysis
LTS	Land Transport Standards
MHA	Meat Hygiene Assessment
MLA	Meat and Livestock Australia
MRSA	Methicillin Resistant Staphylococcus aureus
MSEP	Meat Safety Enhancement Program
NAMMP	National Agriculture Manure Management Program
NEGP	National Environmental Guidelines for Piggeries
NLIS	National Livestock Identification System
NRS	National Residue Survey
NZ	New Zealand
OH&S	Occupational Health and Safety
OPVO	On Plant Veterinary Officer
PHI	Product Hygiene Index
PISC	Primary Industries Standing Committee
Pork CRC	Pork Co-operative Research Centre
PPNVD	PigPass National Vendor Declaration
PPPE	Pan Pacific Pork Expo
PPQA	PigPass Quality Assurance
PRRG	Pork Processor Referral Group
PRRS	Procine Reproductive and Respiratory Syndrome
PSG	Preferred Supply Group



QBA	Qualitative Behavioural Assessment
R&D	Research and Development
R&I	Research and Innovation
R,D & E	Research, Development and Extension
RDAC	Research and Development Advisory Committee
RDC	Research and Development Corporation
REC	Renewal Energy Certificates
RIRDC	Rural Industries Research Development Corporation
RSPCA	Royal Society for the Prevention of Cruelty To Animals
RTO	Registered Training Organisation
SAI	Sustainable Agriculture Initiative
SARDI	South Australian Research and Development Institute
SCoPI	Standing Committee of Primary Industries
SFA	Statutory Funding Agreement
TPP	Trans Pacific Partnership
UNSW	University of New South Wales
USA	United States of America
UK	United Kingdom

AUSTRALIAN
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