



AUSTRALIAN PORK LIMITED

Annual Report

2014-2015



VISION

Australian Pork – a uniquely contemporary part of our food industry

PURPOSE

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

VALUES

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

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Mr Enzo Allara AM
Chairman

Message from the Chairman

As Chairman, I present to you on behalf of the Australian Pork Limited (APL) Board, the company's 2014–2015 Annual Report.

I am pleased to announce this is the first year of operations under the guidance of the new 2015–2020 Strategic Plan and can confirm that APL continues to deliver strong outcomes against this plan as well as against the company's new vision "Australian pork – a uniquely contemporary part of our food industry."

The new Strategic Plan has been designed to be more proactive and take the opportunity to grow and develop the emerging consumer and community opportunities. This year has not only seen the focus on sustainable growth in existing markets, but there has been substantial work done to seek out opportunities to expand into new markets, both internationally and domestically.

For 2014–2015, slaughter numbers, on a MAT basis, are the highest they have been since the end of the pork industry profitability crisis of 2007–2008. The increase in slaughter numbers is not coming from large increases in sow numbers, which points to productivity improvements being the key driver for this growth. Better management of the transition to gestation stall free facilities for sows (70 per cent of pregnant sows now spending at least 90 per cent of their pregnancy loose housed) coupled with improvements in born alive numbers as well as some progress in genetics are all key influencers of this growth.

Whilst exports have been increasing in the first six months of this reporting period it has been a different situation for the last six months, even with a weaker AUD. Pork exports have eased slightly while imports continue to trend upwards. This market distortion would normally point to oversupply and lower prices - however the exciting news is that, during this period, the average Australian has increased their annual consumption of fresh pork by more than half a kilogram. When total per capita consumption for fresh pork is between 9 to 10 kilograms, half a kilo increase is significant.

The APL promotional program, including on-going advertising coupled with seasonal support at Christmas and Easter, has continued to aid market stability by encouraging more and more consumers to increase their fresh pork consumption. Competitive pricing against other proteins has also contributed. Other equally successful campaigns throughout the year have been PorkStar, which celebrated its 10 year anniversary this year. PorkStar has certainly been a success story for the Australian pork industry in elevating pork's reputation with leading chefs all over the country. Ham and Bacon Weeks have also been successful in their own right with positive consumer responses to these promotions indicating Australian consumers are continuing to show strong support for Australian grown pork.

Labelling of processed pork and the ongoing issues around identification of the large amount of imported pork that goes to make up ham, bacon and smallgoods consumed in Australia (over 70 per cent is made from imported pork) has been a vexatious issue for our industry for many years. I am pleased to report that this year has seen movement on that front with the Federal Government initiating a process to revise Country of Origin Labelling, which should result in improved consumer understanding. The industry is looking forward to implementation of the new labelling system that will include visual diagrams intended to represent the proportion of Australian content in the packaging.



Free Trade Agreements (FTAs) with China, Korea and Japan have been high on the industry's agenda this year. Whilst tariff levels regarding entry to Japan have certainly reduced, trade is still problematic with the price competition impeding profitable returns for this market. Korea on the other hand has gone from a very low base and is growing slowly. However, while the Korean FTA resulted in reduced tariffs for frozen pork products, there was no reduction in tariffs for chilled pork. In regard to China, market import protocols are yet to be agreed, along with export establishment accreditation. China is a long term project for the industry to ensure high integrity supply of a premium product.

R&D is fundamental to the industry's long-term competitiveness and sustainability. The Australian pork industry's research and development portfolio continues to be jointly managed by the Pork Co-operative Research Centre (CRC) and APL in a manner that brings both short and long term benefits to the industry. This is supported by active programs within APL associated with technology transfer and adoption where research is communicated to producers and service providers.

The focus of APL research programs on the environment to mitigate risk and reduce on-farm input costs continues to bear significant fruit. Currently a significant proportion of farms have now installed biogas systems to capture methane and generate electricity. This has resulted in over 100,000T CO₂ abated and over \$2M generated in carbon credits (including the Emissions Reduction Fund).

Another exciting outcome this year has been the uptake of APL's Education Resources Kits. This initiative comprises a series of educational resources aimed at various ages of primary and secondary students. The Kits are designed to fit the new Australian school curriculum in Technologies, Science and Geography and propose to teach the children of today about where and how their food is grown, as well as the way food is processed and prepared for eating. In its first year, I am pleased to report that the units are now being used in over 200 schools.

Notably, this year the Federal Government agreed to the Australian Pork Industry Labour Agreement. The Australian pork industry is the first, and only, agricultural sector to have an industry wide labour agreement that ought to streamline access to 457 visa employees for producers.

Looking to the future, the pork industry is also planning for life after the Pork CRC. The CRC concept of joint investment between research providers and end-users is now a well-accepted model for pork industry stakeholders and APL, the Pork CRC and the pork industry has been investigating options to ensure a mode of co-investment that can be sustained post the Pork CRC. A paper outlining a proposed RD&E funding model for the pork industry paper has been developed and presented to key stakeholders. This has been generally well accepted and it is envisaged that the new R,D&E funding model will be implemented in 2016–2017.

I would like to take the opportunity to thank the APL Board, management and staff for their ongoing leadership, innovation and commitment throughout the year. It is that dedication and drive that will continue to deliver further growth, profitability and value to our stakeholders.



Enzo Allara AM

Chairman



Andrew Spencer
Chief Executive Officer

Message from the CEO

The past year has been one of growth for the Australian pork industry. This growth occurred not only in Australian pork supply but also in demand for our product by consumers. It also occurred in import volumes with domestic production shortages leading to imports having to fill the gaps for processing into ham and bacon.

It was also the first year of operating under our new APL Strategic Plan 2015–2020. A new fine-tuned direction is expected to help to build our Australian pork differentiation attributes and leverage these to enter new and exciting markets to our north, whilst consolidating our presence in Australia's domestic market.

Industry Trends

Australia's pig processing figure for 2014–2015 was over 4.9 million – the highest result since the producer profitability crisis of 2007–2008. This increase in production was not only the result of the greater numbers of sows but also higher levels of productivity, in particular better numbers of pigs per sow per year.

Pig prices too, at the farm gate, were higher at the end of 2014–2015 than at the same time the previous year – perhaps by some \$0.10 per kilogram. This has significantly helped with on-farm profitability, despite grain prices remaining stubbornly higher than what we are traditionally used to.

Australian pork export volumes ended the year on a downward trend, mainly due to very high domestic demand for Australian pork. This was despite some early growth indications, particularly as a result of the weakening Australian dollar over the last couple of years.

This high domestic demand for Australian pork, especially in the fresh pork sector, also led to substantial increases in import volumes over the past year, filling a gap Australian product was not available for.

Domestic Supply and Demand

Good demand for Australian pork was due to a number of factors in 2014–2015. The cattle and sheep industries are having difficulty in fully supplying the market (partly due to very strong export demand), which has increased prices for those commodities. There have also been good responses to many of the promotions run by APL for our domestic pork business.

Our "Get Some Pork on your Fork" brand advertising continues, now with more of a focus on the nutritional benefits of Australian pork fillets.

PorkStar has now celebrated its 10th anniversary – a great lifetime of serving Australia's pig producers very effectively. PorkStar events are now iconic in the foodservice world.



The already mentioned strong demand for Australian pork in 2014–2015 resulted in an increase of consumption of pork per capita in Australia by around half a kilogram. Considering the habitual nature of meat preferences and that total fresh pork consumption is still under 10 kg per capita per annum, this is a fantastic result.

International Initiatives

In the medium to long term, according to our new strategy, we need to broaden the demand for Australian pork. This means, amongst other options, moving into new international markets. China is an obvious target. Whilst the government has successfully negotiated some good conditions for Australian pork in future trade with China through the new Free Trade Agreement (FTA), we know that it is going to take some time for us to negotiate the necessary technical protocols with Chinese government officials to open up this trade. In the past year we have progressed discussions with the Department of Agriculture in a positive sense and are building relationships with the right Chinese government officials to underpin a successful future negotiation around these protocols.

Productivity Progress

We recognise that it's going to be innovation that will drive a successful future for our industry. We believe we are well equipped to meet this challenge through both our in-house research and development program and the added power of the High Integrity Pork CRC program. Australia has always punched above its weight when it comes to pork industry research and development. We want to keep it that way. We are already planning on an industry- leveraged research and development system that will operate after the present Pork CRC has ceased. This will help to maintain the weight and power of our across-industry innovation systems.

Differentiation Attributes

We know that Australian pork is never going to be the world's cheapest. Our pork needs to be better and it needs to be worth a premium. For that reason differentiation of our product (in particular against other pork sources, here and in export markets) is absolutely critical for our success.

The key themes of differentiation for our industry exist around three components – product quality, ethics and integrity.

In the ethics arena, industry's transition relating to changes to sow housing – moves to cease the use of sow stalls – and production shifts with softer environmental footprints are progressing very well.

Recently, we were able to advise the community that around our Shaping Our Future sow stall phase out initiative, we are now 70 per cent complete in transitioning the industry away from sow stalls.



Product Integrity Progress

In the product integrity area, we believe we are at the leading edge of what is capable of pork industries anywhere in the world. Our aim is to assure the quality and safety of our product, verified through some of the best-practice traceability systems anywhere on offer.

Some product issues in our industry over the past twelve months have highlighted our need for continue diligence in this area. We also see it as a big selling point in our future possibilities in China where “healthy, safe and natural” is king.

We have three systems that support the high quality of our product integrity. We are continuing to develop them as major industry assets. They are our quality assurance system APIQ✓® (Australian Pig Industry Quality Assurance Program) and our traceability systems. These are PigPass for trace forward, in particular around management of pig disease issues and secondly Physi-Trace for trace back to farm of origin from samples of pork.

Government Issues

We continue to recognise the status of government as one of the major investors into our company and our industry. In 2014–2015, the government contributed around \$5 million to our research and development efforts and this makes a huge difference to our outcomes.

As of 1 July 2015, we now have a new funding agreement with government. This agreement was negotiated over a period of months to supersede the previous version. This underpins a positive and constructive relationship with government as one of our key investors.

We are very heartened by the positive progress in the past 12 months around the Country of Origin Labelling (CoOL) regulations. This issue has been one working against our industry for many years, and has been a target of much effort for change. At last, we see the light at the end of the tunnel for some significant changes that will work much more effectively for our consumers and our industry.

APL was successful in the first round of the Rural Research and Development for Profits program, offered by government to provide higher levels of funding for research and development. We now have a number of projects, mostly in collaboration with other research and development corporations, to provide positive innovation outcomes for our industry. We will be enthusiastically participating in future rounds of this program as well.

Membership Relations

APL is a membership body and relations with our members is core to our ability to service our industry. This is not always an easy task, as recognised in the recommendations from our performance review conducted in 2014. The great diversity of pig producers across the country means that their needs and preferred modes of communication are completely different. We now have several initiatives in place to improve our ability to engage with smaller producers who only make up a small percentage of our total production, but are nevertheless an important group of stakeholders for the industry in total.



Community Attitudes

Our ability to operate as an industry free of encumbrances depends on the support that we receive from the community in general. Some groups within the community have an agenda opposed to ours. They go out of their way to misrepresent what we do. Whilst there is a lot of scepticism in the community about the intentions of these groups, we know that the currency of our future social licence to operate is industry transparency. We are proud of the operations and the achievements of our industry and we want the community to know about these. We continue to look for opportunities to present the true face of our industry to the community for those who want to know more about how we produce their pork.

Operations and the Team

APL delivered a surplus of approximately \$1.7 million in 2014/15 which was well above our budget forecasts. This was principally due to additional levies (increased pork production versus budget) and the delay of one of our major marketing campaigns into 2015/16 to optimise the potential impact on consumer purchases. Surplus/deficit management will continue to be driven by the need to deliver strong and tangible results to pig producers as well as ensuring that we maintain our reserves in line with company policy.

Spending the hard-earned cash from levy payers and our government contributions in the most effective way possible for our industry is a great challenge that we take very seriously. Behind the scenes, the APL team strives to do that every day. I thank them for their focus on their duties for our industry and the high level of quality with which they perform them. I also thank the APL board for strong and measured guidance to myself, the management team and the rest of the organisation which gives us the support for what we do for the Australian pork industry.



Andrew Spencer
Chief Executive Officer



3. Operational and Strategic Overview

3.1 Overall Framework

APL is a company limited by guarantee. It is a unique rural industry service body for the Australian pork industry – a single producer-owned company to deliver integrated services that 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 SFA was renewed on 26 May 2014. 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*. From 1 July 2014, APL saw an increase in the marketing levy from \$1.65 per pig slaughtered to \$1.95, the second of three tranches of \$0.30 between 2012 and 2016. The levy now amounts to \$3.125 per carcass at slaughter, of which APL receives \$2.95, consisting of \$1.95 for marketing activities and \$1.00 for Research and Development (R&D). The remaining \$0.175 is for the Pig Monitoring Residue Program, which is received and managed by the National Residue Survey (NRS). Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture.

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), Work Health and Safety (WHS) and privacy.

3.2 Role and Functions

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

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



3.3 Core Values

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

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

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

3.4 Members

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

- Influencing APL direction by attending, speaking and voting at general meetings;
- Voting on changes to the APL Constitution;
- Nominating delegates to represent members' concerns directly to the APL Board and management;
- Preferential registration to APL convened meetings, workshops and conferences aimed at improving their business;
- The option to receive up-to-date industry information on major industry initiatives;
- 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 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 membership categories are entitled to all the benefits ascribed to full members, with the exception of 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 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 2014–2015, there were 34 delegates who represented APL levy-paying members. Along with membership renewals, which occur every three years, this is the first time APL Delegates will also serve a three year term.

3.4.1 Material Changes to Membership

The 2014–2015 reporting period has been a quiet period for membership, being the second year in a three year membership renewable cycle. A new development this year has been the publication targeted at small and outdoor pig producers “Pigs N’ Mud”. At the time of reporting there have been three editions published summer, autumn and winter with a further edition planned for spring. The circulation of “Pigs N’ Mud” has been targeting those producers with sow herds between eight and 50 sows, however the interest shown from producers with fewer than eight sows has escalated and we are now adding producers with fewer than eight sows to the circulation list.

There has now been sign off and a recommendation by the APL Board to APL members at the next Annual General Meeting (AGM) in November 2015 associated with an amendment to the APL Constitution around the mandatory requirement for a Statutory Declaration when pork producers renew their membership to APL. The APL Board approved a proposal to allow a pig producer to consent to APL accessing PigPass records for the purposes of assessing the amount of Pig Slaughter Levy the pig producer has paid, both when they first become a member and when voting entitlements are updated every three years. The proposed change to the Constitution, if passed in November 2015, will allow the membership renewal to be a seamless shift over from the Statutory Declaration to PigPass in or around July 2016, which is when the next round of three yearly membership renewals are to be held. The flexibility built into the change in Constitution will also accommodate the unknown about when mandatory reporting will be implemented by each state.

At the close of business on 30 June 2015, there were 256 levy paying members of APL (three more than the same reporting period last year). Associate Corporate Membership remain steady at around 35 members (up one from last year) with Associate Producer Members remains unchanged on five members.

3.5 Other Stakeholders

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

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

3.6 Organisation Structure

3.6.1 APL Senior Management

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



Andrew Spencer
Chief Executive Officer/ Company Secretary



Deb Kerr
General Manager, Policy



Emily Mackintosh
General Manager, Communication



Peter Haydon
General Manager, Marketing



Darryl D'Souza
General Manager, Research and Innovation



Sarah Lindsay
General Manager, Finance and Administration

3.6.2 Policy Division

The division is responsible for strategic policy development, advocacy and government relations 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, traceability, feed security, emergency and issues management, trade and market access, labour and immigration, and biosecurity and quarantine.



3.6.3 Research and Innovation Division

The division is responsible for investing and managing producer levies and matching government R&D funds in projects across a wide range of disciplines. The primary aim of this division is to implement the Pork National R,D&E Strategy to enhance the adoption of research outcomes or products by industry. This is delivered by a robust R,D&E process, and increased collaboration between R,D&E stakeholders including industry (including cross-sector), universities, consultants and government (State and Federal jurisdictions). Scholarship programs for undergraduate and postgraduate students, as well as training initiatives for the industry, are also managed by the division. In addition, the industry quality assurance program APIQ[✓][®] is managed by the Research and Innovation division.

3.6.4 Marketing Division

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

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

3.6.5 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 and company secretarial support to PorkScan Pty Limited.

3.6.6 Communication Division

The division provides communication support for 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 and social media, events, conferences and producer meetings. Whilst the primary audiences are APL members and Australian pork producer levy-payers, other key and important audiences include; government and political stakeholders (state and federal) and influencers; regulators; consumers (domestic and international); communities; retailers, wholesalers, processors; researchers, scientists, nutritionists; and educators and students.

The reporting period 2014–2015 has seen the Communication Division focusing on developing its Community Engagement Strategy, in association with the work around transparency, and the interrelated animal health and welfare activities carried out on farm to maintain healthy herds and sustainable environments.



For example the Communication Division, on behalf of the National Manure Management Project (NAMMP) Consortium, filmed six specialist videos showing the research work being carried out in relation to the reduction of Greenhouse Gases (GHG) into the environment and the efforts being put into utilising spent waste from intensive agriculture systems.

Initial work also started during this reporting period capturing, on film, exactly what does happen in a day in the life of a pig, on a pig farm in Australia. These videos will act to place into context the misguided claims, so often made by animal rights groups, about the various husbandry practices used on farms.

August 2014 saw the successful launch of Australian Pork Limited's new 2015–2020 Strategic Plan at Parliament House by the Minister for Agriculture, The Hon. Barnaby Joyce. This Annual Report is the first reporting period under the new plan.

3.6.7 Staff

As at 30 June 2015 the Company employed 30 full-time and 8 part-time and casual employees.

3.6.8 The APL Board of Directors

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

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

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

3.7 Developing Strategic Directions

The current 2015–2020 Strategic Plan, after consultation with all stakeholders during 2014, took effect from 1 July 2014 and is reported against in this 2014–2015 Annual Report.

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

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

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



3.7.1 Strategic Objective 1 — Growing Consumer Appeal

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

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

3.7.2 Strategic Objective 2 — Building Markets

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

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

3.7.3 Strategic Objective 3 — Driving Value Chain Integrity

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

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

3.7.4 Strategic Objective 4 — Leading Sustainability

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

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

3.7.5 Strategic Objective 5 — Improving Capability

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

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

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



3.8 Governance

3.8.1 APL Board

Role

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

The Board's functions include:

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

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

Remuneration

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

Meetings

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

Committees

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



- **Audit, Risk and Corporate Governance Committee**
The committee is chaired by a director and includes two other directors. The committee's role is to advise the Board on corporate governance, internal and external financial audit issues and adequacy of accounting procedures, systems, controls and financial reporting. It also reviews risk management and fraud control management, intellectual property management, qualification of research and development and matching expenditure in compliance with major contracts.
- **Human Resources & Remuneration Committee**
The committee is chaired by a director and includes two other nominated Board members. The committee provides advice and recommendations to the Board on remuneration policies and practices, and performance reviews for senior management.
- **Market Development Committee**
Directors with marketing experience are part of the Market Development Committee which also includes industry stakeholders from the supply chain. The committee reviews possible marketing developments for the domestic and export markets and advises the Board, through management, on appropriate strategies.
- **Research and Development Advisory Committee (RDAC)**
The committee is chaired by a director and gives direction to activities around the development, management, performance and outcomes of APL's research and associated activities.
- **Quality Assurance and Animal Welfare Committee**
The objective of this committee is to provide input and guidance to the APL Board in the development of policy as well as strategic communications on emerging or specific animal welfare and quality assurance issues that have the potential to significantly impact on producers' future sustainability.

Development and performance

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

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

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

An internal assessment of the Board was carried in September 2013, with an external assessment due in the next reporting period (July–September 2015). These assessments are part of the Board's commitment to continued good corporate governance. It is also to ensure that newly-elected members to the APL Board have a greater understanding of how the company operates. An extensive induction program is carried out, providing new members of the Board with the opportunity to meet the company's senior managers and operational staff.

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



Policies

The Board has developed and monitors 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, Australian Pig Industry Quality Assurance Program (APIQ[✓][®]) outdoor-bred and free-range pork
- 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 on issues of importance within the National Environmental Guidelines for Piggeries (NEGP)
- Safeguarding animal health through exotic disease prevention and preparedness
- Model Code of Practice for Welfare of Animals: Pigs
- Australian Pork Industry Quality Assurance Program (APIQ✓®)
- Animal welfare research projects
- 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 sponsorships
- Producer innovation awards
- Provision of Christmas hams and pork to charity
- Communications to members and industry
- Implementing the Community Engagement and Transparency program.





4. Report on Performance

4.1 Summary of Objectives – KPIs and Outcomes

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

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

Strategic Objective	Program	KPIs	Outcomes
Growing Consumer Appeal	1. Better Pork	Eating Quality Pathways Performance	Decreased incidence of unacceptable taste or texture reported by consumers
		Pork Image Attribute	Improved perceptions of Australian pork
	2. Pork Made More Popular	Advertising Recall	Fresh pork "top of mind" for Australians
		Net promoters Score	Increased recommendation of Australian pork
	3. Increasingly Different	Australian Processed Pork Share	Increased demand for Australian pork
		PorkMark Awareness	Improved ability for Australians to identify Australian ham and bacon
Building Markets	1. Market Insights	Number of Significant learnings Identified	Maintain "thought leadership" position
	2. Domestic Market Development	Pig Prices	Improved returns to pig producers
		Fresh Pork Consumption	Increased demand ahead of population growth
	3. International Market Development	International Pork Sales Value	Increased international demand for Australian pork
		International Premium Proposition	Trial a sustainable premium/niche marketing business model
	Driving Value Chain Integrity	1. Trust in Pork Provenance	Physi-Trace Adoption
Physi-Trace Analysis Capacity			Industry preparedness, rapid response and recovery
2. Pork Quality Assured		APIQ [✓] ® Uptake	Enhanced pig welfare, health and care on-farm
			Enhancement of industry reputation for implementation of responsible practices
		APIQ [✓] ® Annual Systems Audit	Improved integrity systems
3. Fairness in Risk and Reward		Boar Taint Free Pork	Improved integrity systems
		Lean Meat Yield Technologies	Robust QA program
			Increased consumer demand
		Improved carcase pricing clarity	

Strategic Objective	Program	KPIs	Outcomes	
Leading Sustainability	1. Addressing Societal Needs	Upload of P2P Movements	Enhanced traceability reduces the risks of exotic and endemic disease outbreaks Reputation for responsible practices Industry preparedness, rapid response and recovery	
		Gestation Stall Free Uptake	Validation of industry commitment to move away from gestation stalls to group housing Reputation for responsible practices	
		2. Healthy Herds and Farms	Post-wean Mortality Rates	Increased reproductive performance
	3. Continuous Productivity and Growth	New Technologies for Better Gilt Progeny	Improved growth performance	
			3. Continuous Productivity and Growth	Pork Produced per Sow
		Growth and Reproductive Waste Technologies	Increased productivity of breeding herd	
	Improving Capability	1. Applied Learnings	Technology Awareness	Increased awareness of APL R,D&E initiatives
			Technology Adoption	Improved adoption of industry solutions across the supply chain
		2. Building Industry Image and Reputation	Level of Membership	Increased portion of industry that become APL Members
APL Positive Image			More positive evaluation of APL's performance	
3. Operational Effectiveness		Staff Turnover	Balancing, maintaining and refreshing corporate knowledge	
		Corporate Cost Control	Continuous efficiency improvement	



4.2 Strategic Objective I – Growing Consumer Appeal

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

4.2.1 Program I – Better pork

Program	KPI	Unit	2014-2015 Target	Result
Better Pork	Eating Quality Pathways Performance	Product fail rate percentage in best sales Channel	8.2%	2.8%
	Pork Image Attribute	Percentage agreement with “Pork is low in fat and a valuable sources of iron”	15%	15%

KPI Table: Strategic Objective I Program I – Better pork

Background

Continuous product improvement plays a significant role in every food production system. The execution of eating quality pathways research, as well as the rigorous application of APIQ[✓]® the Australian pork industry quality assurance program that covers more than nine out of ten Australian pigs, is having a measurable impact on consumer satisfaction.

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

Achievements/Outcomes

The decrease in fail rates of Australian pork is significant. In addition to “raw meat” failures there was also a reduction in “cooking” failures. This has resulted from improvements throughout the supply chain. Continuous improvement will remain a focus. In addition to reducing fail rates, experiments have begun to improve the taste of Australian pork.

Consumer perceptions were improved through the communication of pork fillet nutritional benefits. The target was achieved and will be reviewed for the 2015–16 year.

4.2.2 Program 2 – Pork Made More Popular

Program	KPI	Unit	2014-2015 Target	Result
Pork Made More Popular	Net Promoter Score	Percentage of promoters minus detractors	NA	-10%
	Advertising Recall	Percentage of Australians recalling pork advertising	57%	61%

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

Background

Most Australians eat meat most days. As a result they form habits which are driven on any particular day primarily by the recipes the diners like. Habits can also be driven by the meat species the diners prefer or the type of cooking they prefer. In order to increase the popularity of Australian pork, which is eaten infrequently vs. other meats, Australian pork needs to be more familiar; seen as likely to taste great, make the cook feel good about what is being served to diners and make them confident about how to cook Australian pork.

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

Achievements/Outcomes

Australian Pork's advertising has maintained a high degree of familiarity in the past year, with six out of 10 Australians recalling ads. This is also true for the portion of Australians who believe pork "tastes great".

Significant progress has been made on people feeling good about serving pork, with an increasing number realising that pork fillets are low in fat and a valuable source of iron (average serve size 200g).

An in-market trial helped South Australians cook boneless pork steaks consistently well. The trial, focused on 20mm steaks with cooking tips, was executed in advertising media, in-store with on-pack recipe labels, cooking demonstrations and butchers' recommendations. The results reinforced a previous learning that messaging consumers at multiple touch points in the buying process tends to create greater increases in sales.

4.2.3 Program 3 – Increasingly Different

Program	KPI	Unit	2014-2015 Target	Result
Increasingly Different	Australian Processed Pork Share	Percentage of processed pork consumption	29.1%	28.4%
	Pork Mark Awareness	Percentage of Australians aware of PorkMark	60%	57%

KPI Table: Strategic Objective 1 Program 3 – Increasingly Different

Background

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



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



Achievements/Outcomes

Industry Differentiation

In 2013 the New Zealand High Court decision to allow fresh pork imports into NZ from countries where the PRRS virus exists was followed by public statements by the US based National Pork Producers Council (NPPC) specifically targeting Australia's protocols. Subsequently, NPPC continued advocacy with the Australian Government on these protocols. These events resulted in concerns about the extent to which Australia's science-based biosecurity protocols may come under pressure from importing countries.

APL has implemented a range of activities designed to ensure Australia's protocols remained science based, and are well understood by politicians and other livestock industries due to the implications for exotic disease incursions. A key outcome was the promotion of the Australian pork industry's reputation as clean and green, with a very high biosecurity status.

Over 2014–15, APL has developed a Differentiation Strategy, coined "Keeping our Pigs Safe". The strategy is a scalable campaign aimed at facilitating improved understanding of biosecurity amongst the community, where biosecurity is poorly understood, and with key decision makers. This strategy will continue into 2015–16 with a range of tools that will underpin ongoing communication and awareness.

4.2.4 Financial Summary

STRATEGIC OBJECTIVE I - GROWING CONSUMER APPEAL				BUDGET		ACTUAL	
				\$5,580,416		\$4,907,543	
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Better Pork			NON R&D		R&D		
Budget	\$0	\$0	\$0	\$75,000	\$78,787	\$153,787	\$153,787
Actual	\$0	\$0	\$0	\$39,340	\$77,252	\$116,591	\$116,591
Pork Made More Popular							
Budget	\$4,254,138	\$440,965	\$4,695,103	\$0	\$0	\$0	\$4,695,103
Actual	\$3,622,191	\$431,212	\$4,053,403	\$0	\$0	\$0	\$4,053,403
Increasingly Different							
Budget	\$277,050	\$454,476	\$731,526	\$0	\$0	\$0	\$731,526
Actual	\$316,995	\$420,554	\$737,549	\$0	\$0	\$0	\$737,549
TOTAL STRATEGIC OBJECTIVE I - BUDGET	\$4,531,188	\$895,441	\$5,426,629	\$75,000	\$78,787	\$153,787	\$5,580,416
TOTAL STRATEGIC OBJECTIVE I - ACTUAL	\$3,939,185	\$851,766	\$4,790,952	\$39,340	\$77,252	\$116,591	\$4,907,543

4.3 Strategic Objective 2 – Building Markets

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

4.3.1 Program 1 – Market Insights

Program	KPI	Unit	2014-2015 Target	Result
Market Insights	Program Effectiveness Through Insights	Number of significant learnings identified	2	2

KPI Table: Strategic Objective 2 Program 1 – Market Insights

Background

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

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

Achievements/Outcomes

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

We believe that two significant insights (i.e. learnings that are new, commercially significant and actionable) have crystallised since July 2014. The first is eating quality improvement in the identification of opportunities and their relative importance in contributing to poor eating experiences. A well-executed in-market trial applying understanding of cuts, cooking methods, cooking instructions and cutting consistency has resulted in a demonstrable improvement in consumer trial, satisfaction and claimed intention to repeat the cooking method.

Secondly, Christmas fresh meat purchasing can be influenced where we are reminding people of an already familiar behaviour. The Christmas success of effectively clearing all produced fresh pork roast stock at a 15 per cent premium to the previous year (and a slightly higher relative price vs. other fresh meats) suggests “recency theory” applies at this time of year to pork.

4.3.3 Program 3 – International Market Development

Program	KPI	Unit	2014-2015 Target	Result
International Market Development	International Pork Sales Value	International Pork Sales Value	\$107.8m	\$120.6m
	International Premium Proposition	Australian pork wholesale price per kilo to test market	\$25	Test market has not yet started

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

Background

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

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

Achievements/Outcomes

As domestic demand is growing, the opportunity has been taken to work with and develop niche “farm to plate” offerings to test markets in the near future.

A “rolling presence” in China has been established in order to start relationship building with both Government and potential supply chain partners. Likewise, the dialogue with the Department of Agriculture has become far more intense and frequent over the course of the 2014–15 year, reflecting the central role Government to Government relations play in protocol agreement and establishment accreditation.

Trade Report

A focus during the past year has been further developing key relationships in China, and continuing advocacy on Free Trade Agreements (FTAs) with the Australian Government. Key domestic relationships continue to include the Department of Foreign Affairs and Trade (DFAT), the Department of Agriculture (DoA) and the National Farmers’ Federation (NFF).

In 2014-15, the Australian Government concluded negotiations on the China and Japan FTAs, with the latter now entered into force. The China FTA was signed in June 2015. The Australian Government is in the concluding rounds for the Trans Pacific Partnership (TPP), and future negotiations will focus on the India FTA and the Regional Comprehensive Economic Partnership (RCEP).

The Japan FTA delivered significant tariff reforms, but implemented for the first time a pork quota as well as maintaining the “gate price”. Currently, due to economic and other reasons, Australia is unlikely to fill this quota. Meanwhile, the China FTA has also delivered significant tariff reforms, however, this was not linked to an import protocol. Until this is negotiated, the Australian pork industry is unable to fully realise the benefits promised in the China FTA.



During 2014-15, APL developed the China Market Access Strategy to provide options to facilitate market access to China. The report covers the existing barriers, analysed key success factors for other exporters, and the process for development of a trade protocol and to have pork supply chain establishments approved. The report also recommended some key messages and provided a matrix of key Australian and Chinese Government officials important to the market access.

4.3.4 Financial Summary

STRATEGIC OBJECTIVE 2 - BUILDING MARKETS				BUDGET		ACTUAL	
				\$3,823,196		\$3,667,494	
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Market Insights		NON R&D		R&D			
Budget	\$0	\$245,533	\$245,533	\$571,000	\$498,156	\$1,069,156	\$1,314,689
Actual	\$0	\$224,734	\$224,733	\$757,683	\$489,281	\$1,246,964	\$1,471,698
Domestic Market Development							
Budget	\$912,542	\$795,000	\$1,707,542	\$0	\$0	\$0	\$1,707,542
Actual	\$859,207	\$849,401	\$1,708,608	\$0	\$0	\$0	\$1,708,608
International Market Development							
Budget	\$310,000	\$410,061	\$720,061	\$60,000	\$20,904	\$80,904	\$800,965
Actual	\$115,815	\$183,041	\$298,856	\$29,912	\$158,420	\$188,332	\$487,188
TOTAL STRATEGIC OBJECTIVE 2 - BUDGET	\$1,222,542	\$1,450,594	\$2,673,136	\$631,000	\$519,060	\$1,150,060	\$3,823,196
TOTAL STRATEGIC OBJECTIVE 2 - ACTUAL	\$975,022	\$1,257,176	\$2,232,197	\$787,595	\$647,701	\$1,435,296	\$3,667,494

4.4 Strategic Objective 3 – Driving Value Chain Integrity

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

4.4.1 Program 1 – Trust in Pork Provenance

Program	KPI	Unit	2014-2015 Target	Result
Trust in Pork Provenance	Physi-Trace Adoption	Number of abattoirs subscribed to Physi-Trace	7 export and 1 domestic abattoir	KPI not met. Currently 6 export abattoirs have signed up. APL continues to work with both domestic and export abattoirs to sign up to the Physi-Trace project.
	Physi-Trace Analysis Capacity	Number of laboratories with trace-elemental analysis capability	4 Laboratories	KPI not met. Currently 3 laboratories have developed the capability to conduct trace-elemental analysis. APL will also be keen to investigate laboratory expertise in key markets like Singapore to enhance our ability to process pork samples domestically and for our export markets.

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

Background

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

Achievements/Outcomes

Pork Supply Chain Integrity Program/Physi-Trace

Physi-Trace uses trace elemental profiles, chemical and organic markers to discriminate between pork samples based on region of origin. The integration of Physi-Trace with APIQ[✓]® and PigPass supports traceability and provenance claims of Australian pork to be verified through the Trust in Australian Quality Pork program. Revised sampling and analytical plans have been implemented to deliver Physi-Trace to industry at a cost of \$0.05/pig. These plans require the sampling and storage of between 0.5–1.5 per cent of annual slaughter by each establishment and 5 per cent of these samples are randomly selected on a monthly basis for Physi-Trace analysis to build the database for raw pork. Physi-Trace is also being used to differentiate between ham and bacon made from Australian or imported pork, supported by the Physi-Trace ham and bacon database.



4.4.2 Program 2 – Pork Quality Assured

Program	KPI	Unit	2014-2015 Target	Result
Pork Quality Assured	APIQ✓®Uptake	Percentage APIQ✓® certified enterprises of all pig farm enterprises	90%	91.4%. This KPI has been achieved.
	APIQ✓®Annual Systems Audit	Number of non-conformances and observations	≤ 1 non-conformance; ≤ 20 observations	No non-conformances; 6 observations. This KPI has been achieved.

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

Background

The industry's on-farm quality assurance program, APIQ✓®, is a key platform providing confidence to our consumers, regulators, markets and the Australian public that our production standards are of a high level. APIQ✓® is an independently audited program which verifies industry compliance with management, animal welfare, food safety, and biosecurity and livestock traceability standards. APL also undertakes a number of activities to underpin the Pork - Australian Export Meat Inspection System (AEMIS) and address food safety issues to enable the Australian pork industry to maintain market access, assure community and consumer trust in the safety of Australian pork and pork products.

Achievements/Outcomes

APIQ✓® Activities

APIQ✓® Certification continues to cover more than 90 per cent of Australian sows in production reaching a high of 91.8 percent in September 2014. Annual Compliance Audits verified that approximately 70 per cent of producers have voluntarily moved to Gestation Stall Free systems and that 11 per cent of sows are certified outdoors as Free Range or Outdoor Bred. APIQ✓® Management continues to administer the day to day operations of APIQ✓® Certification and manages projects to allow APL to ensure that APIQ✓® continues to be a quality program assisting producers to meet and maintain world's best practice on-farm, follow principles of HACCP and ensuring that they comply with local regulations. The APIQ✓® Panel has actively participated in the major review process and in assessing auditor and producer issues that are outside Certification Policies. The annual System Verification audit was conducted for the fourth year by AUS-MEAT and noted a significant reduction in the number of non-conformances or opportunities for improvement. Moving from 57 Observations in 2013–14 to 6 in 2014–15, no Action items (down from three (3) in 2013–14), and no Non Conformances (down from two (2) in 2013–14).

Three projects were conducted being the 2014–15 Major Review of APIQ✓®, the Third Party Evaluation – Outsourcing Management and Administration of APIQ✓® and the development of Electronic Audit Reporting.



The APIQ✓[®] Major Review included consultation with all stakeholders in all pig producing states and resulted in APIQ✓[®] Standards and Certification Policies, Version 4.0 7/2015. The new Standards and Certification Policies will take effect as of 1 July 2015. The program format was revised to include modules for *Traceability, Environment* and *Transport* with some existing Standards and Performance Indicators moved and others added as agreed through the consultation process and as approved by the APL Board. The new *Standards Manual* along with a *Table of Amendments* will be made available to all stakeholders through the APIQ✓[®] website www.apiq.com.au. Producers will be advised how to comply with the new Standards and when compliance is required. Extended certification will be granted where quarantine operations need to be changed, where licences to operate need to be checked or obtained, environmental non-compliance needs to be addressed, soil testing or infrastructure improvements are needed for pigs kept outdoors and where loading facilities need to be upgraded.

The Third Party Evaluation – Outsourcing Management and Administration of APIQ✓[®] project recommended that 'ownership and management of APIQ✓[®] remain in-house to ensure its strategic direction is in-line with industry and that it remains under the direct control of the industry through APL.' It further recommended that 'APL investigate the options and costs associated with outsourcing the APIQ✓[®] audit management function and proceed to call for expressions of interest from prospective Certification Bodies'. The APL Board has instructed APIQ✓[®] Management to act on this recommendation in 2015–16. It also found that 'APIQ✓[®] will have an important role in supporting the initiatives of the new industry Strategic Plan for domestic and export market development by continuing to be a key part of the industry's food safety and animal welfare credentials'.

Both projects found that APIQ✓[®] is a robust and respected QA program delivering real benefits to the Australian Pork industry and is highly regarded by producers and others in the supply chain and is demonstrable proof of the commitment by Australian Pork Limited and the industry to food safety and animal welfare.

The development of an electronic audit reporting tool was highlighted as an essential tool necessary to drive continuous improvement in APIQ✓[®] reporting and certification management. It was recommended in each System Verification Audit, the Major Review and the Third Party Evaluation project. Following APL Board approval, it was created in 2014–15 using the *Muddy Boots, Greenlight Assessments* tool to be launched 1 July 2015 at the same time as the revised Standards. It will be used by Auditors as the only option for reporting audits and once proven and refined will be made available to producers for use in conducting their internal audits.

Food Safety R&D

Opportunities to continue reforms in the AEMIS and demonstrate a proactive industry approach to managing market access and commercial risks are the focus of APL's food safety program. In May 2015, acceptance was gained from the Department of Agriculture for Porcine Ante Mortem Inspectors with Certificate III in Meat Processing (General, Livestock Handling or Meat Safety) within Pork AEMIS. This will enable all export pork establishments to now operate under Pork AEMIS, once transitions are completed.



All export pork establishments are involved in the Abattoir Process Control project, which aims to establish valid monitoring arrangements to verify hygiene performance in both the abattoir and boning room of individual abattoirs. Outcomes were presented to the Pork Processor Referral Group (PPRG) at a meeting held in January 2015. PPRG endorsement was obtained for the second phase of the project to determine if Enterobacteriaceae may be a more informative indicator of microbial contamination and plant hygiene performance than current indicators used and this project is now underway.

A scoping study to determine the degree of support and options for further development of a national uniform reporting system to capture pig inspection data from abattoirs and feed it back to producers was conducted. Consultations with six export processors, State Chief Veterinary Officers and the Department of Agriculture were held to discuss current systems and expectations for an improved national reporting system. The value of such a system to industry was recognised, with processors providing in-principle support, provided the cost effectiveness of a national recording and feedback system can be demonstrated and suitable governing rules agreed.

Toxoplasmosis, a parasitic disease caused by *Toxoplasma gondii*, is second only to Salmonellosis as a leading cause of pork-associated foodborne disease. Capability developed at the South Australian Research and Development Institute (SARDI) was used to undertake a pilot study to determine the prevalence of *T. gondii* in sow hearts sourced from three export establishments. Outcomes will be presented to further processors of uncooked, fermented smallgoods products to manage any food safety risks associated with *Toxoplasma* from pork.

The mitigation of risks to public health posed by *Salmonella Typhimurium* from pork is being addressed in two APL-funded PhD projects being conducted through SARDI in collaboration with the University of Melbourne and with the University of Tasmania. A multi-drug resistant monophasic variant of *S. Typhimurium* (mSTm193) has become established in a number of geographically separated Australian herds with a range of animal husbandry practices. Once established, mSTm193 has been shown to persist on farm throughout a 12 month study and has demonstrated a range of antibiotic resistance. A stochastic model has been constructed that estimates the risk of salmonellosis from the consumption of moisture infused pork products by modelling the transfer of heat into pork steaks to estimate the proportion of *Salmonella* remaining after cooking. A predictive model for the inactivation of *Salmonella* in pork burgers has also been developed and details the influence of fat content of minced pork, degree of doneness and *Salmonella* serovar on the inactivation of *Salmonella*.

4.4.3 Program 3 – Fairness in Risk and Reward

Program	KPI	Unit	2014-2015 Target	Result
Fairness in Risk and Reward	Boar Taint Free Pork	Percentage male pigs vaccinated against boar-taint	50%	55%. This KPI has been achieved.
	Lean Meat Yield Technologies	Milestones achieved	Pork CRC project milestones met	Components of the project have been delayed but will not affect the overall project milestones.

KPI Table: Strategic Objective 3 Program 3 – Fairness in risk and reward

Background

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

Achievements/Outcomes

APL owns the intellectual property developed in the AusIndustry and industry consortium co-funded PorkScan project and licenses its use to PorkScan Pty Ltd. APL was notified that the patent application in Australia (Australian Patent Application No, 2010268755) for the assessment of animals and carcasses using light striping was accepted as of 10 October 2014. The Certificate of Grant was provided on 29 January 2015 for a twenty year term from 29 June 2010.

4.4.4 Financial Summary

STRATEGIC OBJECTIVE 3 - DRIVING VALUE CHAIN INTEGRITY				BUDGET		ACTUAL	
				\$1,670,833		\$1,908,808	
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Trust in Pork Provenance		NON R&D		R&D			
Budget	\$0	\$0	\$0	\$290,000	\$115,121	\$405,121	\$405,121
Actual	\$0	\$0	\$0	\$365,239	\$141,265	\$506,504	\$506,504
Pork Quality Assured							
Budget	\$165,500	\$430,719	\$596,219	\$342,224	\$268,009	\$610,233	\$1,206,452
Actual	\$151,449	\$427,022	\$578,471	\$408,489	\$350,821	\$759,310	\$1,337,781
Fairness in Risk and Reward							
Budget	\$0	\$0	\$0	\$4,000	\$55,261	\$59,261	\$59,261
Actual	\$0	\$0	\$0	\$2,176	\$62,347	\$64,523	\$64,523
TOTAL STRATEGIC OBJECTIVE 3 - BUDGET	\$165,500	\$430,719	\$596,219	\$636,224	\$438,390	\$1,074,614	\$1,670,833
TOTAL STRATEGIC OBJECTIVE 3 - ACTUAL	\$151,449	\$427,022	\$578,471	\$775,904	\$554,433	\$1,330,337	\$1,908,808



4.5 Strategic Objective 4 – Leading Sustainability

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

4.5.1 Program I – Addressing Societal Needs

Program	KPI	Unit	2014-2015 Target	Result
Addressing Societal Needs	Upload of P2P Movements	Percentage of P2P movements uploaded to CRM within two days	100%	49.4% KPI not met. P2P movement reporting became mandatory under the APIQ program following the major review.
	Gestation Stall Free Uptake	Percentage of sows gestation stall free as per industry definition	67%	69.45%

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

Background

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

Achievements/Outcomes

Collaborative Activities Policy

These projects collectively focus on the relationships with APL’s partners. Major stakeholders include SAFEMEAT, the Communications Livestock Network Group, the Australian Meat Industry Council (AMIC), the Australian Farm Institute (AFI), and other stakeholders. Our partners allow APL to efficiently focus on the collaborative efforts of relevant partners. For example, SAFEMEAT is a partnership between the red meat and livestock industry and the state and federal governments of Australia.

This partnership ensures that Australian red meat and livestock products achieve the highest standards of safety and hygiene from the farm to the consumer. SAFEMEAT initiates research and development, develops communication linkages, monitors the status of Australia’s products, reviews standards and examines emerging issues that could have an impact on the industry in the future.

AMIC represents the post farm gate meat industry on a wide range of policy and regulatory matters, while the AFI invests in research of interest to the farm sector. A key piece of AFI research this year was the release of a framework for animal welfare.



Innovation and Uptake of Best Management Practices (BMPs)

This area of research aims to develop technology transfer programs and materials and increase industry capability by extending research to producers and stakeholders that encourage consideration, uptake and adoption. Information disseminated includes manure and spent bedding reuse, odour, pond design, outdoor piggeries, energy savings, biogas safety and greenhouse gas mitigation opportunities.

Outcomes include the Piggery Manure and Effluent Management and Reuse Guidelines (2015) and associated 'glove box' guide to allow producers to quantify manure nutrients for reuse as well as provide a method to place value on the nutrients. The guidelines highlight an economic advantage of approximately \$156/ha by applying 5t/ha of spent bedding compared to equivalent rates of conventional fertilisers. Complementing the manure guidelines is the electronic Environmental Management Plan (EMP) template and nutrient balance calculators for conventional and outdoor piggeries. The EMP was developed for producers to assist with day to day environmental management, demonstrate best practice to regulators and assist decision makers when developing or expanding a piggery. The nutrient balance calculators help improve producers' understanding of nutrient quantities and assist operators to sustainably reuse manure and effluent from conventional, deep litter piggeries and manage paddock rotations for outdoor piggeries.

A series of six BMP booklets were produced based on the latest science and understandings. These booklets cover: reducing energy costs in piggeries; minimising odour from piggeries; rotational outdoor piggeries and the environment; new design guidelines for anaerobic ponds; getting the best value from manure nutrients and sedimentation and evaporation pond systems

In relation to greenhouse gases, the PigGas extension project developed case studies for 55 piggeries and identified emission reduction opportunities of up to 84%. Baseline on-farm emissions intensities averaged 3.9 (0.3-16.7) kg CO₂-e / kg Hot Standard Carcase Weight with average potential abatement of 51% (0-84%) for all piggeries. Greatest abatement potential was from conventional housed piggeries operating a biogas system. To support the implementation of biogas, a gas safety management plan template was developed for producers developing or operating biogas systems. This aligns with APL's Biogas Code of Practice and aims to assist in fast tracking compliance requirements in all states.

On-Farm Greenhouse Gas Mitigation

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

APL biogas projects, together with the Pork CRC bioenergy program, have assisted with 26% of available production or 11% total production capturing or utilising biogas. Currently, there are 18 systems across Australia, with four of these systems participating in the Carbon Farming Initiative (CFI) - generating approx. \$2 million in CFI credits and abating over 101,000 t CO₂. Four sites have been successful in the new Emissions Reduction Fund (ERF) scheme contracting 0.3 million tonne of CO₂ abatement worth \$4.3 million in credits.

The National Agricultural Manure Management Program (NAMMP), funded by Research and Development Corporations (RDCs), the Commonwealth Government and coordinated by APL, achieved significant outcomes, adding to the basic understanding and quantification of GHG emissions from livestock manure management and land application practices.



Results for the pork industry showed that sorbers can decrease GHG (N₂O and NH₃) emissions by up to 60%, potentially reducing the need for conventional fertilisers. These sorbers can potentially improve agronomics by 20% and boost carbon retention in the soil by approximately 50%. GHG mitigation, compared to conventional long hydraulic retention time ponds, GHG mitigation is 87% when converted to short hydraulic retention time system. Compared to conventional long hydraulic retention time ponds, 87% for conversion to short hydraulic retention time systems, 85% for deep litter systems and 65% for deep litter and stockpiling.

Lower application rates of manures has the potential for 60% GHG reduction and, irrespective of the source of manure, there was a trend towards higher grain yields in plots receiving manure. Dry seeding shows the potential for 25% GHG reduction whilst incorporation of manures into soil showed up to a 75% reduction in GHG emissions. Composting and pelletising, rather than stockpiling, showed a potential of up to 70 and 80% GHG reduction, respectively.

New and Emerging Technologies

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

APL was successful in being the lead agency in the Federal Government's Rural R&D for Profit project 'Waste to Revenue: Novel fertilisers and Feeds' worth \$2 million. This project is also supported by Dairy Australia (DA), Sugar Research Australia Ltd, Meat & Livestock Australia and Rural Industries Development Corporation (Meat Chickens). The project, to be carried out by University of Queensland and University of Western Australia, aims to develop new waste technologies that utilise algae, purple phototrophic bacteria and chemotrophs to recapture nutrients in waste as fertiliser and feed products. It will also investigate alternative soil improvers generated from low compost and cleaner composting technologies.

Generating these new products will improve the sustainability, productivity and profitability of primary industries through the generation of new revenue streams and reduced input costs. The production of digestible feed will supplement existing feeds, whilst fertilisers will improve crop productivity, carbon availability and soil resilience to erosion, frost, drought and heat stress.

Communication and Society

Ongoing illegal entry to pig farms continued throughout the year. APL provided support to producers, as well as continuing to speak to governments about the risks of these activities to biosecurity and the welfare of animals on the farms raided.

As part of the APL Community Engagement and Transparency projects, video footage has been collected throughout the year depicting all stages of pork production along the supply chain. This is being done to place into context what happens throughout the life of a pig; from conception, birth through to weaning, sale, slaughter and consumption. The final version of these videos will be available on the APL website late 2015. These projects will continue to expand their activities in an effort to better inform the Australian community about how their food is produced.



Stakeholder Survey Management

APL has previously undertaken producer surveys about production practices, such as the industry's progression against implementation of the Shaping our Future initiative (move to loose housing of sows by 2017). The last survey in 2013-14 had a poor response rate. In an endeavour to better manage the many APL interactions with producers and reduce the survey burden, APL had adapted its Customer Relationship Management (CRM) system to undertake surveys online. The new system was trialled with Delegates following the May Delegates Forum. This will enable APL to undertake smaller focused surveys.

APL will now work with the Delegates to formulate a revised Producer production survey, with the revised format to be rolled out in 2015-16.

Animal Welfare

The re-development of ProHand Pigs, on-farm welfare activities regarding pain relief and alleviation of responses to adverse stimuli, euthanasia on farm, standards for CO₂ stunning at abattoirs and defining and establishing whether enrichment is necessary for pig welfare are being addressed in this priority area. Pain relief activities focused on investigation of pain relief during husbandry procedures. On-farm welfare activities including welfare assessment and stockperson benchmarking were investigated. An 'On-Farm Welfare Assessment Panel' made up of key producers and APL was established to define the elements of an on-farm welfare assessment plan and present recommendations to producer groups and industry. These outcomes were used to support industry's defence following a range of 'attacks' by animal liberation organisations and media, farm raid preparedness, differentiate Australian pork from imports and support the industry's gestation stall free definition.

Environmental Management

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

Pork CRC

A key challenge faced by the Australian pork industry is the need to maintain local production of high quality food for a reasonable price and return on production capital invested, without negatively impacting pig welfare, the environment or the health of the consumer. The Pork CRC through innovative, collaborative, whole value chain research, development and education programs continues to enable the pork industry to meet this challenge. Program 1 of the HIAP CRC addresses the issues associated with Confinement-free Sow and Piglet Management – which will optimise sow and piglet welfare in confinement-free systems while maintaining production efficiency.



4.5.2 Program 2 – Healthy Herds and Farms

Program	KPI	Unit	2014-2015 Target	Result
Healthy Herds and Farms	Post-wean mortality rates	Post-wean mortality percentage	4%	4.3%. Whilst this KPI has been achieved, the Pork CRC benchmarking study indicates that pig producers continue to reduce post-wean mortality through better on-farm management strategies and use of other technologies.
	New technologies for better gilt progeny	Number of innovation projects commissioned	1 successful research idea to reduce gilt progeny	KPI not met. Results indicate that it is difficult to improve performance of compromised weaners.

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

Background

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

Over 2014–2015, this program has implemented technologies, systems and management strategies in support of these science-based biosecurity arrangements.

Achievements/Outcomes

Animal Health Australia

Animal Health Australia (AHA) has responsibility for the coordination of Australia's preparedness for disease incursions, with involvement of all Australian governments and the livestock industries. APL continues to be actively involved through the Industry and Partnership Forums. APL also contributes to a number of preparedness activities, such as the Foot and Mouth Disease (FMD) bank, and a swill feeding project.

During 2014-15, APL requested that Porcine Epidemic Diarrhoea Virus (PEDv) be added to the Emergency Animal Disease Response Agreement (EADRA) as a cost shared response. AHA members agreed to this, with PEDv being listed as a Category 4 disease. This means that if an outbreak of PEDv was to occur in Australia, Governments will contribute 20% of the costs, while industry will fund the remaining 80%.

Traceability

The ongoing development of the pork industry's live pig traceability system, PigPass, has continued to evolve over 2014–2015. Through the SAFEMEAT NLIS (Pork) Advisory Committee, there was agreement on the business rules that underpinned PigPass. Initially, APL was to have been responsible for the development of the property-to-property (P2P) movements to the PigPass database. However, this subsequently morphed into development of PigPass to be inclusive of all pig movements, i.e. P2P, abattoirs, and saleyards. In particular, APIQ[✓]® management has developed standards that will apply to APIQ[✓]® joint certifications.



Along with the movement reporting systems, APL has been implementing a communications strategy to ensure that all supply chain participants are aware of their reporting obligations, along with on-site training for identified saleyards and abattoirs. A gap in the communications strategy that will be addressed over 2015–2016 is targeting of pig producers who are on the state PIC database but not yet registered for PigPass.

APL is pleased that P2P reporting is underway, and that many of the export and domestic abattoirs and saleyards are also reporting. While the system remains voluntary, there is the intention to make this system mandatory. A mandatory system will require compliance by all supply chain participants. Further reform is also required around showground reporting.

PorkSAFE

PorkSAFE is the Australian pork industry's emergency plan, which can be triggered for a number of reasons, such as a disease incursion or a food safety incidence. PorkSAFE has been the key to APL's involvement with government and industry collaboration, such as Exercise Odysseus.

Exercise Odysseus is a series of discussion exercises and field-based activities aimed at enhancing national preparedness for the implementation of a national livestock standstill in response to an outbreak of FMD. The exercise involves both governments and industry and is coordinated by the Department of Agriculture.

APL has participated in numerous Exercise Odysseus activities and reviews, which have further served to strengthen APL's understanding of, and preparedness for, a national livestock standstill, and underline the importance of maintaining biosecurity along the continuum.

While Exercise Odysseus has now concluded, it is timely for a review of the effectiveness of PorkSAFE, with this likely to occur in 2015–2016.

Exotic Disease and Biosecurity R&D

Risks associated with, and mitigation strategies for, a range of exotic diseases including Foot and Mouth (FMD), Porcine Reproductive and Respiratory Syndrome (PRRS), African Swine Fever (ASF) and Porcine Epidemic Diarrhoea virus (PEDv) were investigated. Outcomes arising from this program were provided to the Strategic Biosecurity Review Panel to support industry's biosecurity endeavours and priorities. Risk assessment outcomes were instrumental in supporting Australia's position as Post Weaning Multisystemic Wasting Syndrome (PMWS)-free (despite other countries wanting to change this on the basis of having Porcine circovirus (PCV)) and new Australian import risk data for PRRS was obtained. PEDv was classified as Category 4 under the Emergency Animal Disease Response Agreement (EADRA), with this position strongly supported by data obtained from PEDv risk modelling. Rigorous and quantifiable information regarding exotic disease impacts has also been provided to jurisdictions.

Feral pig populations have been included in modelling of PRRS incursions in Australia to determine economic and non-tangible impacts associated with PRRS. The Swill Feeding Compliance and Awareness Project is ensuring consistency across States regarding the approach to swill feeding awareness, compliance and enforcement, consequently reducing the likelihood of introducing emergency animal diseases through the feeding of swill to pigs. Work in this area is also enabling ongoing confidence in APL's emergency management readiness to deal with any an FMD incident by training of industry personnel in real-time FMD training.



A package of research activities continues to be conducted to better prepare Australian livestock industries for an outbreak of foot and mouth disease. Completion of these activities will enable Australia to optimise its joint industry/government investment in the FMD antigen bank held in the UK. APL's contribution to this project is based on gross value of production (GVP) figures. The final report for Stage I and II is due in December 2015. Further consultation will then occur to develop the implementation package for the livestock industries.

Zoonotic Biosecurity R&D

This priority is focused on zoonotic pathogens that are considered to present risk to the Australian pork industry, particularly in terms of market access, public health and assuring community trust of Australian pigs, pork and pork associated products.

4.5.3 Program 3 – Continuous Productivity and Growth

Program	KPI	Unit	2014-2015 Target	Result
Continuous Productivity and Growth	Pork Produced per Sow	Percent increase in kg pork/sow/year	4.5%	0%. This KPI has not been met. There has been little growth in pork per sow per year given that pigs appear to be sold lighter to meet market demand even though the pigs per sow sold has increased.
	Growth and Reproductive Waste Technology	Number of innovation projects commissioned	1 successful research idea to promote growth 1 successful research idea to reduce reproductive wastage	KPI has been met. The single shot Porcine Somatotropin (pST) delivery to enhance growth performance using a novel delivery system was successfully completed. Anti-mullerian hormone levels in gilts can be used as an indicator of fertility.

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

Background

The Australian pig herd is classified as a “closed” genetic herd. While the Australian pork industry strongly supports the pork biosecurity protocols, these also have a negative consequence, which means that the importation of new genetic lines with higher productivity is prohibited. The result is that Australia's productivity lags behind those of major competitors such as the U.S.A., Canada and the European Union, and there is a strong investment in programs that underpin continuous productivity growth, with a focus on reproductive performance and progeny viability.

The specific projects seek to improve the number of piglets born per sow, technologies to increase the number of female pigs in each litter, the growth performance of gilts, and ongoing base funding of key research development and extension facilities identified in the National Pork R,D&E Strategy.

Achievements/Outcomes

Reproductive R&D

Investigations into fertility and litter size in the Australian commercial pig breeding industry discovered that only five mitochondrial DNA haplotypes can be identified; an outcome of Australia's closed herd. Two haplotypes proved to produce significantly larger litter sizes (≥ 15 piglets per litter) across generations. Further investigations are now being conducted to determine other production traits of these sows.

Promising results were found by testing plasma anti-mullerian hormone (AMH) at weaning to determine the potential reproductive capacity of replacement gilts. Gilts born in large litters with high AMH had an increased capacity to reach puberty at a younger age and therefore represents a viable strategy to increase herd productivity by only selecting gilts at weaning with high plasma AMH.

Growth & Development R&D

Optimising the dietary concentration of available lysine is fundamental to achieving maximum growth of the finisher pig. Lysine titration studies have now concluded, reaffirming the need to increase optimal lysine requirements of grower finishers to 0.61 - 0.64 grams of available lysine / MJ DE. The use of Porcine Somatotropin (pST) to increase protein deposition and decrease fat accretion in pigs is well known. The development of a single shot slow release delivery of pST through an injectable polymer depot has been successfully developed, with investigations now commencing in pigs.

Lower weaning weights result in lower rate of gain and pigs are slower to reach sale weight than their heavier counterparts at weaning. Investigations to enhance the performance of light weight weaners with nutritional interventions were not successful and demonstrated that a compromised weaner will remain a compromised grower and finisher pig. However, recommendations can be made to not wean pigs at a lighter than optimum weight and interventions should focus on producing a larger weaner. High sow replacement rates leads to high numbers of gilts selected to maintain mating volumes. The higher production of gilt progeny inherently worsens whole herd feed efficiency. A large collaborative project is now underway to optimise the performance of gilt progeny.

Pork R,D&E Strategy

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

4.5.4 Financial Summary

STRATEGIC OBJECTIVE 4 - LEADING SUSTAINABILITY				BUDGET		ACTUAL	
				\$5,734,717		\$5,202,344	
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Addressing Societal Needs			NON R&D		R&D		
Budget	\$192,000	\$105,490	\$297,490	\$1,672,223	\$614,385	\$2,286,608	\$2,584,097
Actual	\$115,777	\$79,580	\$195,357	\$1,836,384	\$493,089	\$2,329,473	\$2,524,831
Healthy Herds and Farms							
Budget	\$313,273	\$197,009	\$510,282	\$413,410	\$137,970	\$551,380	\$1,061,662
Actual	\$109,506	\$263,868	\$373,374	\$224,821	\$97,343	\$322,164	\$695,537
Continuous Productivity and Growth							
Budget	\$0	\$0	\$0	\$1,908,497	\$180,461	\$2,088,958	\$2,088,958
Actual	\$0	\$0	\$0	\$1,833,088	\$148,888	\$1,981,976	\$1,981,976
TOTAL STRATEGIC OBJECTIVE 4 - BUDGET	\$505,273	\$302,499	\$807,772	\$3,994,130	\$932,816	\$4,926,946	\$5,734,717
TOTAL STRATEGIC OBJECTIVE 4 - ACTUAL	\$225,283	\$343,448	\$568,731	\$3,894,293	\$739,320	\$4,633,613	\$5,202,344



4.6 Strategic Objective 5 – Improving Capability

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

4.6.1 Program 1 – Applied Learning

Program	KPI	Unit	2014-2015 Target	Result
Applied Learning	Technology Adoption	Percent of technologies transferred that have been adopted after two years	50%	Projects 46%; Hero Projects 74%. This KPI was not met however APL will continue its focus on key influencers rather than general communications to enhance technology adoption. The use of commercial research facilities as per the National Pork R,D&E Strategy continues to have a significant impact on the timeliness of technology adoption.
	Technology Awareness	Percentage of eligible production aware of subsample of technologies	80%	84.5%. This KPI has been met.

KPI Table: Strategic Objective 5 Program 1 – Improving Capability

Background

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

Achievements/Outcomes

Bringing Influencers Together

APL hosts and supports a range of industry events which enable interaction among producers and stakeholders as well as the distribution of information on the latest research outcomes and/or technologies. The APL/ Pork CRC roadshows were held in five states in 2014 and were all well received by producers.

In 2014–2015, APL sponsored the Victorian Pig Fair (April 2015) which attracted over 500 attendees.

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

Facilitating Technology Transfer and Adoption

The development of the R & I ‘App’ is well underway and is due to be released in September 2015. It is designed to quickly disseminate key APL research outcomes, best management practice information and coming events to all levels of industry. The ‘App’ will also be a key to gaining industry feedback on adoption levels and rates of APL R&D information and help APL to further target information.



A number of producer case study videos have been made and will be available later in 2015. These short videos aim to encourage other producers who may be considering adopting new technologies and will be distributed via the APL website and the 'App'.

The Wean to Sale Manual has been reviewed and updated and will be available to industry in late 2015.

Fostering New Capability

APL has continued to campaign and develop the Australian Pork Industry Education Toolkit ('Pigs in Schools' Program). A Years 9&10 resource and a pig farm visits kit for teachers has been developed. As a result, the APL Pigs in Schools program is now available for teachers from kindergarten to Year 10 and over 400 resources have so far been distributed to teachers. These resources have been very well received by teachers, industry and government departments.

The Primary Industries Education Foundation Australia (PIEFA) is a teacher focused, cross-industry approach to working with schools. It aims to build capability in the primary industries sector and improve community understanding of food and fibre production. Now in the fifth year of PIEFA membership, APL continues to support the development of primary industry education resources.

The ABARES coordinates an annual awards program to recognise scientists aged 18-35 years working or studying in the industry. Tracy Muller was awarded the 2015 APL sponsored pork industry prize and is undertaking an innovative industry project titled '*Measured uptake of dietary supplemented, organic sourced zinc and manganese in the hair and hoof of growing gilts and its effect on hoof integrity*'.

APL also continues to fund a number of undergraduate and postgraduate scholarship programs.

Building Technical Capacity

Both ProHand™ Pigs and ProHand™ Abattoir training programs have been redeveloped and are being finalised prior to their launch in late 2015. Stable and easily updated platforms for effective delivery have been used to provide integrated programs that target pig welfare and stockperson attitudes across the whole pork chain. These training programs have been endorsed by Temple Grandin, an internationally respected leader in animal welfare science.

APL sponsored Mr Rhys Collins of Sunpork Fresh Foods, Queensland, in Course 22 of the Australian Rural Leadership Program (ARLP). Rhys is due to graduate from the 2 year course in September 2016. The ARLP aims to produce a network of informed, capable and ethical leaders who are able to work collaboratively to advance the interests of their industries, businesses and communities and is one of APL's key leadership development activities.

The 2015 Diploma of Pork Production conducted by Cameron Hall Maclean (CHM) Alliance commenced in March and is due to be completed in October 2015, with 10 participants from across Australia taking part. CHM Alliance is being supported by APL to oversee the update, maintenance and use of the Assiniboine Diploma resources (modified for Australian use) by Registered Training Organisations (RTO) nationally.



4.6.2 Program 2 – Building Industry Image and Reputation

Program	KPI	Unit	2014-2015 Target	Result
Building Industry Image and Reputation	APL Membership	APL Members	300	256
	Level of Membership	Membership as a Percentage of Production	>90%	94%
	APL Positive Image	Members Positive Perception of APL	85%	62%

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

Background

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

Ultimately outcomes under this Program are designed to ensure the industry's reputation as a global leader in effective and responsible pork production is maintained if not bettered.

Achievements/Outcomes

Industry Engagements and Events

The activities under this project delivered some very positive outcomes for APL and ultimately the industry. This included APL's key sponsorship and involvement with the Victorian Pig Fair. This important biennial industry event is held in Bendigo, Victoria, and provides piggeries, their management and staff with the opportunity to hear first-hand presentations around current research and adoption of new technologies on farm. Students also benefitted from the workshops and interaction with producers at this event.

This year saw a pig producer through to the state finals of New South Wales (NSW) Rural Women of the Year. The producer, Edwina Beveridge from Young in Central NSW, finished up runner up to the eventual overall national winner.

NFF/IMS

APL remains a member of both the National Farmers Federation in Australia and the International Meat Secretariat (IMS). This project covers the costs involved with the membership of both organisations.

Industry Survey

Over the past year, APL has developed a CRM tool that will allow the collection of data for the annual industry survey. Whilst this has taken some time, it has been tested and Delegates will be assisting APL in the direction and content of the survey questions. The tool will allow other surveys to be undertaken from time to time. The next industry survey will occur in 2015-16.

Communication and Industry Promotions

As mentioned earlier in this publication, this is the first reporting period under the APL new five year Strategic Plan 2015–2020. The pork industry's launch of this plan at Parliament House certainly had politicians, media and other rural organisations sitting up and taking notice, with a pork barbecue being the focal point of the event.

This year saw the genesis of the publication for small producers (under 50 and over 8 sows) called Pigs N' Mud which has been circulated to over 400 producers. Three editions have so far been published – summer, autumn and winter – with positive feedback received via producers expressing interest in supplying articles for the publication and making sure they are added to the list to receive a copy. Evaluation of the worth and cut through to this target audience will be undertaken later in 2015.

As reported earlier, there has been a recommendation by the APL Board to APL members at the next Annual General Meeting (AGM) in November 2015 associated for an amendment to the APL Constitution around the mandatory requirement for a Statutory Declaration when pork producers renew their membership to APL. The proposed change to the Constitution, if passed in November 2015, will allow the membership renewal to be a seamless shift from the Statutory Declaration to PigPass in or around July 2016, which is when the next round of three yearly membership renewals will be held.

4.6.3 Program 3 – Operational Effectiveness

Program	KPI	Unit	2014-2015 Target	Result
Operational Effectiveness	Staff Turnover	Percentage of staff leaving per annum	12%	11%
	Corporate Costs	Percentage of corporate cost increase per annum	CPI	CPI less 4.7 %

KPI Table: Strategic Objective 5 Program 3 – Operational Effectiveness

Background

The focus for this Program, recognising that APL is a member organisation, is to continue investing producer levies and government matching funds as efficiently and as effectively as possible to deliver the Strategic plan outcome. The Projects and subsequent Activities are designed to ensure APL is viewed as an organisation of good corporate governance and best practice when meeting its statutory obligations, while at the same time providing a safe and fair work place for its employees.

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

Achievements/Outcomes

OmniPig Project Management System

OmniPig, the online project management system originally created by Fisheries Research & Development Corporation and FI Solutions for APL, has been fully implemented in the R&I Division. This year APL upgraded to the new version of Omni and this enables APL to effectively manage not only individual projects and activities but is now considered key to the overall APL R&D process. Additionally, the Pork CRC is in the process of transferring the management of its proposal submission process to APL.



Specialist Group /RDAC Activities

There are six Specialist Groups and these are:

1. Market development, supply chain and product quality;
2. Welfare, genetics and reproduction;
3. Nutrition, health and physiology;
4. Industry capability and technology transfer;
5. Environmental Management; and
6. Quality assurance, biosecurity and food safety.

The Chairpersons of the six Specialist Groups, a number of APL Directors together with the CEO of APL, the General Manager (GM) Research and Innovation and GM Finance and Administration form the RDAC. On behalf of the APL Board, RDAC's primary function 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.

AGM & Annual Conference

The APL Annual General Meeting and Conference were held on Thursday 20 November, 2014 at the Marriott Hotel in Melbourne. It was held in conjunction, as usual, with the Delegates Forum and the Annual Industry Conference.

CRRDC Activities

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

Cost Benefit Analysis

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

APL has also invested in developing a qualitative tool to conduct *ex ante* cost benefit analysis and is based on ADOPT (Adoption and Diffusion Outcome Prediction Tool developed by Commonwealth Scientific and Industrial Research Organisation (CSIRO)) to improve APL's ability to prioritise its annual R,D&E priorities. APL continues to improve its *ex ante* cost benefit system to better enable APL to be better informed in determining its R,D&E investment decisions.

Human Resources

APL manages its human resources issues with the help of an expert external consultant. Activities include conducting staff surveys, monitoring of staff retention, constantly updating human resources policies and procedures and keeping up with legislative amendments at a state and federal level relating to our human resources.

4.6.4 Financial Summary

STRATEGIC OBJECTIVE 5 - IMPROVING CAPABILITY				BUDGET		ACTUAL	
				\$2,390,506		\$2,423,471	
PROGRAM	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Applied Learnings		NON R&D		R&D			
Budget	\$0	\$0	\$0	\$566,193	\$375,620	\$941,813	\$941,813
Actual	\$0	\$0	\$0	\$619,508	\$469,220	\$1,088,728	\$1,088,728
Building Industry Image and Reputation							
Budget	\$158,000	\$71,294	\$229,294	\$112,000	\$47,979	\$159,979	\$389,273
Actual	\$129,457	\$54,998	\$184,455	\$85,326	\$27,368	\$112,693	\$297,148
Operational Effectiveness							
Budget	\$172,500	\$68,237	\$240,737	\$367,500	\$451,183	\$818,683	\$1,059,420
Actual	\$183,398	\$84,997	\$268,395	\$359,045	\$410,155	\$769,200	\$1,037,595
TOTAL STRATEGIC OBJECTIVE 5 - BUDGET	\$330,500	\$139,530	\$470,030	\$1,045,693	\$874,782	\$1,920,475	\$2,390,506
TOTAL STRATEGIC OBJECTIVE 5 - ACTUAL	\$312,855	\$139,995	\$452,850	\$1,063,878	\$906,743	\$1,970,621	\$2,423,471

4.7 Overall Financial Summary by Strategic Objective

SUMMARY				BUDGET		ACTUAL	
				\$19,544,900		\$18,573,462	
STRATEGIC OBJECTIVE	DIRECT	INDIRECT	SUB-TOTAL	DIRECT	INDIRECT	SUB-TOTAL	TOTAL
Growing Consumer Appeal		NON R&D		R&D			
Budget	\$4,531,188	\$895,441	\$5,426,629	\$75,000	\$78,787	\$153,787	\$5,580,416
Actual	\$3,939,185	\$851,766	\$4,790,952	\$39,340	\$77,252	\$116,591	\$4,907,543
Building Markets							
Budget	\$1,222,542	\$1,450,594	\$2,673,136	\$631,000	\$519,060	\$1,150,060	\$3,823,196
Actual	\$975,022	\$1,257,176	\$2,232,197	\$787,595	\$647,701	\$1,435,296	\$3,667,494
Driving Value Chain Integrity							
Budget	\$165,500	\$430,719	\$596,219	\$636,224	\$438,390	\$1,074,614	\$1,670,833
Actual	\$151,449	\$427,022	\$578,471	\$775,904	\$554,433	\$1,330,337	\$1,908,808
Leading Sustainability							
Budget	\$505,273	\$302,499	\$807,772	\$3,994,130	\$932,816	\$4,926,946	\$5,734,717
Actual	\$225,283	\$343,448	\$568,731	\$3,894,293	\$739,320	\$4,633,613	\$5,202,344
Improving Capability							
Budget	\$330,500	\$139,530	\$470,030	\$1,045,693	\$874,782	\$1,920,475	\$2,390,506
Actual	\$312,855	\$139,995	\$452,850	\$1,063,878	\$906,743	\$1,970,621	\$2,423,471
Unallocated							
Budget	\$0	\$138,073	\$138,073	\$0	\$207,158	\$207,158	\$345,231
Actual	\$0	\$182,748	\$182,748	\$0	\$281,054	\$281,054	\$463,802
TOTAL BUDGET	\$6,755,003	\$3,356,857	\$10,111,860	\$6,382,047	\$3,050,993	\$9,433,040	\$19,544,900
TOTAL ACTUAL	\$5,603,794	\$3,202,155	\$8,805,949	\$6,561,010	\$3,206,503	\$9,767,513	\$18,573,462



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

APL has commissioned a number of activities that address the Rural R&D Priorities. These projects and activities are listed in the Table below against each of the Rural R&D Priorities.

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

- Strategic Research Properties**
- Promoting Population Health And Wellbeing
 - Promoting Population Health And Wellbeing
 - Managing Our Food And Water Assets
 - Securing Australia's Place In A Changing World
 - Lifting Productivity And Economic Growth



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

Pork R,D&E facilities:

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

Pork R,D&E programs:

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

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

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

Going forward, the pork industry is also planning for life after the Pork CRC. The CRC concept of joint investment between research providers and end-users is now a well-accepted model for pork industry stakeholders and the pork industry has been investigating options to ensure a mode of co-investment that can be sustained post the Pork CRC. A R,D&E funding model for the pork industry paper has been developed and presented to key stakeholders. It is envisaged that the new R,D&E funding model will be implemented in 2016–2017.

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6. Collaboration and Evaluation

6.1 Pork Industry Consultation

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

The APL 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.

In response to one of the Statutory Three Yearly Reviews, APL instigated a new communications initiative called Pigs N' Mud, targeted directly at small producers.

6.2 Supply Chain Engagement

Strong links to the supply chain ensure clear signals from the market back to pig producers as to preferences around products. APL facilitates a forum – the Pork Processor Referral Group – to discuss and develop strategies and ideas with the aim of clearing the way for the business to work smoothly, safely and efficiently. APL also holds strong connections with other players in the supply chain, including retailers, some of which are supported through the activities of the Board committee, the Market Development Committee.

6.3 Government Meetings

At a high level, APL's Chairman, CEO and General Manager Policy regularly meet with Ministers and senior government officials to keep them up to date with significant industry happenings and to discuss future policy issues and challenges. Those meetings during the 2014–2015 year included:

- Meetings with the Federal Minister for Agriculture, the Honourable Barnaby Joyce in compliance with the requirements of the SFA and to discuss general industry issues such as Country of Origin Labelling;
- Meetings with the Federal Minister for Industry and Investment, the Honourable Ian MacFarlane to discuss the Country of Original Labelling proposal;
- Meetings with Federal Members of Parliament and Senators to discuss general industry issues, and in particular the 2015–2020 Strategic Plan;
- Meetings with various representatives of the Department of Agriculture regarding six monthly SFA reporting, and to discuss general industry issues such as trade, biosecurity or specific government policy initiatives such as the Agriculture White Paper;
- Six monthly meetings with the National Residue Survey team to discuss residue monitoring program;
- Meetings with the Department of Foreign Affairs and Trade to discuss Free Trade Agreements and the Australian pork industry's trade preferences;
- Meetings with the Department of Immigration and Citizenship to discuss progress against the Australian pork industry's labour agreement and issues relating to 457 visas;
- Meetings with the Australian Competition and Consumer Commission (ACCC) to discuss APL's sow stall terminology; and

- Meetings with state Primary Industries Ministers (Victoria, New South Wales, Western Australia and South Australia) and advisers regarding general industry update (e.g. BioGas, farm raids, sow stall phase out, product integrity) or specific state issues such as piggery licensing requirements.

6.4 Inter-Organisational Committees

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

- Animal Health Australia Industry and Members' Forums, and its various Committees
- Biosecurity Strategic Technical Review Committee
- Export Meat Industry Advisory Committee
- Australian Meat Industry Council
- Council for Rural Research and Development Corporations
- International Meat Secretariat and its various Committees
- Australian Food and Grocery Council
- SafeMEAT Executive and Partners and its various Committees
- Cooperative Research Centre (CRC) for High Integrity Australian Pork
- Australian Farm Institute
- National Farmers' Federation and its various Committees
- NSW Meat Industry Consultative Committee
- Australian Chief Veterinary Officer's Emergency Animal Disease Advisory Group
- Australia China Business Council
- Australian Institute of Management
- Australian Institute of Company Directors
- Communications Network Group
- Export Council of Australia
- Livestock Biosecurity Network
- National Rural Law and Justice Association

6.5 Commercialisation

In 2014-15, 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

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

APL is a key member of the Cross-Sectoral Feed Grain R&D Partnership, which also includes Grains Research Development Corporation (GRDC), Dairy Australia, 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 identifies and addresses key feed grain R&D priorities. The Feed Grain Partnership continues its role as a focal mechanism for the major organisations and companies in the feed grain industry, to provide whole-of-supply-chain guidance to the different agencies.

APL continues to be actively involved with the development and implementation of a number of other cross-sectoral R,D&E strategies, including the Animal Welfare R,D&E Strategy (“Champion” or “Sponsor” status), 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 the Primary Industries Standing Committee (PISC) and is in its third year of the implementation phase.

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

APL successfully managed the National Agricultural Manure Management Program on behalf of the livestock rural RDCs including MLA, AECL, Rural Industries Research Development Corporation (RIRDC), Chicken Meat Council and DA. The funding for NAMMP was sourced from Department of Agriculture’s Filling in the Research Gap program and RDCs. The program’s focus is on GHG mitigation from alternative and improved manure management systems. The NAMMP (Round 1) projects have now all been completed.

In addition, APL has also been successful in obtaining project funds in collaboration with a number of other RDCs from the Federal Government’s Rural R&D for Profit Program. APL is the lead on one project and is a collaborator on 4 other projects.

6.8 Evaluation of Outcomes for Industry and the Community

Additionally, at a project or program level, CBAs are conducted on an ex-ante and ex-post basis to both ensure the best possible investment decision-making process and to test the quality of our assumptions behind project and program decisions. Ultimately, the 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.





7. Statutory Reports

7.1 Directors' Report

Your directors present their report for the year ended 30 June 2015.

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



7.1.1 Elected Directors

Mr John Coward

Mr Coward has 42 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 by 10 years of experience as Managing Director of Swickers Kingaroy Bacon Factory. He has performed in a number of roles including a period as Chairman of Burnett Pork Alliance (BPA) and Manager of the fresh meat division of Hans Continental Smallgoods. Mr Coward is currently President of Pork Queensland Inc. representing Queensland pig farmers; and the Coordinator for Woolworths Supermarkets preferred supply group (PSG). Mr Coward is a member of the Board's Animal Welfare Committee and chairs the biannual Pan Pacific Pork Expo Committee.



Mr Andrew Johnson

Mr Johnson is currently co-owner/manager of Mt Boothby Pastoral Company, a mixed farming family operation comprising a 1,500 sow farrow to finish operation, along with beef, lamb, wool, seed and mixed cropping in the mid north and south east regions of South Australia. Mr Johnson, a 2005 Nuffield Scholar, is Chairman of Nuffield Australia and a Director of Nuffield International. Mr Johnson is an APL Delegate and enjoys the challenges confronting family farming businesses. He is Deputy Chairman of Pork SA and Councillor for the Primary Producers Council of South Australia. He chairs the APL 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 26 years. He was past President of the Victorian Farmers' Federation Pig Group (2002–04 & 2007) and is currently part owner/manager of Gunpork Joint Venture. Mr Kingma is on the Board's Audit, Risk and Corporate Governance Committee and chairs the Human Resource & Remuneration Committee.



Dr Brian Luxford

Dr Luxford has been employed at Rivalea, the largest Australian pork producer, since 1988 and has managed the company's Research and Innovation for the past 12 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. Dr Luxford has also served as an APL Delegate and on a number of APL research committees. He was a member of both the Pork Cooperative Research Centre steering committees and 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 currently chairs the Research and Development Committee, and is a member of the Board's Audit, Risk and Corporate Governance Committee.



Mr David Plant

Mr Plant is General Manager of Monogastric production and a member of the Executive Board for Milne AgriGroup. He is responsible for budgeting, profitability and strategic development of the 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 35 years' experience in Australian and European pig and poultry industries he has gained a wealth of experience in staff management, commercial management and business development. Through value chain analysis work with major retailers including Tesco in the UK has a good knowledge of supply chain management. Mr Plant has been an APL Delegate for six years and with his passion for the pig industry and knowledge of high welfare production systems is a member of the Board's Quality Assurance and Animal Welfare Committee. Mr Plant is also a Director of Harvey Pork Gourmet Foods - his passion for quality food led to the creation of a 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.



7.1.2 Specialist Directors



Mr Enzo Allara AM (Chairman)

FASA, FAIM

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



Mrs Kay Carey

BComm

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



Mrs Kathy Grigg

B.Ec, FCPA, FAICD

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



Mr Geoffrey Starr

B.A. Hons, Business Studies, Marketing Major; GAID

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



7.1.3 Company Secretary



Andrew Spencer

Chief Executive Officer and Company Secretary

Andrew has been CEO of Australian Pork Limited since July 2005 and the Company Secretary since April 2014.

Through his tenure with APL, Andrew has helped to work the industry through significant challenges, including the 2009 'Swine Flu' pandemic, large increases in imported pork volumes into Australia and a profitability crisis in 2007–2008.

Prior to 2005, Andrew worked over a period of ten years in France, South Africa and Germany in the agricultural biotechnology, seeds and chemicals business. He commenced his career in Australia in marketing and product management in the agricultural chemicals business sector after completing his studies in the mid 80's.

Andrew has an Agricultural Science degree from Melbourne University and is a director of the Australian Farm Institute, the Pork Co-operative Research Centre and PorkScan Pty. Ltd. Andrew is a graduate member of the Australian Institute of Company Directors.

7.1.4 Directors Meetings

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

Directors	Board of Directors	Audit and Corporate Governance Committee	Human Resource and Remuneration Committee
Mr John Coward	5 (7)		
Mr Andrew Johnson	7 (7)		
Mr Aeger Kingma	6 (7)	3 (4)	4 (4)
Mr Enzo Allara	6 (7)		3 (4)
Mrs Kay Carey	7 (7)		
Mr Geoffrey Starr	6 (7)		
Mrs Kathy Grigg	7 (7)	4 (4)	4 (4)
Dr Brian Luxford	6 (7)	4 (4)	
Mr David Plant	7 (7)		

Directors	Quality Assurance and Animal Welfare Committee	Research and Development Committee	Market Development Committee
Mr John Coward	3 (3)		1 (2)
Mr Andrew Johnson	3 (3)		
Mr Aeger Kingma			
Mr Enzo Allara			
Mrs Kay Carey	3 (3)	2 (2)	2 (2)
Mr Geoffrey Starr		2 (2)	1 (1)
Mrs Kathy Grigg		1 (2)	
Dr Brian Luxford		2 (2)	
Mr David Plant	3 (3)		

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



7.1.5 Indemnification and Insurance of Directors and Officers

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

7.1.6 Review of Results and Operations

Results

The company's thirteenth year of operation resulted in an operating surplus of \$1,696,930 (2014: surplus of \$15,701). The level of reserves held at 30th June 2015 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.

7.1.7 Long and Short-term Objectives

APL is a unique rural industry service body for the Australian pork industry—a single, producer-owned company 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 \$3.125 per carcase at slaughter, of which APL receives \$2.95, consisting of \$1.95 for marketing and policy activities and \$1.00 for research and development. The remaining 17.5 cents is for the Pig Monitoring Residue Program, which is received and managed by the National Residue Survey (NRS). Additional research-specific funds are also received from the Australian Government under the portfolio of the Federal Minister for Agriculture.

The levy received by APL increased by \$0.30 per pig slaughtered from 1 July 2012 and 1 July 2014, the first and second of three stages of \$0.30 each, for introduction 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. These increases 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.

7.1.8 Strategy to Achieve Objectives

The current 2015–2020 Strategic Plan, after consultation with all stakeholders during 2014, took effect from 1 July 2014 and is reported against in this 2014–2015 Annual Report.

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

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

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

1. Strategic Objective 1 — Growing Consumer Appeal

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

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

2. Strategic Objective 2 — Building Markets

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

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

3. Strategic Objective 3 — Driving Value Chain Integrity

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

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



4. Strategic Objective 4 — Leading Sustainability

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

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

5. Strategic Objective 5 — Improving Capability

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

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

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

7.1.09 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.

7.1.10 Significant Changes in the State of Affairs

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

7.1.11 Significant Events After Balance Date

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

7.1.12 Likely Developments and Expected Results

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



Another significant influence on strategic planning for the coming years is the increase in income for APL brought about by an increase in the pig industry levy. On 1 July 2014, APL received an increase in the “marketing” levy from \$1.65 per pig slaughtered to \$1.95, the second of three tranches of \$0.30 between 2012 and 2016.

7.1.13 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.

7.1.14 Auditor Independence and Non-audit Services

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

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

Signed in accordance with the resolution of directors.



Mr Enzo Allara AM
Chair
Canberra, 20 August 2015



7.1.15 Director's Declaration

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

- I.** In the opinion of the directors:
 - a.** the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - i.** giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii.** complying with Accounting Standards and Corporations Regulations 2001; and
 - b.** there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Mr Enzo Allara AM
Chair
Canberra, 20 August 2015

7.2 Independent Auditor Report to the members of Australian Pork Limited



Ernst & Young
121 Marcus Clarke Street
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GPO Box 281 Canberra ACT 2601

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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 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal 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, a copy of which is included in the directors' report.



Opinion

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

- (a) giving a true and fair view of the financial position of Australian Pork Limited at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

Ben Tansley

Ben Tansley
Partner
20 August 2015

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



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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 2015, 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 black ink that reads 'Ernst & Young'.

Ernst & Young

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

Ben Tansley
Partner
20 August 2015



7.4 Financial Report 2014–2015

AUSTRALIAN PORK LIMITED

Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 \$	2014 \$
REVENUES	3	20,352,868	17,626,580
EXPENSES			
Research and Innovation		(7,014,342)	(6,630,729)
Marketing		(7,664,654)	(6,750,161)
Policy		(1,146,698)	(1,312,198)
Board and CEO		(1,317,496)	(1,471,765)
Finance and Administration		(882,320)	(909,048)
Communication		(630,428)	(536,978)
Operating Surplus Before Tax		1,696,930	15,701
Income Tax	2(l)	-	-
Surplus For The Year		1,696,930	15,701

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 2015**

	Note	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents		4,586,242	4,134,508
Trade and other receivables	5	3,405,003	1,711,919
Prepayments		64,861	84,861
Investments	6	1,361,034	628,837
TOTAL CURRENT ASSETS		9,417,140	6,560,125
NON-CURRENT ASSETS			
Loan to Associate – PorkScan Pty Ltd	7	48,000	48,000
Property, plant and equipment	8	406,377	354,840
TOTAL NON-CURRENT ASSETS		454,377	402,840
TOTAL ASSETS		9,871,517	6,962,965
CURRENT LIABILITIES			
Trade and other payables	9	2,505,221	2,283,957
Deferred income	10	960,518	56,963
Lease Incentive	11	20,757	20,757
Provisions	12	541,556	383,795
TOTAL CURRENT LIABILITIES		4,028,052	2,745,472
NON-CURRENT LIABILITIES			
Lease Incentive	11	52,756	73,513
Lease Liability		39,633	35,376
Provisions	12	79,570	134,028
TOTAL NON-CURRENT LIABILITIES		171,959	242,917
TOTAL LIABILITIES		4,200,011	2,988,389
NET ASSETS		5,671,506	3,974,576
EQUITY			
Accumulated surpluses		5,671,506	3,974,576
TOTAL EQUITY		5,671,506	3,974,576

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 2015

	Accumulated Surpluses
At 1 July 2013	3,958,875
Surplus for the year	15,701
Other comprehensive income	-
At 30 June 2014	3,974,576

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

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 2015

	Note	2015 \$	2014 \$
Cash Flows From Operating Activities			
Receipts from Statutory Authority and industry		21,192,925	19,375,110
Payments to suppliers and employees		(20,023,519)	(19,483,834)
Interest received		171,716	186,812
Net Cash Flows From Operating Activities		1,341,122	78,088
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	8	(200,043)	(43,442)
Proceeds from investments in term deposits		-	528,165
Proceeds from disposal of property, plant and equipment		-	16,169
Investments in term deposits		(689,345)	-
Net Cash Flows (Used In)/From Investing Activities		(889,388)	500,892
Net Increase In Cash Held		451,734	578,980
Cash and cash equivalents at 1 July		4,134,508	3,555,528
Cash and Cash Equivalents At 30 June		4,586,242	4,134,508

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 2015

1 Corporate Information

The financial report of Australian Pork Limited (the Company) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 20 August 2015.

a) Company status

The Company is a company limited by guarantee, domiciled and incorporated in Australia and no shares have been issued. At the reporting date there were 256 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 2015 the Company employed 30 full-time and 8 part-time and casual employees (2014: 28 full-time and 8 part-time and casual employees).

b) Company details

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

The Company's registered office is:

Level 2, 2 Brisbane Ave
Barton ACT 2600

2 Summary of Significant Accounting Policies

a) Basis of preparation

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

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

b) Statement of Compliance

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

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

(Cont'd) – b) Statement of Compliance

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

The adoption of AASB 1053 and AASB 2010-2 allowed Australian Pork Limited to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

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

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

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

d) Cash and cash equivalents

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

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

e) Trade and other receivables

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

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

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

f) 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:

	2015	2014
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

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

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

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. Value in use is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining future economic benefits. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

g) Investments and other financial assets

The Company's principal financial instruments comprise receivables and loans, 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.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

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

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

Primary responsibility for identification and control of financial risks rests with the Audit, Risk and Corporate Governance Committee under the authority of the Board.

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

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

Recognition and derecognition

All purchases and sales of financial assets are recognised on the trade date i.e., the date that the Company commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

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

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

Subsequent measurement: Loans and receivables

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

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

Impairment losses are recognised in the statement of comprehensive income.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

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

h) Investment in associates and joint ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

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

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

i) Leases

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

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

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

j) Trade and other payables

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

k) Revenue recognition

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

Levies

The Finance and Business Support Division of the Department of Agriculture collects statutory levies on behalf of the Company. Revenues from levies are recognised as revenue upon notification from the Department of Agriculture of the amount of carcase levies that have occurred during each month.

Government contributions – matching

Government matches funding on a dollar by dollar basis on 50% of the approved research and development project expenditure, up to a cap of 0.5% of the gross value of pig production as determined by the Minister for Agriculture. 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.

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.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

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

(Cont'd) – k) Taxes

Interest

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

Royalties

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

l) Taxes

Income taxes

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

Goods and services tax (GST)

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

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

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

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

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

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

m) Provisions and Employee benefits

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

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

Employee Leave Benefits

(i) Wages, salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. 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, 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 that match, as closely as possible, the estimated future cash outflows.

n) Comparatives

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

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

o) Significant accounting judgements, estimates and assumptions

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

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

(i) Make good provision

On 16 January 2012, APL entered into a new lease agreement with The Salvation Army (New South Wales) Property Trust for an initial period of seven years with an option to renew for a further period of five years from 16 January 2019 plus a further five years from 16 January 2024. Section 3 of the Disclosure Statement of the Lease details the make good requirements at the end of the lease, with no make good required on exercise of the first option for a further period of five years. APL's intention is to exercise the first option for a further period of five years. Therefore there is no requirement for a make good provision in 2015.

(ii) Estimation of useful lives of assets

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

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

3 Revenue

	2015 \$	2014 \$
(a) Revenue from operating activities		
Levies – marketing	9,885,942	7,722,639
Levies – research	5,177,706	4,680,428
Government contributions – matching	4,870,490	4,787,456
Other industry contributions	82,475	70,702
Other revenue	101,167	159,238
	20,117,780	17,420,463
(b) Revenue from non-operating activities		
Royalties	20,520	19,305
Interest – other persons/corporations	171,716	186,812
Share of profit in associate - PorkScan	42,852	-
	235,088	206,117
Total Revenue	20,352,868	17,626,580

4 Expenses

	2015 \$	2014 \$
(a) Depreciation and amortisation		
Depreciation expenses	148,506	110,172
(b) Employee benefits		
Salaries and wages	4,811,549	4,387,586
(c) Other expenses		
Operating lease expense	306,231	328,459



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

5 Trade and Other Receivables

	2015 \$	2014 \$
Trade debtors	3,377,002	1,646,293
Sundry debtors	28,001	25,981
Goods and services tax	-	39,644
	<u>3,405,003</u>	<u>1,711,919</u>

Allowance for impairment loss

No receivables were past due or impaired.

6 Investments

		2015 \$	2014 \$
Term Deposit	(i)	1,318,133	628,788
Investment in associate	(ii)	42,901	49
		<u>1,361,034</u>	<u>628,837</u>

Terms and conditions

- (i) Term deposits attract interest at rates between 2.20% and 3.05% and will mature between October 2015 and January 2016.
- (ii) The Company has a 49% interest in PorkScan Pty Limited. The Company's interest in PorkScan Pty Limited is accounted for using the equity method in the financial statements.

PorkScan Pty Ltd had no contingent liabilities or capital commitments as at 30 June 2015 or 2014.

7 Loan to Associate

	2015 \$	2014 \$
Loan to Associate – PorkScan Pty Limited	<u>48,000</u>	<u>48,000</u>

This loan is due on 1 July 2016 and attracts interest payable at the reserve bank cash rate plus 0.25%.

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

8 Property, Plant and Equipment

	Leasehold Improvements \$	Office Furniture and Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2015					
Carrying amount at 1 July 2014	263,710	20,230	70,900	-	354,840
Additions	13,641	3,317	183,085	-	200,043
Disposals	-	-	-	-	-
Depreciation expense for the year	(60,371)	(5,873)	(82,262)	-	(148,506)
Carrying amount at 30 June 2015	216,980	17,674	171,723	-	406,377

At 30 June 2015

Cost	445,571	158,331	353,733	-	957,635
Accumulated amortisation	(228,591)	(140,657)	(182,010)	-	(551,258)
Net carrying amount	216,980	17,674	171,723	-	406,377

	Leasehold Improvements \$	Office Furniture and Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
Year ended 30 June 2014					
Carrying amount at 1 July 2013	321,152	22,187	71,907	22,495	437,741
Additions	222	8,107	35,112	-	43,441
Disposals	-	-	-	(16,169)	(16,169)
Depreciation expense for the year	(57,664)	(10,064)	(36,119)	(6,326)	(110,173)
Carrying amount at 30 June 2014	263,710	20,230	70,900	-	354,840

At 30 June 2014

Cost	431,930	166,908	219,856	33,663	852,357
Accumulated amortisation	(168,220)	(146,678)	(148,956)	(33,663)	(497,517)
Net carrying amount	263,710	20,230	70,900	-	354,840



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

9 Trade and Other Payables

	2015 \$	2014 \$
Trade creditors and accruals	2,295,570	2,112,682
Goods and services tax	113,498	-
PAYG tax payable	-	79,840
Other payables	96,153	91,435
	<u>2,505,221</u>	<u>2,283,957</u>
Aggregate amounts payable to related parties:	20,955	44,605

10 Deferred Income

	2015 \$	2014 \$
Income in advance	960,518	56,963
	<u>960,518</u>	<u>56,963</u>

Income in advance is grant and co-funding income.

11 Lease Incentive

	2015 \$	2014 \$
Current Lease Incentive	20,757	20,757
Non-current Lease Incentive	52,756	73,513
	<u>73,513</u>	<u>94,270</u>

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

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

12 Provisions

	2015 \$	2014 \$
Current provisions		
Annual leave	244,242	191,783
Long service leave	297,314	192,012
Total current provisions	541,556	383,795
Non-current provisions		
Long service leave	79,570	134,028
Total Provisions	621,126	517,823

13 Commitments

a) Lease expenditure commitments

Operating lease commitments – Company as Lessee

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

	2015 \$	2014 \$
Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:		
- not later than one year	253,049	295,299
- later than one year and not later than five years	598,000	834,522
	851,049	1,129,821

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	42.5 months	3%	2 x 5 years

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



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

(Cont'd) – 13 Commitments

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

	2015 \$	2014 \$
Estimated R&D expenditure contracted for at reporting date, but not provided for, payable:		
- not later than one year	3,908,027	1,827,104
- later than one year and not later than five years	4,698,456	4,272,066
	8,606,483	6,099,170

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.

14 Related Party Disclosures

a) Directors

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

Mr. Enzo Allara

Mr. Andrew Johnson

Mr. John Coward

Mr. Aeger Kingma

Mrs. Kay Carey

Mr. David Plant

Dr. Brian Luxford

Mrs. Kathy Grigg

Mr. Geoffrey Starr

b) Loans to directors and director related entities

The Company made no loans to directors or director related entities during 2015 (2014: nil).

AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

(Cont'd) – 14 Related Party Disclosures

c) Other related parties

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

Dr B Luxford General Manager Research & Innovation, Rivalea (Australia) Pty Limited

Various project and program expenditures were made to the following director related entities. These transactions occurred within normal terms and conditions of various research and marketing program initiatives. The following table provides the total amount of transactions that were entered into with related parties for the 2015 financial year:

	2015 \$	2014 \$
Project and program expenditure		
Rivalea (Australia) Pty Limited	87,031	67,652
Pork CRC	1,729,500	1,813,600
The CHM Alliance Pty Limited	-	87,712
Barneveld Nutrition Pty Limited	-	12,000

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 at the reserve bank cash rate plus 0.25% and is now due on 1 July 2016.

	2015 \$	2014 \$
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. APL's Chief Executive Officer is a Director on the Pork CRC Board. The objectives of the two organisations are not contradictory.

APL's Chief Executive Officer is a Director on the PorkScan Pty Ltd Board and is also the Company Secretary.



AUSTRALIAN PORK LIMITED

Notes to the financial statements (cont'd)

For the year ended 30 June 2015

15 Auditor's Remuneration

	2015 \$	2014 \$
Amounts received or due and receivable by Ernst & Young for:		
- Audit of the financial report of the Company	31,000	30,400
- Other services	16,500	16,600
	47,500	47,000

16 Subsequent Events

There have been no significant events which have occurred subsequent to 30 June 2015 that require adjustment to or disclosure in the financial report.

17 Contingencies

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

18 Director and Key Management Personnel Remuneration

a) Details of Directors and Key Management Personnel

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

b) Compensation of Directors and Key Management Personnel

	2015 \$	2014 \$
Directors		
Short-term employee benefits	387,466	372,421
Post-employment benefits	31,609	34,449
Key Management Personnel		
Short-term employee benefits	1,257,156	1,334,945
Post-employment benefits	89,124	84,583
Total Compensation	1,765,355	1,826,398

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8 APPENDICES

8.1 Appendix A

Material Variations to Budget

	Initial Budget \$	Actual Result \$	Variation Over/(Under) \$	Explanation of Major Variations
Income				
Levies	13,980,000	15,063,648	1,083,648	Levy payments higher due to \$600K brought forward from June 2014 and increased number of slaughters 4.8M to 4.93M
Government Contributions - Matching	4,800,000	4,870,490	70,490	R&D matching expenditure was more than budgeted.
Other Industry Contributions	-	82,475	82,475	NAMMP grant
Interest	175,000	171,716	(3,284)	
Royalties, Levy Penalties, Porkscan Investment	17,000	77,538	60,538	Levy Penalties, Royalties and Porkscan Share not budgeted. The budget is for Porkscan Technology Licence agreement
Other Revenue	87,000	87,000		Management and hosting Fees
Expenditure				
Research and innovation	6,846,153	6,931,866	85,713	Animal Welfare Interventions over 85K, Fostering New Capability over 42K, Physi-Trace over 73K, Rodenticide Testing over 54K, Breeding Females under 70K, Disease Expression under 120K
Marketing	8,428,242	7,664,654	(763,588)	Continuous Data over 187K, Advertising under 336K, Advertising Events & Trials under 296K, International Market Understanding under 290K
Policy	1,317,941	1,146,698	(171,243)	Market Access over 66K, ACFI Participation under 40K, NLIS under 121K, Porksafes under 51K, Stakeholder Survey under 40K
Communication	651,086	630,428	(20,658)	Issues Management Support over 22K, Media Monitoring over 17K, Social Conscience Rpt under 20K, AW & Educational Videos under 19K
Finance and administration	940,548	882,320	(58,228)	ICT over 25K, Employment costs under 79K

8.2 Appendix B

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

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 2014–2015 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		
Growing Consumer Appeal	Better Pork	\$116,591
Building Markets	Market Insights	\$1,246,964
	International Market Development	\$188,332
Driving Value Chain Integrity	Trust in Pork Provenance	\$506,504
	Pork Quality Assured	\$759,310
	Fairness in Risk and Reward	\$64,523
Leading Sustainability	Addressing Societal Needs	\$2,329,473
	Healthy Herds and Farms	\$322,164
	Continuous Productivity and Growth	\$1,981,976
Improving Capability	Applied Learnings	\$1,088,728
	Building Industry Image and Reputation	\$112,693
	Operational Effectiveness	\$769,200
Unallocated		\$281,054
Total research and development expenditure		\$9,767,513
Adjustments - accruals and other non-eligible research and development expenditures		(\$26,533)
Total matchable expenditure		\$9,740,980
Maximum Claim Allowable to GVP cap		\$10,562,054
Australian Government contributions – matching (@ 50 per cent)		\$4,870,490

Note: APL total non direct project expenditure for the 2014–2015 financial year was \$6,408,636 which was 35 per cent of total expenditure and 31 per cent of income received. Of this total non direct project expenditure \$3,206,503 (50 per cent) was attributed to Research and Development.



8.3 Appendix C

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

In addition to eligible research, development and innovation activities expenditure (per Appendix B), the company expends project funds on marketing and strategic policy development activities and other industry issues. 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		
Growing Consumer Appeal	Pork Made More Popular	\$4,053,403
	Increasingly Different	\$580,936
Building Markets	Market Insights	\$224,734
	Domestic Market Development	\$1,708,608
Total Marketing Expenditure		\$6,567,680

Strategic Policy Development Expenditure By Strategy		
Growing Consumer Appeal	Increasingly Different	\$156,613
Building Markets	International Market Development	\$298,834
Leading Sustainability	Addressing Societal Needs	\$97,484
	Healthy Herds and Farms	\$373,374
Total Strategic Policy Development Expenditure		\$926,306

Other Industry Expenditure By Strategy		
Driving Value Chain Integrity	Pork Quality Assured	\$578,471
Leading Sustainability	Addressing Societal Needs	\$97,873
Improving Capability	Building Industry Image and Reputation	\$184,455
	Operational Effectiveness	\$268,395
Total Other Industry Expenditure		\$1,129,194
Unallocated		\$182,748

Total Funds Spent on Marketing and Significant Strategic Policy Development Activity as well as Other Industry Issues	\$8,805,927
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8.4 Appendix D

Funds Spent on National and Rural Research and Development Priorities

Rural Research & Dev Priorities	AOP Budget		National Research Priorities									
	Actual		An Environmentally Sustainable Australia		Promoting & Maintaining Good Health		Frontier Technologies for Building & Transforming Australian Industries		Safeguarding Australia		Other Research	
			Natural Resource Management	Climate variability and climate change	Productivity and Adding Value	Supply Chain and Markets	Innovative Skills	Technology	Biosecurity			
Objective 1. Growing Consumer Appeal	\$153,787	\$116,591	\$0	\$0	\$0	\$116,591	\$0	\$0	\$0	\$0	\$0	\$0
	2%	1%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Objective 2. Building Markets	\$1,150,060	\$1,435,296	\$0	\$0	\$0	\$1,435,296	\$0	\$0	\$0	\$0	\$0	\$0
	12.2%	14.7%	0.0%	0.0%	0.0%	14.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Objective 3. Driving Value Chain Integrity	\$1,074,614	\$1,330,337	\$60,000	\$0	\$480,000	\$426,505	\$140,000	\$54,523	\$169,310	\$0	\$0	\$0
	11.4%	13.6%	0.6%	0.0%	4.9%	4.4%	1.4%	0.6%	1.7%	0.0%	0.0%	0.0%
Objective 4. Leading Sustainability	\$4,926,946	\$4,633,613	\$560,000	\$364,836	\$1,950,000	\$414,240	\$300,000	\$822,374	\$222,163	\$0	\$0	\$0
	52%	47%	6%	4%	20%	4%	3%	8%	2%	0%	0%	0%
Objective 5. Improving Capability	\$1,920,475	\$1,970,621	\$150,000	\$148,535	\$270,000	\$376,852	\$105,000	\$67,573	\$75,000	\$727,662	\$0	\$0
	20.4%	20.2%	1.5%	1.5%	2.8%	3.9%	1.1%	0.7%	0.8%	7.4%	0%	0%
Unallocated	\$207,158	\$281,054	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$281,054	\$0	\$0
	2.2%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%	0%	0%
Totals *	\$9,433,040	\$9,767,513	\$770,000	\$513,371	\$2,700,000	\$2,769,484	\$545,000	\$944,470	\$466,473	\$1,008,716	\$0	\$0
Percentage	100%	100%	8%	5%	28%	28%	6%	10%	5%	10%	0%	0%

	AOP Budget	Actual
* Direct Project	\$6,382,047	\$6,561,010
Allocated Project	\$3,050,993	\$3,206,503
Total	\$9,433,040	\$9,767,513

9. Annual Report Acronyms

ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences	ICT	Information and Communication Technologies
ACCC	Australian Competition and Consumer Commission	IMS	International Meat Secretariat
ADOPT	Adoption and Diffusion Outcome Prediction Tool	ISBs	Industry Service Bodies
AECL	Australian Egg Corporation Limited	KPI	Key Performance Indicator
AEMIS	Australian Export Meat Inspection System	MLA	Meat and Livestock Australia
AFI	Australian Farm Institute	NAMMP	National Agriculture Manure Management Program
AGM	Annual General Meeting	NEGP	National Environmental Guidelines for Piggeries
AgSOC	Agricultural Senior Officials Committee	NFF	National Farmers' Federation
AHA	Animal Health Australia	NLIS	National Livestock Identification System
AM	Member of the Order of Australia	NPPC	National Pork Producers Council
AMIC	Australian Meat Industry Council	NRS	National Residue Survey
AMH	Anti-Mullerian Hormone	NVD	National Vendor Declaration
AOP	Annual Operating Plan	NZ	New Zealand
APIQ [®]	Australian Pig Industry Quality Assurance Program	OH&S	Occupation, Health and safety
APL	Australian Pork Limited	P2P	Property-to-Property
ASF	African Swine Fever	PCV	Porcine circovirus
ARLP	Australian Rural Leadership Program	PEDv	Porcine Epidemic Diarrhoea virus
BMP	Best Management Practice	PIC	Property Identification Code
CBA	Cost Benefit Analyses	PIEFA	Primary Industries Education Foundation Australia
CCEAD	Consultative Committee on Emergency Animal Disease	PISC	Primary Industries Standing Committee
CCRSPI	Climate Change Research Strategy for Primary Industries	PMWS	Post Weaning Multisystemic Wasting Syndrome
CEO	Chief Executive Officer	Pork CRC	Pork Co-operative Research Centre
CHM	Cameron Hall Maclean	PPRG	Pork Processor Referral Group
CoOL	Country of Origin Labelling	PPPE	Pan Pacific Pork Expo
CPA	Certified Practising Accountant	PRRS	Porcine Reproductive and Respiratory Syndrome
CPI	Consumer Price Index	PSG	Preferred Supply Group
CRC	Cooperative Research Centre	pST	Porcine Somatotropin
CRM	Customer Relationship Management	QA	Quality Assurance
CRRDC	Council of Rural Research and Development Corporations	QBA	Qualitative Behavioural Assessment
CSIRO	Commonwealth Scientific and Industrial Research Organisation	R&D	Research and Development
DA	Dairy Australia	R&I	Research and Innovation
DFAT	Department of Foreign Affairs and Trade	RCEP	Regional Comprehensive Economic Partnership
DNA	Deoxyribonucleic Acid	R,D&E	Research, Development and Extension
DoA	Department of Agriculture	RDAC	Research and Development Advisory Committee
DPI	Department of Primary Industries	RDC	Research and Development Corporation
EEO	Equal Employment Opportunities	RIRDC	Rural Industries Research Development Corporation
EMP	Environmental Management Plan	RTO	Registered Training Organisation
EU	European Union	SARDI	South Australian Research and Development Institute
FMD	Foot and Mouth Disease	SFA	Statutory Funding Agreement
FTA	Free Trade Agreement	TPP	Trans Pacific Partnership
GHG	Greenhouse Gas	TT&A	Technology Transfer and Adoption
GM	General Manager	UNSW	University of New South Wales
GRDC	Grains Research and Development Corporation	US	United States
GSF	Gestation Stall Free	UK	United Kingdom
GVP	Gross Value of Production	WHS	Work Health and Safety
HACCP	Hazard Analysis and Critical Control Points		
HIAP	High Integrity Australian Pork		

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