Australian Pork Limited

ANNUAL OPERATING PLAN 2022-23

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Stay focused

As obstacles continue to be thrown at us, the 2022-23 year sees Australian Pork Limited building upon the strong position this past year has created for our industry.

Whilst our industry is thriving and growing from a consumption perspective, our resolve is being tested from all angles. However, the resiliency of our sector to not only respond but continue to be a sustainable supplier of quality, nutritious protein should be commended.

As an industry not only have we continued to navigate COVID-19 uncertainty, we've faced floods, extreme heat and a new threat in the form of an emergency animal disease (EAD), Japanese encephalitis virus (JEV).

Due to our focus on biosecurity preparedness, and also our adaptable planning in the face of supply chain difficulties, our responses have been nimble and flexible.

From an external perspective, the 2022-23 year continues to challenge industry with uncertainty from impacts both domestically and globally.

The change in Australian government creates an opportunity to ensure the new government's priorities take into consideration the industry's needs particularly around biosecurity and workforce shortages.

From a trading environment perspective, the global meat shortage and anticipated high beef and lamb prices continues to represent opportunities to grow Australian pork consumption.

Internally, we've bedded down the teams to ensure the voice of industry underpins what we do. We've established reference working groups populated by industry representatives to support positioning and technical information in the areas of policy, animal welfare, environment and EAD.

This industry voice is vital in ensuring the work undertaken at APL continues to have impact.

As we enter the third year of our 'progressive pork strategy', we will be operating in an environment impacted by JEV losses.

Whilst we continue to respond to what's coming at industry internally, we maintain focus on our business as usual which is delivering our key priorities:

- EAD/biosecurity
- Drive innovation
- Valuable provenance

In driving innovation, the 2022-23 year will deliver a new approach to biosecurity management including the development of the transport app, Pig Pass2.0 and a focus on health and wellbeing in managing our pigs. We're also focused heavily on providing data to support producers and decision making.

Valuable Provenance is about differentiating Australian pork from imported sources of pork, through our uniquely Australian story and building on learnings of our ham and bacon experiment from 2020-21.

EXECUTIVE SUMMARY

This plan has been developed in keeping with the theme of ensuring we continue delivering against the 2020-2025 Strategy roadmap. All activity has been designed with APL's bold ambition of becoming Australia's preferred choice of protein and sustainably adding $1 billion to farm gate value by 2025.

Operationally, we plan to ensure we continue to listen to industry and respond whilst ensuring we keep an eye on planning for the future.

Our top three priorities for progress in the 2022-23 year are:

1. EAD/biosecurity
2. Drive innovation
3. Valuable provenance

Underlying assumptions

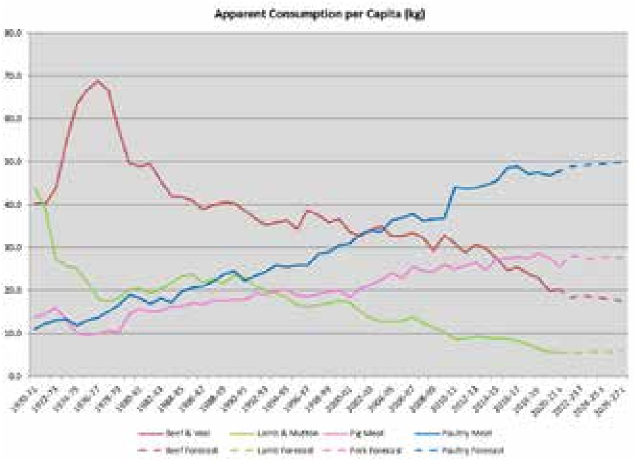
The operating environment for the 2022-23 financial year remains more volatile than an average year. However, there are some underlying assumptions which appear reasonable and upon which this Annual Operating Plan (AOP) is based.

Assumption 1 – pork will continue to be in global short supply for the 2022-23 year.

As we enter 2022-23, African swine fever (ASF) continues to impact global pork supply. The ongoing spread of the outbreaks has now impacted parts of The Americas and Nepal.

Assumption 2 - domestic protein consumption will remain relatively stable in the 2022-23 year.

ABARES forecasts predict a long term decline in meat consumption, particularly for beef. For the 2022-23 year beef is set to increase slightly, with a small recovery after a drop in the previous year, lamb is forecasted to remain stable, pork is predicted to decline slightly and chicken is set to grow from the previous year.

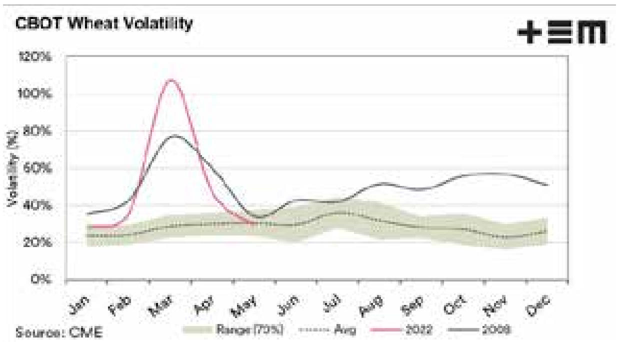


Source: *ABARES 2022, Agricultural commodities: March quarter 22*

Assumption 3 - grain prices will remain volatile for the year ahead.

Geopolitical uncertainty is impacting more than 30% of the exportable grain trade which continues to have an impact on the grain price.

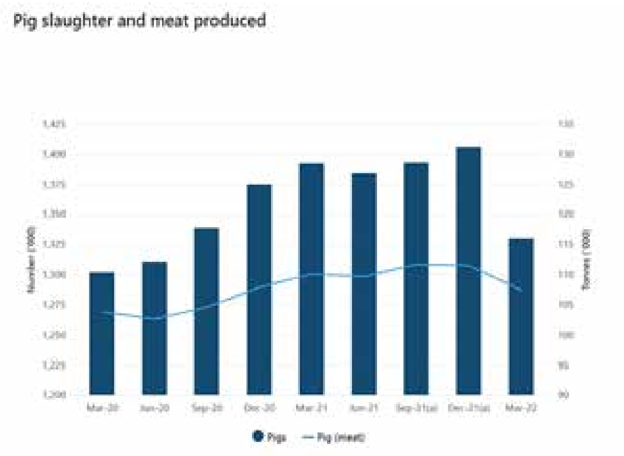
Historically high prices currently being felt in Australia are still lower when compared to global grain prices. Unless there is a significant change to the global circumstance then current high prices may remain for the coming year.



Source: *CBOT Wheat Volatility – TEM*

Assumption 4 - domestic pork production will increase by 2.0% in the 2022-23 year.

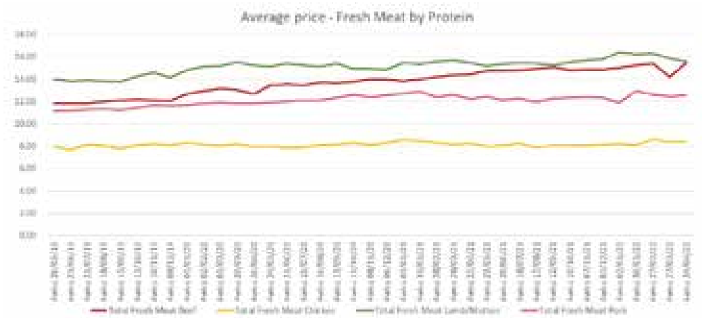
In 2021/22, we saw quite a large decline in the production of pork in the second half of the year. Given this will result in an approximate decline of 1% year on year compared with 2020/21, we expect some return to production in 2022-23. However, with ongoing uncertainty our assumptions for production are tentative and characterise one of our key challenges in planning for the upcoming year.



Source: *ABS Livestock Products, Australia*

Assumption 5 – the current retail price differentials for pork from beef, lamb and chicken will continue for 2022-23 year.

Domestic pork supply pressures due to JEV are expected to impact the first half of the year, but full impacts are still unknown. However, despite some production supply pressures on pork, we do expect that retail prices for pork will be favourable when compared to beef and lamb prices.



Source: *IRI ShopperView National Panel Australia 4 weekly to 24.04.2022*

Focus themes

> "Strategy is a pattern in a stream of decisions."
>
> Henry Mintzberg

Market and product differentiation	Manage volatility for viable farms	Drive consumer demand	Leading community social licence	Building industry shared vision
Diversity of markets and products	Timely, relevant through-the-chain information (data utilisation)	Maintain domestic fresh demand	Biosecurity leadership	Producer relations (shared values)
Quality consumer eating experience	Reduce cost of production and processing	Grow domestic demand	Climate Friendly Farming	Technology adoption
Valuable provenance of Australian pork	Diversified pig business extension opportunities	Grow targeted international demand	Leaders in animal care	Organisational effectiveness
			Leaders in human nutrition	
			Industry visibility	

APL's 2020-25 Strategic Plan is structured around 5 themes and 16 areas of focus. Some will require ongoing work each year while some will be dependent on outcomes in different areas.

This AOP has been developed with the same ambition and progressive approach of APL's Strategic Plan.

In order to develop this plan, the entire APL team, Board and broader industry has been consulted.

Eight priorities have been identified for the 2022-23 year, agreed upon by management and the APL Board.

PRIORITISATION

Key Priorities

Data for decision making	Industry resilience *(including biosecurity)*	Welfare
Diversity of markets - including valuable provenance	Grow demand	Shared ownership of the story of pork
Attract and retain workforce availability	Cost of production	

Our five strategic themes

To deliver successful results for the broader Australian pork industry, APL will focus on five strategic themes:

1. **Market and product differentiation**

   Identifying and developing new pathways for markets and differentiation, such as quality, environment and standards to set Australian pork apart and drive value.

2. **Manage volatility for viable farms**

   Remove uncertainty within the sector to the best of our ability, by ensuring data is accessible for decision making and developing research opportunities and other supply chain initiatives.

3. **Drive consumer demand**

   Supporting the consumer with guaranteed easy meal choices that families can have confidence to deliver as part of their weekly repertoire.

4. **Leading community social license**

   Telling our story which is underpinned by strong frameworks and practices.

5. **Building industry shared vision**

   Ongoing development around ways of engaging and collaboration between each APL member and industry.

There will be a focus on addressing opportunities to progress the industry's visibility through the "telling our story" campaign.

The focus for the third year of the 2020-25 Strategic Plan remains biosecurity and growing demand. However this year extends to a focus on addressing opportunities to progress the industry's visibility through the Story of Pork communications campaign.

We are also bolstering our R&D plan in the areas of biosecurity leadership through EAD preparedness and cost of production and processing.

We are also focused on extension and engagement with producers. This will be particularly around sustainability to ensure the industry has the best opportunity to celebrate our environmental credentials.

STRATEGIC THEME **ONE**

Market and product differentiation

Diversity of markets and products

Consultation with the supply chain has helped identify valuable markets, products and categories opportunities, with a particular focus on Quick Service Restaurants (QSR) and Environmental footprint.

International work continues to support relationship management in Japan.

The QSR short- and long-term opportunities will be explored in line with supply pressures.

Quality consumer eating experiences

Ongoing research will focus on intramuscular fat (IMF) as part of the broader eating experience. IMF is widely accepted as being important as both a taste and quality attribute of meat and the work will aim to better understand consumer sensory requirements.

In line with this consumer focus, APL recognises consumer sentiment continues to prioritise Australian product and therefore there is a need to strengthen processed pork traceability by verifying labelling claims, a main focus for the year ahead.

Valuable provenance of Australian

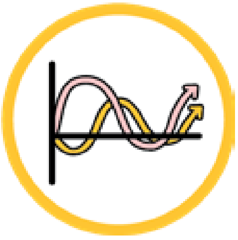
The Valuable Provenance campaign will deliver key messages to position Australian pork above imported pork, with the consumer value proposition of 'quality Australian pork from farm to fork'.

Phase 1 of messaging around imports awareness as a trial in Adelaide was completed in June 2021. Learnings from this are being used for collaboration with stakeholders in preparation for Phase 2 messaging.

Creative development is currently in progress for research with campaign implementation in Adelaide set for early 2022. Another market will also be planned to roll out the Valuable Provenance program.

In addition, APL's first ever Sustainability Framework continues to evolve as promised, and planned focus is around developing roadmaps and information for the supply chain to support change. Research is ongoing to understand data and outcomes in the environmental space.

When our industry is working together, across people, pigs, planet and prosperity, we know we can achieve a strong Australian pork industry that will provide top quality, sustainable protein into the future.



Manage volatility for viable farms

Timely relevant through-the-chain information

The important focus on data accessibility for decision making aims to help industry manage volatility by utilising the plethora of data available. This data, available both internal and externally to industry where possible fills knowledge gaps.

It is vital this strategy is underpinned by a true understanding of the business requirements of producers, supply chain stakeholders, APL and all levels of government, to support industry into the future.

The creation of a clear data strategy for APL will ensure a human approach to delivering efficiencies around data exchange that supports key stakeholders by providing data-backed decision support.

It will also clarify the barriers in data access during disease incursion responses with much of the learnings taken from the recent JEV incursion.

This work will build on the already delivered 2021-22 relaunch of the APL website to ensure industry and the community can easily access information including research reports, extension tools, news and events.

The next phase of delivery of the PigPass app will deliver an efficient and effective traceability tool for industry.

Reduce cost of production

The 2022-23 year will see the delivery of benchmarking reports, which will underpin that progressive nature of industry and provide important data needed to demonstrate progress.

This phase of the program will see the finalisation and sharing of an impact assessment tool which will highlight industry's progress in reducing the cost of production (with the exception of grain).

Additional research focus on alternative feed choices and smart technology for early disease warnings, coupled with a renewed focus on extension and adoption, will aim to benefit all producers through their ability to implement research outcomes to make commercial gains.

Ongoing collaboration with APRIL will enhance the goal of delivering real impacts for producers and industry as a whole.

Diversified pig business extension opportunities

Feedback from producers indicates that while diversification is good to have, it is not APL's central remit.

APL has listened to feedback and as such deprioritised this as an initiative.

STRATEGIC THEME **THREE**

Drive consumer demand

Maintain domestic fresh demand

This area of the strategic theme is about shifting long term engrained beliefs about pork via continuous attribute building within the domestic fresh pork category, to drive demand.

This is achieved through increasing consumer preference for pork by positioning it as an ‘‘everyday’’ protein choice.

The ‘Get Some Pork On Your Fork’ strategy currently targets the audience segment of Guaranteed Easies, young families with limited time.

This is achieved through new creative which encourages consumers to enjoy pork as part of their weekly repertoire by demonstrating the ease of cooking with pork.

Shifting pork’s attributes around the ‘everyday’ requires continuous presence to build familiarity. This will be actioned through our mass advertising campaign as well as collaboration within retail channels and supply chain to ensure there is holistic activity to build the category over time.

Grow domestic demand

The production outlook for the year ahead indicates that we need to maintain, not grow domestic volume.

This focus area is reserved for years where volume growth is a requirement and increased short-term sales levers in messaging and activation are needed.

Whilst volume growth is not required for the 2022-23 year, teams will focus on long term brand building opportunities such as Valuable Provenance in preparation for the return to supply growth.

Grow targeted international demand

The industry’s international strategy remains focused on Japan as a new market opportunity for growth.

Projects were commissioned in 2021-22 to answer questions about where Australian pork ranks in terms of technical benchmarks to meet quality specifications, as well as work in determining consumer positioning opportunities for Australian pork.

This information will guide the importer led market entry strategy for the 2022-23 year in Japan and establishment of commercial trials for viability.

STRATEGIC THEME **FOUR**

Leading community social licence

Leaders in animal care

The industry continues to implement strong animal care, backed by science. The delivery of the new MultiPath testing means the industry is fast moving in ensuring health and wellbeing of pigs, through the ability to detect early warning signs of illness or concerns.

Opportunities to develop and test new approaches to welfare through the utilisation of the latest smart technologies like infrared cameras and new data collection methods will provide producers with real time monitoring. They also enable producers to analyse data to support proactive herd health management, combined with the ongoing evolution of enrichment practices.

Ongoing research, development, and investment in people in the industry ensures the highest level of care is provided to pigs. This area of work clearly aligns to supporting the People and Pigs pillars under the industry's Sustainability Framework.

Biosecurity leadership

APL have transitioned to a broader approach to biosecurity that accounts for threats beyond ASF. Focused planning to ensure the industry is protected in to the future, both on farm and at a national level, is well underway.

APL are capitalising on the learnings taken from the JEV response particularly around preparedness training and vector identification. The APL team are creating and maintaining a strong, aligned industry voice and are focused on animal vaccines.

To support these learnings, the team will ensure networks are strengthened to include international collaborations and networking. In addition, focus will be given towards extension into peri urban environments.

APL will continue to leverage the deep co-operation between the pig industry and all levels of government cemented during the past two years, with a focus on engaging and obtaining support from a new federal government. APL will extend these learnings to collaboration across commodities considering the increasing threats of multi species incursions like FMD.

Climate friendly farming

Community concern around environmental, social and political beliefs continue to rise and the Australian pork industry has a strong 'surprisingly green' story to tell.

Research has already shown that pig production is perceived by Australians as being more environmentally responsible than any other animal production industry. It is our job to strengthen that sentiment.

The first half of the 2022-23 year will focus on extension and adoption of R&D already delivered in the areas of climate friendly farming like biogas, solar and carbon reporting.

New R&D will focus on soil health from the utilisation of pig manure, as well as food waste and packaging opportunities in the second half of the year.

Industry visibility

The new Australian pork virtual tour successfully launched in 2021-22 as part of the industry's ongoing visibility work.

Ensuring the community beliefs are kept front of mind and enabling industry to guide the public not only of what we do but why we do is an important step in maintaining our social licence.

The 'Story of pork' campaign continues by equipping industry representatives from across the supply chain with the tools and confidence to share their stories across multiple channels.

APL are working with The Livestock Collective in order to achieve this and will continue to build on this collaboration in the coming year.

The Australian pork industry has a strong story to tell.

STRATEGIC THEME **FIVE**

Building industry shared vision

Producer Relations (shared values)

The Producer Relations team will continue to provide proactive support to producers by reaching out to our membership base over the phone approximately every six weeks throughout the year.

Over 60% of these calls are answered, resulting in positive exchange of information between our producers and APL including production data, supply and demand information, harvest and grain conversations and other ongoing initiatives APL are delivering.

Technology adoption

There was clear recognition that not one approach works for an industry wide adoption of technology, so a new approach was needed.

The Producer Relations team continue to work closely with APL Members through provision of more personalised interactions such as webinars, fact sheets, and one-to-one coaching. This relationship will be further strengthened over the coming year.

Organisational effectiveness

To ensure the APL team continue to support the sector effectively, recruitment is targeted at balancing specific skills with industry experience to ensure outcomes remain progressive and responsive.

The Operations Leadership team continue to operate in harmony remaining always focused on the goals of industry.

Targets and key performance indicators

The targets and KPIs set within this plan are aligned with those within the Strategic Plan. In both plans, APL is committed to being an outcome driven organisation and these benchmarks are reflective of that.

The activity we have set, alongside the resource allocated, has been done so in order to improve multiple targets as well as strategic Key Result Areas (KRAs).

To demonstrate alignment with strategy, the following pages contains a table incorporating the focused portfolio of strategic KRAs and the additional operating KPIs for this 2022-23 AOP.

Despite having multiple KRAs and KPIs, APL has a high degree of focus on three outcomes:

1. Focus on protecting the national borders to prevent disease incursions.
2. Demonstrate R&D that tackles cost of production pressures impacting producers' abilities to grow.
3. Increase focus on telling the story of pork to demonstrate the industries positive credentials to give consumers a reason to celebrate Australian pork.

APL is committed to being an outcome driven organisation.

TABLE 1 – APL KRAS AND KPI

Strategic theme	Strategic KRA	AOP KPI	Measure	FY 2022 Estimate	FY 2023 Target
market and product differentiation	Increased preference for Australian pork as a protein source		Frequency of retail purchase per annum	8	8
	Increased diversity of products and markets		Number of new markets entered-worth $50m revenue (includes premium)	0	1
manage volatility for viable farm	Price stays within historic trend range		Average price per kg of buyers and sellers in total (national 60-75kg)	3.62	3.70
	Cost of production including kill Fee		Reduction in cost of production index from 2020 benchmark	93	93
	Cost of production including kill Fee	Build a portfolio of projects with the potential to deliver impact	Potential impact on cents per kilo	23	25
drive consumer demand	Increased domestic popularity of pork		Consumption per Australian (kg/HSCW)*	8.4	8.5
		Increased use of pork in everyday meals	Percentage of Australians making the association	33%	36%
	Increased international demand for Australian pork		Australian pork international sales $AUm	$162m	$172m
leading community social licence	Demonstrated leadership on social license issues		Number of climate friendly farming social licence leadership positions taken	2	2
		Climate friendly farming	Percentage of national herd covered by LCA	0	22%
	Maintaining Australia's biosecurity credentials		Number of exotic disease outbreaks	0	0**
building industry shared vision	Increased on-farm adoption		Members who can recall adoption of APL initiatives this year (%)	30%	40%
	Community understands the Story of Pork		Accumulated number of opportunities to see 'Story of Pork' stories	52M***	35M

* *NB: transition from Nielsen to IRI based homescan data*

** *NB: Japanese encephalitis is a communicable disease which has impacted, and continues to impact the pork industry*

*** *NB: inflated by Japanese encephalitis stories*

TABLE 2 – CONCISE BUDGET MODEL

Account	R&D	Non R&D	AOP Budget 2022-2023
APL Income			
Levy Income	5,550,000	12,487,500	18,037,500
Matching Income	5,825,093		5,825,093
Other Income		159,000	159,000
Total APL Income	**11,375,093**	**12,646,500**	**24,021,593**
APL Project Costs			
1. Market and Product Differentiation			
Total Diversity of Markets	100,000	100,000	200,000
Total Quality Consumer Eating Experiences	302,382	90,000	392,382
Total Valuable Provenance of Australian Pork	170,000	1,774,000	1,944,000
Total 1. Market and Product Differentiation	**572,382**	**1,964,000**	**2,536,382**
2. Manage Volatility for Viable Farms			
Total Timely Relevant Information	359,000		359,000
Total Reduce Cost of Production & Processing	2,575,833	80,000	2,655,833
Total 2. Manage Volatility for Viable Farms	**2,934,833**	**80,000**	**3,014,833**
3. Driver Consumer Demand			
Total Maintain Domestic Fresh Demand	661,000	4,961,000	5,622,000
Total Grow International Demand	55,000	160,000	215,000
Total 3. Driver Consumer Demand	**716,000**	**5,121,000**	**5,837,000**
4. Leading Community Social Licence			
Total Biosecurity Leadership	760,342	48,000	808,342
Total Climate Friendly Farming	703,745	70,000	773,745
Total Leaders in Animal Care	468,671		468,671
Total Industry Visibility	120,000	80,000	200,000
Total 4. Leading Community Social Licence	**2,052,758**	**198,000**	**2,250,758**
5. Building Industry Shared Vision			
Total Producer Relations (shared values)	484,027	15,000	499,027
Total Technology Adoption	350,000		350,000
Total Organisational Effectiveness	350,000	520,000	870,000
Total 5. Building Industry Shared Vision	**1,184,027**	**535,000**	**1,719,027**
Total APL Project Costs	**7,460,000**	**7,898,000**	**15,358,000**
APL Operating Expenses			
Employment Costs	3,409,283	3,727,588	7,136,871
Corporate Costs	780,904	853,812	1,634,716
Total APL Operating Expenses	**4,190,187**	**4,581,400**	**8,771,587**
APL Surplus/(Deficit)			**(107,994)**
Net Government Grants Surplus (Deficit)			(379,700)
Net Surplus (Deficit) including Grants			**(487,694)**

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