

# Australian Pork Limited

AUSTRALIAN  
Pork®

ANNUAL OPERATING PLAN 2023-24





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## EXECUTIVE SUMMARY

# An “extension” plan

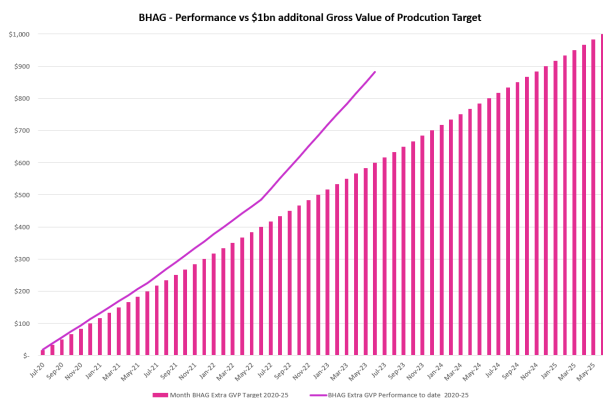
This year is about converting industry investments into attractive outcomes.

**In the 2023-24 year, we will continue to build on industry’s work to date and convert it into on-farm benefits.**

The 2023-24 year will start strong. From a revenue perspective, industry is ahead of the “Big Hairy Audacious Goal” that was set in the 2020-25 Strategic Plan.



Australia’s preferred protein choice;  
Sustainably adding **\$1 billion**  
to farm gate value by **2025**



The 2023-24 workplan starts with the transition of research into on-farm practice. Recent inflation has significantly increase on-farm costs, which are planned planned to be countered with a substantial cost reduction research portfolio.

Enhanced biosecurity standards are ready for on-farm adoption, which remains a focus in the year ahead. This also includes extention priorities in animal welfare, capability and development, and sustainability. These key priority areas are further supported by a focus on social license and telling the story of pork.

In addition, we continue to build on the past success theme — recreating our “Get Some Pork on Your Fork” (GSPOYF) consumer campaign.

Also planned is the extension of industry’s Valuable Provenance trial, which aims to build Australian pork’s share in ham and bacon.

This plan has been developed by our impressive portfolio of people and approved by the APL Board.

This Annual Operating Plan is born out of the 2020-2025 Strategic Plan, with all its activities consistent with our progress to our “Big Hairy Audacious Goal”.

Our top five priorities for progress in the 2023-24 year include:

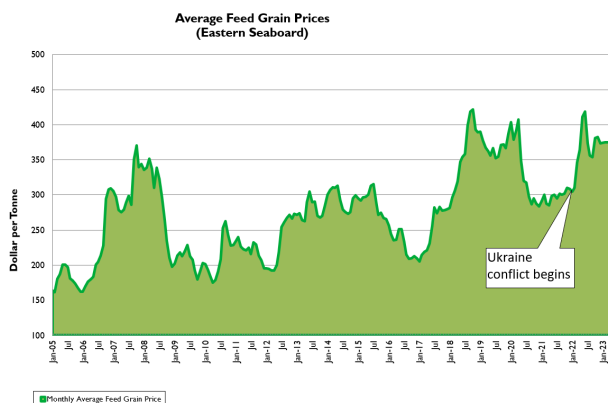
1. Positively evolve our welfare credentials
2. Drive Australian consumer demand
3. Celebrate our research momentum and further improve our returns
4. Encourage industry to adopt more of their research
5. Tailor producer communications to increase personal engagement

# Underlying assumptions

Positive operating environment factors include pork's competitive retail price at home, balanced against risks which include supply acceleration, high grain prices limiting viability and workforce availability.

The operating environment for the 2023-24 financial year is likely to be more stable. Over the last 3 years industry has been impacted by COVID and increasing geo-political tensions. Therefore, APL's Annual Operation Plan is based on the following assumptions.

In terms of global context, the impact of African swine fever (ASF) on pork and meat consumption has stabilised. The single biggest driver of pork production's economic viability continues to be grain market pressures affected by Russia's conflict with Ukraine.



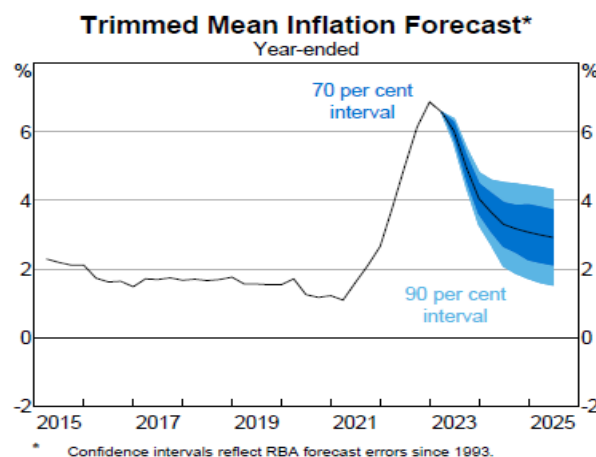
Graph 1: Profarmer Eastern Seaboard Feed Grain Prices 2005-2023

### Assumption 1 – Grains will remain at the current elevated levels.

Advice from the Grains Research Development Corporation (GRDC) and our other international meat and trade consultants suggest that grain prices will remain high for the 2023-24 year. This is driven by domestic increases in feed demand, in addition to the potential return of barley exports to China.

**Assumption 2 – Domestic demand for food will continue to polarise, as high inflation countered by high interest rates challenges many household budgets.**

The RBA forecasts inflation to remain above its target range for the 2023-24 year. It is assumed that interest rates will also remain high during this period.



Graph 2: May 2023 RBA Statement on Monetary Policy Inflation outlook.

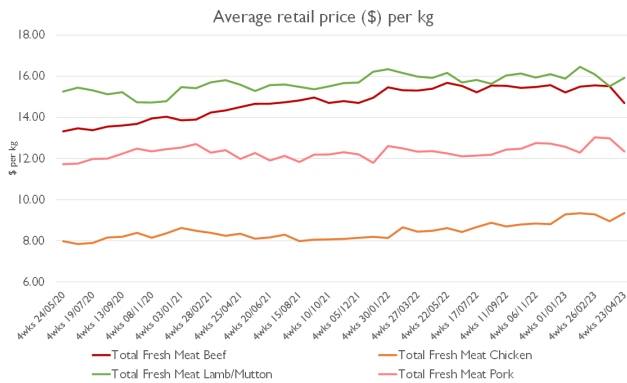
These conditions seem to be polarising food markets — it is assumed that many choices are driven by price for those struggling with the cost-of-living.

Conversely, low disposable income also tends to decrease luxuries such as eating out. These nice-to-haves are often substituted to an extent by the purchase of premium food for at-home consumption. In contrast, those who have their own home or net cash savings are benefiting from higher interest rates, seeing an increase in disposable income.

## OPERATING ENVIRONMENT

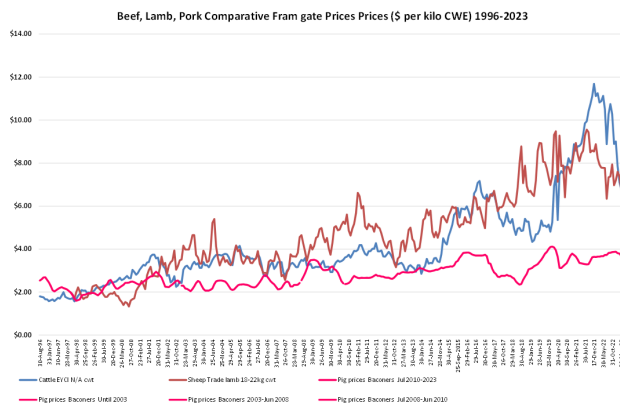
**Assumption 3 – Domestic pork consumption will be supported by a competitive retail price, but challenged by decreasing red meat farm gate prices.**

Over the last three years pork's price has traded at around \$12/kg retail — substantially less than red meat, but above chicken.



**Graph 3: Australian Retail Species Prices per kg in dollars – Source Circana Shopper Panel**

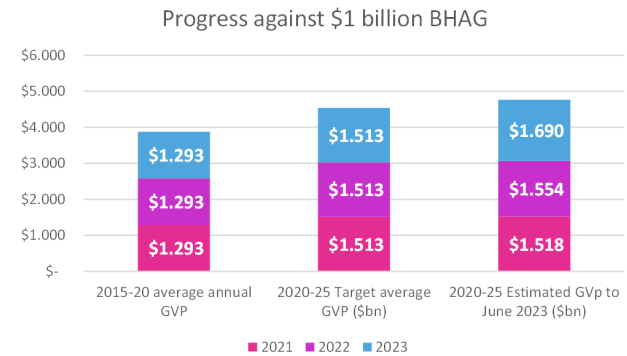
Beef and lamb prices have been slowly increasing since 2014-15. However, herd and flock rebuilds following two high rainfall years in many areas of Australia have increased supply of beef and lamb, with the higher turn-off of stock continuing to put downward pressure on price.



**Graph 4: Australian Farm gate Prices per kg in dollars – Source APL & MLA**

It is expected that these farm gate trends will be reflected in retail prices.

So far industry has succeeded in achieving its financial goal of adding an average of \$200m a year to farm gate revenue — on track to reach a total of \$1bn or more between 2020 and 2025.



# Focus themes

“The essence of strategy is about choosing what not to do.”

Michael Porter  
Harvard Business Review 1996



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	Maintain domestic fresh demand	Leaders in animal care	Producer relations (shared values)
Quality consumer eating experiences	Reduce cost of production	Grow domestic demand	Biosecurity leadership	Technology adoption
Valuable provenance of Australian	Diversified pig business extension opportunities	Grow targeted international demand	Climate friendly farming	Organisational effectiveness
			Industry visibility	

**The 2020-25 Strategic Plan includes five themes and 16 areas for progression. Some of these are requirements every year and some are dependent on progress in another area.**

This AOP has been developed with the same ambition and progressive approach of APL's Strategic Plan. Continuing with our agreed consultative development strategy, the entire APL team, Board and broader industry has been consulted.

Five priorities have been identified for the 2023-24 year, and agreed upon by the APL Board and management.

# Top 5 priorities

1.

Positively evolve our welfare credentials

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2.

Drive Australian consumer demand

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3.

Celebrate our research momentum and further improve our returns

4.

Encourage industry to adopt more of their research

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5.

Tailor producer communications to increase personal engagement



Our investments integrate the triple bottom line objectives of economic, environmental, and social responsibility.

# An overview of our five strategic themes

**APL will continue to contribute to the delivery of a thriving pork industry by focusing on five strategic themes:**

### **1. Market and product differentiation**

Building a broader portfolio of points of difference that are more valuable to some customers than other competing products or services.

### **2. Manage volatility for viable farms**

The uncertainty that goes with all markets is particularly intense with agriculture — booms and busts. This theme is about flattening those extremes.

### **3. Drive consumer demand**

Understanding what the consumer wants and providing that in a better way than our competitors.

### **4. Leading community social license**

Often societal permission holds organisations to a higher standard than the law. This strategy is aiming higher than both.

### **5. Building industry shared vision**

This involves creating dialogues with each APL member and finding value that they can add to the industry as well as finding value that APL can add to our business.

As described in APL's Strategic Plan 2020-25, these themes have been developed to ensure strategic alignment with the national and rural R&D priorities and maximise collaboration with RDCs and the broader agriculture sector.

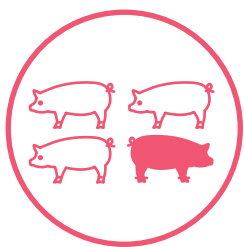
The focus for the fourth year of the Strategic Plan will be animal welfare, domestic consumer demand and research adoptions via producer engagement.

These themes have been developed to ensure strategic alignment with national R&D priorities, and maximise collaboration with RDCs and the broader agricultural sector.



## STRATEGIC THEME ONE

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# Market and product differentiation

### Diversity of markets and products

Industry is struggling with low labour availability which is limiting the adoption of some available technology options at present. This program will continue to focus on adding value by diversifying sources of sustainable demand.

The focus for this year will be to convert food waste into a feed option for pigs – a sustainable consumer proposition based on a circular economy. In essence, recycling human food waste into safe, nutritious and tasty protein for pigs.

### Quality consumer eating experiences

There are two pillars for the progress of eating experiences. Firstly, the delivery of taste and juiciness by increasing the intramuscular fat (IMF) in products delivered to consumers. The second is to identify genomic and physiochemical correlations between carcass quality and eating quality, particularly toughness or tenderness.

Whilst phase one is in implementation, phase two will commence – targeting the creation of “remarkable” eating experiences that are so good they are worth talking about.

### Valuable provenance of Australian

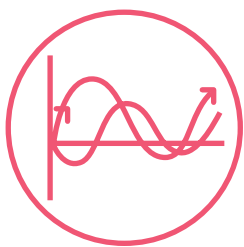
The awareness of “Australian pork” in ham and bacon was trialled in Adelaide from March to June 2021. The measurement and evaluation of this activity demonstrated increased sales which was impressive for an awareness campaign.

The first half of 2023-24 will evaluate the next stage of the Adelaide trial. This phase was tested during March to June 2023 and seeks to provide targeted consumers with “reasons to buy” ham and bacon made with Australian pork rather than imported pork.

This evaluation will result in a recommended roll-out plan for 2024 and beyond.

We intend to continue collaborating with willing partners in technology, retail and brand ownership.

## STRATEGIC THEME TWO



# Manage volatility for viable farms

### Timely relevant through-the-chain information

The Australian pork industry has worked effectively to improve the quality, foresight, and availability of information. There have been improvements for producers, interested consumers (via our Virtual Tour) and collaborators.

In 2023-24 the plan is to make the static weekly reports available in ways that enable producers to access the information they pay for (with Australian Federal Government contributions) when they wish to.

The third part to this programme includes working with data holders outside of APL to identify areas where we can collaborate for mutual and public benefit.

### Reduce cost of production

Progress in commissioning new research in areas of improved herd health, alternate feed sources and improved productivity has been significant.

In the fourth year of the current Strategic Plan, industry has almost \$7 million invested in programs to help producers reduce the cost of production.

The outcomes of this large portfolio of projects will be progressively extended for adoption as valuable research outcomes become available. This leverages the broad set of skills available within and across APL.

### Diversified pig business extension opportunities

In consultation with pig producers, the feedback has been that whilst these are worthwhile initiatives, it is not APL's core remit.

APL has listened and has deprioritised this as a standalone initiative. We will seek to achieve progress by being an ancillary benefit to other initiatives – such as the introduction of biogas systems. These reduce the carbon footprint of a site, and have the potential to generate revenue by selling electricity back to the grid.



## STRATEGIC THEME **THREE**



# Drive consumer demand

Production is budgeted to be stable in 2023-24 (for conservatism) whilst the latest production survey suggests growth. For simplicity in reading, the “Get Some Pork on your Fork” (GSPOYF) program is budgeted under Maintain Domestic Fresh Demand. As a consequence, GSPOYF activity will focus on the generation of new communications creative which seeks to emotionally engage Australians when it is launched during the 2023-24 year.

### **Maintain domestic fresh demand**

GSPOYF activity includes direct consumer communication and collaboration via mutually agreed plans with retailers and supply chains.

Whilst the current strategy appears to be successful — with fresh pork’s share growth continuing to exceed other proteins — the marketing and communications teams believe they have identified a way to accelerate progress.

Whilst maintaining the current activity, the teams will develop this new line of acceleration thinking for implementation when tested.

### **Grow domestic demand**

The onset of COVID-19 has had disruptive effects on how Australian consumers source their food. As the AOP document is being developed, APL has consumer research in-field designed to understand how shoppers’ attitudes and behaviours are affecting demand, and whether these will have permanent or transitory effects on pork consumption.

This research will be shared with retailers and supply chains to identify collaborative opportunities to grow both consumer demand and satisfy Australian consumers.

### **Grow targeted international demand**

The pork industry’s international strategy development agreement has focused on four countries: Singapore, Philippines, Japan, and Vietnam.

It was agreed with the major pork exporters in 2023 that Japan — due to culture, market expectations and quality specifications — was not a commercial priority for the industry at present.

The major exporters agreed that focus should be given to already established and growing export markets. APL will continue to support industry when approached on new market opportunities.

We seek to influence perceptions and behaviours of Australians to demand fresh Australian pork for consumption both in and out-of-home.

## STRATEGIC THEME **FOUR**



# Leading community social licence

### **Leaders in animal care**

A review of the Standards and Guidelines for pig production has been identified as part of the Government's agenda. APL is predicting this process may begin in the 2023-24 year. As the Australian pork industry voluntarily voted to remove gestation stalls in 2010, the industry considers itself proactive in its approach to animal care.

In the coming period we expect to participate in an update of the 2018 scientific review and work with other livestock industries and Federal and State regulators to clarify the Australian Standards and Guidelines review process for all livestock industries.

### **Biosecurity leadership**

The Australian pork industry continues to be a leader in biosecurity, working collaboratively with governments and government agencies.

Many of these insights have been incorporated into the industry quality assurance program APIQ®. This has resulted in almost 91% of production having improved "Biosecurity Plans" and "Exotic Animal Disease movement contingency plans" independently audited.

The next phase is focused on on-farm adoption of additional operational improvements, based on research, with extension to be data-driven.

APL seeks to continue to share learnings across commodities, in collaboration with Animal Health Australia's Animal Health Committee.

### **Climate friendly farming**

R&D stream investigations into industry Life-Cycle Analysis (LCA) have been conducted

covering approximately 44% of industry so far. The final report is due in the first half of 2023-24 but early indications suggest our industry's carbon footprint continues to improve.

The 2023-24 year will continue to see targeted investment in research extension and adoption, with industry already having case studies of both Biogas and composting technology use on manure, as well as installation of solar under active investigation by many producers. APL has a dedicated Sustainability Officer to support interested producers.

### **Industry visibility**

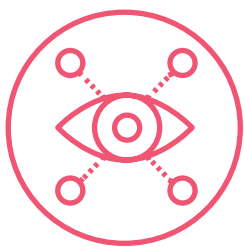
The new Australian pork social license story-telling campaign "Bring Sustainable to the Table" will continue as an always-on communications initiative.

Social licence will continue to be a major priority for the Australian pork industry this year.



## STRATEGIC THEME FIVE

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# Building industry shared vision

### Producer Relations (shared values)

The Producer Relations team has established itself as the first point of contact for producers. The team is multi-skilled (APIQ<sup>✓</sup>®, PigPass, pig industry reporting) and offers a support service to producers, providing connections with relevant industry experts and information.

In collaboration with Producer Relations, our Policy and Research & Innovation teams target education, industry recruitment and industry leadership development opportunities for the benefit of industry.

The APL Communications team offers a range of services to both internal and external stakeholders, ensuring regular information and updates are provided on key priorities and issues to drive engagement across industry.

### Technology adoption

Resourcing in this area continues to increase in the 2023-24 year. The Producer Relations team have measured the levels of awareness, adoption, and retention of selected R&D outcomes — with 33% of production being adopted, on average. This highlights just how big an opportunity there is.

Major initiatives that will benefit adoption are an easier-to-navigate website, the expansion of a dedicated extension team, targeting R&D outcomes and improved industry capability. Increased resource allocation will enable this team to communicate R&D outcomes more effectively. This will continue to require close collaboration across the Producer Relations, Communications, and Research & Innovation teams.

For this year, communicating R&D outcomes will continue to be more personalised through conversations between producers and the producer relations team.

### Organisational effectiveness

The major activities in this area include team development. APL is a people-driven organisation and the injection of some “new to our industry” managers during 2022 is an opportunity to drive new thinking.

These managers have now been inducted, developed networks and are now ready to continue to improve APL’s delivery.



# Targets and key performance indicators

**APL is an outcomes-driven organisation. The targets and Key Performance Indicators (KPIs) we have are consistent with both the Strategic Plan and the resource which we apply to each target.**

Wherever possible, we select investments and activities that will offer improvements towards multiple targets as well as strategic Key Result Areas (KRAs).

To demonstrate alignment with strategy, the following pages contain a table incorporating the focused portfolio of Strategic KRAs and the additional Operating KPIs for this 2023-24 Annual Operating Plan (AOP).

1. Deliver as one team to keep producers as sustainable and biosecure as is possible

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2. Accelerate consumer demand domestically

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3. Demonstrate R&D adoption acceleration, enabling improved industry outcomes one producer at a time

We select investments and activities that offer improvements to multiple targets.

TABLE 1 – APL KRAS AND KPI

Strategic theme	Strategic KRA	AOP KPI	Measure	FY 2023 estimate	FY 2024 target
market and product differentiation	Increased diversity of products and markets	\$50m+ markets entered	Number (current includes Philippines, Vietnam & Republic of Korea)	3	4
		Maintain awareness of Australian ham in Adelaide	% of consumers likely to buy Australian ham at a 20% Premium in Adelaide	21 Benchmark 2021	21
manage volatility for viable farms	Cost of Production and Processing		% of program projects are on time and on budget	79	93
	Price stays within historic trend range		Average price per kilo - A\$	3.76 – 3.97	3.75 – 4.10
drive consumer demand	Fresh pork consumption		Kg HSCW per Australian	10.2	10.4
		Increase “Everyday Meals” association	% of Australians making that association	33%	35%
		Chartered way forward to support 2 campaigns	Agreed way forward with funding source	Does not exist	Exists
leading community social licence	Social license leadership positions taken		Number	1	2
	Biosecurity leadership	Pig movements are reported electronically	% of movements electronic	30%	60%
	New Emergency disease outbreaks		Number	0	0
		Animal care credentials	% of Australians who have heard positive things of pork farming in relation to animal welfare	18%	20%
		Tell the Story of Pork	Australians who have heard that pork farming has a positive impact on the environment	19%	22%
building industry shared vision	Increased On-Farm adoption		% of Members adopted some extended R&D in the last decade	33% (of top 20 in last decade)	40%
	Meaningful Member Engagement		% of members that have completed industry practices survey and have been contacted at their agreed frequency	67%	90%

TABLE 2 – CONCISE BUDGET MODEL

Trading Income				
APL Income		R&D	Non-R&D	Total
	Levy Income	5,550,000	12,487,500	18,037,500
	Matching Income	5,860,577	-	5,860,577
	Other Income	-	372,500	372,500
Total Trading Income		11,410,577	12,860,000	24,270,577
Project Costs				
APL Project Costs				
Market and Product Differentiation				
	Diversity of Markets	400,000	-	400,000
	Quality Consumer Eating Experiences	254,151	70,000	324,151
	Valuable Provenance of Australian Pork	113,000	872,000	985,000
Total Market and Product Differentiation		767,151	942,000	1,709,151
Manage Volatility for Viable Farms				
	Thru-the-chain information	325,000	-	325,000
	Reduce Cost of Production & Processing	2,880,443	-	2,880,443
Total Manage Volatility for Viable Farms		3,205,443	-	3,205,443
Drive Consumer Demand				
	Grow Domestic Demand	-	-	-
	Maintain Domestic Fresh Demand	645,000	5,910,000	6,555,000
	Grow International Demand	-	-	-
Total Drive Consumer Demand		645,000	5,910,000	6,555,000
Leading Community Social Licence				
	Biosecurity Leadership	525,297	75,500	600,797
	Climate Friendly Farming	436,691	30,000	466,691
	Leaders in Animal Care	692,240	11,228	703,468
	Industry Visibility	212,000	212,000	424,000
Total Leading Community Social Licence		1,866,228	328,728	2,194,956
Building Industry Shared Vision				
	Producer Relations - (Shared Values)	619,500	42,500	662,000
	Technology Adoption	330,000	-	330,000
	Organisational Effectiveness	440,000	604,926	1,044,926
Total Building Industry Shared Vision		1,389,500	647,426	2,036,926
Total Project Costs		7,873,322	7,828,154	15,701,476
Gross Profit				8,569,101
Operating Expenses				
	Operating Expenses	713,845	768,333	1,482,178
	Employment Costs	3,572,329	3,921,387	7,493,716
	Travel	336,000	364,000	700,000
Total Operating Expenses		4,622,174	5,053,720	9,675,894
Net Deficit				- 1,106,793



