

EXECUTIVE SUMMARY

This report presents the findings of an independent performance review of Australian Pork Limited (APL). This review has assessed how well APL has met its obligations to levy payers and other stakeholders, as set out in its Funding Agreement 2015–19 with government, and in the *Pig Industry Act 2001* (Cth).

The review commenced with a start-up teleconference with the APL General Manager Corporate Services. The consultants reviewed a large number of relevant documents, including policies and procedures, plans, reports and evaluations (listed in Appendix 1). A series of consultations then undertaken, either face-to-face or by telephone, with 43 stakeholders: APL Board and management, pork producers and processors, the Department of Agriculture and Water Resources, the Council of Rural R&D Corporations and research providers, consultants and other collaborators. A dedicated web page and online survey were developed and communicated so that all stakeholders had the opportunity to make a submission to the review if they so desired.

The review has found that, despite a challenging industry environment of subdued prices and higher input costs, APL has generally performed responsibly and solidly in its role as the pork industry’s service body. There is no evidence of APL having failed to fulfil, or being at risk of not fulfilling, all of the obligations required by its funding agreement with the Commonwealth or the Pig Industry Act. The Board has shown an appetite for innovation in APL’s R&D and marketing management. Planning and reporting are robust and feature well-considered performance metrics, and the company has achieved or partially achieved the majority of its targets over the period. The Delegate system is a strong mechanism for engagement with levy payers.

A high-level summary of the review findings against the terms of reference is provided below.

TERMS OF REFERENCE	SUMMARY
Assess the performance of APL in meeting its obligations under [the] Agreement and the Act	APL has met its all of its obligations under the Pig Industry Act and the funding agreement. There is a strong focus on and systematic approach to managing compliance risk.

TERMS OF REFERENCE	SUMMARY
<p>Assess APL's development and implementation of its Strategic, Annual Operational, Risk Management, Fraud Control and Intellectual Property Management Plans and APL's effectiveness and flexibility in responding to cyclical market dynamics in meeting the priorities, targets and budgets set out in those plans</p>	<p>The original and amended Strategic Plan 2015-2020 are clearly written and succinct documents that provide a very clear description of the strategies and programs that APL will deploy. The comprehensive review of the strategic plan in 2018 due to changes in the industry operating environment demonstrates flexibility and responsiveness. There is clear line-of-sight of priorities, targets and financials from strategic plan to annual operating plans and annual reports. A particularly impressive component of APL's plans is the detailed key result areas (industry focussed) and key performance indicators (internally focussed) for each of APL's objectives. Risk management, fraud control and intellectual property plans are comprehensive, reviewed and actively followed.</p>
<p>Assess the efficiency with which APL has implemented those plans</p>	<p>Efficiency is difficult to assess, as there is no simple metric for efficiency in the research and development corporation (RDC) environment and every RDC has unique circumstances. However, APL monitors the change in its corporate costs as an organisational key performance indicator and there is no indication that these are excessive. The review was also apprised of a number of initiatives undertaken by APL to reduce costs over the review period.</p>
<p>Assess the efficiency and effectiveness of APL's marketing and research investments</p>	<p>A measure of the effectiveness of APL's implementation of plans is the progress made by APL against its planned targets. An analysis of performance against targets shows that:</p> <ul style="list-style-type: none"> ⊕ APL has been successful in meeting many of its original targets; ⊕ Some targets were not met (primarily consumption and prices) due to changing market circumstances; and ⊕ Some targets have been refined (e.g. 'production cost' and 'international marketing' have been introduced and reproductive performance metrics altered).

TERMS OF REFERENCE	SUMMARY
<p>Assess the delivery of benefits to members, levy payers, the Commonwealth Government and the broader community foreshadowed by those plans, including an assessment of the degree to which APL's investments have responded to cyclical market dynamics and have met the needs of members, levy payers, the Commonwealth Government and the broader community</p>	<p>APL uses a diverse methodology to assess its delivery of benefits to the sector and community in general from its RD&E, marketing and policy activities. It would benefit from a consistent, structured approach to assessing all its investments.</p> <p>While there are some divergences from Council of Rural Research & Development Corporations (CRRDC) guidelines for impact assessments of RD&E projects, the assessments shows that APL's investments are delivering benefits to the industry. This view is formed from the basis that:</p> <ul style="list-style-type: none"> ⊕ Positive results from the benefit-cost analyses of most of APL's RD&E programs; and ⊕ A rapid rise in the consumption of fresh pork in Australia over recent years (although part of this increase is due to the lower pork prices and higher production levels). <p>There are elements which warrant further attention by APL, including addressing the pig cycle explicitly and transparently in its strategies and activities.</p>

The review has identified several areas in which improvements might be made to the performance of APL. Thirteen draft recommendations are made. These are listed below, and each is rated either:

- ⊕ Critical: should be implemented as a matter of urgency in order for APL to meet its legal and regulatory obligations.
- ⊕ Important: actions that are expected to deliver significant benefits to the organisation and industry.
- ⊕ Better practice: expected to deliver incremental performance improvements.

It is noteworthy that no recommendations are rated as 'critical'.

RECOMMENDATION	PRIORITY
<p>1 APL should consider creating a dedicated corporate communications division within its organisational structure, to ensure a more strategic and coordinated approach to APL's engagement with growers and other stakeholders.</p>	<p>Important</p>

	RECOMMENDATION	PRIORITY
2	APL should develop an extension strategy that clearly shows how it will maximise adoption by different segments of the producer base.	Important
3	APL should upgrade its evaluation framework, in association with the development of the next strategic plan, to provide more detailed information about how monitoring, evaluation and reporting will be conducted.	Important
4	APL should conduct full-scale impact assessments of selected RD&E programs each year that are consistent with the CRRDC guidelines and ensure that the contracted independent economic consultant follows the CRRDC guidelines or report on what deviations were taken and the reasoning. These impact assessments should take account of and comment on the potential impact of productivity-improving RD&E on supply of fresh pork and on pork prices in Australia and should include commentary on the likely distribution of benefits from the project clusters between regions and/or sectors of the Australian pig industry.	Important
5	APL should continue with the general format and structure of its strategic plan but consider making some enhancements as suggested by this review.	Better practice
6	APL should consider publishing short summaries of its key documents – the strategic plan, annual operating plan and annual report – both as part of the respective documents and as standalone products, to enhance the company’s transparency in planning and reporting.	Better practice
7	APL should develop instructions and guidelines for the use of the <i>ex-ante</i> benefit-cost calculator used by APL staff, and ensure staff are fully trained to improve efficiency and ensure consistency in its use and application across programs.	Better practice
8	APL should prepare strategic and operating plans that explicitly and transparently address how APL’s strategies and activities take into account the pig cycle.	Better practice
9	APL should consider contracting an experienced agricultural economist to construct a partial equilibrium economic model of the Australian pork industry. This model could be used as part of the development of an industry strategic plan to help guide the whole industry. It would also aid significantly the assessment of benefits flowing to the industry from APL’s marketing and RD&E activities.	Better practice
10	APL should consider including the annual impact assessment results in the annual report and in a short annual performance evaluation report. This reporting could include case studies or other mechanisms for making outcomes more relatable to the average levy payer.	Better practice

RECOMMENDATION		PRIORITY
11	APL should make all relevant documents including detailed impact assessments available on the APL website in a separate, clearly identified 'Performance Evaluation' section, in order to improve performance reporting.	Better practice
12	In addition to reporting the benchmarked measures of its marketing and promotion activities against its target KPIs, APL could also investigate how measures of marketing and promotion activities can be incorporated into the structured impact assessment methodology used for RD&E projects for <i>ex-post</i> assessment.	Better practice
13	APL should consider broadening its annual industry survey to collect more information on producer perceptions of its performance, comfort in paying the levy and satisfaction with expenditure on marketing compared with RD&E.	Better practice