



AUSTRALIAN PORK LIMITED
Response to Recommendations
Independent Performance Review 2019



Preface

Australian Pork Limited's (APL) Independent Performance Review (the Review) was completed in February 2019 by Forest Hill Consulting. The Review is a requirement mandated under APL's 2015-19 Funding Agreement with the Commonwealth of Australia (the Government) and assessed how well APL has met its obligations to levy payers and other stakeholders, as set out in the Funding Agreement and in the *Pig Industry Act 2001* (Cth).

The performance review report has identified valuable continuous improvement opportunities which APL will act on.

The Review is an independent investigation of APL's performance during the four-year life cycle of the current Funding Agreement with the Government. The Government and levy funding is used by APL to invest in research, development, policy and marketing projects that support and improve the productivity, profitability and competitiveness of Australia's pig industry.

The Board would like to give special thanks to the producers, industry representative bodies and supply chain stakeholders who took the time to share their thoughts, ideas and assessment of APL's performance, both constructive and positive. It is this critical and honest feedback that allows APL to continue to grow in a direction that supports and is supported by industry.

The APL Board agrees with all thirteen of the Review's recommendations (to the extent outlined in the following responses). Many recommendations laid out in the Review were already a focal point for APL. In this sense, the review reinforces the belief that the current systems and processes identify and support continuous improvement.

The thirteen recommendations can be classified under three functions:

- Strategic Planning
- Project Evaluations
- Communicating with Stakeholders

By classifying the recommendations into these three functions, a holistic view can be formed on the connections between the areas for improvement and acknowledges that the recommendations largely point to incremental improvements. This also ensures that the initiatives developed in APL's normal course of business and those developed in response to the recommendations are complementary and address the concerns raised in an efficient and effective manner.

Getting the balance right between the interests of individuals and the improvement of the Australian pig industry is an ongoing conversation and APL is particularly proud of the systems we have in place to support and encourage those conversations. APL has a high commitment to continuous improvement at all levels. It is the driving force behind the operation of APL and a value held dear by our management and staff. Likewise, accountability is a high priority at APL. It is included in our values statement and is demonstrated in interactions with our stakeholders, whether through weekly members' email, Delegates' forums or the twice-yearly progress meetings with the Government. APL strives to create an environment in which our stakeholders can provide feedback on a continuous basis and APL can act on that feedback to generate incremental improvements to our business processes.

This approach has served APL and its stakeholders well. While the Review is an important milestone in the life cycle of the Funding Agreement, it is only one part of APL's accountability and continuous improvement framework.

The APL Board is pleased to confirm that many response initiatives are already underway, complementing our established approach to being responsive to industry's needs. Some of the response initiatives had already been incorporated in the early drafts of the 2019-20 Annual Operating Plan (AOP), others will influence the 2020-25 Strategic Plan that will be prepared by APL in the 2019-20 financial year.

APL's responses to the Review's recommendations follow. The Board and staff of APL look forward to continuing to work with industry to maintain and build meaningful partnerships to deliver a bright, sustainable and secure future for the Australian pork industry that is centred on transparent and constructive two-way feedback and continuous improvement at all levels.

Function I: Strategic Planning

Recommendation 5:

APL should continue with the general format and structure of its strategic plan but consider making some enhancements as suggested by this review.

Report priority:

Better practice

APL Response:

APL agrees with this recommendation.

APL's recent performance, innovation and marketing reviews will significantly influence the 2020-25 Strategic Plan.

In principle and in practice, APL is committed to maintaining a high standard of governance complimented by an approach of continuous improvement. Effective governance is critical to efficient, effective delivery of projects and activities and to maintain the trust and confidence of stakeholders. This recommendation's clear focus on continuous improvement aligns well with APL's existing approach.

Recommendation 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.

Report priority:

Better practice

APL Response:

APL agrees in principle with this recommendation, however in practice, external factors limit the extent to which it can be implemented.

APL supports activities which provide transparency and help ensure peace of mind and business stability for our stakeholders.

APL recognises that, while the pig cycle is often top-of-mind at an operational level within APL, this has not been reflected in planning documents. This is largely due to the inability to accurately predict the timing and volatility of the pig cycle due to unmeasured volatile external factors.

Recommendation 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 RDE activities.

Report priority:

Better practice

APL Response:

APL agrees in principle with this recommendation, however other options may achieve the desired strategic outcome more effectively.

This recommendation will be considered and evaluated in comparison to other available options to achieve the same outcome. When considering the options available, APL will evaluate the additional knowledge gained in each method and how that would have affected APL actions and strategic planning during both the 2007-08 and 2017-18 profit crises, as well as how it might affect future events.

Function 2: Project Evaluations

Recommendation 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.

Report priority:

Important

APL Response:

APL agrees with this recommendation.

APL recognises the value of a robust and rigorous evaluation framework, and that this activity would be best conducted in parallel with the development of the next strategic plan.

Recommendation 4:

APL should conduct full-scale impact assessments of selected RDE programmes each year that are consistent with the CRRDC guidelines and ensure that the contracted independent economic consultant follows the CRRDC guidelines or reports on what deviations were taken and the reasoning. These impact assessments should take account of and comment on the potential impact of productivity-improving RDE 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.

Report priority:

Important

APL Response:

APL agrees with this recommendation.

APL acknowledges the value of full-scale impact assessments prepared in accordance with CRRDC guidelines, which also enables cross-sectoral impact assessments to be undertaken. A particular outcome of a full-scale impact assessment will be a measure of the value selected RDE programmes added to the Australian pork industry.

Independent economic consultants who are engaged to prepare full-scale impact assessments for APL must comply with CRRDC guidelines and reporting requirements and provide, as part of the report, suitable case studies that may be further used by APL in its publications to demonstrate benefits arising from its

investments. The full suite of RDE programmes funded by APL, including those directly managed by marketing and policy, will be considered for evaluation through impact assessments.

Recommendation 7:

APL should develop instructions and guidelines for the use of the *ex-ante* 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 programmes.

Report priority:

Better practice

APL Response:

APL agrees with this recommendation.

In principle and in practice, APL is committed to a high standard of governance with an approach of continuous improvement. Effective governance – including efficiency and consistency – is critical to the delivery of projects and activities for the benefit of producers.

APL will engage an economist to review our *ex-ante* methodology required to inform RDE investment decisions with this information included into business case documentation for Board review. Training of staff to understand and apply APL's *ex ante* analysis framework will also be conducted, with reference guides developed as part of this.

Recommendation 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.

Report priority:

Better practice

APL Response:

APL agrees with this recommendation.

APL supports activities to improve communications which increase effective engagement and transparency with our levy payers. These actions will encourage this and maximise the dissemination of investment outcomes to producers.

Recommendation 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.

Report priority:

Better practice

APL Response:

APL agrees in principle with the recommendation, to the extent that it does not impact market stability and competition.

APL notes that consideration may be required to account for the market sensitivity of many of the documents used in performance evaluation.

APL supports activities that improve both transparency and performance reporting, provided this does not impact market stability and competition.

Recommendation 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 RDE projects for *ex-post* assessment.

Report priority:

Better practice

APL Response:

APL agrees with this recommendation.

This is a broadly stated recommendation, and APL acknowledges the value of effective measures and utilising existing methodologies for consistency and value. This recommendation has been addressed through Recommendation 4, principally through ensuring that the selection criteria for *ex post* assessment are inclusive of all projects funded by APL.

Function 3: Communicating with Stakeholders

Recommendation 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.

Report priority:

Important

APL Response:

APL agrees in principle with this recommendation, however other approaches may achieve the desired strategic outcome more effectively.

As strategy determines resourcing required to implement the strategy, any related organisational structural change will be determined after the strategic plan has been developed. Therefore, consideration of a dedicated corporate communications division will be reviewed in parallel with the development of the 2020-25 Strategic Plan. Alternative structural amendments that have the same effect as creating a corporate communications division are also likely to be assessed.

Meanwhile, interim resources and support will continue to be provided to the cross-divisional communications team to improve communications outcomes.

Recommendation 2:

APL should develop an extension strategy that clearly shows how it will maximise adoption by different segments of the producer base.

Report priority:

Important

APL Response:

APL agrees with this recommendation.

As an outcome of a separate RDE & Innovation Model Review (which occurred concurrently with the Performance Review), APL intends to engage a specialist consultant to develop an extension strategy with the goal of providing structure, consistency and alignment with APL's strategic objectives.

Recommendation 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.

Report priority:

Better practice

APL Response:

APL agrees with this recommendation.

The short summaries referenced in this recommendation already exist or are in production; for example, the 2017-18 Annual Report was summarised in the 2017-18 Year in Review, with similar summaries planned for other key corporate communications.

Under APL's continuous improvement approach, these documents will be reviewed for opportunities to make them more concise and to enhance reader engagement.

Recommendation 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 RDE.

Report priority:

Better practice

APL Response:

APL agrees in principle with this recommendation, however other approaches may achieve the outcome more effectively.

This is a broadly stated recommendation, with a clear focus on providing value for the Australian pork industry, while balancing the commitments of APL stakeholders.

APL acknowledges the value of effective measures and utilising existing methodologies for consistency and value.

APL also acknowledges that surveys require a significant time commitment for producers. As such, broadening the survey may have a negative impact on the quality and completeness of survey responses, and also the participation rate. This risk will be carefully considered each time the annual survey is prepared.

Any enquiries regarding APL's Independent Performance Review 2019 or the above Response and Implementation Plan should be directed to:

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Appendix

	RECOMMENDATION	FUNCTION
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.	Function 3: Communicating with stakeholders
2	APL should develop an extension strategy that clearly shows how it will maximise adoption by different segments of the producer base.	Function 3: Communicating with stakeholders
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.	Function 2: Project Evaluations
4	APL should conduct full-scale impact assessments of selected RDE programmes 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 RDE 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.	Function 2: Project Evaluations
5	APL should continue with the general format and structure of its strategic plan but consider making some enhancements as suggested by this review.	Function 1: Strategic Planning
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.	Function 3: Communicating with stakeholders
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 programmes.	Function 2: Project Evaluations
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.	Function 1: Strategic Planning
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 RDE activities.	Function 1: Strategic Planning
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.	Function 2: Project Evaluations
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.	Function 2: Project Evaluations
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 RDE projects for <i>ex-post</i> assessment.	Function 2: Project Evaluations
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 RDE.	Function 3: Communicating with stakeholders



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