

The background of the entire page is a photograph of a cracked egg. Several pieces of eggshell are scattered across the upper half of the image. In the lower-left foreground, there is a bowl filled with a bright orange egg yolk, which has a small cluster of bubbles in the center. The eggshells are a mix of light orange and off-white colors.

# 2010/2011 **ANNUAL REPORT**

AUSTRALIAN EGG  
CORPORATION LIMITED





# CONTENTS

Our Values	03
Egg Industry Overview	04
Chairman's Message	05
AECL Board of Directors	07
Managing Director's Report	09
Situation Analysis	17
Australian Government R&DE Priorities	19
Summary of R&DE Projects	20
Corporate Governance / Compliance	21
AECL Organisational Structure	26
AECL Business / Planning Cycle	27
<b>Financial Report</b>	<b>28</b>
Project / Activity Report	54
AECL Industry Consultative Committees and Expert Groups	62
Glossary	63



Australian Egg Corporation Limited. ABN 66 102 859 585.

**Disclaimer** This publication is published by the Australian Egg Corporation Limited ( AECL ) for information purposes only. Although reasonable care was taken in its preparation, AECL does not guarantee or warrant the accuracy, reliability, completeness or currency of the information, or its usefulness in achieving any purpose. To the fullest extent permitted by law, AECL will not be liable for any loss, damage, cost or expense incurred in, or arising from any person relying on the information or data in the publication. Persons should accordingly make and rely on their own assessments and enquiries to verify the accuracy of the information provided.

**Commercial and other use** No part of this publication may be reproduced, stored in a retrieval system, distributed or commercialised in any form without prior written approval from AECL. The contents of this publication may not be used to sell a product or service for commercial reasons such as advertising.

**Trademarks** Any trademarks or logos contained in this publication may not be used without the prior written permission of AECL.



### **Industry Vision Statement**

A cohesive, profitable and growing Australian egg industry meeting the needs of consumers while operating in a socially and environmentally sustainable fashion.

### **AECL Vision Statement**

A responsible and proactive industry service provider supporting the Australian egg industry to achieve its vision.

### **AECL Mission Statement**

To develop and drive integrated on-farm solutions and through-chain market services – through R&D and promotional levy investments that maximise benefits and revenue for the Australian egg industry and the community while minimising barriers and costs for Australian egg producers.





# EGG INDUSTRY OVERVIEW

<b>Egg production – Australia:</b> (Source: Australian Egg Corporation Limited)	357 million dozen eggs - 2010		
<b>Flock size:</b> (Source: Australian Egg Corporation Limited)	22.175 million hens (inc. pullets) - as at 31 December, 2010		
<b>Number of egg farms:</b> (Source: Australian Bureau of Statistics, cat. no. 7121)	332 - as at 30 June, 2010		
<b>Gross value of egg production at farm gate:</b> (Source: Australian Bureau of Statistics cat no. 7503)	\$447m per annum - 2009/10		
<b>Retail egg price (average):</b> (Source: AZTEC)	\$4.00 per dozen - 2010		
<b>Gross value of egg production at market:</b> (Source: Australian Egg Corporation Limited)	\$1.428b - 2010		
<b>Grocery/retail egg sales value:</b> (Source: AZTEC)	\$490.062m - 2010		
<b>Grocery/retail egg sales volume:</b> (Source: AZTEC)	122.579m dozen - 2010		
<b>Grocery/retail production market share 2010:</b>  (Source: AZTEC)	Cage eggs:	<b>volume</b> 58.6%	<b>value</b> 42.4%
	Free range eggs:	28.4%	40.7%
	Barn-laid eggs:	9.4%	11.5%
	Organic eggs:	3.6%	5.4%
<b>Grocery/retail branding market share 2010:</b> (Source: AZTEC)	Private-label/generic labels:	<b>volume</b> 51.4%	<b>value</b> 35.7%
	Proprietary labels:	48.6%	64.3%
<b>Grocery/retail pack size market share 2010:</b>  (Source: AZTEC)	6 (half dozen) pack:	<b>volume</b> 9.5%	<b>value</b> 14.3%
	10 pack:	2.3%	3.8%
	12 pack:	85.1%	78.3%
	15 pack:	1.6%	1.8%
	other pack sizes:	1.5%	1.8%
<b>Grocery/retail pack weight market share 2010:</b>  (Source: AZTEC)	<= 350g:	<b>volume</b> 9.0%	<b>value</b> 13.7%
	351g - 600g	17.4%	19.5%
	601g - 700g	66.2%	57.3%
	701g - 800g	4.4%	6.2%
	>= 801g	3.0%	3.3%
<b>Egg product exports – 2010: (FOB equivalent)</b>  (Source: Australian Bureau of Statistics)	Shell eggs	<b>volume</b> 74.5mt	<b>value</b> A\$0.494m
	Egg pulp/liquid	344.5mt	A\$0.615m
	Egg powder	33.0mt	A\$0.041m
<b>Egg product imports – 2010: (CIF equivalent)</b>  (Source: Australian Bureau of Statistics)	Eggs preserved/cooked	<b>volume</b> 823.1mt	<b>value</b> A\$2.155m
	Egg powder	1,032.6mt	A\$7.654m
	Egg pulp/liquid	425.0mt	A\$1.185m



# CHAIRMAN'S MESSAGE



The egg industry experienced mixed fortunes during the 2011 financial year due to very strong market conditions, a retailer price war that affected eggs and a number of other merchandised products and increasing regulatory and market compliance. While cognisant of this operating environment, AECL 'stayed the course' supporting the egg industry's vision of being "a cohesive, profitable and growing Australian egg industry meeting the needs of consumers while operating in a socially and environmentally sustainable fashion."

We commenced the year at record egg production levels which continued to increase for three of the four quarters, with production peaking in March at 33.2 million dozen eggs or nearly 13 million eggs per day. Over the last quarter, egg production remained fully firm at these record levels resulting in production for the year being nearly 11% higher than the 09/10 year, the highest annual increase on record. At its peak, egg consumption on a 'spot' basis was equivalent to 212 eggs per capita closing the year at 210 eggs on a MAT basis. By any means these record levels of production and consumption would normally result in downward pressure on prices as the market becomes saturated with eggs. However, inventory stocks during the year remained below comfort levels as eggs were moving buoying egg prices. This also translated in retail sales reaching record high levels which increased by 8% for the year. On this score, the egg industry and our markets grew during the year.

With this backdrop of increasing egg production, sales and consumption, it is unfortunate that one of the industry's largest retail customers decided to slash the retail price of their private-label free range eggs by up to 20% in November. This had far-reaching ramifications for the whole egg category as it started a price war among a number of retailers. The same retailer also announced that they would be phasing out of private-label cage eggs by 2013. Such moves with limited or no consultation or negotiation with suppliers is dismissive and reflects underhand tactics with no regard to long term sustainable partnerships with suppliers. It is characteristic of a retail environment in Australia that is controlled by a market duopoly flexing and abusing levels of market power unknown in other parts of the western world.

Under the auspices of the Australian Egg Industry Association (AEIA), this action led to the egg industry initiating a closer working relationship with other affected suppliers including the dairy, fruit, vegetable, wine, red meat and baking industries who had also felt the might of our large retail customers flexing their corporate muscle over suppliers to force prices to unsustainable levels. Representations to Parliament and the convening of a Senate Inquiry into the price of milk soon followed. However despite these efforts, there have been minimal changes to this environment. The ability for retailers to flex their might does show how vulnerable we can be in the market given the current structure of retailing in Australia. Egg industry efforts in fighting for a fair go will not abate in the New Year.

Coupled with this market pressure has been increasing costs and overall compliance associated with operating an egg business. This remains a two-edged sword for the egg industry. For too long now, the barriers to entry have been very low allowing increased production of 'backyard' type flocks that come and go with the fortunes or otherwise of the market. However, these costs can have a significant impact on commercial operations, both large and small, as it relates to remaining viable now and into the future. It is important for the egg industry to maintain compliance to a range of operating standards and procedures that the market now expects moving forward. In so doing, we need to initiate, develop and shape these by taking the lead before a major customer or regulatory authority leads us. This relates to production and operating standards such as hen welfare, bird health and quarantine, product labelling and environmental management.

AECL wishes to assist the egg industry become compliant to minimum standards that need to reflect or take account of consumer expectations, 'good' science and commercial reality. These tensions provide a holistic approach to developing a minimum level of operating practice conducive to placating concerned regulators on behalf of a dynamic and ever-changing marketplace.



In meeting the Company's raison d'être, AECL increased our promotional efforts and commenced our first real foray into the digital space with a heavily weighted digital media campaign to complement our traditional print advertising to reach our target audience. We also maintained our PR efforts in both the consumer and healthcare markets communicating the ease of use and nutritional advantages of eating eggs on a regular basis for breakfast, lunch and dinner. New collaborations have also been formed with other food sectors and with peak bodies representing different life stages and disease states all with the aim of establishing the many reasons why eggs can and should be used as part of a daily meal repertoire.

Our longer term promotional and advertising efforts to build consumption and increase the size of the overall market must complement the promotional and sales efforts over the shorter term undertaken by branded suppliers who are competing for business growth through increased sales and market share. This symbiotic relationship is positive for a proactive and sustainable egg industry over time.

In terms of on-farm, we commenced our Vocational Educational Training (VET) program during the year with feedback from egg producers who have attended the training being extremely positive. We need to invest in our workforce in order to realise tangible benefits in our businesses. AECL programs will help empower and inform the egg industry workforce thereby up-skilling the investments we make in staff. Other points of focus for the year included program efforts in flock health and disease management; environmental stewardship; animal welfare; food safety; supply chain and egg distribution; and feed availability and bird nutrition.

We continually rely on our suite of Industry Consultative Committees (ICCs) and expert groups to ensure our programs remain relevant to the industry and the market and we appreciate the efforts extended by all committee and group members.

No matter the size, location or type of egg production system used, AECL will maintain these and other efforts to ensure the Company's vision is realised as being "...a responsible and proactive industry service provider supporting the Australian egg industry to achieve its vision."

Finally, I would like to thank all AECL directors for their dedication and robust input while continuing their tireless efforts in supporting and ensuring a sustainable operating environment for all egg businesses through the efficient use and investment of egg producer funds. We must also acknowledge that this can only be achieved through the passion and active interest shown by the AECL management team.



# BOARD OF DIRECTORS



**Jeff Ironside**

FAICD

## **AECL Chairman**

Jeff Ironside has been a non-executive 'elected' Director and the Chairman of AECL since its incorporation on 18th November 2002.

Jeff has been a medium-sized egg producer in North Queensland since 1976, investing technology and innovation into his egg production system. Jeff was elected to the Board of Sunny Queen Limited in 1993, became Chairman in 1996 and resigned in 1999.

Jeff was elected President of the former Australian Egg Industry Association (AEIA) in November 2000, a post he held until June 2003, when the functions of the AEIA were subsumed by the Australian Egg Corporation Limited (AECL).

In 2010 Jeff was elected a Financial Controller of the International Egg Commission (IEC).

Jeff is a Fellow of the Australian Institute of Company Directors, Past President and Paul Harris Fellow of the Rotary Club of Port of Townsville and a member of the Defence Reserves Support Committee (North Queensland).



**Russell Ware**

LL.M. (Hons.) FAICD

## **AECL Deputy Chairman**

Russell Ware is a non-executive 'specialist' director, AECL Deputy Chairman and Chairman of the Finance & Audit and Governance & Risk Committees, fulfilling the requirements of the company's agreement with the Commonwealth that "the board specifically include a director who can demonstrate from his or her experience that he or she is highly skilled in corporate governance".

A former Sydney commercial lawyer and now living on a farm, Russell is a professional company director who was chairman of three publicly listed companies over a twelve year period. Currently he is a non-executive director of the Greater Building Society Ltd, one of the largest building societies in Australia, Chairman of Greyhounds Australasia Ltd, the peak body of greyhound racing in Australia and New Zealand, and Chairman of RetraVision Australia, the well-known retail store network.

Russell also consults to and advises business owners, specialising in succession and strategic planning for family-owned businesses, particularly in the agribusiness sector.



**Frank Pace**

## **AECL Director**

Frank Pace is a non-executive 'elected' Director of AECL and is the founder and Managing Director of Pace Farm Pty Ltd – the largest producer, marketer and distributor of eggs in Australia.

Frank is the President of the International Egg Commission (IEC) and was awarded the Dennis Wellstead Memorial Trophy for International Egg Person of 2004. Frank is the immediate past Chairman of the International Egg Commission and was the driving force behind the creation and adoption of the IEC Vision Statement.

Frank Pace was previously the Chairman of the Seven Hills branch of the Livestock and Grain Producers' Association (LPGA) and a member of the NSW Farmers' Association Egg Committee. He was also a previous committee of management member and Vice President of the former Australian Egg Industry Association (AEIA).

Frank has also made an active contribution to the Sydney community and was honoured by being named a life member and Paul Harris Fellow of the Rotary Club of Mount Druitt.

Most recently, Frank Pace was honoured as the recipient of the 2010 Lindsay Bell award in recognition of his tireless work in both the Australian and International egg industries.





**Zelko Lendich**

B Ec (Hons), MBA

### **AECL Director**

Zelko Lendich is a non-executive 'elected' Director of AECL and is the Managing Director of Farm Pride Foods Limited, the only publicly listed egg producer in Australia.

During his 15 years experience in the egg industry, Zelko has held several directorship positions including the W.A. Egg Marketing Board, West Coast Eggs, NOVO Foods as well as Executive Chairman of Farm Pride Foods Limited.

Zelko also offers wide-ranging experience in commerce, government and the education sector both within Australia and internationally. He has held senior positions at the University of Western Australia's Management Development Institute, Australian Leather Holdings, Jennings Industries Ltd, Wilson Parking International Pty Ltd, McKinsey and Co and with Asea Brown Boveri in the U.K., Sweden and Canada. Whilst with the Western Australian Government he was the principal advisor to the Minister for Transport and a key economic advisor to the Premier of Western Australia.

Zelko has an Economics Degree and a Masters of Business Administration from the University of Western Australia.



**John O'Hara**

B.Bus - (Comm.). MAICD

### **AECL Director**

John O'Hara is a non-executive 'specialist' Director of AECL and is the Chief Executive Officer of Sunny Queen Pty Ltd, one of Australia's largest egg marketers.

Before joining the egg industry, John had accumulated over twenty five years management, marketing and sales experience in the food industry. He has worked with some of the largest food companies in Australia, including Nestle, Dairy Farmers and National Foods.

John has been recognised over many years for excellence in business including winning the International Egg Commission's 2004 Crystal Egg Award for marketing excellence, followed by two gold awards in the International Marketing Effectiveness Awards held in New York. In 2005, the Company won the prestigious Campaign of the Year Award from the Australian Marketing Institute and took out the National Award for New Product of the Year in 2009. In 2010, Sunny Queen was also voted Number One Product of the Year in a Consumer Survey of Product Innovation (5000 Consumers).

John is a Member of the Australian Institute of Company Directors and had previous roles as a Vice Patron of Surf Life Saving Queensland and Chair of The Heart Research Institute Queensland Association



**James Kellaway**

B App Sci (Agr), GDMM, MBA, GAICD, ACIS, AFAIM

### **AECL Managing Director**

James Kellaway is the executive director of AECL and has extensive agribusiness experience in brand management, business development and product marketing with organisations including Horticulture Australia Limited, the former Australian Horticultural Corporation, Meat & Livestock Australia, the former Australian Meat & Livestock Corporation and the NSW Meat Industry Authority. James has been responsible for implementing marketing, communication, R&D, operations and investor relations programs.

James has a Master of Business Administration (MBA) from the Graduate School of Business at the University of Technology Sydney, a Graduate Diploma in Marketing Management from the Graduate School of Management at Macquarie University and a Bachelor of Applied Science in Agriculture from the University of Western Sydney. James is also a Graduate Member of the Australian Institute of Company Directors, a Graduate of Chartered Secretaries of Australia and an Associate Fellow of the Australian Institute of Management.

James is also Chairman of the Animal Health Australia (AHA) Industry Forum and a non-executive director of the Australian Poultry Co-operative Research Centre (CRC) where he is also a member of the Audit & Risk Committee. He also represents the Australian egg industry on several committees of the International Egg Commission. During the year, he was also a non-executive director of the Australian Livestock Export Corporation and a member of the Finance, Audit & Risk Committee.



# MANAGING DIRECTOR'S REPORT



AECL continued its strategic focus in 10/11 building on the achievements generated in previous years in order to meet the Company's mission statement "...to develop and drive integrated on-farm solutions and through-chain market services that maximise benefits and revenue for the Australian egg industry and the community while minimising barriers and costs for Australian egg producers." In so doing, our business plan for the year addressed the seven core strategies of the Company's revised Strategic Plan and implemented programs along the operating pillar areas of market awareness; market education; supply chain enhancement; on-farm innovation & efficiency; and public affairs & stakeholder relations.

Projects or activities commissioned during the year ranged from on-farm services and solutions boosting productivity and sustainability to penetrating agreed markets with new information to drive consumer awareness, attitudinal change, purchase or sales and ultimately egg consumption.

With the ongoing assistance of the ten Industry Consultative Committees (ICCs) and Expert Groups, AECL has been able to ensure programs are designed and executed in a commercially responsive manner effectively addressing and balancing industry and market priorities prevalent at the time.

## 2011 operating results

Some key operating results or metrics for the 2011 fiscal year show continued business growth.

- Laying chicks hatched totalled 14.455 million, up by 4.4% on 2010 levels and up by 20% on the 5-year average. The average number of chicks hatched each month during the year totalled 1.205 million, reflecting a significant increase over recent years, please see figure 1.
- Chickens (layers & pullets) at year end totalled 22.707 million, up by 8.6% on 2010 levels and up by 22% on the 5-year average, please see Situation Analysis section.
- Egg production during the year totalled 382.497 million dozen, up by 10.9% on 2010 levels and up by 22%

on the 5-year average, please see Situation Analysis section.

- Retail egg volumes reached 126.859 million dozen, up by 8.0% on 2010 levels and up by 21% on the 5-year average with retail egg sales totalling \$512.501 million, up by 7.6% on 2010 levels and up by 27% on the 5-year average, please see Situation Analysis section.
- Egg consumption on a MAT per capita basis at year end totalled 210 eggs per person, up on 2010 levels of 192 eggs and up on the 5-year average of 183 eggs. On a linear basis since 2000, egg consumption totalled 198 in 2011, up from 194 in 2010, please see Situation Analysis section.
- Return on invested funds increased to total 45.9% as at June YTD, up from the 2010 position of 39.7%. Returns generated since the inception of AECL average 22.9% each year, please see figure 2 (results of econometric model developed by Professor John Freebairn of the University of Melbourne).

Figure 1

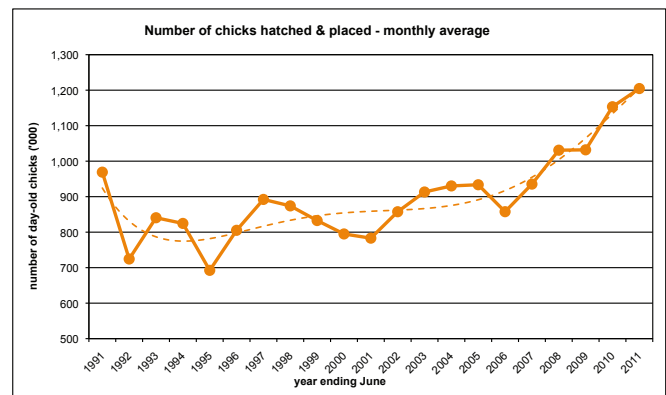
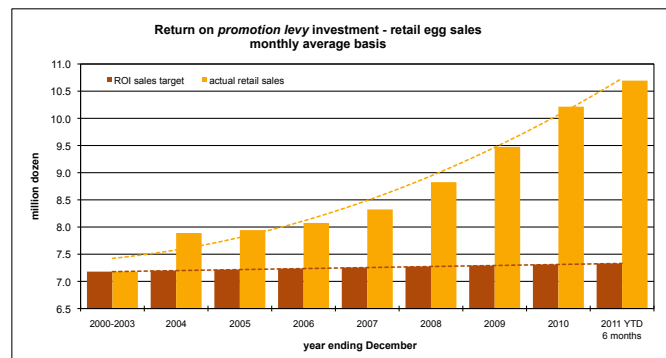


Figure 2



Source: AZTEC Synovate, Freebairn



- Retained surpluses for AECL totalled A\$3.454 million, up from A\$1.840 million as at June 2010 due to a forecasted operating surplus for the 10/11 fiscal year as increases in the Laying Chicken (R&D) levy were fully realised during the year increasing Company revenue by 35%, please see figure 3.

## Market awareness

During the year, AECL continued its promotional intent by leveraging the previous years' national Usage & Attitudinal (U&A) market research results and focussing our consumer campaigns on the 'can't cook, won't cook' segment known as 'Sharon & kids'. In so doing, we wished to maintain our long term aim of achieving an average 6% national growth in total retail sales for the year. For the third year, our communication strategy was headlined 'eggs, easy as' thereby addressing the hot buttons of this target market who are characterised as being time poor seeking simple meal solutions on a daily basis for breakfast, lunch and dinner.

The creative route chosen was 'I hate

cooking but I love eggs' as it was engaging, motivating and spoke the language of our target audience. To assist with consistency of style and message, we created a style guide for distribution to all three publishing houses, retailers and egg producers to ensure a seamless overall above-the-line and below-the-line integrated campaign. The creative chosen was used as part of a multi-dimensional or layered campaign to be rolled out among various channels and consumer touch points used throughout the target markets' regular shopping experience.

We developed a number of creative meal concepts which provided appetite appeal thereby motivating and prompting the target market to cook more creatively using eggs. The recipes were actionable and engaging with an inviting tone resonating with the target market. Our media mix was also conducive to reaching 'Sharon' and her kids with indicative media weights for each channel being 45% print and 55% digital.

In terms of print, we used these innovative and high impact meal or recipe concepts in accessible family, food and lifestyle national magazine titles. A mix of weeklies and monthlies were used to reach our target audience with a total of 21 colour insertions ensuring appropriate levels of advertising frequency. However, due to the shortage of eggs in the first half of the year, media was postponed until after the Christmas festivities based on the advice of the PR & Promotions Industry Consultative Committee (ICC).

2011 was our first real foray into the digital media world. 70% of our 'Sharon & kids' target market are medium users of the internet with 35% utilising the internet for 1-3 hours on average each day. 'Sharon' and her kids are using this technology to multi-task

and create everyday meal solutions in their busy lives. AECL sought to associate ourselves with this target market by being an integral part of a conversation or a two-way dialogue to generate repeat purchase and increased egg usage in their weekly meal repertoire. We used core family lifestyle

and food resource sites to gain a deeper engagement with our target audience. Continuity was the key to establishing a solid brand presence and to inspire purchase using multiple touch points in the digital space. The online media buy was a great success resulting in 9.6 million banner impressions with 3.1 million unique impressions with a frequency of 3.

To complement our digital media, we engaged the services of the Four-Ingredient Girls to record five 90-second videos demonstrating easy and delicious egg recipes in a fresh, clean and contemporary format. These videos were hosted on [www.taste.com.au](http://www.taste.com.au) which also linked viewers to [www.eggs.org.au](http://www.eggs.org.au). Our consumer site was also featured on the 4-ingredient girls website which has over 91,000 subscribers. In total, there were 40,000 full views with 14,451 click throughs which exceeded our performance target by 58%.

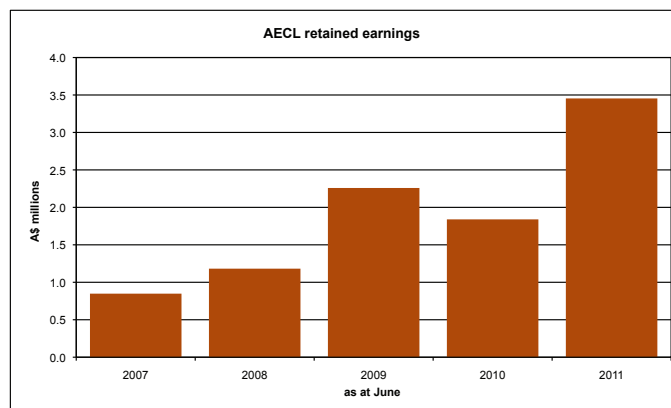


Figure 3



We were active in PR during the year complementing our print and digital advertising. Over 15 media releases conducive to the annual festivities of Christmas, Easter, World Egg Day and Pancake Day were distributed nationally with each one being sent to more than 250 media outlets. In terms of talent, we secured the services of Jackie Warner for a media tour. Jackie is a well-known personal trainer to our target audience thanks to her popular US fitness shows and published diet books that incorporate a range of healthy foods including eggs of which Jackie champions. During her visit, Jackie visited Sydney, Melbourne, Brisbane and Perth. Overall for the year, we generated 755 pieces of media coverage, an increase of 9% on the previous years' result with a 9% smaller budget. This editorial resulted in 90 million audience impressions with 100% of coverage including key messaging being favourable or neutral and including product imagery.

Recipe calendars were again developed and distributed to all egg producers with all recipes receiving the Heart Foundation Tick of approval. The calendars remain very popular among egg producers with all stocks being quickly exhausted.

Performance tracking included our annual Newspoll results with little difference in relation to claimed consumption, attitudes or beliefs concerning eggs. However long term, there is evidence of attitudes softening concerning the need to limit egg consumption for health or weight reasons. Compared to three years earlier, there has been a 10% reduction in the number of people who strongly or moderately agree that 'for general health, people should limit the number of eggs they eat', down from 40% to 30%; and a 7% reduction in the number of people who strongly or moderately agree that 'people who want to lose weight should limit the number of eggs they eat', down from 29% to 22%. Those who restrict eggs has also declined from 30% of the market in 2008 to 24% in 2011 with there being a slight improvement in the average number of eggs people feel a healthy person should eat. The majority of people feel that eggs are part of a healthy balanced diet. In summary, cholesterol remains a key issue to combat moving forward. One in two people say that having the Heart Foundation Tick of approval would make them feel more comfortable about eating eggs. However, only 37% are aware that eggs have the Heart Tick. It is critical that egg producers adopt and maintain the Heart Tick logo on-pack.

## Market education

Our priority market segment as it relates to communicating nutritional messages about eggs is 'Walter & Nancy'. In so doing, our suite of programs during the year were largely aimed at communicating to this target audience through a range of healthcare professionals. To assist us with this task, we engaged the technical expertise of the enhanced Egg Nutrition Council (ENC).

With the assistance of the ENC, we reviewed the healthcare strategy for 2012 which included our media buy among healthcare professional trade publications; the trade events program; public relations; membership of the Dieticians Association of Australia (DAA); advertising and advertorial creative; Point-Of-Sale (POS) material; and membership of ENC. Among other things, the review considered the appointment of a new ENC member, Dr Egger, who is a leading professional in the field of human nutrition. We also updated, rebranded and added new information to the ENC website. This included the way information is navigated and presented.

In addition to attending the Healthy Food Show where we had a booth, convened a wellness seminar and conducted a cooking demonstration, AECL also participated in the National Heart Foundation conference where ENC hosted a breakfast session presenting a paper on dietary cholesterol and interacted with around 300 registered delegates who are now all receiving The Good Egg newsletter which has been expanded into a two-page format distributed every second month.

On behalf of AECL, ENC maintained its membership of DAA and was represented and actively engaged in the DAA conference during the year. ENC hosted a breakfast briefing session updating dieticians on the latest egg research by presenting a paper titled 'eggs – nature's vitamin pill' providing examples of in-practice situations and solutions. In total, 135 attended the briefing session who all received a copy of the six eggs a week Roundtable report and the newly developed Egg-cyclopedia. We also hosted a cooking demonstration and a competition which garnered more than 200 entries. The contacts ENC established have been added to our data-base who now regularly receive monthly updates on the latest research into egg nutrition.

We also distributed the Roundtable report to 3800 GPs and all 4600 DAA members; uploaded it on the [www.enc.org](http://www.enc.org) website; and placed advertorials in two medical



trade journals. These well-referenced advertorials were titled 'the latest nutrition news on Australian eggs' and featured ENC members qualified in clinical lipidology, cardiology and endocrinology. The aim of the advertorials was to bust the myths around eggs and nutrition by providing factual statements and recommendations to healthcare professionals written by fellow peers. Future roundtable reports could include eggs and diabetes, children, seniors and pregnancy.

We also attended the two GPCE conferences convened in Melbourne and Sydney which are the largest GP gatherings in Australia attracting over 3000 GPs. The 6 eggs a week Roundtable report was inserted into the conference satchel as was a USB stick containing all 17 ENC positioning statements. We also had an exhibition booth where we initiated a 'meet the expert' session. At the booth we spoke to over 600 GPs where it became obvious how much more work there is to be done to dismiss the cholesterol and egg myth.

The commissioned research through the ENC on diabetes titled 'heart health benefits of eggs in weight control in overweight people with type 2 diabetes' was published in the British Journal of Nutrition during the year. The research clearly showed that a high protein, low saturated fat, energy restricted diet which included 14 eggs a week not only helped people with type 2 diabetes lose weight but also did not adversely affect their serum cholesterol level. In fact this diet actually improved the levels of HDL-C folate and lutein in these people. To promote the research results, we developed a PR campaign which included a series of media releases and a well referenced booklet titled 'let them have eggs' which was distributed at the DAA conference. We were also able to secure ENC to speak at the GPCE Sydney event to discuss the research findings.

During the year, we enhanced our association and working relationship with Nutrition Australia; Women's Health Queensland; the Centre for Nutrition & Food Sciences at the University of Queensland; the Baker IDI Institute, who research CVD and diabetes; the Stroke Foundation; the Practice Nurse Association; Diabetes Australia; and the Optometrist Association of Australia. Also, closer relationships were established with other industries to promote cross-sectoral involvement with healthcare professionals.

This cross sectoral approach is best demonstrated by our involvement with the food policy coalition during

10/11 with other fresh food partners including the dairy, red meat, fruit and vegetable industries with more recent contributions from the grains industry. Workshops were hosted with dietitians educating them about fresh food production and its environmental sustainability and the nutritional value of a balanced fresh food diet. Our aim here is to educate healthcare professionals who influence public health policy.

Given that 95% of GPs provide dietary advice to patients each and every week, we considered it prudent to continue our GP Reach research to track program success of our campaigns during the year. The research clearly showed that there have been a number of positive attitudinal movements among GPs. Four out of 5 GPs consider the Heart Foundation to be a credible nutrition organisation fully supporting the Foundation's positioning statements while half of all GPs surveyed agree that the updated positioning statement that recommends a weekly intake of 6 eggs makes them feel more comfortable encouraging patients to eat 6 eggs a week. One-third of GPs recall seeing new information about eggs with 63% recall seeing nutritional messages and 29% recall reading about eggs not increasing serum cholesterol levels.

In terms of our newly developed student education program, we firstly undertook a thorough desk-top assessment of existing educational programs including what types of materials work best for teachers and how best to approach schools. We also completed focus groups and one-on-one interviews with teachers to gauge interest and acceptance of an egg-based schools incursion program among primary school-aged children. Given this due diligence, we produced lesson plans that were linked to the Key Learning Area (KLA) of science in addition to a range of program materials and props including promotional leaflets and posters for the program; a puppet show featuring a puppet called Flip; student workbooks and teacher manuals for each year level; and a take-home bag containing branded stationary, a toy chicken and fun facts about eggs. We then recruited eight schools across a range of socio-economic groups and demographics and presented an informative and relevant program to over 1000 children ranging from kindergarten to year six. Overall, feedback conducted independently on the pilot was extremely positive with the vast majority of teachers strongly agreeing on the quality of the course content, delivery, merchandising, support, resources, promotion and pricing. All schools re-booked for the New Year where we plan to go and reach 90 schools and educate close to



30,000 students on why and how to enjoy eggs.

To complement our schools education program, the program provider joined the Primary Industries Education Foundation (PIEF) which is a one-stop-shop for all teacher resources associated with primary industries and was nominated by AECL to become a member of the Poultry CRC Education Committee. In so doing, we have been able to influence the new national curriculum being put together by the Australian Curriculum, Assessment & Reporting Authority (ACARA).

## Supply chain enhancement

While AECL is charged with undertaking the promotion of the egg category, we consider it necessary to also work with the egg industry's supply chain partners to help increase industry productivity and ensure sustainable egg businesses. In so doing, we reviewed the work undertaken throughout the supply chain to date and developed a long term strategy in close consultation with the Supply Chain Industry Consultative Committee (ICC).

We also scoped and commenced the development of a dedicated consumer and media-focussed website for the industry's Quality Assurance (QA) program during the year. We consider this site to be critical in providing answers to common misconceptions about how eggs are produced and the agreed minimum standards that constitute the industry QA platform.

Our regular meetings with both large and small retail customers including independents were informing and updating them on egg industry promotional programs, opportunities and current issues. We also met with the operators of the wholesale markets in Sydney, Melbourne and Brisbane in addition to meeting a number of food service operators including McDonalds and Spotless Catering. AECL aims to maintain our close working relationships with these supply chain partners with the aim of increasing the efficient movement of eggs and promoting key messages about the use and presentation of the product.

Given concerns voiced from the market, we maintained the Egg Labelling Integrity Panel (ELIP) who reviewed over 150 carton labels during the year to assist ensure labelling compliance to current laws. It is interesting to note that the label surface area required to comply to all requirements is approximately 20% of the carton label. While this may have increased over recent

times it is still a small percentage of the overall label allowing egg producers to brand and make promotional statements about the qualities or virtues of their eggs to the consumer. This freedom is important and must be preserved.

A key initiative for the year was our communication with 560 local councils and relationships built with all known farmers markets throughout Australia as it relates to the re-use of egg cartons, the use of other egg producer cartons and egg substitution in local community, church, parish or street markets. Given that farmers markets can be a hot-spot for such malpractice to occur, we urged all authorities to remain vigilant regarding these possible practices. Our focus on these issues will not abate in the New Year.

As part of our portfolio of training, education and extension, we commenced planning a Vocational Education Training (VET) package for supply chain participants as it relates to safe egg handling practices to, among other things, help alleviate and reduce the amount of ullage or wastage being experienced beyond the farm gate. To this extent, we envisage an on-line course that will take approximately 15 minutes to complete, followed by an on-line exam.

We also commenced designing our next phase of ullage research, maintained relations with the Heart Foundation of Australia as it relates to being the master franchisee for the egg industry and enhanced our layer and egg supply forecasting report. It is proving very accurate as it relates to trends in egg production over time with a growing number of subscribers.

## On-farm innovation & efficiency

AECL is committed to delivering a range of research outcomes applicable on-farm. This aim did not abate during the year. Our portfolio of projects and activities include basic and applied research; egg industry training, education and extension; investments in longer term research through our relationship with the Poultry Co-operative Research Centre (CRC); and cross industry joint investments as per the Research, Development and Extension (RD&E) strategy with the chicken meat industry.

The poultry industries RD&E strategy and associated investments have a long term imperative for the egg industry. During the year, we completed a capabilities



audit of researcher talent in a range of fields including animal health, hen welfare, bird nutrition and environmental science with some worrying trends emerging as it relates to ongoing researcher availability and critical resource capacity. The result was the ability to co-fund, up to one third, the costs associated with engaging critical researcher talent from overseas which we were able to attract during the year. The industry now supports three key positions in the nutrition and animal welfare disciplines that will help meet the future research challenges.

Return on invested funds is a key metric for AECL and our investment in the Poultry CRC is no exception. The egg industry is one of seven essential participants to the CRC and is represented on the Scientific and End-User committees which helped to realise a leverage of \$3.70 for every egg industry dollar invested during the year. Projects spanned the CRC program areas of maintaining poultry health and enhancing bird welfare; improving resource utilisation and reducing environmental impacts of poultry production; controlling poultry product-associated food safety issues and enhancing egg quality for consumers; and education. In total, the CRC funded 24 projects during the year and enrolled 41 students in postgraduate, honours and undergraduate courses assisting to ensure technical capacity in the industry over the longer term.

Regarding our research portfolio, we continued to fund 16 projects and commenced funding 9 new projects after consideration was given by the On-Farm Innovation and Efficiency Industry Consultative Committee (ICC). The projects completed included a time off water study; a life cycle assessment of Australian egg production; tests to differentiate Rispens vaccine from pathogenic Marek's disease virus; egg quality testing and identification of quality risk factors; non-invasive assessment of stress in commercial housing systems; and Infectious Bursal Virus (IBV) in Australian layer flocks focusing on egg quality. These reports are now in the process of peer review and research outcomes will be delivered to egg producers via the Company's new R&D website portal which will provide podcasts and project summary information as well as making the full research report available.

In terms of the ongoing evolution of the industry's Quality Assurance (QA) program, we continued our transition from EggCorp Assured (ECA) to the more consumer responsive Egg Standards Australia (ESA)

program. During the year, significant work has been undertaken in reviewing and enhancing the program. This has included the formation of a Technical Advisory Committee (TAC) in line with ISO Guide 65; development of a new certification trademark; investigation into auditing software to make audits more proficient; and scoping an ESA website. The purpose of this activity is to add greater rigour to the current scheme and its audit processes and to seek gain greater recognition for those who participate in the scheme by the ever discerning egg industry customer including grocery retailers, foodservice operators and regulators on behalf of the community. Not only is this work aimed at ensuring greater recognition for the day-to-day operations of egg producers, but to ultimately enable the consolidation of many food audits the egg industry is currently subjected to. Parallel to this has been the maintenance of the ECA program which represented 80% of the national flock at year end with 177 egg farms being licensed in 10/11 or 53% of egg businesses known to AECL. It is envisaged that ECA will be phased out over a 12 month period once the new ESA program is introduced during the first quarter of 2012.

Related to industry QA is the concern of regulators towards the egg industry's role in being able to curtail the increased incidences of Salmonellosis in the community. While AECL is yet to see good evidence of this link, the egg industry must remain vigilant as to its operating practices on-farm.

Our up-skilling or training program commenced during the year which was given a boost when we were awarded a grant to the value of \$350,000 from Agrifood Skills Australia under the Enterprise Based Productivity Places Program. With an aim of creating an egg industry learning culture, approximately 60 egg industry employees were enrolled in training during the year in either a certificate three or diploma course. A long-term training solution is now being developed to ensure ongoing training needs of the egg industry are met into the future to result in generating more energetic, loyal and goal oriented employees.

To complement this new learning culture, AECL joined the Nuffield scholarships program and sponsored an egg industry scholar for 2011. Unfortunately, only two egg producers applied and the applications were not deemed to be of suitable quality for Nuffield Australia. We wish to work with interested applicants in 2012 to ensure the egg industry can benefit from this tremendous learning



opportunity to enhance business growth over the longer term. I implore all applicable egg producers to seriously consider this wonderful opportunity in 2012.

During the year, AECL embarked on a project that utilises forensic technology to differentiate egg types to determine the provenance of eggs. Based on the very promising 'proof-of-concept' results, AECL commenced the next stage of development and commercialisation. The main benefit of this continued investment will be to provide industry with a robust tool to defend claims of fraudulent activity with respect to allegations of egg substitution. Not only will this protect capital investments and market value, but will also help improve consumer perception of the industry given the planned use of this tool within the egg industry moving forward.

R&D also assisted industry with a review of options and practices for spent hen disposal. These options included co-generation, composting and processing each with varying degrees of feasibility, cost and security. We collaborated with a potential commercial partner to explore co-generation during the year. The research titled 'assessment of anaerobic digestion for the disposal of end-of-life laying hens', provided independent expertise for industry to assist with the planning and development of a co-generation option. AECL efforts are now focused on providing guidance for on-farm depopulation and euthanizing and providing information to assist with regulatory approval of composting spent hens.

Finally, our extension program with egg producers also changed direction during the year ensuring a more holistic and integrated program is dovetailed into the suite of AECL services and total farm solutions for egg producers which will include training and QA adoption. AECL extension now provides egg producers with an effective advisory consultancy at no cost to increase productivity through the adoption of technology, developed tools and new research outcomes on-farm.

## Public affairs & stakeholder relations

A key priority for AECL is our ongoing relationships with stakeholders.

In doing so, we maintained our close relationships with egg producers and other stakeholders through a suite of communication tools. This included our corporate website, [www.aecl.org](http://www.aecl.org), which was reviewed during the year; our quarterly Eggstra magazine;

our fortnightly EggCorp EggsPress newsletter, which was redesigned to a more reader-friendly format; the 14th and 15th Industry Forums which experienced an increase in attendance and sponsorship; the 2010 AGM convened in Adelaide; ad-hoc project specific workshops; and one-on-one egg producer visits by AECL management and our extension officer. AECL sincerely believes we 'punch above our weight' as it relates to stakeholder relations and ongoing communication with the egg industry. This is apart from the range of Industry Consultative Committees (ICCs), such as the Public Affairs ICC, that AECL management convenes to ensure our programs are commercially realistic and meaningful to egg producers and the market. AECL recognises that ongoing communication initiatives with our stakeholders are essential and this will not abate moving forward.

Our growth in membership did not slow in 10/11, with membership now representing 75% of the national flock, an increase of 2% and the number of associate members reaching 38, up by 6.

In addition to industry representation with local, state and federal government administrations, we also liaised closely with the Council of Rural R&D Corporations of which AECL is a member; Food Standards Australia New Zealand (FSANZ); several state and federal government authorities or agencies that relate to hen welfare, bird health and food safety; Non-Government Organisations (NGOs) such as the RSPCA; Animal Health Australia (AHA); and the International Egg Commission (IEC) of which AECL is an active participant and represented on several committees including the Corporate Social Responsibility (CSR) working group and marketing committee of which we now chair. We also maintained a close liaison with state egg committees or groups and their executive as it relates to advancing egg industry issues. To this end, AECL convened media training for all state egg committee or group representatives which is essential to help educate a diverse market. We wish to strengthen these ties in the new year under the auspices of Egg Farmers of Australia Inc.

AECL also engaged with and continued to monitor the media closely during the year with issues including labelling, food safety concerns, animal health regarding emergency animal diseases and supermarket pricing policies.

We expanded the use of the IEC Vision in the context of the Australian market in 10/11 through our egg farmer postcard campaign that featured real stories about



Australian egg farmers and their families, putting a human face to egg farming.

At the behest of the federal minister, a review of the Research & Development Corporations (RDCs) was undertaken by the Productivity Commission during the year and AECL made a comprehensive submission to the review panel arguing for the retainment of the government matching contribution on R&D investments which was subsequently realised. This review coincided with the release of the Rural Research Council submission recommending increased investments in rural R&D to preserve previous productivity gains for agriculture.

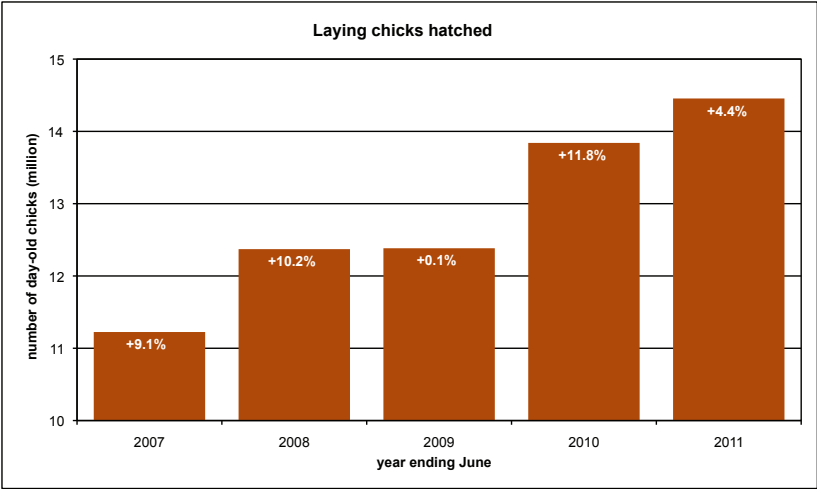
Finally and most importantly, I wish to thank AECL staff for their dedication and commitment to the Company, the industry and to the egg brand. This has ensured the investments made by AECL on behalf of egg producers provided dividends both in the short and long term. Additionally, the vision, guidance and support shown by the AECL Board resulted in prudent program management and corporate oversight for the benefit of all egg producers and the Australian community. We look forward to building on the many successes to date in 2012 and beyond.





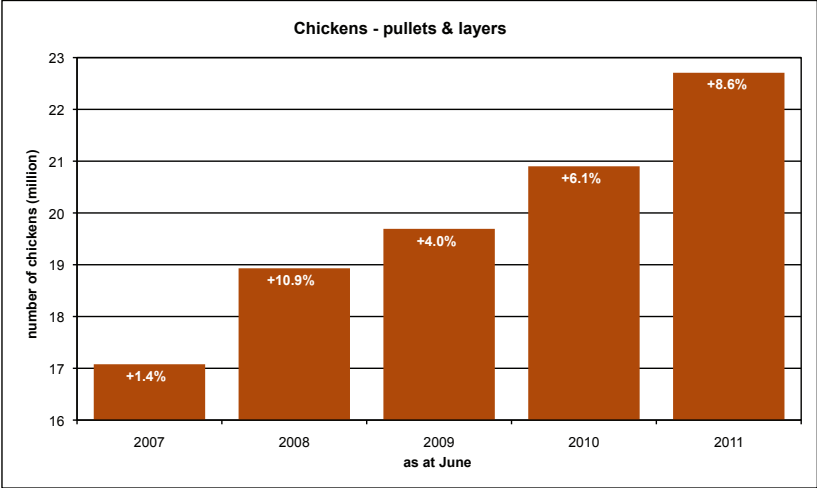
# SITUATION ANALYSIS

Figure 1



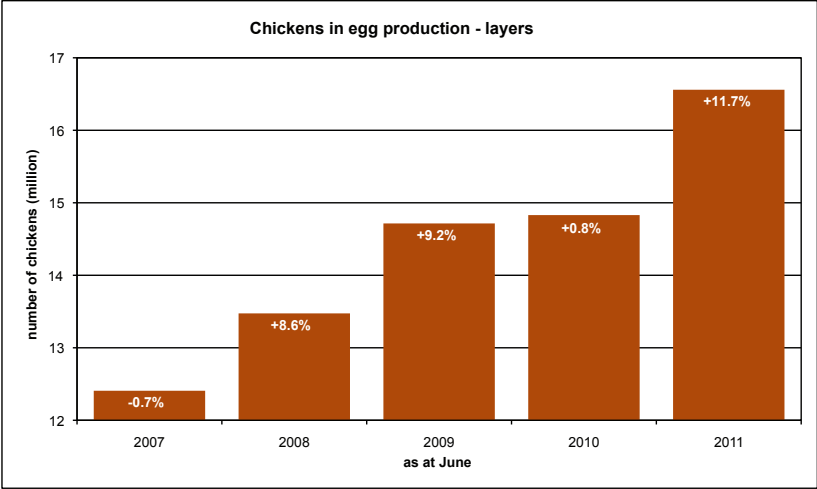
Source: hatcheries

Figure 2



Source: AECL

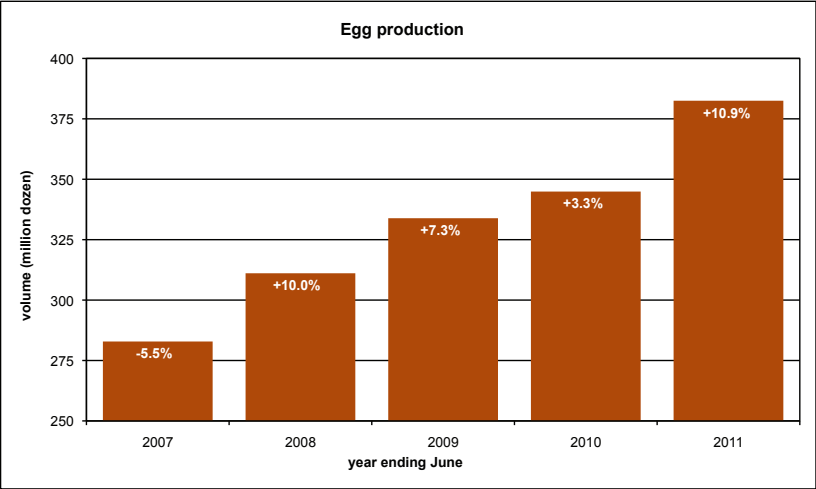
Figure 3



Source: AECL

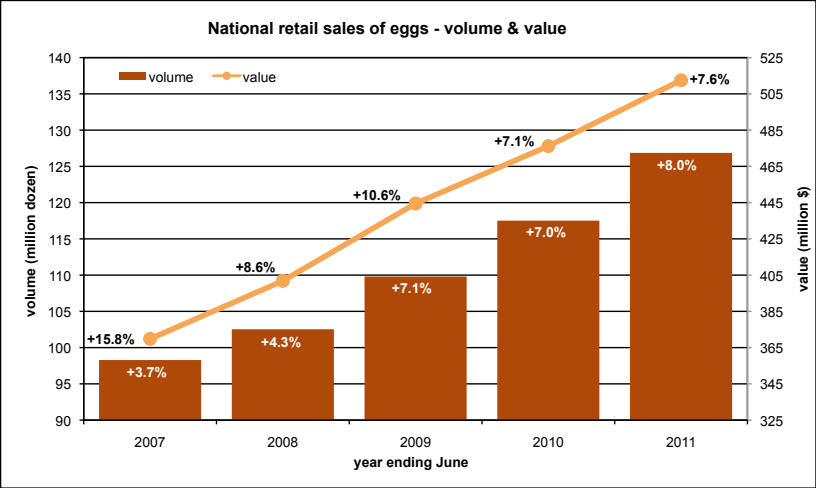


Figure 4



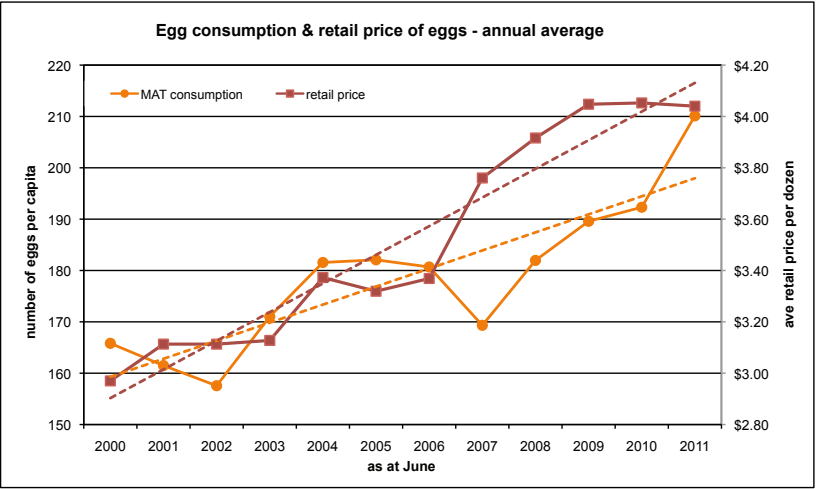
Source: AECL

Figure 5



Source: AZTEC Synovate

Figure 6



Source: AZTEC Synovate, AECL



# AUSTRALIAN GOVERNMENT RD&E PRIORITIES

Investment in Research, Development & Extension (RD&E) capacity is critical to meet egg industry needs over the longer term and Australian Government R&D priorities. RD&E assists build productivity on-farm and throughout the supply chain and hence sustains a healthy and viable egg industry into the future.

More specifically, investments in RD&E help overcome production challenges and decreases the costs of production through innovation and technology transfer. RD&E embraced by the egg industry delivers benefits to layer and egg industry stakeholders operating within the broader environment and the wider Australian community. The egg industry's commitment to RD&E and innovation is demonstrated by the higher productivity growth that has been occurring as a result of investments in RD&E at the farm level, throughout the supply chain and in developing the market. To sustain productivity gains, continual investment, coordination and linkage of RD&E throughout the supply chain and marketing system is critical.

AECL is cognisant of the Australian Government being a key funding partner matching Laying Chicken (R&D) levy funds collected from egg producers. As part of the Australian Government's broader RD&E policy, the egg industry currently receives one government dollar for every industry dollar invested in eligible RD&E projects/activities.

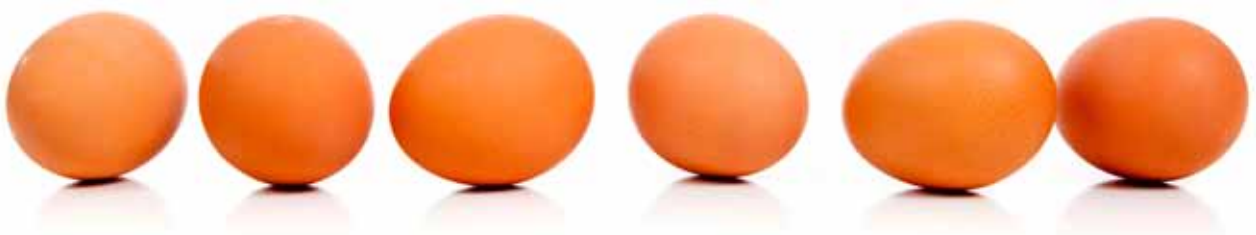
To help guide the egg industry's investment in RD&E, government RD&E priorities have been identified that address the broader national research objectives and map the challenges to be faced over the medium to longer term by the agribusiness sector. For the egg industry, the priorities focus on the following challenges:

- Boosting industry productivity and adding value.
- Effective operation of supply chains and markets for existing and new products.
- Protecting Australia from biosecurity threats.
- Ensuring innovation and enriching the workforce through targeted education, skills development and diversification of employment.
- Promoting cross-sectoral collaboration, innovation and efficiency of RD&E investments throughout the supply chain.

To meet these industry challenges and support RD&E business efforts, continued investments must be made by AECL for the benefit of egg producers and the Australian community.

AECL is also an active participant in the Council of Rural Research & Development Corporations which enables the egg industry to share information and outcomes through collaborating across industry groups seeking opportunities to co-invest in broader industry research, development and extension initiatives.

AECL will report against the national research and rural R&D priorities on an annual basis as part of the Company's ongoing commitment to measurement of program outcomes.





# SUMMARY OF RD&E PROJECTS

NATIONAL RESEARCH PRIORITY	RURAL RD&E PRIORITY	2010 - 2011 RD&E FOCUS	
		PROJECTS	INVESTMENT
"Promoting and maintaining good health (through strengthening Australia's social and economic fabric and preventive healthcare – healthy food production)"	1. <b>Productivity improvement &amp; adding value</b> Improve the productivity and profitability of existing industries and support the development of viable new industries.	16	\$350,131
	2. <b>Supply chain, markets and value chain effectiveness &amp; efficiency</b> Better understand and respond to domestic and international market and consumer requirements and improve the flow of such information through the whole supply chain, including to consumers.	14	\$250,767
"An environmentally sustainable Australia"	3. <b>NRM and sustainable environmental resource management</b> Support effective management of Australia's natural resources to ensure primary industries are both economically and environmentally sustainable.	6	\$49,602
	4. <b>Climate variability &amp; climate change</b> Build resilience to climate variability and adapt to and mitigate the effects of climate change.	N/A	N/A
"Safeguarding Australia"	5. <b>Biosecurity</b> Protect Australia's community, primary industries and environment from biosecurity threats.		\$172,854
"Frontier Technologies for Building and Transforming Australian Industries"	6. <b>Innovation, workforce, skills &amp; education</b> Improve the skills to undertake research and apply its findings.	15	\$237,539
	7. <b>Technology</b> Promote the development of new and existing technologies.	5	\$42,634
Ministerial directive – 1 Feb, 2010	8. <b>Maintaining &amp; improving international market access opportunities</b> Combat pests & diseases that can potentially be obstructive to trade & to guide production decisions in accordance with the requirements of consumers.	N/A	N/A
	9. <b>Diversity</b> Build strong leadership capacity in the sector & encourage a diversity of people in primary industries, including a greater role for Indigenous Australians, women and young people.	9	\$106,275
	10. <b>Collaboration</b> Develop, implement & monitor the national R,D&E plans for each sector.	21	\$347,245
	11. <b>Evaluation</b> Support the joint RDC evaluation process to demonstrate returns on investments made and to assist guide future investments.	9	\$125,989



# CORPORATE GOVERNANCE / COMPLIANCE

The Australian Egg Corporation Limited (AECL) is committed to conducting its business in a way that is open and accountable to all stakeholders. Corporate governance is the system of management, oversight and controls exercised in the stewardship of AECL. AECL is a public company limited by guarantee and as a result, is not listed on the Australian Stock Exchange (ASX) but has developed its framework for corporate governance in line with the Corporate Governance Principles and Recommendations as developed by the ASX Corporate Governance Council. AECL believes its corporate governance practices are rigorous and of a high standard and as a result is willing to report against the recognised principles of corporate governance on an annual basis.

## PRINCIPLE # 1:

### Lay solid foundations for management and oversight

The AECL Board is responsible for ensuring that the management of AECL is conducted in a manner that ensures the long term benefit of levy paying egg producers and more broadly, all stakeholders, consistent with the AECL Constitution, the Statutory Funding Agreement (SFA) with the Australian Government and the Egg Industry Service Provision Act 2001. 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 in line with the AECL industry-agreed Strategic Plan.

#### The AECL Board's functions include:

- Setting Company policies and procedures;
- Approving major strategies, plans, work programs and budgets;
- Responding to management recommendations on major initiatives, including significant investments, capital and funding proposals, senior appointments, executive remuneration, succession plans, financial results, performance against plans, issues relating to internal controls and the management of risk;
- Approving significant capital expenditure;
- Ensuring AECL acts legally and responsibly on all matters and that the highest ethical standards are maintained;
- Ensuring AECL operates within the requirements of the Company's Constitution, the Corporations Act 2001, the SFA with the Australian Government and the Egg Industry Service Provision Act 2002; and
- Appointing or removing the Managing Director.

The AECL Board meets monthly, or as otherwise required, to perform its duties and requires a quorum of a majority of directors eligible to vote. Each director has one vote. To meet operational needs, the Board may convene by using electronic methods.

In addition, the Board has two standing committees to assist in carrying out its responsibilities.

- Finance & Audit Committee
- Governance & Risk Committee

The Board delegates responsibility for the implementation of the strategic direction and for management of the day-to-day operations of the Company to the Managing Director.

The Board carries out its functions in accordance with the Australian Institute of Company Directors (AICD) Code of Conduct.



## PRINCIPLE # 2 :

### Structure the Board to add value

As per the AECL Constitution, the AECL Board comprises up to four 'elected' directors, and up to three 'specialist' directors, one of whom is the Managing Director.

'Specialist' directors are sought by a selection committee and appointed by the AECL Board then ratified by members at the first available General Meeting of the Company. Appointments are made to ensure a balance of skills and expertise in accordance with the criteria set out in the AECL Constitution and Statutory Funding Agreement between the Australian Government and AECL.

The Board includes at least one director who can demonstrate that they are highly skilled in corporate governance.

Relevant interests of all directors are reviewed on an annual basis, as well as notified as and when they arise in relation to any issues.

After consultation with the Chairman, directors may obtain independent professional advice on matters arising in the course of their Board duties. Such advice would be made available to all directors.

## PRINCIPLE # 3 :

### Promote ethical and responsible decision-making

AECL aims to conduct all its business ethically and responsibly. Equally important is to lead by example and encourage ethical conduct by all involved in AECL. It is the Board's objective that all its dealings with staff, stakeholders, regulatory authorities and the community should be conducted with integrity, fairness and diligence.

The AECL Board has put in place appropriate systems and controls to ensure that AECL acts within the law at all times, avoids conflicts of interest and acts honestly and ethically in all business activities. AECL has developed key corporate controls, including risk management, fraud control and management of intellectual property.

## PRINCIPLE # 4 :

### Safeguard integrity in financial reporting

The Finance & Audit Committee meets four times a year. The Managing Director and Finance & Corporate Services Manager / Company Secretary attend all committee meetings at the invitation of the Committee. The Committee also meets privately with the external auditor without AECL management present.

The minutes of all Committee meetings are reviewed at the subsequent meeting of the Board and the resolutions of the Committee are reviewed and considered by the Board for endorsement.

The role and responsibilities of the Finance and Audit Committee include:

**Financial Statements** – reviews AECL's financial statements, effectiveness and compliance with accounting policies and standards, adequacy of disclosures and reconciliation of all bank accounts and financial investments.

**Investments** – The Committee reviews matters relating to the investment of assets in line with AECL policy. The Committee obtains advice from external investment advisors when necessary.

**Appointment of External Auditor** – The Committee reviews the performance of the external auditor annually, and can recommend to the Board any changes to the appointment it deems appropriate. The external auditor may attend member meetings and may be available to answer questions from members about the conduct of the audit and the preparation and content of the audit report and AECL's accounts.

**Audit** – reviews the auditors' performance, the professional independence of the auditors, audit policies, procedures and reports as a direct link between the Board and the Company's auditors.



## PRINCIPLE # 5 :

### Make timely and balanced disclosure

AECL is not a publicly listed company and is not subject to ASX Listing Rule disclosure requirements. It does however, report to its members and the Australian Securities and Investments Commission (ASIC), as required by the Corporations Act 2001 and discloses significant information on a continual basis as detailed in Principle # 6.

Under the Statutory Funding Agreement (SFA) with the Australian Government, AECL is required to present a financial report to the Department of Agriculture, Fisheries & Forestry every six months. In addition, the Chairman and Managing Director meet bi-annually with the Minister, or his nominated delegate, to report on the Company's performance against the SFA. Any significant matters are to be reported to the Department.

## PRINCIPLE # 6 :

### Respect the rights of shareholders

AECL does not have shareholders. It has members as defined in Section 231 of the Corporations Act.

A person is eligible to be a member of AECL if they are an Australian egg producer, a levy payer and the owner of laying hens over the age of 18 weeks, owned at the end of the previous financial year, for the purposes of the production of eggs for human consumption. Members have the number of votes determined by the number of laying hens over the age of 18 weeks and may vote at any General Meeting on any motion, including the election of directors, the ratification of 'specialist' director appointments and the total remuneration payable to the directors of the Company.

AECL communicates regularly with its members and all known egg producers using fortnightly newsletters, a quarterly industry magazine, the Annual Report (that includes the statutory financial statements) and provides member access to the Company's website.

The AECL Board encourages full participation of members and other stakeholders at the AGM to ensure a high level of accountability and understanding of the Company's strategy, goals and achievements. In the event that a member is unable to attend the AGM they are encouraged to appoint proxies to express their views at the AGM by completing and lodging an approved Proxy Form.

## PRINCIPLE # 7 :

### Recognise and manage risk

AECL has established a Governance & Risk Committee to review all internal controls and policies, the practice of good governance, management procedures employed and the systems of risk management employed by the Company.

AECL adopts best business practice, including adherence to relevant Australian Standards and leading organisational management models. Key aspects include:

- Adherence to all relevant Australian Accounting Standards.
- Development and adoption of a strategic plan covering a period of 3 to 5 years.
- Development and implementation of a risk management plan in accordance with Australian Standards.
- Development and implementation of a fraud control plan.
- Development and implementation of an intellectual property management plan.
- Development and compliance with annual operating plans.
- Measurement of organisational performance against specified strategic actions/outcomes and annual key performance measures.
- Adoption of best practice in human resource and diversity management.



- Adoption of best practice in managing compliance with legislative and regulatory requirements.
- Development of internal policies and procedures in key areas such as Equal Employment Opportunities (EEO), Occupational Health and Safety (OH&S) and privacy.

## PRINCIPLE # 8 :

### Encourage enhanced performance

The AECL Board conducts regular reviews of its performance in the following areas:

- 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.

Resources will be provided where appropriate and approved by the AECL Board to enable directors to update their professional skills and knowledge of their fiduciary duties as company directors.

## PRINCIPLE # 9 :

### Remunerate fairly and responsibly

AECL conducts annual performance appraisals and goal setting which assists in determining remuneration levels for all staff, which are reviewed annually.

Total remuneration for non-executive directors has been set in the Company's Constitution at a maximum of \$150,000 per annum. Aggregate Board remuneration can only be increased with the consent of the Company's members.

AECL's Constitution also provides for non-executive directors to be paid additional remuneration where they perform services outside the scope of the ordinary duties of an AECL director.

Total remuneration for the Managing Director comprises of short term benefits (cash salary and an at-risk bonus) and post-employment benefits (statutory superannuation entitlement).

The AECL Board reviews the performance of the Managing Director on an annual basis in line with outcomes delivered and of the achievements reached across the Company.

## PRINCIPLE # 10 :

### Recognise the legitimate interests of stakeholders

AECL's task is to achieve the delivery of stakeholder value through the sustainable and efficient operation of the Company in achieving its objectives of growing demand for eggs in the Australian market and enhancing the competitiveness of stakeholder businesses.

Sound reporting and risk management practices are the mechanisms to measure achievement of strategic business objectives.

Directors will endeavour to ensure AECL is properly managed so as to protect and enhance members' interests and to meet the Company's obligations to all parties.

A stakeholder is defined as any business, including government that invests with AECL. The majority of funds are sourced from levy-paying egg producers and as a result, this stakeholder group will be the core focus for AECL consultation. The Australian Government is also a major stakeholder on behalf of the wider community.



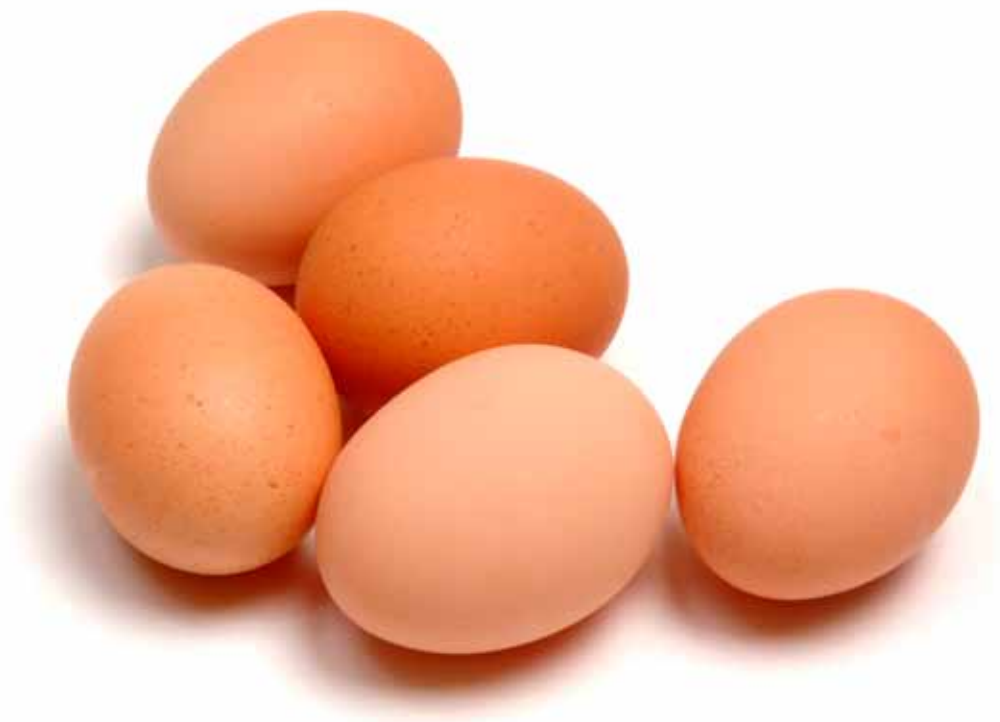
The Australian Government provides matching contributions to AECL for eligible R&D expenditure to a limit of 0.5% of the egg industry's Gross Value of Production (GVP).

Components of the AECL Strategic Plan are consistent with a number of the government's national and rural R&D funding priorities. The Plan reflects the dynamic and competitive nature of the Australian egg market and recognises the emergence of new developments and trends in research and production, quality assurance, vertically integrated supply chains and an increasing consumer emphasis on product quality and integrity.

Ongoing program development will be cognisant of all government R&D priorities as they pertain to the issues prevalent in the Australian egg industry.

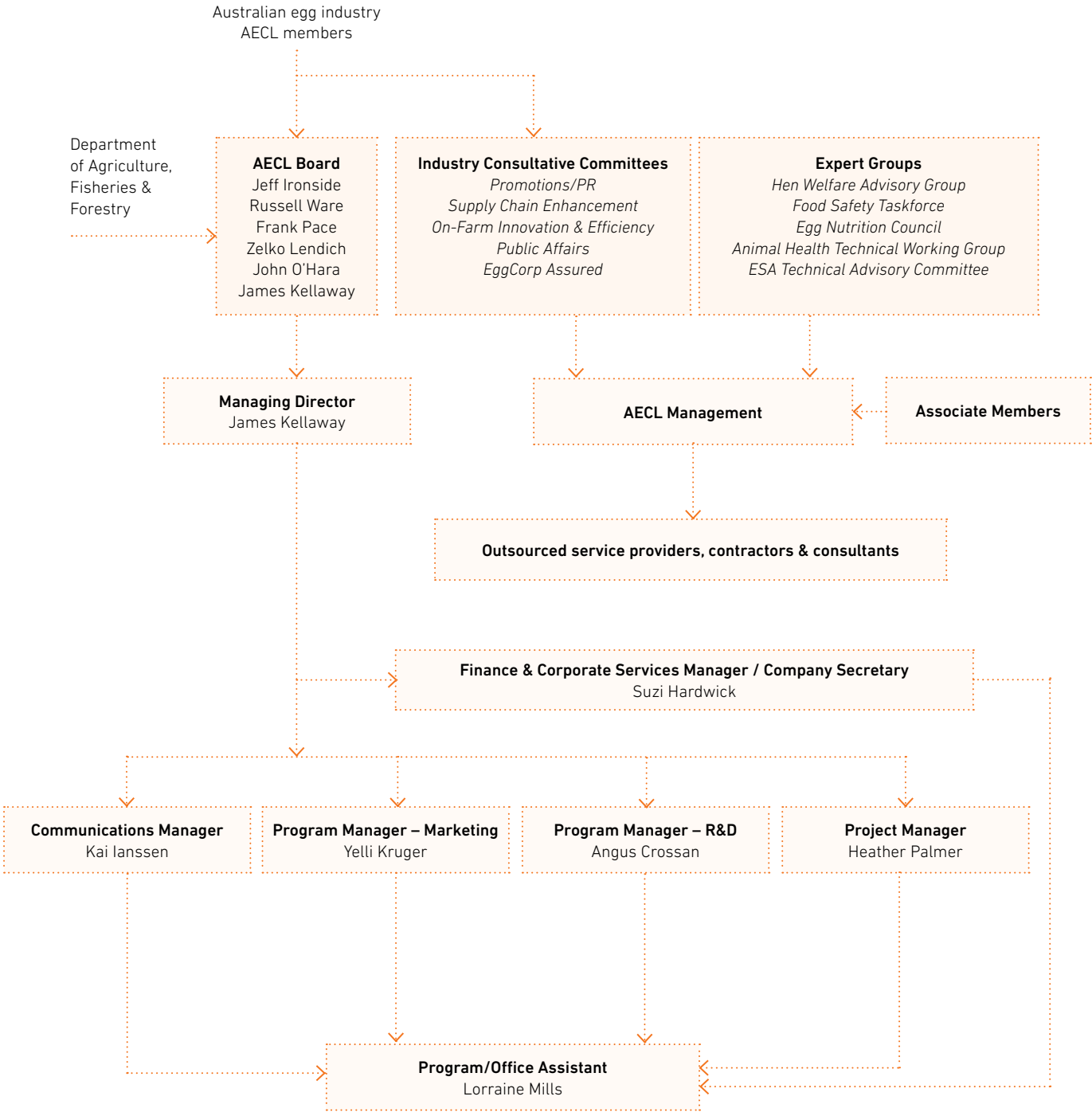
The investment of AECL in the Poultry Cooperative Research Centre (CRC) supports the efforts of government authorities and commercial partners in improving disease preparedness, bio-security, animal welfare, education and training for the Australian egg industry.

Strategies to address sustainable management and maintenance of Australia's natural resources remain a priority. Poultry farms have a smaller, more intensive environmental 'footprint' than many other, more extensive agricultural enterprises in Australia and environmental impacts are closely regulated by both State and local governments. As part of a holistic production strategy, AECL continues to assist develop environmental operating guidelines in close consultation with all regulators.



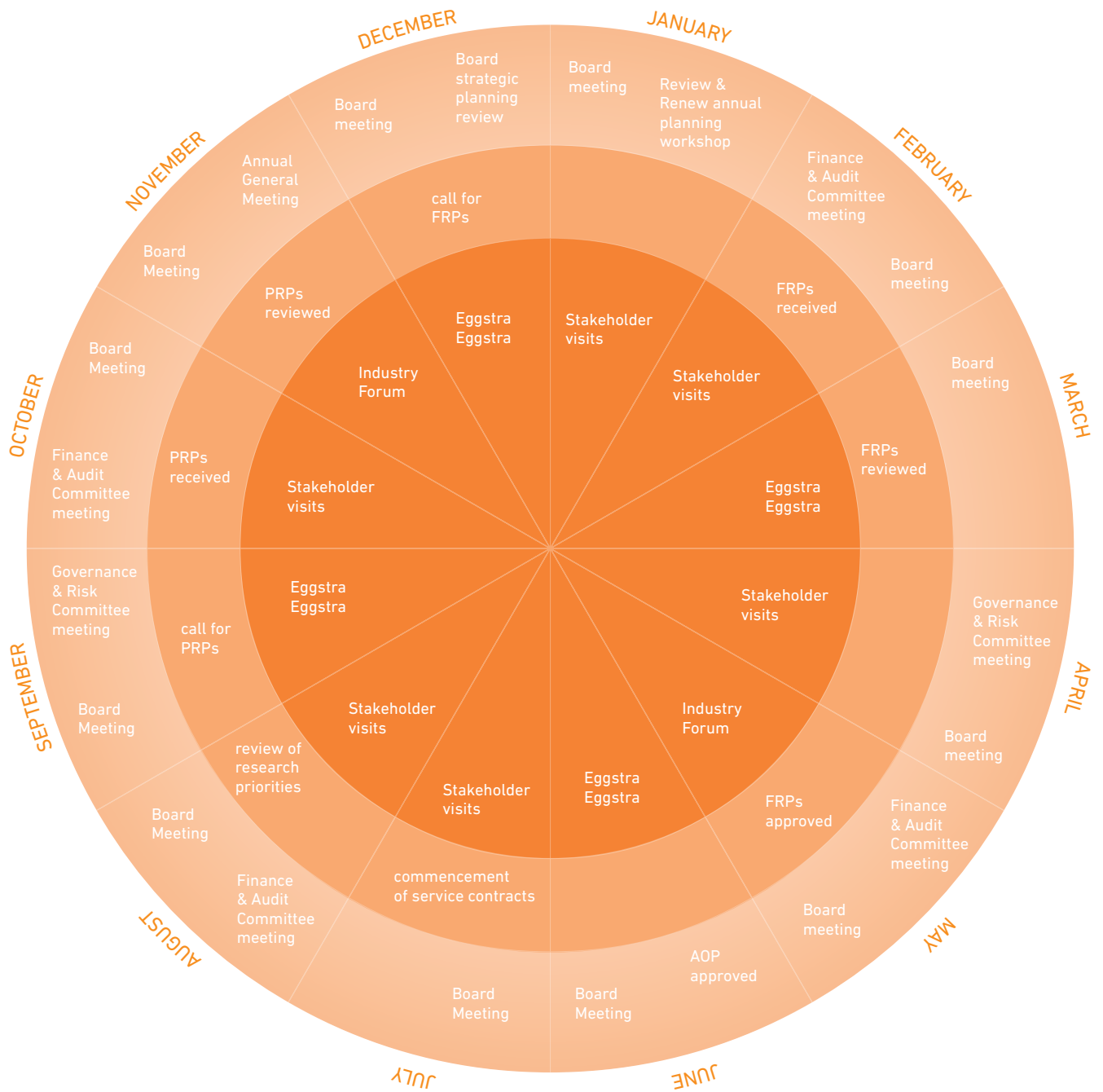


# AECL ORGANISATIONAL STRUCTURE





# AECL BUSINESS / PLANNING CYCLE



- Board/management
- R&D
- Communications

PRP – Preliminary Research Proposal  
FRP – Full Research Proposal



# FINANCIAL REPORT

## Financial Statements for the Year Ended 30 June, 2011

Directors' Report	20
Auditor's Independence Declaration	22
Directors' Declaration	23
Statement of Comprehensive Income	24
Statement of Financial Position	25
Statement of Changes in Equity	26
Statement of Cash Flows	27
Notes to the Financial Statements	28
Independent Auditor's Report	43





## Australian Egg Corporation Limited

### Directors' Report

Your directors submit their report for the year ended 30 June 2011.

### Directors

The names of the directors of the entity in office during the financial year and until the date of this report were:

Jeff Ironside  
Russell Ware  
Frank Pace  
Zelko Lendich  
John O'Hara  
James Kellaway

### Directors Qualifications

Directors qualifications are detailed in the Annual Report.

### Meetings of Directors

During the year to 30 June 2011 there were 14 meetings of directors, 4 Finance & Audit committee meetings and 2 Governance & Risk committee meetings.

The number of meetings attended by each director was:

	Board Meetings		Finance & Audit Committee Meetings		Governance & Risk Committee Meetings	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Jeff Ironside	14	14	4	4	2	2
Russell Ware	14	14	4	4	2	2
Frank Pace	12	11	3	4	2	-
Zelko Lendich	13	13	4	4	2	-
John O'Hara	14	14	4	4	2	1
James Kellaway	14	14	4	4	2	2

### Corporate Information

Australian Egg Corporation Limited is a company limited by guarantee that is incorporated and domiciled in Australia.

The registered office of the Company is:

Suite 4.02  
Level 4, 107 Mount Street  
North Sydney, N.S.W., 2060

The entity employed 7 employees at 30 June 2011 (2010 : 7).



## Principal Activities

The principal activities during the year were the provision of marketing and research and development and policy services on behalf of the egg industry in Australia.

There have been no significant changes in the nature of these activities during the year.

## Results

The surplus of the entity for the year ended 30 June 2011 was \$1,614,184 (2010: deficit of \$419,049).

## Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the Company during the period.

## Significant Events after the Balance Date

There have been no significant events occurring after balance date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

## Future Developments and Results

The Company does not expect changes to the principal activities in the coming year.

## Environmental Regulation and Performance

The Company is not subject to any particular or significant environmental regulation.

## Indemnification and Insurance of Directors

During the financial year the Company has paid premiums in respect of a contract to indemnify the directors and insure against liability for the costs or expenses to defend legal proceedings.

The Company is not permitted to disclose information regarding indemnification and insurance for directors and officers as it is prohibited under the terms of the insurance contract.

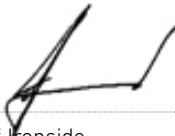
## Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company.

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

Signed in accordance with a resolution of the directors.

  
\_\_\_\_\_  
Jeff Ironside  
Chairman  
\_\_\_\_\_  
James Kellaway  
Managing Director

Sydney  
Date: 1 September 2011



# AUDITOR'S INDEPENDENCE DECLARATION



Chartered Accountants  
& Business Advisers

## Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, as lead audit partner for the audit of Australian Egg Corporation Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'AM', is written over the PKF logo.

PKF

A handwritten signature in black ink, appearing to read 'AM', is written over the PKF logo.

**Arthur Milner**  
Partner

**Sydney, 1 September 2011**

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | [www.pkf.com.au](http://www.pkf.com.au)

PKF | ABN 83 236 985 726

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.



# DIRECTOR'S DECLARATION

## Australian Egg Corporation Limited

### Directors' Declaration

In the opinion of the directors:

- \* the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- \* the attached financial statements and notes hereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- \* there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

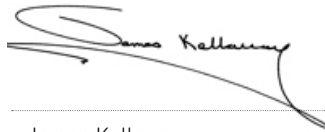
The directors have been given the declarations required by section 295A of the Corporations Act, 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Jeff Ironside  
Chairman



James Kellaway  
Managing Director

Sydney

Date: 1 September 2011



# STATEMENT OF COMPREHENSIVE INCOME

## Australian Egg Corporation Limited

	Notes	30 June 2011 \$	30 June 2010 \$
<b>Revenues from Operating Activities</b>	<b>2</b>	7,831,963	5,824,249
<b>Expenditure</b>			
Market Awareness	3a	(1,621,337)	(1,927,089)
Market Education	3b	(1,010,719)	(921,324)
Supply Chain Enhancement	3c	(111,072)	(235,930)
On-Farm Innovation & Efficiency	3d	(1,799,807)	(1,525,509)
Public Affairs & Stakeholder Relations	3e	(1,123,659)	(1,209,911)
Corporate Costs	3f	(456,130)	(339,324)
Levy Collection Costs	3g	(95,055)	(84,211)
<b>Total Expenses</b>		(6,217,779)	(6,243,298)
<b>Surplus/(Deficit) for the year</b>		<b>1,614,184</b>	<b>(419,049)</b>
<b>Other Comprehensive Income for the year, net of tax</b>		-	-
<b>Total Comprehensive Income for period</b>	<b>10</b>	<b>1,614,184</b>	<b>(419,049)</b>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



# STATEMENT OF FINANCIAL POSITION

## Australian Egg Corporation Limited

	Notes	30 June 2011 \$	30 June 2010 \$
<b>Current Assets</b>			
Cash & Cash Equivalents		3,654,339	2,288,415
Trade & Other Receivables	4	927,583	467,678
<b>Total Current Assets</b>		<b>4,581,922</b>	<b>2,756,093</b>
<b>Non-Current Assets</b>			
Financial Assets (AEEL)	5	1	1
Property, Plant and Equipment	6	57,944	59,368
<b>Total Non-Current Assets</b>		<b>57,945</b>	<b>59,369</b>
<b>Total Assets</b>		<b>4,639,867</b>	<b>2,815,462</b>
<b>Current Liabilities</b>			
Trade & Other Payables	7	1,074,742	890,473
Provisions	8	43,055	28,665
<b>Total Current Liabilities</b>		<b>1,117,797</b>	<b>919,138</b>
<b>Non-Current Liabilities</b>			
Provisions	9	68,141	56,579
<b>Total Non-Current Liabilities</b>		<b>68,141</b>	<b>56,579</b>
<b>Total Liabilities</b>		<b>1,185,938</b>	<b>975,717</b>
<b>Net Assets</b>		<b>3,453,929</b>	<b>1,839,745</b>
<b>Equity</b>			
Retained Surplus	10	3,453,929	1,839,745
<b>Total Equity</b>		<b>3,453,929</b>	<b>1,839,745</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



# STATEMENT OF CHANGES IN EQUITY

## Australian Egg Corporation Limited

	Notes	Retained earnings \$	Total Equity \$
<b>Balance as at 1 July 2009</b>		<b>2,258,794</b>	<b>2,258,794</b>
Total comprehensive income for the year		(419,049)	(419,049)
<b>Balance as at 30 June 2010</b>		<b>1,839,745</b>	<b>1,839,745</b>
<b>Balance as at 1 July 2010</b>		<b>1,839,745</b>	<b>1,839,745</b>
Total comprehensive income for the year		1,614,184	1,614,184
<b>Balance as at 30 June 2011</b>		<b>3,453,929</b>	<b>3,453,929</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



# STATEMENT OF CASH FLOWS

## Australian Egg Corporation Limited

	Notes	30 June 2011 \$	30 June 2010 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from funding and other sources		7,986,355	6,546,232
Payments to Suppliers and Employees		(6,766,604)	(6,433,411)
Interest Received		165,477	57,605
<b>Net Cash Flows provided by Operating Activities</b>		<b>1,385,228</b>	<b>170,426</b>
<b>Cash Flows from Investing Activities</b>			
Advances to Related Parties		(702)	(212)
Purchase of Property, Plant and Equipment		(18,602)	(8,550)
<b>Net Cash Flows used in Investing Activities</b>		<b>(19,304)</b>	<b>(8,762)</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>1,365,924</b>	<b>161,664</b>
Add opening cash brought forward		2,288,415	2,126,751
<b>Cash &amp; Cash Equivalents Carried Forward</b>	11	<b>3,654,339</b>	<b>2,288,415</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies

The financial report is a general purpose financial report which has been drawn up in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. These financial statements do not comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial report covers the Australian Egg Corporation Limited, a Company limited by guarantee, incorporated and domiciled in Australia, as an individual entity.

The financial report is presented in Australian dollars which is the Company's functional and presentation currency.

The financial report was authorised for issue by the directors on 1st September 2011. The Company's directors have the power to amend and re-issue the financial report.

This financial report has been prepared on an historical cost basis with the exception of financial assets and liabilities to which the fair value basis of accounting has been applied.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2011. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

### **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 Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Company. The following Accounting Standards and Interpretations are most relevant to the Company:

#### *AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The Company has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 107 'Statement of Cash Flows' - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities; and AASB 118 'Revenue' - provides additional guidance to determine whether an entity is acting as a principal or agent.

The following is a summary of material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied are consistent with those of the previous year.

#### **a. Principles of Consolidation**

The Company holds 100% of the issued ordinary shares in Australian Egg Export Pty Limited. The directors have elected not to prepare consolidated accounts due to materiality of this Company to the group. The directors believe that there would be no benefit to the users in preparing consolidated financial statements at this stage.

#### **b. Cash and Cash Equivalents**

Cash on hand and in banks is stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

#### **c. Receivables**

Trade receivables are recognised and carried at original invoice amount less any allowance for doubtful debts.



# NOTES TO THE FINANCIAL STATEMENTS

An allowance for doubtful debts is recognised when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

## d. Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount and where carrying values exceed this recoverable amount, assets are written down.

## e. Plant and Equipment

Plant and equipment is measured at cost less accumulated depreciation and any identified impairment loss. Plant and equipment is depreciated on a straight line basis over its useful life.

### Depreciation

	2011	2010
Office Equipment	2 - 10 yrs	2 - 10 yrs
Leasehold Improvements	Term of Lease	Term of Lease

## f. Trade and Other Payables

Liabilities for trade creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the entity.

## g. Operating Leases - Rental Premises and Photocopier

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised and are expensed on a straight line basis.

The Company renewed its operating lease regarding its premises at Level 4, 107 Mount Street, North Sydney NSW 2060, commencing 1 October 2008. Under the terms of the lease agreement, the entity was entitled to receive the first three months of the lease term free from rent. A lease incentive liability has been raised to record the rental expense payable in relation to the rent free period. Lease payments are allocated between the rental expense and the reduction of the lease incentive liability over the lease term (5 years). This lease expires on 30 September 2013. Rental payments will be expensed in the financial year in which they occur. Contingent rentals for the year ended 30 June 2011 are recognised as an expense in the financial year incurred.

## h. Provisions

Provisions are recognised when the entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. They are also recognised when it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

## i. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### *Australian Government Matching Funds*

The Australian Government matches funding on a dollar for dollar basis on approved research and development funded projects, up to a level of 0.5% of the gross value of the industry's production, and not exceeding the cumulative amount of contributions provided by the industry. Government matching funds are recognised as revenue upon incurring the eligible research and development program expenditure.



# NOTES TO THE FINANCIAL STATEMENTS

## ***Levy Receipts***

The Levies Revenue Service of the Department of Agriculture, Fisheries and Forestry Australia collects statutory levies (research and development levies and promotion levies) on behalf of the Company. Revenue from levies are recognised as revenue upon accrual of the levy amounts.

## ***Application of Funds***

In accordance with the Statutory Funding Agreement between the Government and the Company, the Company must spend the statutory levies collected in a manner that is consistent with the Strategic Plan and Annual Operating Plans approved by the Australian Government.

Research and Development payments and Government matching payments may only be applied by the Company for research and development activities related to the industry, for the benefit of the industry and in the case of the Government matching funds, also for the benefit of the Australian community generally.

The Company must ensure there is a clear distinction between expenditure on research and development activities and other activities.

This distinction is noted via the Annual Operating Plans approved by the Government and tracked via the accounting system.

## ***Co-Funder Contributions***

Revenue from Co-Funder Contributions is recognised when an invoice is raised, in accordance with the terms specified in contracts with co-funding partners.

## ***Interest Revenue***

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the asset.

## **j. Income Taxes**

The Australian Egg Corporation Limited is exempt from Company income taxation.

## **k. Goods and Services Tax (GST)**

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

- \* the net amount of GST recoverable from, or payable to, the taxation authority is included as part of other assets or other liabilities in the Statement of Financial Position.
- \* cash flows are included in the Statement of Cash Flow 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.

## **l. Employee Entitlements**

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee entitlement expenses and revenues arising in respect of the following categories : wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and other types of employee entitlements are charged against profits on a net basis in their respective categories.

## **m. Economic Dependency**

The Company is economically dependent on levies received from the egg industry and Australian Government contributions.

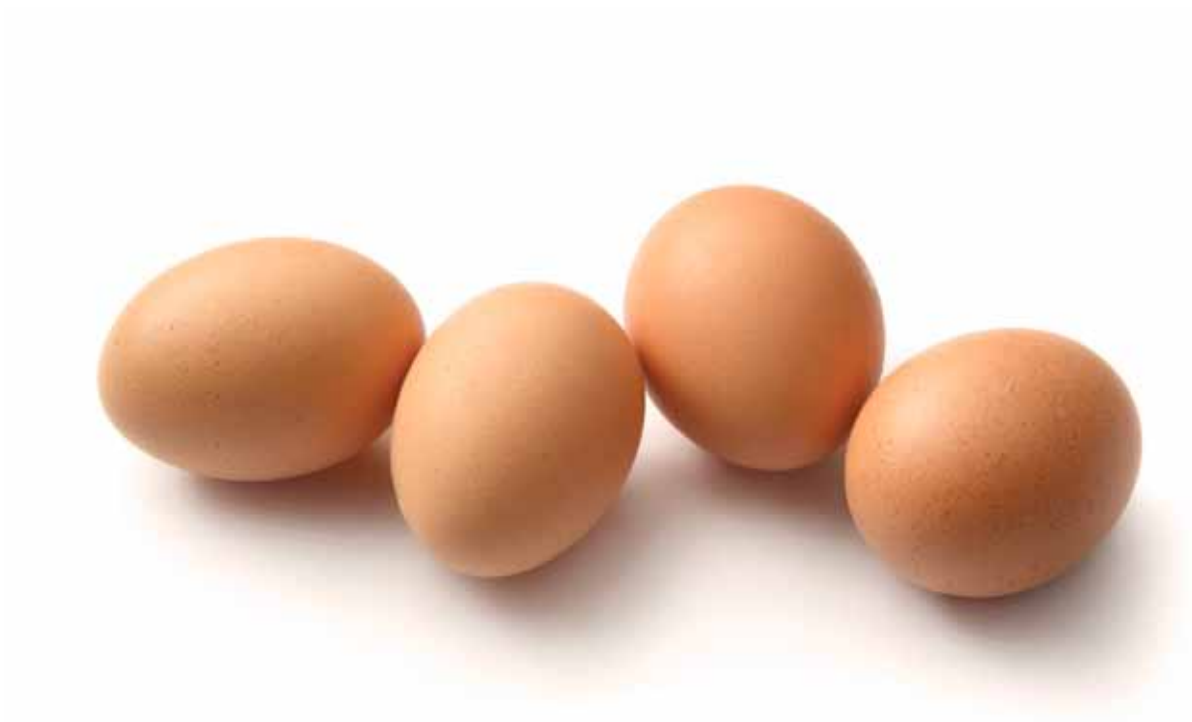


# NOTES TO THE FINANCIAL STATEMENTS

## n. Critical Accounting Estimates and Judgements

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.





# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011 \$	30 June 2010 \$
--	-------	--------------------	--------------------

## 2. Revenues from Operating Activities

Promotion Levies		4,340,828	3,432,377
Research and Development (R & D) Levies		1,581,139	1,034,519
Government Contributions		1,581,139	1,034,519
Other Income	2a	328,857	322,834
<b>Total</b>		<b>7,831,963</b>	<b>5,824,249</b>

### 2a. Other Income

Associate Membership		40,363	25,756
Co-Funder payments		20,000	94,625
Interest		158,879	89,488
Royalties		21,873	59,734
Sales Publications & other income		87,742	53,231
<b>Total</b>		<b>328,857</b>	<b>322,834</b>

## 3. Program Expenses by Operating Pillar

### 3a. Market Awareness

The programs run within the Market Awareness pillar are:

#### Consumer program

#### Media Relations program

The strategic purpose of these programs is to raise awareness, demand and consumption levels of eggs among the target markets by positively reinforcing the fact that eggs provide a tasty, quick and easy meal solution. Demonstrating that eggs are an essential part of a modern, healthy lifestyle in order to convert light users into heavy users.

Projects / activities	1,484,828	1,793,303
Project travel	592	740
Program management / resourcing	135,917	133,046
<b>Total</b>	<b>1,621,337</b>	<b>1,927,089</b>



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011	30 June 2010
		\$	\$

## 3b. Market Education

The programs run within the Market Education pillar are:

Consumer program  
Media Relations program  
Health Care Professionals program  
Student Education program

The strategic purpose of these programs is to educate the target markets by reinforcing the good health benefits of eggs while qualifying misconceptions associated with actively limiting egg consumption. Giving permission to enjoy more eggs more often and thereby demonstrating that eggs are an essential part of a modern, healthy and balanced eating plan in order to convert light users to heavy users.

Projects / activities	865,065	764,595
Project travel	9,737	5,943
Program management / resourcing	135,917	150,786
<b>Total</b>	<b>1,010,719</b>	<b>921,324</b>

## 3c. Supply Chain Enhancement

The programs run within the Supply Chain Enhancement pillar are:

Retail Services program  
Supply Chain program

The strategic purpose of these programs is to enhance the effectiveness, transparency and efficient movement of eggs through the supply/demand chain from point-of-lay to the point-of-purchase including logistics and development of value-added propositions to provide product choice for consumers.

Projects / activities	28,578	85,054
Project travel	944	90
Program management / resourcing	81,550	150,786
<b>Total</b>	<b>111,072</b>	<b>235,930</b>

## 3d. On-Farm Innovation & Efficiency

The programs run within the On-Farm Innovation & Efficiency pillar are:

Basic and Applied Research program  
Egg Quality program  
Poultry CRC program

The strategic purpose of these programs is to innovate commercially-responsive and production efficient solutions to enhance industry and stakeholder competitiveness and sustainability of egg businesses and communities over the short and long term.



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011 \$	30 June 2010 \$
Projects / activities		1,431,383	1,221,936
Project travel		33,161	19,742
Program management / resourcing		335,263	283,831
Total		1,799,807	1,525,509

## 3e. Public Affairs & Stakeholder Relations

The programs run within the Public Affairs & Stakeholder Relations pillar are:

Government Relations program  
Corporate Communications program  
Issues Management program

The strategic purpose of these programs is to ensure effective industry communication, media relations and policy engagement to optimise the industry operating environment, community awareness and understanding of the egg industry and its associated service delivery programs and outcomes.

Projects / activities	686,699	793,487
Project travel	56,389	61,635
Program management / resourcing	380,571	354,789
Total	1,123,659	1,209,911

## 3f. Corporate Costs

Accounting and Administration	41,838	33,148
Premises	34,993	27,016
Board/AGM expenses	58,046	43,810
Employment expenses	321,253	235,350
Total	456,130	339,324

## 3g. Levy Collection Costs

Levy Collection Cost - Promotion	65,205	62,255
Levy Collection Cost - R&D	29,850	21,956
Total	95,055	84,211



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011	30 June 2010
		\$	\$

## 3h. Net (Deficit)/Surplus

The net (deficit)/surplus has been arrived at inclusive of these items:

Depreciation		19,922	20,579
Employee costs		1,155,880	1,064,283
Lease expenses		109,119	109,285

## 4. Trade & Other Receivables (Current)

Trade Debtors		726,411	251,101
Other Debtors		29,665	57,992
Prepayments		35,098	22,878
Security Deposit	19	132,000	132,000
		923,174	463,971

### Amounts other than trade debts receivable from related parties

Wholly owned Subsidiary :

AEEL		4,203	3,707
------	--	-------	-------

Related Entity :

AEIA		206	-
------	--	-----	---

		4,409	3,707
--	--	-------	-------

<b>Total</b>		<b>927,583</b>	<b>467,678</b>
--------------	--	----------------	----------------

## 5. Other Financial Assets

### Controlled Entities - unlisted

AEEL		1	1
<b>Total</b>		<b>1</b>	<b>1</b>

As at 30 June 2011 Australian Egg Corporation Limited owned 100% of the capital in Australian Egg Export Pty Ltd being 1 fully paid ordinary share (2010 : 1)



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011 \$	30 June 2010 \$
--	-------	--------------------	--------------------

## 6. Property, Plant and Equipment

<b>Office Equipment</b>			
At Cost		91,640	82,864
Accumulated Depreciation		(55,851)	(54,511)
		<b>35,789</b>	<b>28,353</b>

<b>Leasehold Improvements</b>			
At Cost		88,620	88,619
Accumulated Depreciation		(66,465)	(57,604)
		<b>22,155</b>	<b>31,015</b>

<b>Total Property, Plant and Equipment</b>			
At Cost		180,260	171,483
Accumulated Depreciation and Amortisation		(122,316)	(112,115)
<b>Total Written Down Amount</b>		<b>57,944</b>	<b>59,368</b>

### Reconciliations

<b>Office Equipment</b>			
Carrying Amount at Beginning		28,353	31,520
Additions		18,602	8,550
Disposals		(9,825)	-
Depreciation		(11,061)	(11,717)
Adjustment of Depreciation on Disposals		9,720	-
		<b>35,789</b>	<b>28,353</b>

<b>Leasehold Improvements</b>			
Carrying Amount at Beginning		31,015	39,877
Additions		-	-
Depreciation		(8,860)	(8,862)
		<b>22,155</b>	<b>31,015</b>



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011 \$	30 June 2010 \$
--	-------	--------------------	--------------------

## 7. Trade & Other Payables (Current)

Trade Creditors		698,916	504,453
Other Payables		363,247	367,854
Lease Incentive		12,579	18,166
		<b>1,074,742</b>	<b>890,473</b>

## 8. Provisions (Current)

Employee Entitlements	12	43,055	28,665
		<b>43,055</b>	<b>28,665</b>

## 9. Provisions (Non-Current)

Employee Entitlements		68,141	56,579
	12	<b>68,141</b>	<b>56,579</b>

## 10. Equity

Retained Surplus			
Balance at Beginning of Year		1,839,745	2,258,794
Net Surplus/(Deficit)		1,614,184	(419,049)
Balance at End of Year		<b>3,453,929</b>	<b>1,839,745</b>



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011	30 June 2010
		\$	\$

## 11. Cashflow Information

### (a) Reconciliation of net cash flows from operations

Net Surplus/(Deficit)	1,614,184	(419,049)
-----------------------	-----------	-----------

### *Non-cash Items*

Depreciation of non-current assets	19,922	20,579
Net loss on disposal of fixed assets	104	-

### *Changes in Assets and Liabilities*

(Increase)/decrease in trade and other receivables	(459,203)	276,094
Increase in trade and other payables	184,270	264,244
Increase in provisions	25,951	28,558
Net cashflow provided by operating activities	1,385,228	170,426

### (b) Reconciliation of Cash

Cash balance comprises :

Cash on hand	250	250
Cash at bank	3,654,089	2,288,165
Closing Cash Balance	3,654,339	2,288,415

## 12. Employee Entitlements

Employee Entitlements		
Provisions (Current)	43,055	28,665
Provisions (Non-Current)	68,141	56,579
	111,196	85,244



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011	30 June 2010
		\$	\$

## 13. Expenditure Commitments

### Lease expenditure commitments

Operating Leases (non-cancellable)			
Minimum lease payments			
-not later than one year		113,585	113,555
-later than one year and not later than five years		142,625	263,899
Aggregate lease expenditure contracted for at balance date		256,209	377,454

## 14. Contingent Liabilities

There are no contingent liabilities as at 30 June 2011.

## 15. Subsequent Events

There have been no significant events that have occurred since 30 June 2011 that require separate disclosure.

## 16. Remuneration of Directors and Key Management Personnel

Income paid or payable, or otherwise made available, in respect of the financial year to 30 June 2011, to all directors and key management personnel of Australian Egg Corporation Limited, directly or indirectly, from the entity or any related party.

Remuneration - Short-term Benefits	510,833	481,579
------------------------------------	---------	---------

## 17. Remuneration of Auditors

Amounts received by PKF for :		
-an audit or review of entity	17,000	16,500
-other services	3,410	-
Total	20,410	16,500



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011	30 June 2010
		\$	\$

## 18. Related Party Disclosures

(a) The directors of Australian Egg Corporation Limited during the financial year were :

Jeff Ironside  
Russell Ware  
Frank Pace  
Zelko Lendich  
John O'Hara  
James Kellaway

(b) Interests in subsidiaries

As at balance date, Australian Egg Corporation Limited owned 100% of the issued capital in Australian Egg Export Pty Limited being 1 ordinary share fully paid at \$1 (2010 : 1).

(c) The following related party transactions occurred during the financial year :

(i) Wholly owned group transactions

Amounts loaned to Australian Egg Export Pty Limited	496	212
Amounts loaned to Australian Egg Industry Association	206	0
	702	212

## 19. Receivables - Security Deposit

Australian Egg Corporation Limited is obliged to maintain a security deposit for the rental of the business premises at Mount Street, North Sydney. Accordingly, these funds are not available for general use.

	132,000	132,000
--	---------	---------

## 20. Segment Information

### Segment products and locations

The Company operates predominantly in a single industry and geographical segment, being the provision of marketing and research and development programs for the egg industry within Australia.

## 21. Financial Risk Management Policies

The Company's financial instruments comprise cash, cash equivalents, accounts receivable and accounts payable.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk.

The Company does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments. The Company is not exposed to fluctuations in foreign currency.

The Company's policies for managing each of these risks are summarised below. The policies are approved by the Board and are reviewed regularly.



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011	30 June 2010
		\$	\$

## Interest rate risk

The Company is exposed to interest rate fluctuations on its cash at bank and cash on deposit. The Company actively monitors interest rates for cash at bank and on deposit to maximise interest income.

The Company maintains cash reserves to a level considered prudent to offset any fluctuations in interest rates received.

## Sensitivity Analysis:

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on current year results which could result in a change to these risks.

At 30 June 2011, the effect on interest received, with all other variables remaining constant would be as follows:

	Surplus	Equity
	\$	\$
<b>Year ended 30 June 2011</b>		
- Increase in interest rate by 2%	73,087	73,087
- Decrease in interest rate by 2%	(73,087)	(73,087)
<b>Year ended 30 June 2010</b>		
- Increase in interest rate by 2%	45,768	45,768
- Decrease in interest rate by 2%	(45,768)	(45,768)

## Liquidity risk

The Company manages liquidity by monitoring forecast cash flows and ensuring that adequate liquid funds are maintained.

The Company does not hold overdraft facilities.

The majority of amounts receivable from Trade Debtors are under a Statutory Funding Agreement with the Australian Government. The Company maintains cash reserves to a level considered prudent to offset any fluctuations in the Government's collection of and distribution to the Company of levy funds.

The Company also earns income from the sale of marketing or R&D resources to various parties. Credit evaluations are not conducted on these parties as the amounts in question are not considered material. For the year end 30 June 2011 the total income from these sources was \$63,206 (2010 : \$43,195)



# NOTES TO THE FINANCIAL STATEMENTS

	Notes	30 June 2011 \$	30 June 2010 \$
Trade and other payables are expected to be paid as follows:			
Less than 6 months		1,074,742	890,472
6 months to 1 year		-	-
1 year to 2 years		-	-
Total		1,074,742	890,472

## Credit risk

Credit risk arises from exposures to customers as well as through deposits with financial institutions.

The Company is exposed to two main sources of credit risk - amounts receivable in respect of levy funds collected and distributed to the Company by the Australian Government and funds on deposit with banks.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties.

Funds are deposited only with those banks and financial institutions approved by the Board. Such approval is only in respect of banks that hold an A rating from Standard and Poor's or an equivalent rating from another reputable ratings agency.

The Company's maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of these assets in the balance sheet.

At 30 June 2011 no Trade Debtors were considered to be impaired.

Ageing of receivables is as follows:

	30.06.11	0-30 days	31-60 days	61+ days
Total Trade Debtors	726,411	712,592	11,052	2,767
	30.06.10	0-30 days	31-60 days	61+ days
Total Trade Debtors	251,101	248,660	75	2,366

## Price Risk

The Company is not exposed to any material commodity price risk.

## Net Fair Values

The net fair values of all financial instruments approximates their carrying values.



# INDEPENDENT AUDITOR'S REPORT



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S REPORT

To the members of Australian Egg Corporation Limited

### Report on the Financial Report

We have audited the accompanying financial report of Australian Egg Corporation Limited (the company), which comprises the statement of financial position as at 30 June 2011, 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 and the *Corporations Act 2001* and for such internal control as the directors determine is 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 judgement, 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 control 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 control. 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*.

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | [www.pkf.com.au](http://www.pkf.com.au)  
PKF | ABN 83 236 985 726  
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.





## *Opinion*

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

- a) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PKF'.

PKF

A handwritten signature in black ink, appearing to read 'Arthur Milner'.

Arthur Milner  
Partner

Sydney, 1 September 2011



# PROJECT / ACTIVITY REPORT

## STRATEGY 1

Monitor, analyse, understand and address market attitudes, behaviour, consumption and preferences of eggs and perceptions of the egg industry in the Australian market.

### Outcome

Industry is aware of and addressing consumer attitudes, behaviour and preferences for eggs while the community respects and recognises all egg production systems and minimal food safety risks associated with egg consumption.

Project/Activity	Outcome	AECL Pillar	RD&E Priority
Consumer focus group research	Campaign directly addressing the needs of the egg consuming market segments and gaining 'cut through' by testing campaign creative and messaging.	Market Awareness	2, 11
Consumer attitudes and behaviour tracking research	Benchmark outcomes from previous 2010 national U&A research to quantify and qualify shifts in consumer attitudes and behaviour so as to better target promotional and PR campaigns.	Market Awareness	2, 11
Market research – AZTEC retail scan data	Understand and track the purchasing behaviour of market segments to better target campaigns, maximise ROI and measure program/sales performance.	Market Awareness	2, 11
GP Reach – research	Benchmark outcomes from previous research to quantify and qualify shifts in attitude of opinion leaders so as to better target promotional and PR campaigns.	Market Education	2, 11
Egg production system definitions and standards	Media, government and consumer advocates informed of community expectations for egg production systems and implementation of system definitions and standards.	Public Affairs & Stakeholder Relations	2
CARMA media analysis – research	Improve tracking of issues, program success and media perceptions incorporating results into issues management responses and ongoing program development.	Public Affairs & Stakeholder Relations	2, 11





## STRATEGY 2

Execute integrated and market-responsive product marketing campaigns to assist raise awareness, demand, purchase and consumption of eggs in the Australian market among identified target market segments.

## Outcome

Continual growth in egg sales as per the outcomes of the 'Freebairn model' providing an effective return on invested funds and positive growth trend in egg sales each year.

Project/Activity	Outcome	AECL Pillar	RD&E Priority
National consumer print advertising campaign "eggs, as easy as."	Increase egg consumption behaviour of the low, non-restricting egg consuming market segments and positively impact the purchase cycle by reinforcing the fact that eggs are easy to prepare and are an essential part of a modern, healthy lifestyle. To be achieved through effective creative development of advertising.	Market Awareness	2, 10
National consumer digital advertising campaign "eggs, as easy as."	Increase egg consumption behaviour of the low-consuming market segments by creating word-of-mouth promotions engaging consumers via interactive digital activity.	Market Awareness	2
National consumer media & PR	Increase egg consumption behaviour of the low egg consuming market segments and positively impact the purchase cycle by increasing the knowledge of food writers, editors & journalists about eggs. To be achieved through effective creative development of advertising.	Market Awareness	2
Campaign POS/Promotions	Increase egg consumption behaviour of the low egg consuming market segments and positively impact the purchase cycle by influencing the purchase decision at the point-of-sale thereby adding another reminder and touch point for consumers.	Market Awareness	2
National consumer media-buy (ATL)	Increase egg consumption behaviour of the low, non-restricting egg consuming market segments and positively impact the purchase cycle by reinforcing the fact that eggs are easy to prepare and are an essential part of a modern, healthy lifestyle. To be achieved through effective media purchase.	Market Awareness	2
National HCP creative and POS material	Healthcare professionals more informed of the role eggs play in the diet and the nutritional qualities of eggs among the market segments.	Market Education	2
National HCP events campaign	Influence egg endorsement and recommendation s from healthcare professionals by promoting the health and nutritional benefits of eggs as it relates to their patients and clients at selected events.	Market Education	2
National HCP media campaign	Active egg restrictors are positively influenced through effectively communicating the role of eggs in a healthy and balanced diet increasing the frequency of egg consumption among this market segment.	Market Education	2
National HCP PR campaign	Increased awareness of the nutritional qualities of eggs and the role eggs play in maintaining a healthy diet.	Market Education	2



Project/Activity	Outcome	AECL Pillar	RD&E Priority
Student education	Educating primary-aged school children, related teachers and parents how eggs are easy, fun, creative and healthy so that this natural, nutritionally-dense whole food is demanded during the crucial time of childhood development.	Market Education	2
Nutrition advice and dietetics review	Help influence egg endorsements and communications to HCPs and KOLs in nutrition and food choice.	Market Education	2
ENC website development	Increased awareness of ENC and the independent and credible role they play in making scientific statements about eggs.	Market Education	2, 7
QA program – consumer launch	Help influence egg endorsements and communications to HCPs and KOLs in nutrition and food choice.	Market Education	1, 2
DAA	Influence egg endorsement and recommendations from healthcare professionals by promoting the health and nutritional benefits of eggs as it relates to their patients and clients at selected events.	Market Education	1, 2
Eggs For Health consulting	Help influence egg endorsements and communications to HCPs and KOLs in nutrition and food choice.	Market Education	2, 6, 9
Tolerance in raw egg allergy on consumption of cooked egg	Decrease the prevalence of allergic sensitivity in infants through factual communication of scientific research findings.	Market Education	1, 2, 10
How and when to introduce eggs to avoid egg allergies	Optimal timing information regarding the introduction of eggs into infants' diets associated with egg allergy through evidence to allay fears of including eggs in infant diets.	Market Education	1, 2, 10
Egg industry issues and crisis management	Protection and, where possible, enhancement of the reputation of the Australian egg industry through the timely identification and effective management of egg industry issues.	Public Affairs & Stakeholder Relations	2
Egg industry welfare strategy	Improved positive perception of the Australian egg industry and increased understanding of its role and importance in the Australian economy among key media and consumers, particularly by improving consumer and stakeholder awareness of facts around animal welfare.	Public Affairs & Stakeholder Relations	2
Food safety reputation	Improved consumer awareness of eggs and food safety and improved industry preparedness to deal effectively with a food safety or exotic disease outbreak. Ensure 'best practice' on-farm aims to reduce potential food safety risks from handling eggs and egg products.	Public Affairs & Stakeholder Relations	2
NHF 'Tick' license	Greater awareness of positive health benefits arising from the consumption of eggs while ensuring cost effective access and use of the NHF 'Tick' trademark by egg producers (sub-licensees) and ensuring consistency of use.	Public Affairs & Stakeholder Relations	2



**STRATEGY 3**

Enhance egg distribution channels and the merchandising environment to drive supply efficiencies throughout the value chain.

**Outcome**

Greater level of transparency throughout the supply/demand chain is achieved with enhanced product merchandising and management of the egg category at the Point-Of-Sale (POS).

Project/Activity	Outcome	AECL Pillar	RD&E Priority
Egg handling training materials	Reduction in ullage or wastage by uptake and adoption of developed training materials among retailers.	Supply Chain Enhancement	2
Customer relationship management	Maintain and improve the relationship with key egg industry customers.	Supply Chain Enhancement	2

**STRATEGY 4**

Identify, measure and address inefficiencies in the Australian egg production and supply chain through benchmarking, research and analysis.

**Outcome**

On-farm and supply chain inefficiencies understood, monitored and addressed through consultation with egg producers and resolved or minimised through the application and adoption of research.

Project/Activity	Outcome	AECL Pillar	RD&E Priority
Egg industry RD&E business development service	Better informed egg industry of R&D outcomes and application on-farm while providing feedback and ensuring direct input into future priority areas.	On-Farm Innovation & Efficiency	6, 10
Egg industry extension program development and communication	Improved dissemination of R&D information and transfer/adoption of new science and program outcomes.	On-Farm Innovation & Efficiency	6
Industry development, collaboration and R&D related policy management	Promotion and defence of industry needs and influence with respect to on-farm innovation and efficiency.	On-Farm Innovation & Efficiency	1, 6, 7, 9, 10
Poultry Co-operative Research Centre (CRC)	Maintain and enhance the egg industry's investment in R&D as it relates to hen nutrition, health, welfare, food safety, egg quality and the environment for community benefit.	On-Farm Innovation & Efficiency	1, 6, 9, 10
Life Cycle Assessment (LCA) of Australian egg production	Industry's carbon 'footprint' quantified and understanding of possible exposure under an Emissions Trading Scheme (ETS).	On-Farm Innovation & Efficiency	3, 4
Hen time off water assessment	Increased understanding of stress and other welfare effects of hens deprived of water.	On-Farm Innovation & Efficiency	5, 7
Scoping a civil society governance scheme for egg production systems	Informed decision regarding the applicability of a civil society certification system to facilitate acceptance of all egg production systems.	Public Affairs & Stakeholder Relations	1, 2, 6, 10
Producer diagnostics and communication tool	Improved on-farm flock management, knowledge transfer and enterprise profitability.	On-Farm Innovation & Efficiency	6, 7



**STRATEGY 5**

Initiate the development and uptake of innovations and industry information that will enhance industry competitiveness and sustainability.

**Outcome**

Industry information and innovation needs identified, researched and adopted to provide a more competitive and sustainable egg industry.

Project/Activity	Outcome	AECL Pillar	RD&E Priority
Egg Corp Assured (ECA) national egg quality assurance program	Differentiate egg producers by identifying egg producers who comply to 'best management practice' and gain uptake by egg businesses.	On-Farm Innovation and Efficiency	1, 2, 5
Climate change research strategy (CCRSPI)	Participation in a cross-sector research strategy to maximise ROI in relation to climate change information, research and adaptation.	On-Farm Innovation & Efficiency	3, 4, 10
Dietary available phosphorus requirements of laying hens	Enhanced egg production with respect to bird nutrition. Reduction in feed costs and environmental pollution.	On-Farm Innovation & Efficiency	1, 3, 10
EggBiz – egg production software	Increased on-farm efficiency and hen productivity through the adoption of integrated flock management software.	On-Farm Innovation & Efficiency	6, 7, 10
Salmonella control in commercial layer flocks	Provide confidence in the ability to reduce the possible presence of Salmonella on shell eggs by the use of vaccine technology.	On-Farm Innovation & Efficiency	1, 2, 5, 10
IBV in Australian layer flocks, a focus on egg quality	Improve the egg industry's knowledge regarding the contribution of IBV to declining egg quality.	On-Farm Innovation & Efficiency	5, 10
Determine the cause and methods of control for Spotty Liver Syndrome	Improved productivity of commercial layers placed in alternative systems without the need for antibiotics.	On-Farm Innovation & Efficiency	5, 10
Importance of space and nests for laying hens in cages	Improved welfare assessment of laying hens in cages through better knowledge and understanding of the importance of space and nests in cages.	On-Farm Innovation & Efficiency	1, 2, 10
Non-invasive assessment of stress in commercial housing systems.	Industry information on the relative effects of production system on physiological stress indicators	On-Farm Innovation & Efficiency	1, 10
Veterinary permits and APVMA registration project	Animal health maintained among replacement pullets and laying hens due to permits being granted for three 'critical' veterinary medicines.	On-Farm Innovation & Efficiency	5
Whole food policy coalition	Heightened awareness of social benefits, including health and nutrition, of fresh perishable foods among key influencers who impact nutritional guidelines and food policy.	Market Education	1, 2



## STRATEGY 6

Build industry resources to deliver stakeholder-responsive programs and information in a timely manner.

## Outcome

An adequately resourced egg industry and service provider thereby allowing the provision of technical, market and production-based skills to be engaged on demand.

Project/Activity	Outcome	AECL Pillar	RD&E Priority
Layer & egg supply forecasting model enhancement & report	Inform egg businesses of industry forecasts so that they can make better decisions on the timing of flock replacements and likely industry egg supply levels, thereby minimising volume and price variations and improving the management of supply.	Supply Chain Enhancement	1, 2
Egg Labelling Integrity Panel	To enhance the rigor in label approvals to help ensure truth-in-labelling among egg producers and proper use of the QA and HFT Tick trademarks.	Supply Chain Enhancement	2
Primary industries undergraduate scholarship program	Increased awareness of career opportunities at the graduate level resulting in greater adoption of new skills and talent attracted to the egg industry.	Public Affairs & Stakeholder Relations	6, 9, 10
Egg industry training initiative	Recognised industry training for transfer of skills through the development of a single-source, industry relevant training scheme.	On-Farm Innovation & Efficiency	6, 9, 10
Research seminar, conference study tours and grants.	Improved communication and dissemination of egg industry R&D results and professional development of industry stakeholders.	On-Farm Innovation & Efficiency	6, 9
National poultry RD&E strategy	A secure co-contribution strategy between the poultry industry and research providers to ensure sustained access to critical research and development skills and resources to enhance egg production and productivity in the future.	On-Farm Innovation & Efficiency	1, 6, 10
Corporate communications	Informed egg producers on AECL programs and activities through maintaining and enhancing stakeholder relationships in addition to improving access to products and publications designed to enhance business opportunities.	Public Affairs & Stakeholder Relations	N/A
Livestock feed grain users group and feed grain partnership	Ensuring suitable quality and supply of feed grain is maintained through partnerships and collaboration.	On-Farm Innovation & Efficiency	1, 3, 7, 10
Liaison with Animal Health Australia (AHA)	Better informed egg industry on animal health matters with secure funding arrangements under the Emergency Animal Disease Response Agreement (EADRA).	Public Affairs & Stakeholder Relations	5, 10
Council of Rural Research and Development Corporations (CRRDC)	Maintain the egg industry's consultation and relationship with government on R&D matters to assist demonstrate community benefit as per the SFA and government R&D priorities.	Public Affairs & Stakeholder Relations	10, 11



Project/Activity	Outcome	AECL Pillar	RD&E Priority
Meetings with the Federal Minister and DAFF	Better informed Australian Government regarding the programs and activities of AECL and the Australian egg industry as per the SFA.	Public Affairs & Stakeholder Relations	N/A
Egg industry meetings & conferences	Better informed AECL, egg producers and service providers through exposure to international markets, industries, concepts and ideas.	Public Affairs & Stakeholder Relations	N/A
Stakeholder relations - egg producers	Egg industry involvement in AECL activities and full knowledge on program outcomes and levy investments to appease stakeholder issues as they relate to AECL operations.	Public Affairs & Stakeholder Relations	N/A
On-Farm Innovation & Efficiency ICC	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A
Public Affairs ICC	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A
Animal Health TWG	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	5
Promotions & PR ICC	Better informed AECL and management of industry expectations through the provision of stakeholder feedback and expert opinion on promotions and PR.	Public Affairs & Stakeholder Relations	N/A
Supply Chain Enhancement ICC	Better informed AECL and management of industry expectations through the provision of stakeholder feedback and expert opinion on supply chain issues.	Public Affairs & Stakeholder Relations	N/A
EggCorp Assured ICC	Better informed AECL from stakeholder and expert feedback and management of industry expectations.	Public Affairs & Stakeholder Relations	N/A
AECL Performance Review – SFA compliance	Knowledge and awareness of AECL operating performance against the AECL Strategic Plan and Statutory Funding Agreement.	Public Affairs & Stakeholder Relations	11
AECL R&D program evaluation	Knowledge, awareness and return on the investment of R&D dollars across the suite of R&D-funded projects.	Public Affairs & Stakeholder Relations	11
Egg Nutrition Council (ENC)	Create and update scientific positioning statements on the health and nutritional benefits of eggs to increase the demand for eggs.	Market Education	2



# AECL INDUSTRY CONSULTATIVE COMMITTEES AND EXPERT GROUPS

## MEMBERSHIP

### Industry Consultative Committees:

#### Public Affairs:

Mr Bruce DeLacy  
Farm Pride Foods Ltd

Mr Paul Pace  
Pace Farm Pty Ltd

Mr John Groenewold  
Groenewold Poultry

Ms Meg Parkinson  
Jamoney Pty Ltd

Mr Chris Day  
Australian Poultry CRC

#### PR & Promotions:

Ms Julie Proctor  
Sunny Queen Ltd

Mr Ian Savenake  
Farmpride Ltd

Mr Grant Dearden  
Pace Farm Pty Ltd

Mr Peter High  
High Marketing

Mr David Thomason  
Independent Consultant

#### Supply Chain:

Mr Paul Pace  
Pace Farms Pty Ltd

Mr Ian Savenake  
Farmpride Ltd

Mr Phil Szepe  
Kinross Farm Pty Ltd

Mr Phil Porter  
Sunny Queen Limited

Mr Miro Krmpotic  
Huhtamaki Australia Pty Ltd

Mr Geoff Sondergeld  
Darling Downs Fresh Eggs

#### ECA:

Ms Shelly Green  
Green Eggs

Mr Bede Burke  
Glenwarrie Partnership

Mr Rogue Isemonger  
Pace Farms Pty Ltd

Mr Lawrie Coutts  
Farm Pride Foods Ltd

Mr Dennis Green  
Golden Egg Farms

Mr Michael Brown  
NCS International Pty Ltd

Ms Sheryle Rogers  
Sheryle Rogers Consulting Pty Ltd

#### On-farm Innovation and Efficiency:

Mr Phil Szepe  
Kinross Farm Pty Ltd

Mr Peter Bell  
AAA Farms

Mr Geof Runge  
AECL Extension Officer

Ms Judy O'Keefe  
Ridley Agriproducts

Dr Greg Parkinson  
Independent Consultant

Dr Peter Scott  
Scolexia Pty Ltd

Dr Greg Underwood  
Hy-Line Australia



# AECL INDUSTRY CONSULTATIVE COMMITTEES AND EXPERT GROUPS

## MEMBERSHIP

### Expert Groups:

#### Animal Health Technical Working Group:

Dr Peter Scott  
Scolexia Pty Ltd  
  
Dr Peter Groves  
Zootechny Pty Ltd  
  
Dr Clive Jackson  
Biological Technology  
Transfer Pty Ltd

#### Hen Welfare Advisory Group:

Professor Paul Hemsworth  
Animal Welfare  
Professor Paul Hemsworth  
  
Dr Clive Jackson  
Biological Technology Transfer  
Pty Ltd  
  
Mr Phil Szepe  
Kinross Farms Pty Ltd  
  
Prof Tina Widowski  
University of Guelph (Canada)  
  
Professor Kevin Stafford  
Massey University

#### Egg Nutrition Council:

Dr Don McNamara  
Eggs for Health  
  
Ms Sharon Natoli  
Food & Nutrition Australia  
  
Dr Manny Noakes  
CSIRO  
  
Prof Karam Kostner  
University of Brisbane  
  
Dr Tania Markovic  
Royal Price Alfred Hospital, Sydney  
  
Dr John Barlow  
Medical Practice  
  
Dr Cameron Grant  
University of Auckland

#### Food Safety Task Force:

Dr Peter Scott  
Scolexia Pty Ltd  
  
Dr Patricia Desmarchelier  
Independent Consultant  
  
Dr Julian Cox  
University of Sydney  
  
Dr Dominic Dwyer  
Westmead Hospital, Sydney  
  
Prof Peter Curson  
University of Sydney

#### ESA Technical Advisory Committee:

Mr Malcolm Peacock AM  
Independent Chairperson  
  
Dr Peter Scott  
Scolexia Pty Ltd  
  
Michelle Edge  
DPI Victoria  
  
Dr Margaret Sexton  
PIRSA  
  
Dr Patricia Desmarchelier  
Food Science Australia  
  
Ms Sheryle Rogers  
Sheryle Rogers Consulting Pty Ltd  
  
Dr Barbara Butow  
Food Standards Australia  
New Zealand  
  
Mr Franko Pirovic  
Pirovic Enterprises Pty Ltd  
  
Mr Bill Weeks  
Happy Hens Egg Farm  
  
Mr Noel Kratzmann  
Greenmount Poultry Farm /  
D A Hall & Co  
  
Mr Max Alexander  
Fraser Coast Free Range



AAWS	Australian Animal Welfare Strategy
AECL	Australian Egg Corporation
AEIA	Australian Egg Industry Association
AHA	Animal Health Australia
AI	Avian Influenza
AOP	Annual Operating Plan
ASIC	Australian Securities and Investments Commission
CRC	Cooperative Research & Development Corporation
CRRDC	Council of Rural Research & Development Corporation
DAFF	Department of Agriculture, Fisheries and Forestry
DPI	Department of Primary Industry
ECA	Egg Corp Assured
EFA	Egg Farmers of Australia Inc
ELG	Egg Labelling Guide
EMS	Environmental Management Systems
ENC	Egg Nutrition Council ( previously ENAG )
FRP	Full Research Proposal
FSANZ	Food Standards Australia New Zealand
FSTF	Food Safety Task Force
HWAG	Hen Welfare Advisory Group
ICC	Industry Consultative Committee
IEC	International Egg Commission
IPP	Industry Partnerships Program
LCA	Life Cycle Assessment
NAHIS	National Animal Health Information System
PR	Public Relations
PRP	Preliminary Research Proposal
R&D	Research and Development
RD&E	Research Development and Extension
RDC	Research and Development Corporation
RSPCA	Royal Society for the Prevention of Cruelty to Animals
TWG	Technical Working Group

**Disclaimer** This publication is published by the Australian Egg Corporation Limited ( AECL ) for information purposes only. Although reasonable care was taken in its preparation, AECL does not guarantee or warrant the accuracy, reliability, completeness or currency of the information, or its usefulness in achieving any purpose. To the fullest extent permitted by law, AECL will not be liable for any loss, damage, cost or expense incurred in, or arising from any person relying on the information or data in the publication. Persons should accordingly make and rely on their own assessments and enquiries to verify the accuracy of the information provided.

**Commercial and other use** No part of this publication may be reproduced, stored in a retrieval system, distributed or commercialised in any form without prior written approval from AECL. The contents of this publication may not be used to sell a product or service for commercial reasons such as advertising.

**Trademarks** Any trademarks or logos contained in this publication may not be used without the prior written permission of AECL.



