

15 July 2011

Ms Jeanette Radcliffe
Committee Secretary
Senate Rural Affairs and Transport Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Ms Radcliffe

RE: Inquiry into improvements in animal welfare for Australian live export markets

I am writing to provide Sheepmeat Council of Australia's (SCA) submission to the above inquiry. The attached includes a statement about SCA's role in the red meat industry structure and how this relates to Meat & Livestock Australia (MLA) and its livestock export industry support programs.

We remain fully supportive of the live trade and the role that MLA and LiveCorp have played and continue to play in the ongoing development and servicing of the market in the Middle East and North Africa (MENA) Region. Please note that SCA is committed to and actively engaged in the implementation of the changes flagged by the Government for all live export markets.

Please feel free to contact me if you require further information.

Yours sincerely

Ron Cullen
Chief Executive Officer

Submission to Inquiry into Improvements in Animal Welfare for Australian Live Export Markets

1. SUMMARY

This submission from Sheepmeat Council of Australia (SCA) does not attempt to canvas all the issues identified in the terms of reference for this review but rather focuses specifically on the policy role of SCA and especially in providing direction to Meat & Livestock Australia (MLA) and indirectly to LiveCorp. It also focuses on the sheep trade to the Middle East and North Africa (MENA) Region, being our single biggest live sheep export destination.

In general terms, SCA believes that Australia's involvement in the live export trade, and particularly that of MLA and LiveCorp, has resulted in significant improvement in animal welfare in the MENA Region, not just for Australian livestock, but for all animals. This is because improvements in animal welfare have been made through education and training to encourage changed behaviour as well as improvements to infrastructure throughout the supply chain.

It is of concern that the Four Corners program has been used as a platform to attempt to dismantle the entire red meat industry structure. This misrepresents the roles and responsibilities of a number of players and appears to be motivated by other agendas rather than a desire to resolve the issues brought to light by the ABC program. SCA remains committed to the trade and to the ongoing improvement in animal welfare in the MENA Region, and is fully supportive of the actions of our service body, MLA and also of LiveCorp.

2. BACKGROUND - SHEEPMEAT COUNCIL OF AUSTRALIA

SCA is the national Peak Industry Council representing and promoting the needs of Australia's lamb and sheepmeat producers.

The objects of SCA are -

- to represent and promote the interests of Australian sheepmeat producers;
- to function as a specialist sheepmeat industry organisation with concern for the livelihood of all sheepmeat producers;
- to carry out activities necessary for the betterment of the sheepmeat and live sheep export industries;
- to collect and disseminate information concerning the sheepmeat and live sheep export industries;
- to co-operate with appropriate organisations at the state and national level and overseas;
- to maintain a high level of liaison and co-operation with its Members, relevant Government departments and authorities at Federal and State levels, with local government, and with other relevant industry organisations;

- to promote the development of the agricultural and pastoral industry and resources of Australia;
- to act as the Prescribed Body for the sheepmeat industry in Australia within the Red Meat Industry MoU under the Australian Meat and Livestock Act 1997 (the Act).

SCA is a signatory to the red meat industry Memorandum of Understanding (MOU). The MOU highlights SCA's role as a Peak Industry Council. The MoU also identifies SCA as a member, along with other Peak Industry Councils, of the Red Meat Advisory Council Ltd (RMAC).

RMAC's role includes consulting with the Minister on agreed whole of industry matters; to be custodian of the Meat Industry Strategic Plan and MOU; and to manage the industry's financial reserves, known as the Fund.

SCA receives its funding primarily from three sources; the Fund for the activities specified in the MoU undertaken on behalf of the sheepmeat industry; by voluntary membership subscriptions paid by State Member Organisations, and; through specific service agreement arrangements.

SCA is accountable to RMAC, the Commonwealth, and the national sheepmeat industry through an annual business plan and audit as well as the normal annual accountabilities prescribed and expected of an incorporated association.

SCA represents all sheepmeat producers in Australia and provides an efficient mechanism to bring a diverse range of issues and needs to the policy making process. The Council draws on many formal and informal processes to achieve this. Principal amongst these is input from the state farming organisations, which have extensive networks across their jurisdictions. As well, the Council as an entity and the Councillors as individuals utilise a very wide range of mechanisms to gather information and develop policy, for example, farmer cooperatives and groupings, informal interaction at meetings and other gatherings, through the Council's e-newsletter and annual publication, and the individual Councillor networks.

As the recognised peak body for the sheepmeat industry under the Act, SCA sets the strategic objectives to be pursued by the levy funded organisations Meat & Livestock Australia (MLA), Animal Health Australia (AHA), and the National Residue Survey (NRS), and examines and approves their programs and budgets. We are involved in priority setting for industry R&D and marketing activities both domestically and internationally as set out in the Red Meat MoU. Under the MoU SCA assesses the performance of services delivered by expenditure of lamb and mutton levies.

3 – HISTORY OF LIVE TRADE POLICY.

SCA supports the live trade, with priority for the improvement of animal welfare both on board ship and in the marketplace. This has mostly been evident in;

- direct support for R&D to improve technology and understanding such as pre-conditioning for the voyage
- education and training in a range of handling and management practices
- infrastructure enhancements throughout the supply chain.

Council has seen a significant change in the welfare of Australian live export sheep over a number of years. SCA is committed to a sustainable live export trade. It is a valuable and strategically important market for Australian sheep. It provides marketing options for producers, underpins prices and demand for livestock, is complimentary to wool and boxed meat production systems and satisfies the needs of important markets that cannot be met through the export of chilled and frozen sheepmeat. It has also established our reputation as a supplier of high quality product and hence provided a platform and market advantage for the Australian boxed meat trade.

Our experience in the market place has shown the significant benefit that has accrued from expenditure of levy funds on animal welfare. It has also demonstrated the importance of the Government/industry partnership in driving lasting change.

4 – POLICY CONSIDERATIONS

- (a) Our policy approach has been consistent with our role of providing benefit to levy payers for the investment of levy funds. It has been based on the economics of the trade, providing extra competition in the market, with independent advice suggesting that the live trade provides an extra \$5 to \$6 dollars per head (CIE report). We have also recognised the need to increase animal welfare in the markets to which Australian sheep are supplied and hence a major focus of our policy approach has been to this end. A third and equally important aspect of our policy approach has been the enhanced opportunities that have arisen for our boxed products based on our reputation for supplying quality live sheep. Lastly, we are conscious of a social responsibility that having been in the market place and developed markets, we must continue to meet the food requirements of our customers.
- (b) The Government's response to the Four Corners program has brought about a significant change in approach requiring a rapid response. It is clear that we are no longer operating in an environment of continuous improvement. The Government has signalled that we must now demonstrate an absolute assurance of welfare. This has been characterised as being part of our social responsibility. It is an extremely important and major change from the way we previously operated and will not be implemented 'overnight'. It will potentially slow the rate of animal welfare improvement in the region as we will no longer be working in supply chains that are below OIE standard.
- (c) From a policy perspective the domestic and voyage sectors are now working well, especially as an outcome of the industry and Government partnership that came out of the Keniry Livestock Export Reviews. R&D continues to fine tune much of the specifics of these parts

of supply chains but from a policy perspective the settings have delivered a process that meets Australian standards.

- (d) Following the airing of the Four Corners program Council reacted quickly and informed MLA that any evidence of similar action in sheep supply chains should not be tolerated and that levy funds should not be used for activities in such supply chains.
- (e) Future policy settings will be dependent on Government and industry working together to push change from a bottom up and a top down approach. The significant involvement of MENA governments in the red meat industry in their jurisdictions means that Australian industry cannot make the changes alone.

5 – RESPONSE TO MATTERS RAISED BY THE SENATE COMMITTEE

The following comments are provided in responses to the Committee’s specific questions.

1. *Investigate and report into the role and effectiveness of Government, Meat and Livestock Australia, Livecorp and relevant industry bodies in improving animal welfare standards in Australia’s live export markets, including:*
 - a. *The level, nature and effectiveness of expenditure and efforts to promote or improve animal welfare standards with respect to all Australian live export market countries;*
 - i. *expenditure and efforts on marketing and promoting live export to Australian producers;*
 - ii. *ongoing monitoring of the subscription to, and practise of, animal welfare standards in all live export market countries;*
 - iii. *actions to improve animal welfare outcomes in all other live export.*
 - b. *The extent of knowledge of animal welfare practices in Australia's live export markets including:*
 - i. *formal and informal monitoring and reporting structures;*
 - ii. *formal and informal processes for reporting and addressing poor animal welfare practices.*

SCA, working with MLA and LiveCorp, is deeply committed to maintaining a strong, sustainable livestock export industry, essential both for Australia and importing countries. The Australian livestock export industry operates in a highly complex environment with cultural, political, financial, religious, economic, social, geographic and climatic complexities and constraints. These complexities and constraints must then be superimposed over the recognition that MLA has no direct commercial or regulatory power to implement change or to drive uptake of new processes and procedures, including those related to animal welfare improvements. Expenditure on live exports has been extremely modest in comparison to the overall MLA

budget. With these challenges, MLA has been working in conjunction with LiveCorp towards a continuous improvement for animal welfare in livestock export markets (as opposed to requiring the immediate adoption of OIE standards). This strategy has been acknowledged by SCA, DAFF and the OIE Regional Animal Welfare Strategy: Asia, the Far East and Oceania.

MLA invests on behalf of Australian sheepmeat producers to increase the markets for Australian lamb and sheepmeat and live sheep and to open up market opportunities for Australian sheepmeat producers and companies selling Australian sheepmeat domestically and overseas. MLA does not promote live export to producers over alternative markets. In fact there is a much greater investment in the marketing and promotion of chilled and frozen lamb and sheepmeat in domestic and export markets than in markets for live sheep.

Industry has never claimed that animal welfare practices in overseas markets are ideal or that OIE standards are consistently met. That is why SCA has supported programs to identify where investment and resourcing are needed and where vital programs – including animal handling training; infrastructure improvements; technical support and research and development – need to be focused. The aim has been to continually and incrementally improve animal welfare practices so that over time the practices would reach acceptable levels and that OIE standards would be met.

This has been a transparent process with proposed activities, key performance indicators and results published in MLA's and LiveCorp's Annual Operating Plan and Annual Reports. Industry and government representatives regularly visit live export markets to see for themselves MLA's and LiveCorp's activities and the unique features and complexities of each market. MLA also presents the results of key livestock export related research and development to an annual forum on R&D held in Canberra, attended by over 50 staff from government departments, key industry bodies and animal welfare groups.

Substantial improvements in animal welfare have been delivered by industry and government. This has occurred through regulatory change, the application of research and development outcomes and through increased human capacity via training and monitoring. Regulations governing the industry have evolved from simply delivering against supply contracts to a period of industry self regulation to the current Australian Standards for the Export of Livestock (ASEL) enforced under Commonwealth legislation.

2. *Investigate and report on the domestic economic impact of the live export trade within Australia including:*
 - a. *Impact on regional and remote employment especially in northern Australia;*
 - b. *Impact and role of the industry on local livestock production and prices;*
 - c. *Impact on the processing of live stock within Australia.*

Various reports have been prepared on the economic impact of the live trade, most recently the CIE study on the contribution of the Australian live export industry prepared for LiveCorp and MLA and presented to the ABARES Outlook 2011 conference.

The livestock export trade offers significant economic benefits both to Australia and our trading partners. The livestock export trade has sizeable impacts on the Australian economy and livestock sector through regional and remote employment, livestock prices, producer profitability, land management, farm management, productivity and property values. Our trading partners also benefit from live exports through improvements in social and economic wellbeing, technology spillovers and capability building.

The live trade and meat trade are not perfect substitutes. Australia exports boxed sheepmeat to the same countries to which it supplies live animals. The two products serve different market segments, and as a result, many markets will continue to demand livestock imports even in the absence of Australian livestock. Any interruption to Australian live sheep supplies also has the potential to result in reductions in demand for our boxed trade.

6 - CONCLUSION

The industry accepts that Australian Government policy has now shifted from incremental advancement and has been fast tracked to immediate and full implementation of OIE standards to all supply chains involving Australian livestock. The industry does not oppose this reform – quite the opposite, it helped put it in place. But its immediacy and wide sweeping nature poses challenges for the industry – challenges we are prepared to meet. A major advantage of the new arrangements is that it provides a mechanism such that in the future only non-compliant supply chains will be closed, rather than a whole trade suffering.

Without Australian livestock, importing countries will look to other countries which have no welfare considerations. Australia is one of 109 countries that exports livestock but is the only one that invests money and has an on-the-ground presence in export markets to improve animal welfare. In the largest live sheep export market in the world, the Middle East, no other exporting country is investing a single dollar in animal welfare initiatives despite sending hundreds of thousands of livestock there. While not reaching perfection, Australia has made significant improvements in this region. These gains would simply not have been possible without our presence in the market. Net global animal welfare has increased with the investment by the Australian industry and government in livestock export markets.