

I refer to the above mentioned inquiry in particular the terms of reference items:

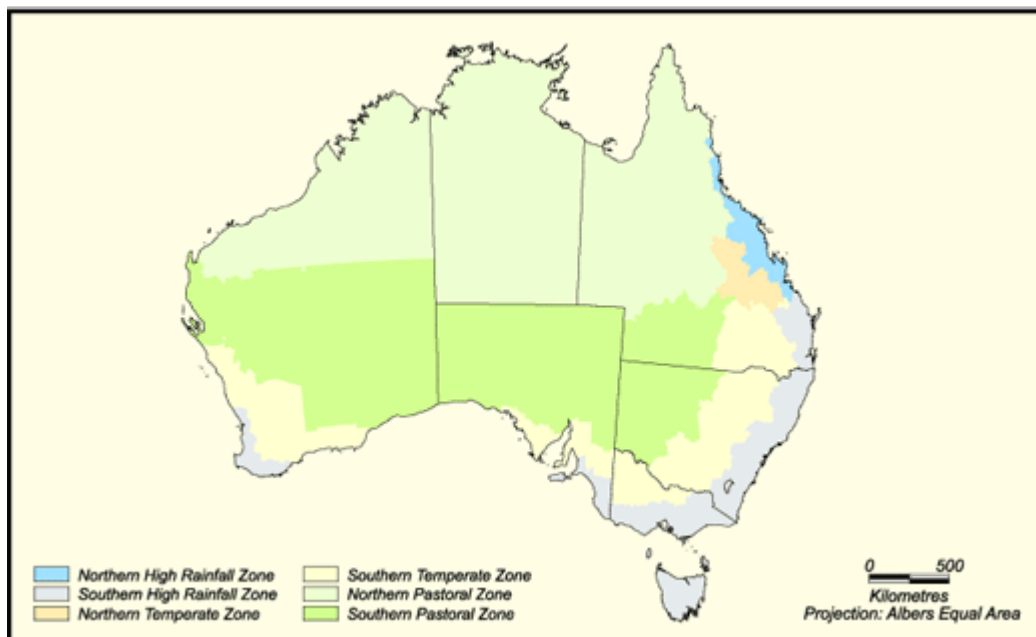
2. Investigate and report on the domestic economic impact of the live export trade within Australia including:

- 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.

Australia is the only country who can have an influence on animal welfare issues in Indonesia. We can help this developing nation, our nearest major trading partner, with a population of over 240 million people to develop best practice animal welfare practices.

The Australia/Indonesia live export trade has been described as “one of the most efficient and complimentary protein production systems in the world.” It is a trade worth investing in for the long term and a trade which is crucial for the future of Northern Australia and the Australian beef industry as a whole. We as a nation cannot afford to turn away from such a long term trade opportunity which provides outstanding integrated social, economic and environmental outcomes for both Australia and Indonesia without endeavouring to find a solution to take the trade forward.

Beef Map



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Northern Region beef production area
158,504,422 Hectares
72 % of Australia's beef production land

Source: <http://www.anra.gov.au/topics/agriculture/beef/index.html#whereprod>

Challenges to processing in the north

The move from live export to processing most certainly could not happen within three years as the Bills before the parliament recommend without severe consequences for existing systems and markets. Altering a livestock production system can take decades. Cattle produced in the north on deficient native pastures on undeveloped land can only achieve a slow growth rate and resultant weight for age animals cannot meet the high standards required by the processing sector as far as meat quality is concerned. These cattle are however specifically bred to feed on in Indonesia where no such weight for age criteria is applicable.

Other contributing factors to processing not being an option are:

- Indonesians have little electricity and no refrigeration – boxed beef is not an alternative for most
- Australian cattle sold into Indonesia are 350kg and under
These cattle are not suitable for slaughter due to their weight and fat cover
They have been specifically bred for the market for over a decade.
- The supply of product for a meatworks in the north is one of the main problems due to the extended wet season when plants would have to shut down
- Most of the stock in the far north is not grown out or fattened for slaughter because the undeveloped land and deficient pastures on which the cattle are grown is not suitable for growing out and finishing cattle.
The beef product available is therefore only suitable for the grinding beef trade into the US which is the lowest price for returns and a market which is currently sluggish to say the least.
- Established meatworks in regional areas cannot currently get staff.
They are importing workers from overseas into Australia now to keep their plants operating.
- It is a misconception to say that a meatworks, even if it were to be viable, would provide Australian jobs.
- The live export trade is supplying Australian jobs and those jobs are all in jeopardy right now.
- The other side of the meatworks debate is the price paid to producers. If live export is stopped this would virtually give a monopoly to the northern meatworks, which would be constrained by the price they get for the unfinished northern product.
- Returns to beef producers would more than likely be halved. This would render them unviable.

- When cattle go to Indonesia, they are fed on a variety of products for some time until they grow into a bigger fatter animal which is much more profitable to slaughter
- The Indonesians buy the young cattle from us (restriction on weight of 350kg) so that they can “value add” by feeding them with the abundant supply of feed they have. This creates a vital food production industry in a developing nation that is trying to feed its people – ONLY Australia is trying to improve animal welfare in Indonesia. If we are banned they will get the cattle elsewhere with no animal welfare requirements whatsoever.
- A stable supply of meatworks cattle is difficult across extensive areas of northern Australia where the weather patterns can halt supply for months at a time. The live export market has adapted to this supply disruption.
- Inability to slaughter cattle at satellite killing floors. This would halve freight costs and increase meat quality and weights (see spreading the risk for Australia)

Impact on markets

ABARE estimates 200,000 head of cattle will not make it to Indonesia this year.

Big numbers of young store cattle, not suitable for slaughter will be for sale depressing the store cattle market in the short term.

In twelve to eighteen months when those extra stores come off feed there will be a significant increase in supply of finished cattle (most of which will be in a forced sale position due to cash flow requirements) this is once again have a significant negative effect on prices.

There is no extra capacity in the boxed beef market to absorb this increase in supply.

Market for finished product currently very soft due to strong American presence in Australia's export beef markets and slow demand. Currently in Queensland some plants have closed and others are on reduced hours are beef backs up in storage in export markets.

Northern producers forced to sell their cattle into southern markets will have profits stripped away by freight costs to get the animal to the destination as well as the weight loss incurred due to the trip over hundreds of kilometres. The numbers of similar cattle moving south will mean a simple supply and demand issue will drive prices down.

The strong live export market puts a floor in the store market across the north which flows through to support all markets.

The impact of uncertainty

The impact of the decision by the Federal Government to place an immediate ban on an export industry due to the lobbying of activists groups without consultation and without warning has created a disastrous loss of confidence and certainty for the industry. Australia's once highly valued reputation as a stable and reliable exporter now lays in tatters as the rest of the world observes what happened when the reactionary decision to ban live export was made. The uncertainty created by the decision is devastating for future investment by industry and by the banking sector.

The damage is done and cannot be reversed other than by the introduction of Federal legislation which ensures that the banning of any export product cannot proceed without meeting a list of criteria. (see below in What needs to happen now).

There are few more negative influences on cattle markets than uncertainty due to the long term nature of cattle production systems.

Current cash flow crisis across northern Australia caused by the live export ban.

On the night of the 4 Corners expose, cattle producers across northern Australia stopped spending immediately. All spending other than basic maintenance and living expenses halted overnight as confidence was stripped away from the cattle industry.

All manner of support industries are now struggling under this abrupt halt to cash flow. Helicopter mustering, Livestock carriers, Ports, Livestock handlers, Earthmovers, Poly tank and water equipment suppliers, Stock feed and lick suppliers, Fuel distributors, as well as retailers across the board in regional communities like electrical stores, coffee shops, tyres and clothing retailers, hardware stores, mechanics and tyre retailers, etc.

This sudden cessation of spending will have a domino effect across the north and across the nation as income stops for cattle producers, associated industries and their employees. Jobs are lost and loan and lease payments to banks are not made. Many communities will be more adversely affected by this ban than the floods or cyclones.

Complimentary Landscapes

The Northern Australia/Indonesia live export/import trade is a fine example of the optimum use of challenging landscapes which maximises economic, environmental and social outcomes

Northern Australia's vast areas of land is suitable for breeding large numbers of cattle but not conducive to finishing cattle to specifications for processing.

The cattle producers of the north have adapted and developed their herds to maximise fertility and production and minimise environmental impacts by being able to turn off large numbers of young cattle in a season and not have to try to hold those cattle over to achieve a more weight.

This significant supply of young cattle perfectly compliments Indonesia's demand for this specific animal. The Indonesians have an abundance of suitable fodder in many different forms and also an abundance to low cost labour which enables them to take the cattle forward and grow them out at a very low cost, meaning they reap the benefits by creating an industry, employment and a vital protein source for their population.

It is important to understand the need to keep the vast Australian north and outback populated. We as a nation need to keep the cattle producers viable as they care for and look after the land helping to control pest animals and plants and providing an industry to support the remote communities throughout the extensive landscapes across our country.

Travel of stock on ships

The trip for cattle to Indonesia is relatively short. It is 700kms and it takes 5 to 7 days.

Animals are well housed and fed. Compared to other destinations around the world cattle travelling to Indonesia have the least amount of travel related stress.

Mortality rates for cattle at less than 1% and improving all the time. It is obviously in the cattle exporters and the shipping company's best interest to reduce mortality.

Links to shipping information

<http://www.liveexportcare.com.au/AnimalTransportCare/The+facts+about+livestock+export>

http://www.wellardgroup.com.au/wellard_rural_exports/transport/shipping.phtml

<http://www.townsville-port.com.au/content/view/37/107/>

http://www.animaltransportationassociation.org/news/modern_transportation.cfm

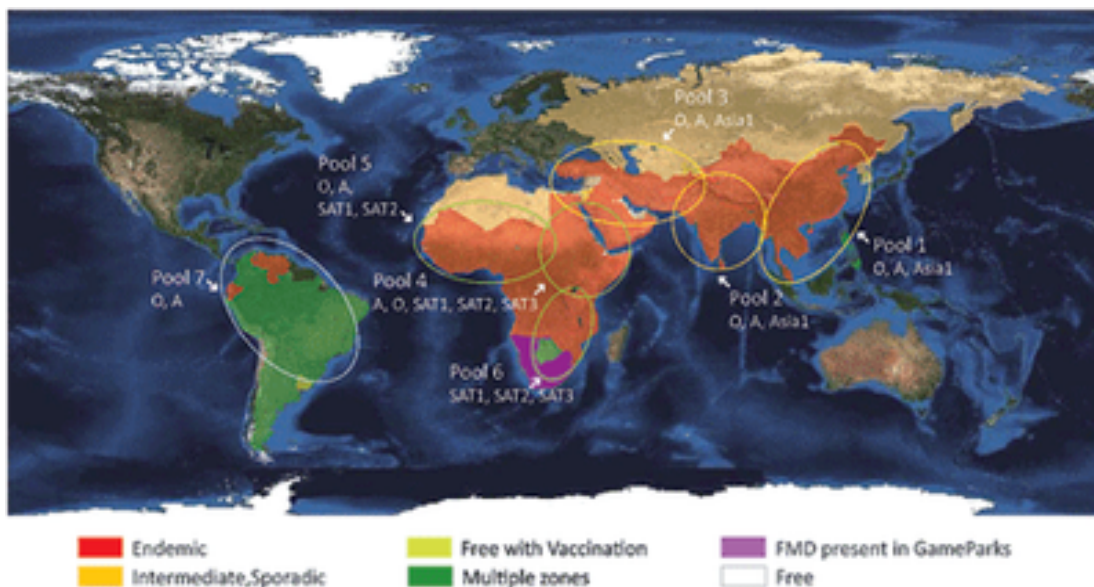
http://www.ntlea.com.au/our_membership/index.html

Unacceptable increase in foot and mouth disease risk

If Australia is removed from the export trade, Indonesia will be forced to import cattle from elsewhere to satisfy their nations increasing demand for beef. Despite their aspirations it is generally believed that their goals for self sufficiency are not attainable as in population's growth alone they will not be able to supply. The Indonesians will more than likely source these cattle from foot and mouth disease countries. See the map below. If this happens it will greatly increase the probability of the devastating Foot and Mouth Disease coming into Indonesia bringing the deadly virus to within 700kms of our shores. The catastrophic economic and animal welfare issues which could occur as a result of FMD entering Australia would be the likes of which never before witnessed in our nation. We simply cannot, MUST not, take that risk.

"The conjectured status of FMD in 2009 showing approximate distribution of regional virus pools."

Source: <http://www.foot-and-mouth.org/>



Is Indonesia going to be self sufficient by 2014?

It is widely believed that whilst the Indonesian government is moving toward self sufficiency their goal of 2014 is unattainable due to a number of factors:

- Populations growth as compared to herd growth
- Increasing per capita demand as compared to herd growth
- Low levels of fertility in the domestic herd as low as 10%
- Increasing demand and subsequent attractive increase in price for beef will result in sales of females by small scale cattle owners
- Increasing use of land for palm oil plantations which are extremely profitable far more so than beef cattle as a land use
- Majority of the Indonesian herd is owned by millions of herders with less than 10 head. (excerpt from Swamped with cheap imports into Indonesia By Sarina Locke from Canberra 2600 Monday, 20/06/2011ABC rural)
Nearly half of the 4.6 million Indonesian cattle producers raise just 2 cattle a year for slaughter. "Family farming cattle is not special(ist) like in Australia, we have land, not very big size, we have rice, cattle in the backyard of our home. We use the animal on the farm for digging the land, and some take the milk, but not all family farms have cattle," says Henry Saragih, Chair of the Peasant Farmers Union of Indonesia

Refer to report at:

<http://aci.ar.gov.au/files/node/452/mn95.pdf>

New Zealand stopped live export why cant we?

New Zealand cattle production systems are completely different to the Australian systems. Cattle are grown in small intensive, mainly grass fed areas and the fertile nature of the soils and quality of the pastures allows for the finishing of cattle to specific target markets. The numbers of cattle in New Zealand cannot be compared to those in Australia. The New Zealand live export trade numbers were only a fraction of the Australian cattle exported providing only a very small percentage of the NZ market. In short, ceasing to export has little to no effect on the cattle market due to the insignificant numbers traded. New Zealand is also geographically challenged and the costs of transporting from NZ was prohibitive to potential purchasers.

New Zealand continues to export live dairy cattle for breeding purposes to many destinations around the world. These cattle will be slaughtered in that country eventually.

Spreading the risk for Australia

Measures to address the future needs of the Northern Australian cattle industry:

- Urgent and positive approach by State and Federal governments to the future development of areas of northern Australia with a view to providing the opportunity to grow pasture/crops which would enable the value adding capability to grow and finish northern cattle to supply premium product.
- Comprehensive study of the northern cattle industry to determine strengths, weaknesses, opportunities and threats and compile information on achievements and environmental stewardship of cattle producers. The study to include data on the importance of the industry to rural communities and particularly the benefits of the industry to the large indigenous population of the region
- A project which investigates the potential increased returns for cattle raised on natural, native pastures across the vast outback given the now strong demand for branded beef products and consumer demand for environmentally friendly produce both domestically and internationally.

What needs to happen now:

1. Federal legislation should be drafted so that a ban can never be imposed on any exported product without:
 - Meeting a set of criteria to be developed by governments, industry groups and exporters
 - Reasonable notice
 - Consultation with industry and exporters and importers in the country receiving the product
 - A plan for how to manage the ban or phasing out so as to have minimal impact on the economic, social and environmental factors associated with the ban and having due consideration for our exporters customers

- 2.** Family operated Cattle producing businesses and support businesses which have been directly and severely affected by the ban must be provided with interest subsidy support to assist them with their loan commitments as the live export industry recovers from the consequences of the actions of the Federal government in suspending the trade. The cattle industry has been in the grip of the worst drought in living memory for most of the last decade, followed by a series of major flood events. Many have managed to survive. The live export ban has brought them to their knees again and will be the death knell for many due to their inability to meet their loan repayments to the banks. The disruption to the industry and the uncertainty created by the government's decision to ban the trade has had a very negative effect on the value of landholder's assets and equity and the government is responsible for this devaluation, sudden halt to cashflow and significant drop in budget projections.

- 3.** Significant funds must be invested by the Australian Government and the Australian Cattle Industry in infrastructure, equipment and training in Indonesia to address animal welfare issues. This investment could include:

 - Engagement of Temple Grandin and other recognised animal behaviour experts to assist with the design of a processing plant specifically designed to suit the Indonesian circumstances.
 - The construction of the Grandin designed facility in Indonesia funded by the Australian Government Aid Program with support from industry bodies.
 - The immediate purchase of equipment such as head restraints and stun guns by Australia for provision to existing meatworks in Indonesia
 - Purchase and installation of NLIS systems into abattoirs in Indonesia by Australia
 - Funding for programs to bring Indonesian cattle handlers to Australia to learn about how to handle cattle with the support of Australian producers who would train the handlers on farm.
 - Urgent and positive approach by State and Federal governments to the future development of areas of northern Australia with a view to providing the opportunity to grow pasture/crops which would enable the value adding capability to grow and finish northern cattle to supply premium product.

Measures such as these would not only demonstrate our serious commitment to animal welfare issues but also would assist in repairing the diplomatic damage done as a result of the decision to ban live export without consultation with the Indonesian government or industry. The Australia/Indonesian live export cattle trade is an industry well worth the investment as the world faces challenging times both environmentally and economically and the need for food security becomes paramount across the globe.

The Australians who are left standing on the land, the custodians of our vast north have come through a series of natural disasters. They have demonstrated that they are the ones who are totally committed to their land, their cattle and their industry. Australia as a nation needs to value these guardians and keep them on their land, protecting it and providing a sustainable food production industry. We cannot afford to lose them.