

Dear Senators,

This is my submission to you. Before I commence, I would like to add 26 years ago a Senate Select committee on Animal Welfare concluded that if a decision was to be made on the future of the live trade purely on animal welfare grounds, there was enough evidence to stop it. The recent airing of animal welfare abuse on ABC 4 corners highlights again these prophetic words from the past, I now believe that time has come.

There have been in recent times been two independent economic reports compiled and they found the live trade exports are a small and declining percentage of the average farm's income and the trade could be phased out over five years. These two economic reports completed revealed that ending live exports is not only feasible but it would benefit the economy and create Australian jobs, and further the creation of employment it would in hance the animal welfare situation that has been neglected. The SG Heilbron economic report was an independent economic analysis prepared for a group for Queensland export processors the report pointed to and more specifically on the live trade.

- “That growth in live export over the past four years will potentially damage the State’s ability to take advantage of growing international demand for chilled and frozen beef exports.”
- The growth in Queensland’s live export trade is inflicting significant damage on the State’s processing industry.
- While the dynamics of the live export trade with Indonesia have changed since the private report was tabled last year, many of the underlying principles remain.
- In the past few years live cattle exports from Australia have risen by a third to reach 950,000 in 2009. Queensland’s share of that over the same cycle has risen from 12 to 19%. Exports from Queensland ports alone (not including Qld-sourced cattle exported through Darwin) could rise to more than 300,000 head in the next three years, the report suggests.
- The cattle lost to the meat processing industry would see a number of processing works either reducing output and employment or closing altogether.
- The beef industry is not only Queensland’s largest manufacturing industry and largest rural-based industry, but is also the state’s second largest industry overall and the second largest export industry next to coal. Queensland has by far the largest beef industry in Australia accounting for more than 60% of Australia’s beef exports to high-value premium overseas markets.
- “While other States may turn a blind eye to live cattle exports if they do not have a significant beef processing industry, Queensland cannot,”
- “Live cattle exports are cannibalising Queensland’s beef industry, striking at the heart of its value chain. If left unchecked live cattle exports will bring the

State's beef industry down with disastrous effects for asset values, investment, household incomes and employment.”

- The report suggests live export has grown almost unnoticed over the last 15 years, encouraged by “subsidisation and protectionist trade policies.”
- “It is in no sense a ‘competitive’ Australian industry operating on a level playing field,”
- “Cannibalisation of the Queensland beef industry from live exports has now reached a critical phase. The beef industry is at a crossroads in its history. It needs to plan and invest for major expansion to capture the huge growth opportunity in world beef demand.”
  
- The study points to data suggesting world GDP growth over the next 30 years will be driven by Asian economies – China, India, Indonesia and other countries of the region. The massive income growth in those countries as they develop into mature advanced nations is likely to trigger huge demand for higher value food, notably premium beef, which the Queensland beef industry was uniquely positioned to supply.
- “That is, provided the significant commercial and public investment in expansion can be made,” SG Heilbron report said.
  
- “But live cattle exports pose a major threat to this unique growth era in prospect. Live exports are increasingly taking Queensland’s premium disease-free cattle out of the beef industry value chain – cannibalising the industry, and allowing operators overseas to produce premium ‘Australian beef’ in competition with genuine Queensland product.”

Prerequisite for the beef industry’s growth and expansion.

The inevitable end result of uncontrolled live export activity was decline, and potentially demise of a major Queensland high value-added industry, with huge loss of assets, income and employment.

The beef industry was a major source of investment, incomes and jobs in rural and regional Queensland with major impacts in the Fitzroy, Townsville, Toowoomba and greater Brisbane regions.

Queensland, already a major world beef exporter in the premium beef segment, should adopt a resolute strategy to secure the foundation for further investment in the industry’s expansion. A reliable and expanding supply of livestock is, and has always been, the essential which will be essential to capture these huge economic and commercial benefits which the “Asian Century” growth era now presented.

The SG Heilbron report said earlier studies had shown that the key driver of live exports was not competitive market forces, but rather subsidisation and trade protectionism.

- “This is still the case today, only more so,” it said.
  
- “For example, imports of certain cuts are banned outright by Indonesia – cuts which are critical to Australian exporters and protect Indonesian processors, lotfeeders and livestock importers
  
- “The discriminatory treatment against Australia’s beef exports explains why live exports have been able to expand against a background of increased

demand for imported beef by consumers in Indonesia, whose incomes are rising and who have increasing access to more modern retail outlets.”

- “The subsidies for lotfeeding and processing in Indonesia allied with subsidies for the live trade, and higher government influenced costs and charges for processing in Australia as well as barriers against Australian beef exports generate ‘economic rents’ for beef processed in Indonesia. Some of this is passed back along the value-chain in the form of incentives for livestock producers in Australia to supply the live trade.”
- Focussing on in-market competition, the SG Heilbron report claimed there is “clear and unmistakable evidence that beef from Australian live cattle is being produced and marketed overseas in direct competition with Australian exported beef.”
- “Some studies suggest this unsatisfactory situation inflicts no economic cost on Australia, and indeed suggest that live exports do not compete with processed beef exports at all.
- “This is quite wrong. A measure of the economic benefits foregone in a study undertaken ten years ago was that live exports cost Australia \$1.5 billion in lost GDP, \$270 million in lost household income and around 10,500 lost jobs.”
- “To encourage the existing regime of unrestrained live cattle exports is tantamount to acquiescing in mercantilist policies which are anathema to Australia’s long-standing policies of opposing subsidisation and protectionism in world trade and economic forums. In such circumstances it is fanciful to talk of a ‘level playing field’,” the SG Heilbron report said.

The report carried new economic research designed to highlight significant economic costs to Queensland and to key regions of the State through the growth in live export.

It showed that taking flow-on effects into account:

- In 2008-09 alone, live cattle exports cost Queensland \$140 million in lost value added (Gross State Product) and 1200 lost jobs.
- Cessation of the live cattle trade from Queensland and the NT would generate an additional \$382 million in gross state product for the State. This is more than the total value of live cattle exports from Queensland and the NT in 2008-09. There would also be an additional 3112 jobs generated.
- The study agreed with earlier research findings that live exports imposed a net cost on the economy as high value added income and employment in Australia is siphoned off overseas.
- “There is undoubtedly a significant opportunity cost to the State of Queensland from live cattle exports – and to its regions including the Fitzroy, Townsville, Toowoomba and Greater Brisbane areas. The deadweight costs to the Queensland economy of live cattle exports will increase in severity especially in rural and regional areas,” the SG Heilbron report said.

Economic and policy consultants SG Heilbron claimed that expansion over the previous few years in live export in Queensland had often been characterised as 'reflecting free market forces in operation.'

- "If that is the case, then why is it that in Indonesia, imports of certain beef cuts are banned outright or greatly limited by permit from Australia – cuts which are critical to Australian exporters and protect Indonesian processors, lotfeeders and livestock importers?" the report asked.
- A range of other trade restrictions and subsidies benefitting the live trade to the disadvantage of processing were also described in the SG Heilbron report:
  - An escalating tariff applies for other chilled and frozen beef whereby higher tariffs are applied to beef than to live cattle imports by Indonesia
  - Many Indonesian abattoirs are unlicensed and accordingly operate at costs which are not possible in Australia, given requirements for workplace health and safety, animal welfare, environmental management and food safety
  - Feedlots in Indonesia receive subsidies in order to develop, reportedly including grants of land, subsidised utilities and other inputs
  - In Australia, live exporters receive substantial subsidies through infrastructure support provided by governments
  - Live exports also receive subsidies through foreign aid and trade promotion
  - The live trade faces significantly lower government-influenced taxes and charges. Export inspection charges, for example, are a multiple of those for live exports.
  - "As these examples indicate, the live trade is far from 'free'. The deep-seated nature of these distortions and the deadweight costs to the Queensland economy strongly suggest that the live cattle trade needs to be discouraged," the SG Heilbron report urged.

Another negative example of the live trade affects on the community, Grant Courtney of the Meatworkers Union, said perhaps the economic argument is best summed up by those who are impacted most by the trade's continuation "the members have experienced the negative impact of the live cattle and sheep trade firsthand. Over the last 30 years the meat processing industry has suffered the loss of 40,000 jobs and 150 processing plants. We know that many plants are currently working at only 50% capacity and that many workers are only able to work three days a week. We urge the Australian Government to take the findings of this report on board."

A further strong example of the trade's profound nature on the community Mayor Allan Smith of Dubbo NSW commented "it doesn't make sense to force local processors to compete with the trade in live sheep. While ever we send live sheep overseas to be slaughtered, Australia will continue to miss out on significant value-adding opportunities." I would like to add on the Dubbo mayors comments we have lost all the following to live export ,abattoirs, meat packaging, yarding, leather tanning, leather manufacturing, meat distribution, package manufacturing, meat grading dyes, meat and bone cutting implements, organic fertilisers, casein, meat inspection officers, butcher's supplies, freezing works uniforms and laundry services, transport services, and retail. We know that the majority of people would still be

required in a chilled meat trade, such as sheep and cattle farmers, stock-hands, and stock transport drivers, shearers these people are employed within the meat processing sector and are not employed exclusively within the live export industry. Australians need every job, and the elimination of the live export industry will create the biggest explosion in rural and urban jobs in Australia's history.

If this trade is to continue it will affect Australia's reputation as a nation of decent and civilised human beings. If we fail to end live export, our good name will be gone forever and could harm our larger interests of our larger elements of the livestock industry.

There is no sound argument to support the live trade it represents 5% combined cattle and sheep of the dollar value of the total livestock industry in this country.

Yours Sincerely,

Michael Harrison

Ref;

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