



**Australian Government**  
**Department of Agriculture,  
Water and the Environment**

IS20-000012

Mr Gerry McNally  
Committee Secretary  
Senate Rural and Regional Affairs and Transport References Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

rrat.sen@aph.gov.au

Dear Mr McNally

Thank you for your correspondence of 17 June 2020 inviting the Department of Agriculture, Water and the Environment to make a submission to the Senate Rural and Regional Affairs and Transport Legislation Committee's Inquiry into the Primary Industries (Customs) Charges Amendment (Dairy Cattle Export Charge) Bill 2020.

The Australian livestock export industry is a valuable industry that supports the livelihoods of our rural and regional communities. Export of dairy cattle is an important alternate source of income for many dairy farmers, with the industry valued at over \$200 million per annum. Our high quality dairy cattle are held in high regard by our trading partners and are in demand.

In order for the industry to prosper into the future, it must invest in research and development (R&D) and marketing that is appropriate to its needs and adds value to the industry. The Primary Industries (Customs) Charges Amendment (Dairy Cattle Export Charge) Bill 2020 amends the *Primary Industries (Customs) Charges Act 1999* to impose an export charge on the export of dairy cattle. This charge, requested by industry, will replace the current voluntary charge which has been under-collected and subject to free riders benefiting from the voluntary contributions made by others for many years.

The establishment of the charge will appropriately fund the R&D and marketing requirements of the dairy cattle export industry.

The department's submission is enclosed for the Committee's consideration, including details of the links to Export Assurance Supply Chain System (ESCAS) referenced by the Committee.

Yours sincerely

Rosemary Deninger  
A/g Deputy Secretary  
Department of Agriculture, Water and the Environment  
30 June 2020

Enc.



**Australian Government**  

---

**Department of Agriculture,  
Water and the Environment**

**Submission to the Rural and Regional  
Affairs and Transport Committee's Inquiry  
into the Primary Industries (Customs)  
Charges Amendment (Dairy Cattle Export  
Charge) Bill 2020**

30 June 2020

---

# Contents

<b>Background to the Bill .....</b>	<b>3</b>
Industry levies system and the dairy cattle export charge .....	3
<i>Dairy cattle export industry overview .....</i>	<i>3</i>
<i>The Dairy Cattle Export Program.....</i>	<i>4</i>
<i>Expected outcomes.....</i>	<i>5</i>
Export Assurance Supply Chain System (ESCAS) .....	6
<i>Welfare of exported breeder cattle .....</i>	<i>6</i>
<i>Influencing animal welfare conditions in importing countries.....</i>	<i>6</i>

## Background to the Bill

### Industry levies system and the dairy cattle export charge

A range of statutory agricultural levies and charges are collected and disbursed on behalf of Australia's primary industries. The Australian Government legislates for, collects and disburses the levies and export charges on behalf of industry through the Department of Agriculture, Water and the Environment.

These levies and charges are imposed at the request of relevant industries to enable the funding of essential services including research and development (R&D) and marketing through the 15 research and development corporations, biosecurity response and residue analysis.

Levies and charges are collected on the sale, slaughter and live export of animals in the beef, sheepmeat and goat industries and on the slaughter of buffalo. Usually, an industry body identifies the need for a levy or charge so it can respond to a problem, market failure or opportunity that will benefit its industry.

The Primary Industries (Customs) Charges Amendment (Dairy Cattle Export Charge) Bill 2020 is the result of the dairy livestock export industry requesting government impose a mandatory statutory charge on dairy cattle exports at a rate of \$6 per head of exported dairy cattle.

The Australian Government's Levies Principles and Guidelines outline the process for amending existing or establishing new levies. A proposed levy must relate to a function for which there is a market failure. The dairy cattle export industry has followed the Levies Principles and Guidelines in consulting with and seeking the agreement of industry to impose a mandatory charge, and in describing the market failure that warrants the charge. The mandatory charge is to replace the current voluntary charge on exported dairy cattle which industry has identified is under-collected and insufficient to meet the needs of the sector or fund the Dairy Cattle Export Program (the Program).

The Program is managed by the Australian Livestock Export Corporation Ltd (Livecorp), and provides research and development (R&D) and marketing activities for the dairy cattle export sector. Due to free riders and historic undercollection of the current voluntary charge, Livecorp temporarily suspended the operation of the Program in July 2019.

#### ***Dairy cattle export industry overview***

Australia is a supplier of quality dairy cattle to the world, with Australian dairy cattle held in high regard due to their ability to consistently produce high quality fresh milk. Through the export of Australian dairy cattle to other markets, Australian farmers and exporters are helping to develop dairy herds while establishing strong relationships with key trading partners and our regional neighbours.

The dairy cattle export industry is valued at \$200 million per annum and exports to a number of countries including China, Indonesia, Pakistan, Malaysia and Japan. Export of dairy cattle is an important alternate source of income for many Australian dairy farmers, which has positive flow on effects for rural and regional economies and communities.

**Table A21** illustrates exports of dairy cattle by international market<sup>1</sup>:

**Table A21** Australian exports of live dairy heifers (cows) by market

	2013–14	2014–15	2015–16	2016–17	2017–18 (r)	2018–19 (p)
<b>Asia</b>						
China	78,775	62,574	56,345	59,109	28,412	75,072
Indonesia	800	1,514	1,307	1,203	4,188	1,933
Japan	345	0	303	437	2,936	2,193
Malaysia	1110	2,124	2,132	1,346	2,201	3,002
Pakistan	6,425	1,989	3,507	6,502	5,620	2,428
Taiwan	554	3	628	1,793	1,813	1,827
Vietnam	440	3,383	2,755	1,735	958	231
Other Asia	267	1,335	1,627	289	531	467
<b>Total Asia</b>	<b>88,716</b>	<b>72,922</b>	<b>68,404</b>	<b>72,414</b>	<b>46,589</b>	<b>87,153</b>
Europe	3,595	0	0	0	0	0
Middle East	29	283	3,503	633	275	5,303
Africa	0	0	0	0	0	0
Others	0	0	0	4	15	0
<b>Total</b>	<b>92,340</b>	<b>73,205</b>	<b>71,907</b>	<b>73,051</b>	<b>46,879</b>	<b>92,456</b>

Source: ABS

In order to ensure a competitive and sustainable industry into the future, it is important that appropriate funding is available for R&D and marketing activities that support the productivity and growth of the sector.

### ***The Dairy Cattle Export Program***

The Program supports the dairy cattle export industry by providing research, development and marketing activities tailored to that industry. Levy revenue collected is invested in Livecorp’s key areas<sup>2</sup> of:

- improving animal health and welfare outcomes throughout the supply chain
- improving supply chain efficiency and regulatory performance
- enhancing market access conditions
- enhancing communication – providing information and services on program progress and issues, to industry and government
- improving corporate operations including evaluation and review, to ensure efficient and effective investment.

In 2006, industry set the voluntary levy at \$3 per head of dairy cattle exported. By 2014, industry agreed to increase the voluntary rate to \$6 per head and to also seek to make the levy a mandatory charge as the existing rate was insufficient to fund the research,

<sup>1</sup> *Australian Dairy Industry In Focus 2019* (pg 47), Dairy Australia

<sup>2</sup> As per the *Livecorp Strategic Plan 2016-2020*

development and marketing activities required by industry. Due to free riders and continued under-collection of the voluntary levy, the Program was suspended by Livecorp in July 2019.

Livecorp estimated in its levy submission to the Department of Agriculture in 2018, that based on the export of 60,500 head of dairy cattle, a \$6 per head charge would generate \$363,000 in revenue for the program. Of this, \$60,500 (\$1 per head) would be directed to R&D activities and \$302,500 (\$5 per head) to marketing activities. Marketing activities cover a range of actions and may include such initiatives as conducting training programs that increase the animal welfare and handling skills, capacity and awareness of workers in overseas supply chains<sup>3</sup>.

It is important to note that the Australian Government matches R&D levy contributions to a specific cap. No matching contribution applies to marketing activities. Decisions concerning specific R&D and marketing activities are determined by industry taking into account its strategic direction and needs, and the positioning of the industry into the future.

Based on the latest reported export numbers of around 90,000 head of dairy cattle in 2019, and assuming exports remains at this level, the revenue from a mandatory charge is likely to be around \$540,000. This would allow the Program the option to expand activities or to retain a portion of funds in reserve for those years when exports drop and revenue decreases.

### ***Expected outcomes***

The implementation of a \$6 per head charge on exported dairy cattle will revitalise the R&D and marketing program for the industry. It will provide certainty in funding and allow the industry to plan into the future.

---

<sup>3</sup> *Dairy Cattle Export Charge – Industry Proposal*, May 28, 2018 (pg 18)

## **Export Assurance Supply Chain System (ESCAS)**

### ***Welfare of exported breeder cattle***

The Department of Agriculture, Water and the Environment regulates the export of Australian livestock under the Export Control Act 1982 and the Australian Meat and Live-stock Industry Act 1997 and associated orders, regulations and standards. This includes the Australian Standards for the Export of Livestock (ASEL) and the Exporter Supply Chain Assurance System (ESCAS). The Compliance Statement for export of livestock ([agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-statement](http://agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-statement)) outlines the department's regulatory approach in ensuring compliance with Commonwealth legislation, animal welfare standards and importing country requirements for the export of livestock.

The World Animal Health Organisation (OIE), with expert input from Australia, has developed animal welfare standards that underpin animal welfare across the globe. Australia has built on the principles established by the OIE in the development of ASEL and ESCAS. Both these approaches have influenced animal welfare in other countries. Australian experts have been invited to share their knowledge as other countries work to improve their own regulation of animal welfare of livestock exports. For example, media reports indicate that South Africa is seeking to emulate Australia's approach to sheep exports to the Middle East during the Northern Hemisphere summer. Exports of sheep from that country are currently prevented by a court order, pending the outcome of a High Court hearing on 16 July 2020.

At present, the Australian Government has no regulatory control over Australian breeder livestock once they are exported to overseas markets. Previous reviews have confirmed that regulatory options to manage breeder livestock post-export are limited.

Breeder animals are explicitly excluded from ESCAS. The 2011 Farmer Review into live animal exports ([agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/acts-regulations-orders-standards/review-live-export-trade](http://agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/acts-regulations-orders-standards/review-live-export-trade) – see 8.1.2) and the 2013 Industry Government Implementation Group (IGIG) Review into the handling of breeder livestock (see [agriculture.gov.au/animal/welfare/breeder-livestock-exports](http://agriculture.gov.au/animal/welfare/breeder-livestock-exports)) identified practical difficulties, including prohibitive cost, in maintaining a 'line of sight' for an animal that could change hands a number of times during a productive life of ten years or more.

The IGIG considered that it is unreasonable for exporters to be generally responsible for breeder livestock through to the point of death or to be responsible for the progeny of livestock exported from Australia. The IGIG included members from the peak industry bodies, major exporters, state and territory government representatives as well as departmental officials.

### ***Influencing animal welfare conditions in importing countries***

As a regulator, under the current legislative framework, the department has no regulatory control over Australian breeder animals once they are exported to overseas markets and no strong legislative basis to prevent their export.

Once livestock arrives in the importing country that country's rules take effect.

Animal welfare issues arise from time to time in the breeder trade. Typically these issues stem from the way in which animals adjust to new conditions and local managers/landholders adjust their farm management practices to suit larger imported cattle. Managing these issues is first and foremost the responsibility of farmers in the recipient country.

Australia respects the sovereignty of trading partners and will not intervene without their permission.