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

1 Cattle Council of Australia

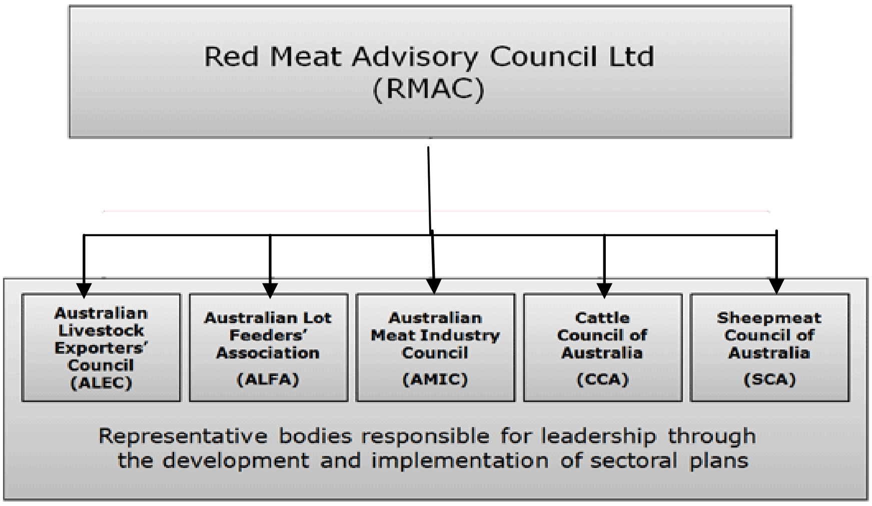
The Cattle Council of Australia (CCA) is the peak producer organisation representing Australia's beef cattle producers. The objective of the Council is to represent and promote the interests of Australian beef cattle producers through wide and regular consultation with, and policy advice to, key industry organisations, relevant Federal Government Departments and other bodies regarding issues of national and international importance to beef cattle producers.

Cattle Council has a federated structure, made up of eight State and Territory farmer organisations that in turn have direct producer members. CCA's broad membership base makes it the only organisation representing all of Australia's beef cattle producers on beef industry specific issues.

2 Red Meat Industry Structure

Cattle Council is a prescribed body under the Australian Meat and Livestock Industry Act (1997) and is one of five peak councils that make up the Red Meat Advisory Council (see figure 1 below).

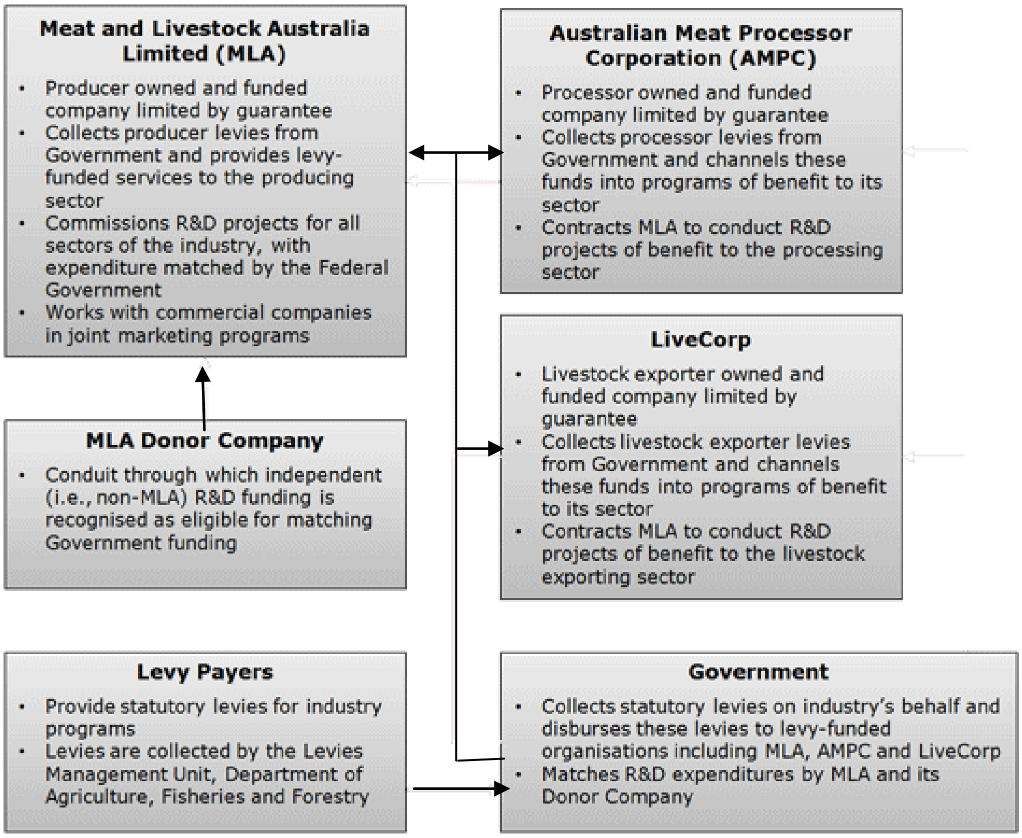
Figure 1: Structure of the Red Meat Advisory Council



The Red Meat Advisory Council is the policy making arm of the red meat industry. The service delivery arm of the red meat industry is outlined is Figure 2. As seen in the diagram, Government collects the levy income through the Levies Revenue Service and then distributes it, with matching funding for eligible research and development activities, to the relevant services body or research and development corporation.

Cattle Council, along with the Australian Lot Feeders Association are the primary source of advice to the Australian Government on issues involving the expenditure of the cattle transaction levy, the majority of which flows to the industry services body, Meat and Livestock Australia.

Figure 2: Funding Streams for Red Meat Industry Service Organisations



3 Role of CCA in Livestock Exports

CCA's role in livestock exports is twofold, in a policy role as the peak industry council for Australia's beef cattle producers and secondly through its role in the red meat industry structure assessing the performance of services delivered by the industry owned company Meat and Livestock Australia (MLA).

From a policy perspective, CCA is committed to a sustainable livestock export trade. The export of livestock is a valuable and strategically important market for Australian cattle, particularly for northern Australian producers. It provides marketing options for producers, underpins prices and demand for livestock, is complimentary to extensive cattle production systems and satisfies the needs of important markets that cannot be met through the export of chilled and frozen beef.

Cattle Council is also involved in priority setting for industry research and development and marketing activities in Australia and export markets as set out in the red meat industry Memorandum of Understanding (MoU). Under this MoU Cattle Council advises on strategic direction for, and assesses the performance of, services delivered by expenditure of grass fed beef cattle producer levies on research, development and marketing activities by the services company Meat and Livestock Australia.

Table 1: Cattle Council activity in the live export supply chain.

Sector of the Supply Chain	Relevant Codes, Standards or Industry Programs	Role of Cattle Council
Production	Australian Animal Welfare Standards and Guidelines for Cattle On farm research and development	Participation in reference group and nominated independent vet to the Writing Group Advice to MLA on research priorities
Land Transport	Australian Animal Welfare Standards and Guidelines for the Land Transport of Livestock	Participation in reference group
Pre embarkation	Australian Standards for the Export of Livestock On farm research and development Training, education and awareness programs	Participation in Livestock Export Standards Advisory Group Participation in Livestock Export Research and Development Advisory Committee Assess performance of services delivered by MLA
Voyage	Australian Standards for the Export of Livestock Research and Development to underpin standards	Involved in Livestock Export Standards Advisory Group Participation in Livestock Export Research and Development Advisory Committee

Destination Country	Research and development, training, awareness activities, infrastructure and operating procedures.	Participation in Livestock Export Research and Development Advisory Committee Assess performance of services delivered by MLA

3.1 CCA policy following 4 corners program

Following the 4 Corners story on Monday 30th May, the Government chose to suspend export of live feeder cattle to Indonesia. Cattle Council did not support this suspension as it is our view that a suspension would not solve the welfare issues raised in the 4 Corners report and could lead to worse outcomes overall both in Indonesia and Australia. The Government's decision to suspend the trade created problems for beef producers and their livestock but also for diplomatic and trade relations within Indonesia.

Throughout the suspension Cattle Council strongly advocated that:

1. Urgent, high-level Australian Government-to-Indonesian Government discussions be held, which ultimately occurred,
2. Greater collaboration was needed between the industry and Government to design and implement a solution, which was undertaken;
3. Australian cattle only be supplied to those abattoirs that are known to adopt acceptable welfare practice; and
4. A rapid uptake of stunning of cattle prior to slaughter occur in Indonesia

4 Response to Matter 1 raised by the Senate Committee

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;*

Meat and Livestock Australia (MLA) invests on behalf of Australian beef cattle producers to improve market access for beef and live cattle and to grow new and existing markets for Australian beef 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 beef in domestic and export markets than in markets for live cattle.

Recently MLA completed a review of the returns on investment from the Livestock Export Program (the joint MLA/Livecorp market support program) together with the Australian Government funded Live Animal Trade Program and Livestock Trade Animal Welfare Partnership. The review found the investment of producer levies had reduced mortalities, improved function and communication along supply chains and delivered positive financial returns on producer investments.

Beef cattle producers, through Meat and Livestock Australia, invest approximately $3 million in the Live Export Program each year. This expenditure is proportional to the levies paid on cattle destined for export markets. This investment will increase rapidly in the future as industry increases its efforts in assuring animal welfare in destination markets.

MLA manages a large portfolio of activity where it undertakes marketing, research and development activities on behalf of the red meat industry. Cattle Council's role is to review, advise and assess MLA programs, ultimately signing off on the MLA Annual Operating Plan. Cattle Council's resources are limited; however, we perform this role to the best level possible.

Livestock exports is one of the business units within MLA. Cattle Council has been updated by MLA on its livestock export animal welfare program both as part of periodic updates as well as targeted information as requested.

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.*

It is not the responsibility of Australian Government or industry to police animal welfare standards in countries receiving Australian livestock. That being said, considerable investment has been made by MLA on behalf of the Australian industry to improve the welfare of Australian cattle in export markets. In more recent years, this has included joint activity with the Australian Government.

Investments have been focused on activities that deliver improvements to both productivity and animal welfare. If a practice improves productivity, it is more likely to be taken up by supply chain partners and deliver benefits to animal welfare. Examples of this include projects to deliver improved animal handling at facilities receiving Australian livestock and improve ration formulation in Indonesian feedlots.

Improved animal handling delivers animal welfare benefits from reducing stress from handling and productivity benefits from increased live weight gain and minimizing setbacks to the animal's growth path. Improved nutrition has obvious productivity benefits but also delivers animal welfare benefits through reduced nutrition disease and improved rumen function and gut health.

From a policy perspective, Cattle Council has supported investments that deliver improvements in animal welfare outcomes in countries receiving Australian livestock.

4.1 Recent actions in Indonesia

Since 30 May 2011, Meat and Livestock Australia has had a team of officers working on a rotation basis within the Indonesian abattoir system providing animal handling support at abattoirs to implement the appropriate welfare standards delivering a mix of training, inspections, infrastructure upgrades and technical support in slaughter techniques.

Assistance has been provided to importers to help prepare for the new regulatory requirements and worked with companies along the supply chain to assist them to develop checklists so they can assess their operations against OIE guidelines. Cattle Council fully supports the work being done by MLA in these markets.

The training and infrastructure upgrades delivered in Indonesia are made possible by the strong relationships that have been built between Australian and Indonesian industry over the past 15 years. The highly ambitious supply chain assurance program that is being implemented would be extremely difficult to achieve if it was to commence from day one without established relationships in place.

4.2 Knowledge of animal welfare practices

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.

Cattle producers, through Meat and Livestock Australia have invested in a cumulative total of 150 research and development, training, education, awareness and infrastructure projects along the livestock export supply chain. 25 of these have been in overseas markets. Formal and informal information gathering and reporting has influenced the delivery of programs in export markets. Successful projects are built on and expanded, where there are problems in research or uptake, future projects are modified.

As mentioned above, the Australian industry has no regulatory and somewhat limited commercial influence to deliver widespread practice change in other countries. Where animal welfare concerns are identified, a combination of support, training, awareness and infrastructure are used with the aim to improve practices. These activities are done in cooperation with industry and Government in the receiving country and made possible by relationships built up over many years of cooperation.

In 2009 MLA commissioned an independent review of animal welfare in Indonesia, the largest market for Australian cattle exports. The review made a number of recommendations to improve animal welfare outcomes. The industry is in the process of acting on these recommendations to update training, operational manuals and increase training and resourcing of the livestock export support program.

The industry has never claimed that facilities and animal handling in countries receiving Australian livestock are ideal. Australia is one of many countries in the world that export livestock but Australian farmers are the only ones in the world that collectively invest in improving animal welfare outcomes in other countries.

5 Response to Matter 2

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.*

5.1 Impact on remote and regional employment

The livestock export trade contributes approximately 13,000 jobs to the national economy (Hassall 2006) with many of those jobs in regions with limited employment alternatives.

It is an important industry for employment in remote parts of northern Australia and particularly to providing employment opportunities for indigenous communities. The Indigenous Land Corporation alone operates 12 pastoral businesses across 2.3million hectares employing 343 indigenous employees and trainees.

There are many spill over benefits of jobs in the cattle industry and live exports for individuals through further educational and career development, for communities through income, opportunity and self esteem and for the environment through greater monitoring and improved natural resource management of lands.

Many of these benefits are attributed to the production side of cattle industry but livestock exports are critical to the ongoing financial viability of many of the pastoral operations in northern Australia, including indigenous held lands.

There is additional strategic importance to the livestock export trade through its contribution to regional development, nutrition and food security in our region, particularly Indonesia. Australian cattle make up 40% of Indonesia's beef supply. With per head consumption extremely low at approximately 2kg/head/annum, Australian cattle contribute valuable protein, minerals and nutrients to the average Indonesian diet.

5.2 Impact of the livestock export trade on production systems and prices

The live export cattle trade from northern Australia is a complimentary trading relationship. Northern Australia has a competitive advantage in producing low cost, extensively raised tropically adapted animals in 'store' or lean condition. Northern Australia however does not have adequate supplies of low cost high quality feed to finish cattle or the labour and infrastructure to lot feed and process those cattle.

Indonesia has a competitive advantage in the low cost high quality feed resources to finish cattle but lacks the extensive areas with which to breed and raise the store animals. As a consequence a highly complementary trading relationship has developed between Indonesia and Australia that delivers positive economic, social, environmental outcomes for both countries and contributes to food security outcomes in Indonesia. The rationale for the trade is reinforced by the animal health status of Australia as an exporter, particularly for foot and mouth disease which both countries are currently free of.

Over time, producers in Northern Australia have increased the tropically adapted *Bos Indicus* percentage in their herds to meet demand from Indonesia. Over the same period of time, the beef industry has made significant advancements in improving eating quality of processed beef in response to demand from domestic and export consumers. These divergent trends have seen clear market specifications in dentition, weight and breed content emerge for animals destined for live export to Indonesia or for finishing for processing in Australia.

Cattle producers have responded to demand from the livestock export market by adjusting their breeding programs and management systems. These changes in production systems have driven greater productivity growth in the north, with ABARE (2008) estimating productivity growth in the north at 2.1%pa compared to 1.3%pa in the south. These changes are attributed to higher turn off and fertility driven by increased use of *Bos Indicus* breeds and demand from live export markets.

The changes that have occurred in the northern industry mean a transition from livestock export to the supply of chilled or frozen beef would require significant structural adjustment to the northern cattle industry.

In a study commissioned by MLA in 2011, the Centre for International Economics (CIE) estimated that without the livestock export trade reduce average national saleyard prices for grass fed cattle by 4% or approximately 7.8c/kg. Impacts will however vary by region and class of stock with the most severe impacts in areas most reliant on the livestock export trade. The recent suspension of feeder cattle exports to Indonesia coincided with a 20c/kg fall in feeder steer prices in Queensland in the three weeks proceeding the suspension, this equates to approximately $70/head.

5.3 Impact of the Livestock Export Industry on the processing industry in Australia

Without the livestock export trade an additional 520,000 cattle would need to be transitioned for processing. The movement of these cattle from the Northern Territory to Queensland and Northern Western Australia to southern WA would increase transport cost on industry by $80million (CIE 2011), it would also put greater pressure on feed resources to add weight to those stock.

Due to the complementary but distinctly separate markets for beef and live cattle, the additional animals processed would need to be marketed into existing domestic and export market, lowering returns for all producers. High *Bos indicus* content animals also sell at a significant discount to pure *Bos taurus* breeds in southern markets, further reducing income to northern producers .

There is much speculation over the supply response of northern cattle producers to a shift from livestock export to processing in the event of a closure in trade. The most recent northern beef situation analysis report showed that the average beef cattle producers in northern Australia spent more than they earned in 6 of the past 7 years. This indicates that there is not sufficient 'fat' in the system for producers to absorb additional transport costs and lower prices that would be required to supply the processing sector. Given the marginal economics of production, the response to an increase in cost and decrease in price is likely to be a decrease in supply.

Many private and Government operated processing facilities in the far north and north west of Australia have closed, largely due to a high per unit cost of production. The meat processing sector in Australia is a highly competitive business with high exposure to volatile export markets and currency fluctuations.

The Western Australian Beef Council (2010) conducted a prefeasibility study into an abattoir in northwest Australia. The study identified a number of limitations to the financial success of a processing facility

- Numbers – To be feasible an abattoir in the north west would need throughput of 400 animals pre head per day, equivalent to 75% of live exports from that region.
- Weights – There are economies of scale in processing heavy carcases, as noted earlier it is costly to add weight to animals in remote areas of northern Australia. A successful processing sector would also require a successful backgrounding and feeding sector to supply consistent numbers of suitable weight animals. This is a major structural adjustment for the industry
- Labour – Attracting and retaining skilled labour is a major impediment. The processing sector already relies heavily on skilled migration and long stay visa programs to meet labour requirements. Likely centres for processing facilities such as Broome and Darwin are also high cost centres.
- Seasonality – The highly seasonal nature of weather patterns in the north and the impact of this on roads and access and therefore cattle supply impact on the viability of processing.

References

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WA Beef Council 2010. *North West WA Beef abattoir, Pre-feasibility Study* Final Report prepared for Department of Food and Agriculture, WA. available at http://wabeefcouncil.org.au/assets/reports/northern-abattoir-prefeasibility-final-report.pdf