

WA Beef Council

Building a world-class competitive beef supply chain in Western Australia

SENATE INQUIRY SUBMISSION INTO ANIMAL WELFARE STANDARDS IN AUSTRALIA'S LIVE EXPORT MARKETS

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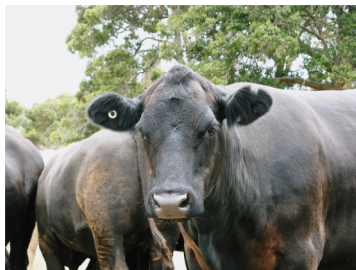


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Introduction:

The Western Australian Beef Council (WABC) was formed in 2010 and is the only agricultural industry group in Western Australia that has a whole of supply chain focus. It represents the beef industry sectors across the state inclusive of small family operations to the large corporate organisations. The WABC is government enabled and has ministerial endorsement, as it was created as a result of it being identified as a critical development priority in an industry funded independent report (Stocktake, October 2009) about the future sustainability of the WA beef industry.

It has a focus to create an environment that encourages commercial growth and investment within the beef industry, by responding to the key planning priorities identified within the Stocktake report. The WABC is therefore committed to developing better communications across the whole of the supply chain to ensure a consolidated and sustainable beef industry for Western Australia.

WA supplies approximately 40 percent of Australia's exports of live cattle, which equates to around 300,000 cattle per/annum (DAFWA, 2011). The Indonesian trade grew rapidly in the 1990s and has remained strong over the last decade. It is highly important to the Western Australian northern region, as it is to the Northern Territory, as they are the dominant States for all live cattle exports. These two states supply around three-quarters of all live cattle exports from Australia, with the WA trend in export volumes since 2005 being upwards.

DAFWA studies have shown that the cattle live export trade enhances the value of the red meat industry. Studies of a cessation of the trade have usually projected consequential reductions in beef and other red meat prices. Importantly, these studies have also noted that the regional impacts, especially in areas dependent on the trade, such as the northern beef region would be particularly disadvantaged.

The impacts on WA businesses of a termination or phased reduction in live animal trade depends on the rate of reduction, the importance of the live trade to the particular business and the importance of the trade to the region in which the business operates. The WABC has significant concern about some sectors within the live cattle export supply chain and indeed those businesses not directly associated with the industry and the subsequent vulnerability of these regions with the loss of the live export trade.

The impacts on other participants both directly and indirectly linked into the supply chain are also strongly connected to how farmers and pastoralists may respond to any reduction or cessation in the live export trade. If farmers and pastoralists choose to exit the industry or reduce their production in response to likely lower prices and increases in costs (e.g. transport), which would result from a reduction in the live export trade, then support industries and abattoirs will all eventually suffer due to the reduction in throughput.

Economic Impact:

From the early 1990's, the live cattle export trade in WA rapidly emerged to become an important sector of the WA beef industry, particularly in pastoral regions. From the 1990's

through to this current year, WA has been exporting an average of around 300,000 live cattle per/annum, with the main export destination being Indonesia (DAFWA, 2011). Early in 2010, Indonesia introduced a quota on the bodyweight and number of live cattle that were to be imported from Australia.

Live cattle exports from the Kimberley region are worth around \$120 million and make up 45% of WA total live cattle exports (CIE, 2011). Exports from the Pilbara region have a value of \$15 million; Geraldton exports have a value of \$27 million, which is primarily from the Gascoyne and Midwest. Fremantle, with 39% of the exports valued at \$106 million, draws on several regions including portions of the southern rangelands as well as the agricultural region (CIE, 2011). In 2009/10, about 390,000 cattle were exported from WA worth \$330 million (CIE, 2011).

Regional Impacts:

The WA live cattle trade contributes over \$300m per annum to the local economy with estimates that it employs more than 2000 people directly (Quirke, 2011). The trade has always been a major driver of regional development and is also an employer of indigenous people. The industry is largely responsible for the management of nearly 50% of WA and provides the economic underpin for the environmental management of our northern regions (Quirke, 2011).

MLA (2007) commissioned a research report to examine regions highly reliant on the live animal export trade. The regions they identified as highly reliant included northern WA (cattle), the NT (cattle), Qld (cattle), southern WA (sheep and cattle) and Victoria (dairy cattle). They estimated the impact of trade cessation on on-farm incomes in the short, medium and long term. Their estimates accounted for the direct loss in income to producers of live export sheep and cattle. Although the impact on farm income was expected to decline over time, they assumed the market loss would endure, without any offsetting demand in new markets, and so the income effects were expected to be significant for at least 10 years following cessation.

Whilst it was acknowledged that the studies mentioned above are of differing time periods, use different sets of data and methodologies, they all identify that the WA pastoral sectors, would be particularly worse off following any cessation to the live export trade in cattle.

In order to manage the effects of a cessation of the live trade, pastoralists and farmers may consider reducing expenditure in the short term to manage cash flow; however these actions would have long term consequences for their businesses. Deferring maintenance and replacement of plant and equipment, replacement of stock water infrastructure, fence and yard maintenance all have potentially far reaching consequences, when multiplied within a region. Such deferments may result in higher costs in the future as infrastructure may deteriorate to the extent where it can no longer be repaired and subsequently will need to be completely replaced.

The live export industry is credited with substantially improving the regional economies in Western Australia, Western Queensland and the Northern Territory. Higher on-farm net returns flow on benefits to local communities and therefore provide a better and broader economic base to the regions.

Southern Impact:

The potential loss of the live cattle export industry could have significant impacts across the broader Western Australian cattle industry. It is anticipated that a large number of “out of live export specification” cattle would be shipped to southern pasture areas, feedlots and

subsequently to abattoirs, with producers receiving significantly less in returns for their cattle if valued for live export. Reduction in return is attributed to the low percentage of cattle that would meet necessary specifications of the high value boxed beef markets, in addition to the huge freight component that would also have to be applied. This outcome however would be more palatable to producers than potentially losing 100% of their income due to no other market opportunity and lack of available pasture resources. The impact of this however, potentially creates a seasonal excess in cattle, resulting in downward pressure on prices that may negatively impact on all of Western Australia's beef cattle supply chains.

Due to the suspension of the trade this year, a number of southern producers both in WA and the eastern states have already seen the value of some livestock categories negatively impacted on. In 2009-10 exports of live cattle accounted for around 10 per cent of total cattle turnoff and 8 per cent of the total value of production in Australia (CIE, 2011). It has been estimated from studies completed by Quirke (2011) that without the live cattle trade the live weight price for grass fed cattle would be 7.8c/kg lower and 3.2c/kg lower for grain feed cattle (CIE, 2011).

Other estimates do not represent the total value that would be lost if the live export trade were to cease as they do not account for alternative revenue potential to producers or losses to producers in relation to lower prices received in the meat processing industry. However, it is agreed that without live exports, farm gate returns would be lower because of the lower demand for livestock and the higher transport costs involved in transporting animals to any alternative market.

Finally, the MLA (2007) indicated that in the absence of a meat processing facility in the north of the state, the only opportunities that beef producers have are the live exports from regional ports or trucking their cattle south for live export and/or slaughter.

Social Impacts:

It must be noted, that in addition to the revenues generated, there are several other economic, social and environmental benefits that are a result of the cattle live export industry, including:

Employment – the pastoral industry is a significant employer in the rangelands, the source of most export cattle. It is reported that there are in excess of 2, 500 FTE jobs either direct and/or indirectly associated with the live export trade (Drum, 2008; CIE, 2011). The Indigenous Land Corporation (2010) reported that nearly 200 indigenous people were employed on indigenous held properties.

Productivity – CIE (2011) report that the northern beef industry has experienced strong productivity growth in the past 20 years, with this growth being equivalent to that of broad acre cropping and higher than that observed in southern beef production. It suggests that much of this gain can at least in part be attributed to the live export market.

Training – a number of properties in the Kimberley have established training facilities, where the focus has been on training indigenous youth in preparation for employment in the industry. The courses include subjects such as corporate governance, land management, strategic planning and animal welfare.

Infrastructure development – the development of the livestock industry and its increased returns in recent years has facilitated investment in farm infrastructure on many properties.

These developments have included water points, internal fencing, additional or improved yards and internal roads (MLA, 2007).

The northern WA beef industry, although much larger in size to its southern counterpart is still primarily made up of families, whether it be farming, agricultural supplies or in livestock transport. Although some larger corporate businesses now hold substantial holdings, or operate agricultural services, these businesses like the traditional family businesses, are run by families and support families. People work in the industry often due to the lifestyle and whole of family involvement which includes strong local and regional bonds and networks, tied by a highly developed social network and support base which includes sporting events and social gatherings. All gain great satisfaction in asset development, excitement of their own business and longevity within the industry of their choice.

Some businesses include large and extended family groups where succession is planned many years in advance with children growing up and gaining skills that are both highly transferable yet critical to the long term sustainability of the beef industry, the land and the people across the supply chain.

A cessation of the live export industry may force pastoralists to consider a reduction in expenditure on animal husbandry items, mustering services, veterinary services, or their direct workforce. Each of these decisions will impact on local businesses that provide these goods and services to the live export industry within a region. The hardest hit being those businesses that have a heavy reliance on income derived from the live export trade (see table below).

<i>Supply chain participant/ancillary service provider</i>	<i>Turnover earned from live export (%)</i>
Exporters	>80%
Assembly depot operators	>80
Marine consultants	>80
Ship owners	>80
Ship agents	>80
On-vessel stockmen	>80
Road transport providers	50 – 80
Livestock agents	50 – 80
Veterinary service providers	50 – 80
Port authorities	50 – 80
Stevedores	50 – 80
Rural contractors – mustering, fencing, etc	10 – 50
Rural consultants and trainers	10 – 50
Fodder growers and manufacturers	10 – 50
Industry associations	10 – 50
Providores	10 – 50
Regional businesses	<10
Government service providers	<10
Rural finance, auditing, insurance and legal service providers	<10

MLA (2007)

It's already well recognised that the social framework in rural areas is eroding due to the many alternatives and financial comforts offered by other non-agricultural industries. A cessation within the cattle live export industry could increasingly cause family collapse, the attrition of local and regional cohesion and the capacity to maintain economic prosperity across regions and communities. Often overlooked, is the importance of families to the success of large or corporate operations and the role these families and the businesses make to the regional economy and social framework. Large and corporate operations that are found across the whole supply chain are quite often the businesses that are best placed to advance initiatives supporting employment and building better relationships and outcomes for communities.

Live Cattle Export Markets:

Developing countries throughout the Middle East and Asia rely on the trade of live animals for the essential supply of affordable meat protein. This is because many people in these countries do not have home refrigeration, or supermarkets are inaccessible and unaffordable to those living in regional villages. The supply of live animals is also important for religious and cultural reasons. In the Middle East traditions have grown around the slaughter of animals, including religious feasts and family celebrations.

South-east Asian and Middle East markets are the main destinations of Australian live cattle exports. The largest market growth has been in Indonesia, accounting for 80% of total export numbers over the past 3 years. In 2009 the top 10 live cattle export destinations were Indonesia, Israel, China, Jordan, Saudi Arabia, Japan, Malaysia, Philippines, Bahrain and Kuwait (Live Export care, 2011).

Although Australia exports chilled meat to the same countries it supplies with live animals, there is strong demand for both products because they serve different needs.

If Australia ceased to supply livestock to the Middle East, the trade would not simply be replaced by the chilled meat trade. There is evidence that if Australia withdrew from the trade there would not be an increased trade in chilled meat. For example, in 2007, the demand for live animals in the Middle East was not met by the supply of livestock from Australia due to drought and restricted shipping capacity. The gap between the demand and supply was not being filled by Australian boxed meat, but by live animals from Sudan, Somalia and Iran, which do not share Australia's commitment to animal welfare.

Indonesia:

While agriculture is a significant economic player, it is only the fourth largest sector of the economy after services, resources and manufacturing. It is important, but it is not the mainstay of the economy. Where agriculture is most significant is via its political and demographic impact. Some 45-50% of all Indonesians are farmers, many of whom are below the poverty line (2011, www.nationsencyclopedia.com). This means that public policy and discourse regarding anything that affects farmers is viewed with interest, and has far reaching implications. In this context, it is clear that it's difficult to engage with Indonesian agriculture purely on an economic basis and it should probably be seen equally as a political and social phenomenon.

The Indonesian market cannot keep pace with demand and currently operates with a significant yearly shortfall of available beef. While there remains a shortfall of beef it seems unlikely that Indonesia will be able to make significant gains in the development of a self sufficient national herd or the attainment of self sufficiency in cattle production. There is currently a perception,

for a range of reasons, that the Australian live export industry undermines the development of their national herd. The more likely scenario is, while there remains limited capacity in the Indonesian system, additional beef supply is essential to the maintenance of the balance between supply and demand, to prevent the slaughter of breeding stock essential to the development of a national herd.

Senate Inquiry Terms or Reference:

Preamble:

Australian live cattle exporters are faced with a range of challenges, such as the large distances from many of the export markets. These challenges have the potential to affect the health and welfare of exported animals adversely if the associated risks are not properly managed.

The export of animals obliges all participants in the supply chain to ensure that the animals' health and welfare is protected to the greatest extent possible and reflects Australian and international community expectations. The live export industry is an international trade in which the commercial parties negotiate the detailed specifications of individual consignments. The Australian Government provides the legislative and administrative framework in which livestock exporters, operators of registered premises and accredited veterinarians are licensed and regulated. State and territory governments provide and administer animal welfare legislation, which applies to all participants in the live export chain.

OIE/ASEL standards have been discussed in detail by many stakeholders, both before and since the ban, to the extent of suggesting an added industry cost to include control officers to be specifically introduced to improve supply chain compliance. Whilst ASEL standards are pragmatic, they are sometimes very primary and whilst OIE standards are reasonably comprehensive, they are at times suggestive in context, with their use and compliance across the globe largely being via agreement within the context of a memorandum of understanding.

The WABC believes that more rigour, accountability and responsibility must be undertaken with balance across the whole of the supply chain. In having said this though, it is also essential that long term benefits are provided to the industry in the form of industry security, transparency and trust.

WA Beef Council Position:

- The Council supports existing industry organisations including Meat and Livestock Australia (MLA) in their efforts to raise standards and awareness of improved animal welfare outcomes in all export market sectors.
 - Council acknowledges the difficulties in apportioning levy funds and activity across the spectrum of research, development and extension and the need for market intervention to improve animal welfare outcomes.
- Council has modelled individual market segments of the WA beef industry. This work is developing an understanding of the impacts of individual markets for WA cattle products. It is clear that the live export industry in WA is significant both directly in terms of live export revenue and the flow on impacts to other market sectors.

- Government must finalise a considered set of live export standards that includes animal welfare requirements both pre-embarkation and post-embarkation and that these are, transparent and effectively communicated to all sectors of the livestock industries.
 - Effective communication of the responsibilities between different industry sectors that are linked via market drivers will lead to widespread compliance.
- The reviewed standards should involve the application of internationally acknowledged quality system principles. These principles will ensure processes that are verifiable, have 3rd party certification and provide traceability. The process will include a closed supply chain that should underpin the sustainability of the trade. This in turn should provide government with a defensible system that meets our 'social licence' requirements.
- The WA northern beef industry has evolved to meet the requirements of the Indonesian live trade. The genetics have been selected to focus on this market and that this poses a significant challenge in disposal of cattle into other markets. The synergies in the Indonesian supply chain for northern producers strengthen this focus and change will be difficult in the short and medium term.
- Currently the WA beef industry will need to find alternative marketing options for cattle that will be displaced from the live export trade in the current season. Any future changes to the volumes of livestock exported will have similar effects and consideration needs to be given to the flow on effect this has to other market sectors within the state.

Before responding to the animal welfare issues and associated industry and community concerns, the WA Beef Council considered the scope of its industry responsibilities as identified within its Terms of Reference. The focus had to be on the whole of the supply chain, the existing processes that are in a place and the level of cross sector communication in relation to the issues identified in recent times. It was therefore agreed to comment on the current condition of four key areas in the supply chain where animal welfare could be compromised.

Current Condition:

1. Australian Standards for the Export of Livestock (ASEL)
2. Existing Regulatory Compliance to ASEL
3. Live Export Consignment Monitoring
4. Risk Management of Live Export

1. Australian Standards for the Export of Livestock (ASEL)

- 1.1. ASEL only sets basic standards and only from product source, preparation through to transport
- 1.2. Need for a whole of supply chain system from source through to processing, which is transparent, verifiable and third party audited
- 1.3. Requirement to be outcomes focused, thereby having guidelines that have clear and concise parameters but flexible enough to enable compliance using differing methodologies

2. Existing Regulatory Compliance to ASEL

- 2.1. LESAG was established in 2009 to provide advice on how ASEL should be developed and implemented

- 2.2. Only minor changes have been made to ASEL over the subsequent 2 years, which tends to indicate that there are either constraints, or their focus has been on sector operational need rather than holistic supply chain requirements
- 2.3. Although the standards are now legally enforceable, controlling the compliance to those standards outside of Australia are at best, difficult

3. Monitoring of Consignments of Live Exports

- 3.1. Current regulations require the livestock exporter to undertake planning and development of appropriate management measures. The planning must cover the sourcing, land transportation, treatments and inspections before export, and specific plans to manage the animals' health and welfare during the journey from Australia to the importing country, whether by air or by sea.
 - (a) Stockpersons are responsible for reporting on the health, welfare and mortalities of livestock during the export voyage in the absence of an AQIS-accredited veterinarian.
 - (b) Live export chain service providers are responsible for delivering a range of services under instruction from the exporter in accordance with the Standards.
 - (c) The Master of the Vessel assumes overall responsibility for the management and care of the livestock during transport on the vessel.
- 3.2. Whilst the current regulations cover the animals from sourcing through to finalising the journey to the country of destination, the reporting process is not clearly identified, nor do the current standards require any monitoring of animals through to slaughter in the country of destination

4. Risk Management of Live Export

- 4.1. Prescriptive standards form the basis of risk management during live export. However, this approach is not well-suited to adaptation or the management of all biological or physical risks.
- 4.2. ALES whilst compiled using practical industry experience and relevant scientific knowledge and providing detailed information of what has become mandatory practice, are still not effectively addressing all from source through to management within the country of destination.
- 4.3. Periodic auditing has been taking place, but it is not an embedded process with a clear reporting requirement beyond an Australian authority.

WA Beef Council Recommendations:

To ensure that there is never a repeat of the adverse animal health and welfare outcome and subsequent industry crisis that was experienced in June 2011:

1. A whole-of-chain risk-based QA approach must be developed and adopted industry wide. This is to ensure that critical risks are identified, their potential impacts analysed, and risk

management measures developed and implemented. The health and welfare of livestock in the live export chain must be protected by:

- Australian Government legislation, including regulation and standards
 - State and territory legislation, including animal welfare act and regulation
 - Any animal welfare outcomes that are included in the new standards take into account legislative jurisdiction in the states/territories.
 - Internationally acknowledged industry QA programs deployed across the total supply chain from place of origin, to country of destination, through to point of slaughter
2. The standards of ASEL and the effectiveness of the governing body LESAG requires review, with a view to being outcome based and contain clear essential and verifiable standards; plus there is a real need for highly effective communications across all of supply chain that is imbedded with principles of continuous improvement of trade. The Council believes there should be a transparent supply chain focus delivering 'line of sight' controls.
 3. The Federal government regulatory authority (AQIS) should effectively withdraw from operational elements of the new system, once the industry based 'quality system' has been developed and deployed, with auditing functions defined and operational.

The WA Beef Council believes that the introduction of such a process will address:

- Current deficiencies within our live export standards, regulatory arrangements, livestock monitoring processes and risk management from Australia through to the country of destination.
- The views of all interested parties would be taken into account: that is producers, transporters, service providers, exporters, consumer groups, industry organisations and agencies, government and research organisations.
- The provision of solutions that will satisfy the industry, customers and also provide worldwide acceptance.
- ISO standards are totally market driven, so the complete involvement of all interests in the market place is a necessity.

What Has Strengthened Our Approach?

WABC Observations during and since the lifting of the live export ban:

1. Reports from shires of reduced cash-flow throughout the northern regions
2. A large number of cattle (potentially 50,000+) without a secure and/or profitable market destination identified
3. Threats to employment within the sector, anecdotal evidence has the number at between 100-200 within WA
4. Reactive marketing tactics has made the sourcing of cattle difficult since the ban was lifted
5. Risk exposure for ships since the ban has increased due to the difficulty in locating and securing suitable cattle
6. Many cattle are either "out of spec" or now deemed for other alternative lower value markets later in the season
7. Market volatility has crept into the supply chain

8. Elements of distrust between sectors within the supply chain is also beginning to reappear
9. Further calls for total live export bans from the animal rights movement and a minority of politicians
10. Recently introduced bills into parliament calling for the immediate halting of the live export trade being soundly defeated

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APPENDIX 1

FRAMEWORK FOR A LIVE ANIMAL EXPORT ASSURANCE PROCESS

1 INTRODUCTION

This paper has been prepared by the WA Beef Council for submission to the independent review into Australia's livestock export trade.

The WA Beef Council proposes a quality assurance based live animal export assurance process to address recent animal welfare issues affecting Australian live animal export trade. The proposed live animal export assurance process is based on an independently assessed and quality assured chain of custody mechanism.

2 BACKGROUND

The Australian Government is currently responsible for regulating the live animal export industry. This responsibility extends up to the point of the disembarkation of the animals from the vessel or aircraft in the importing country. The Australian live export industry is working with the Australian Government to implement a controlled supply chain system in response to public concerns about the treatment of animals post disembarkation. The supply chain system will be designed to ensure all Australian export animals are directed through supply chains that meet internationally recognised animal welfare standards up to and including the point of slaughter.

The question of 'what needs to be done' and 'why it needs to be done' with respect to the welfare of Australian animals involved in the live export process has been extensively discussed. The objective of this paper is to address 'how' the animal welfare issues affecting Australia's live export trade can begin to be addressed.

A key objective of the proposed approach is to provide the industry, government and community with the assurance that defined animal welfare standards can be achieved. When this objective is met there will also be assurance that recent animal welfare issues will not be repeated for Australian export livestock. It is proposed that this objective be achieved by building on existing assurance systems. The assurance framework should allow AQIS to rely more on the verification and assurance process, and less on extensive documentation and inspection, as a prerequisite for export approval.

The WA Beef Council acknowledges and provides in-principle support for the assurance approach proposed in the document, Livestock Export Supply Chain Regulatory Approach (http://www.liveexports.gov.au/_data/assets/pdf_file/0005/1955624/supply-chain-assurance-and-welfare-standards-080711.pdf). The WA Beef Council recommends that compliance with the standards and mechanism proposed in this document be verified in all sectors of the live animal export supply chain. This would be done via a chain of custody and be independently assessed and quality assured, rather than enforced by a government agency.

Many of the elements of a chain of custody system already exist in Australia, and this foundation can be used to generate a set of animal welfare standards integrated with a chain of custody standard. A key issue will be resolving how the Australian chain of custody approach is integrated into systems in

the destination country. Some export destinations have internal assurance processes (e.g. Egypt), which can be integrated with Australian systems, but many do not. Where suitable systems do not exist, voluntary international standards such as OIE could be used and form part of the chain of custody.

This paper seeks to achieve government, industry and community support for the development of the chain of custody as the mechanism for implementing and achieving the assurances described by Livestock Export Supply Chain Regulatory Approach. Support for the development of this mechanism requires an economic commitment from stakeholders for the further research and development required for establishment and implementation of the chain of custody mechanism in conjunction with the Livestock Export Supply Chain Regulatory Approach.

3 ANIMAL WELFARE ASSURANCE FRAMEWORK

The proposed assurance process should meet a set of criteria including:

- It should be outcome based, and not rely on overly prescriptive requirements, allowing flexibility in implementation.
- It should be consistent with existing Australian and international animal welfare requirements.
- It should be transparent; the animal welfare outcomes should be clear and the chain of custody process evident.
- The process should be applicable across the supply chain with clear allocation of responsibilities at each stage (producers, Australian terrestrial transport, feedlots, saleyards, shipping, international terrestrial transport & saleyards, abattoirs)
- It should be auditable by suitably accredited third parties (but not overly bureaucratic).
- The process must be acceptable to all sectors of the industry, including relevant regulatory agencies and other key stakeholders.
- It should be applicable and acceptable internationally, particularly in key Australian markets.

The WA Beef Council endorses the need for animal welfare standards to be in place across the supply chain, including in export destinations. These standards should be outcome based, and allow flexibility in the way in which individual organisations in the supply chain meet them. A range of standards already exists covering most of the key parts of the supply chain, and these should form the basis for an assurance process. It is recognised that some of these standards may need to be further developed.

The WA Beef Council proposes a chain of custody, as the overarching mechanism that links all animal welfare assurance and other relevant standards through all the sectors of the supply chain from paddock to slaughter. The chain of custody approach will build on existing quality and animal welfare assurance programs. The custody of each animal in the supply chain is signed over at each link of the supply chain. The signed acceptance of custody of an animal at any link in the supply chain carries with it ownership and responsibility for the welfare of the animal to internationally accepted animal welfare standards. The recording, transfer and management of information, pertaining to the chain of custody will be equivalent to that of currently accepted quality assurance standards (e.g. ISO 9001).

The main elements of the chain of custody approach are:

- Animal welfare standards are defined for each link in the supply chain. Where possible these standards should be, or be based on, existing standards. Where standards do not already exist, they will need to be clearly documented. These standards can be assured through an independent third-party audit process.
- A discrete chain of custody tracks each animal from paddock to slaughter. This mechanism can utilise the existing National Livestock Identification Scheme (NLIS). The chain of custody process can also be independently audited. This audit process can be integrated with, or separate from, the auditing of the welfare standards.
- Compliance with the animal welfare conditions is demonstrated by the chain of custody all the way to the abattoir in the country of destination.
- Entities that cannot conform to the base animal welfare standards, required by the chain of custody for their particular supply chain sector, can not participate in the receipt and supply of Australian live export animals.

4 ANALOGOUS MODELS FROM OTHER INDUSTRIES

Traceability via a chain of custody mechanism is central to other comparable supply chain assurance mechanisms developed or being developed in other industries. There are two overall models:

- Each part of the production and supply process is independently certified to relevant performance standards, and a chain of custody standard is used to track goods from certified sources through the supply chain. The standards are set by independent bodies (such as the International Organisation for Standardisation, ISO, or international or Australian peak industry bodies). Compliance with the standards, including the chain of custody standard, is verified by an auditing process undertaken by accredited certification bodies using appropriately qualified and experienced auditors (the accreditation body in Australia is JAS-ANZ).
- Parts of the supply chain are certified to relevant performance standards, and contractual arrangements are used to ensure that only certified goods and suppliers are used.

4.1 Forestry and Timber Industry

The forestry and timber industry provides an analogous framework to that proposed for the Australian beef industry in the form of the Australian Forest Standard (AFS) and Forest Stewardship Councils (FSC) chains of custody (CoC) certification. These schemes have similar requirements:

- All links in supply chain from forest through to consumer are covered by the certification system;
- Both main standards are outcome based;
- They are consistent with other international standards (particularly quality standards)
- There is provision for group certification to enable participation in the program by small operations; and
- Participants and processes are independently certified and audited.

The forestry and timber schemes track certified material through the production process - from the forest to the consumer, including all successive stages of processing, transformation, manufacturing and distribution. Only certified operations are allowed to label products with the associated trademarks. These labels thus provide the link between responsible production and consumption and thereby enable the consumer to make socially and environmentally responsible purchasing decisions.

The timber certification can be used to demonstrate compliance with public or private procurement policies and specifications such as the EU Ecolabel scheme for furniture, or the U.S. Green Building Leadership in Energy and Environmental Design (LEED) rating system.

The forestry and timber certification schemes have the flexibility to accommodate various scales of operations:

- Small enterprises may form or join a group of operations and apply for group chain of custody certification. Both schemes have specifically designed Group CoC certification to make CoC certification accessible to small operations for which individual CoC certification may be too costly.
- Larger companies operating at multiple locations can, if they comply with certain requirements, choose to apply for multi-site chain of custody certification. This makes use of elements of scale and thus is more economical than to seek a separate certificate for each site.
- Both group and multi-site CoC certification, allows certification bodies to evaluate participating operations or sites based on samples in recognition of existing common, centrally administered and monitored control and reporting systems and thereby reduce the auditing costs.

FSC and AFS project certification is a non-bureaucratic way to get one-off and complex products certified without each involved participant having to become individually certified. It has been specifically designed for building projects.

4.2 Manufacturing industries

A range of manufacturing sectors require supply chain assurance of quality, environment and/or OHS performance. This is often a requirement of supply contracts, and generally relies on independent third-party certification to international quality, environment and OHS standards. Typically the supplier is required to provide proof of this certification, and often the main customer will also undertake spot audits. In some cases, major customers also have specific performance requirements, which must be met by suppliers. For example the Australian automotive manufacturers all require environmental management system certification from Tier 1 suppliers (those which supply directly to the manufacturers), and several of them also have specific environmental requirements (such as the avoidance of specified chemicals, and reuse of standardised packaging for parts).

These supply chain assurance processes rely on:

- Existing international and Australian standards, sometimes in conjunction with specified performance standards, and independent, third-party certification against these standards.
- Contractual arrangements to specify and enforce performance requirements.

5 EXISTING ASSURANCE PROCESSES AND GAPS IN LIVESTOCK EXPORT INDUSTRY

The chain of custody will establish linkages between existing, and yet to be developed animal welfare assurance programmes and processes for all sectors along the supply chain from farm to abattoir.

Where there are sectors in the supply chain without assurance programmes, they will require development in accordance with international animal welfare and other relevant quality standards. The chain of custody mechanism and the assurance programs that it links will be independently auditable.

The WA Beef Council believes that there are several existing assurance mechanisms that can be used for the implementation of the proposed overall animal welfare assurance framework. The sectors of the supply chain and relevant existing assurance programs are summarised in the Appendix of this document.

The chain of custody can utilise National Livestock Identification Scheme (NLIS) as the mechanism for the identification of all animals in the supply chain. The trade boundaries of that scheme would require expansion to enable animal tracking to overseas destinations.

The Australian animal welfare standards, particularly ASEL, have some acknowledged disadvantages, including:

- The majority of standards are effectively unenforceable under current legislative arrangements.
- Many are not measurable or able to be regulated.
- Exemptions from standards are permitted with no requirement for justification.
- There is an overall lack of transparency, reporting and feedback in the export process.
- Loopholes in ASEL mean that not all animals are covered.

The proposed certification/ chain of custody approach can overcome these disadvantages through clear documentation of outcomes and an independent verification process.

6 DEVELOPING THE FRAMEWORK

6.1 Key priorities for the framework

The assurance framework requires a number of existing standards to be refined, gaps filled and an overarching chain of custody approach developed to integrate the standards across the supply chain and verify that standards have been met. The WA Beef Council has identified the following priorities for action:

- The identification of the key gaps in current standards is essential. A gap study is required for all relevant standards in each sector of the supply chain to determine where development effort is required. Standards such as ISO 9001 and OIE may be used as a benchmark for the gap study. For example, the ASEL provide a sound basis for domestic animal welfare, but may require some refinement so they specify more defined outcome based requirements, and are auditable by third parties.
- The definition of standard(s) and approaches in the destination countries is a key priority. Minimum standards are required to be defined for destination countries, which do not have internal welfare assurance standards. The OIE standards could be used as minimum requirements; however the final arrangements must provide flexibility to accommodate differences in international animal welfare standards.
- Development of an over-arching chain of custody standard, including the definition of the required level of records. The chain of custody standard should be based on international quality assurance standards (e.g. ISO 9001)
 - Development of the auditing arrangements, including qualification and accreditation of auditors and certification bodies.

- Defining the minimum level of documentation required to allow live animal exports.
- Defining the roles and responsibilities of the certification and verification processes, and the inspection processes of AQIS. It is hoped that as the assurance framework is progressively implemented that AQIS can rely more on the verification and assurance process, and less on extensive documentation and inspection.

6.2 Process for developing the assurance framework

The development of the framework will require involvement from relevant industry, government and non-government peak body organisations from Australian and overseas that represent markets of interest to the Australian live animal export industry.

An industry/government working group is proposed to steer the development and implementation of the framework. The following sectors would potentially be required to participate in the framework development:

Industry	Government	Non-government organisations
National Farmers Federation	AQIS	RSPCA
Cattle Council of Australia	Department of Agriculture, Fisheries and Forestry	Community
Producers of animals for live export, including both large and small producers		Foreign market sector representative and stakeholder bodies and organisations
Lot Feeders Association of Australia		
Livestock Transport Association		
Export depots		
Ports		
Department of Foreign Affairs and Trade		
Livestock agents		
Exporters		

The Australian standards setting and accreditation bodies, Standards Australia and JAS-ANZ would be able to offer advice on developing standards and on establishing the auditing processes. As part of the framework development process, the on-going roles of these bodies can be further defined.

6.3 Implementing the assurance framework

The assurance framework should be implemented as soon as practically possible to provide certainty for the industry and the community. The WA Beef Council recommends the following approach:

1. **Establishment of an industry steering committee.** A peak level steering committee should be established to guide the development and implementation of the assurance framework, and to ensure that all relevant stakeholder views are considered.
2. **Confirming the applicable welfare standards.** This will require a gap analysis of the preferred arrangements against existing standards, and documenting the minimum **standards** applicable in destination countries. A preliminary view of the key priorities is given in section 5.1 above.
3. **Identifying the critical elements of the supply chain.** Some of the links in the chain from the producer to abattoir have more immediate requirements for the development or refinement of welfare standards than other elements. The definition of requirements applicable in destination countries without credible internal arrangements is a clear need.
4. **Defining the chain of custody standard.** The WA Beef Council supports the development of a formal chain of custody standard. This would define the requirements for such issues as: a documented control system, personnel training and development, verification of origin, approaches to chain of custody verification, and record keeping. The Australian Forestry Standard CoC standard (AS 4707) could be used as a model. It is recommended that the peak industry groups formally adopt the CoC standard.
5. **Defining the auditing arrangements.** The WA Beef Council proposes that JAS-ANZ be appointed to accredit certification bodies. This accreditation process will, among other things, **include** defining appropriate auditor skills and qualifications, as well as audit frequency, and site or consignment sampling requirements.
6. **Defining the role of the assurance process in export licensing.** As the assurance process is implemented across the industry, duplication of documentation must be avoided, and the role of AQIS should shift to an oversight emphasis with a formal regulatory role only where there are clear breaches of legal requirements.

APPENDIX. CURRENT ASSURANCE PROGRAMMES

<u>SECTOR</u>	<u>ASSURANCE PROGRAMME</u>
WITHIN AUSTRALIA	
FARM	<p>Livestock Production Assurance Quality Assurance (LPAQA) (incorporating CATTLE CARE and FLOCK CARE), administered by Meat and Livestock Australia (MLA), is soon to be replaced by AgriSure.</p> <p>The elements of LPA and their associated outcomes are:</p> <ol style="list-style-type: none"> 1. Property risk assessment - Livestock are not exposed to areas on a property that are contaminated with <u>organochlorines</u> or other persistent chemicals. 2. Safe and responsible animal treatments - Livestock intended for human consumption do not contain unacceptable chemical residues or physical hazards. 3. Stock foods, fodder crops, grain and pasture treatments - Livestock are not exposed to feeds containing unacceptable contamination, specifically any food containing animal products and/or unacceptable chemical residues. 4. Preparation for dispatch of livestock - Livestock to be transported are fit for the journey, are not unduly stressed and contamination is minimised during on-farm assembly and transport to the destination. 5. Livestock transactions and movements - Any purchaser of livestock can access the chemical residue or food safety status of the animals, any animals or products purchased can be assessed for chemical residue status and the movement of livestock can be traced if required. The LPA NVD/Waybill and the <u>National Livestock Identification (NLIS)</u> database can help in trace back and trace forward of red meat livestock movements and device and property based status. <p>AgriSure is a holistic program that is being developed for the evolving market and promises to be a more modern and flexible version of LPAQA.</p> <p>There is a low adoption rate for the current program (LPAQA) as at present there is considered to be no commercial driver for it.</p> <p>LPAQA is audited by AUS-MEAT.</p>
Beef Production	
<i>Welfare</i>	<p>Australian states and territories have existing animal welfare legislation.</p> <p>Each jurisdiction has officers responsible for administering, enforcing and reviewing animal welfare legislation. The responsible agency is within the agriculture portfolio (in four jurisdictions), the local government portfolio (in two jurisdictions) or the environment portfolio (in two jurisdictions).</p> <p>In addition, the development of separate animal welfare standards and guidelines for sheep and cattle commenced in late 2008, under the management of Animal Health Australia. The sheep and cattle writing groups began drafting the standards and discussion papers in early 2009 and have made solid progress. Both writing groups have had multiple meetings, and reference group meetings were also held in 2010.</p> <p>Due to industry concerns about a lack of commitment by jurisdictions to consistently implement standards, in late 2010 the cattle and sheep industries suspended their funding for the development of the respective standards and guidelines (Animal Health in Australia 2010, http://www.animalhealthaustralia.com.au/wp-content/uploads/2011/01/Animal-welfare.pdf).</p>
<i>Identification</i>	<p>The National Livestock Identification Scheme (NLIS) traces cattle, sheep and goat movements nationwide for their lifetime. All relevant livestock transfers, starting from when they leave their place of birth to slaughter, must be recorded in the NLIS database.</p>

SECTOR	ASSURANCE PROGRAMME
	<p>The NLIS database does not track the destination of export animals, except to note that they have been exported.</p> <p>NLIS is endorsed by major producer, feedlot, agent, saleyard and processor bodies. In addition to this it is underpinned by State and Territory legislation, which forms the regulatory framework for the system.</p> <p>In addition to the NLIS some state jurisdictions have legislation requiring the recording of animal identification and stock movements for specific species.</p>
<i>Selection</i>	
<i>Welfare</i>	<p>Australian Standards for the Export of Livestock (ASEL) Standard 1 - Sourcing and on-farm preparation of livestock.</p> <p>Required outcomes of the standard:</p> <ul style="list-style-type: none"> • Livestock sourced for export must meet any requirement under a law of a state or territory relating to the sourcing of livestock. • State and territory governments are responsible for ensuring that these requirements are met. • Livestock sourced for export must meet these Standards and importing country requirements. • Livestock sourced for export that become sick or injured during on-farm preparation must be excluded from export, and arrangements must be made for their prompt and humane handling and care. • The Australian Quarantine and Inspection Service (AQIS) must be satisfied that these Standards and importing country requirements are met before issuing a health certificate and export permit. <p>Livestock sourced for export must meet any requirement under a law of a state or territory. State and territory governments are responsible for ensuring that these jurisdictional requirements are met under respective state and territory legislation.</p> <p>Compliance with above standards may not be rigorously assessed. Audit processes assessing compliance will need to be assured.</p>
SALEYARDS	<p>The National Saleyards Quality Assurance Program (NSQA) ensures saleyards meet and maintain recognised national standards in the handling of livestock through all stages of the red meat market. NSQA is audited by AUS-MEAT, who is responsible for ensuring that both the quality assurance systems developed by each saleyard and its facilities meet the requirements of the National Standard for the Construction and Operation of Australian Saleyards.</p> <p>The program is only adopted by very few saleyards. Many sheep and some cattle are purchased at saleyards.</p>
TRANSPORT	<p>TruckCare is the Livestock Transporter Industry's independently-audited quality assurance program. The program is built around the quality assurance principles contained in international standards and also uses hazard analysis of critical control points. TruckCare is designed to integrate with other quality programs including CattleCare, FlockCare, National Saleyard Quality Assurance and TruckSafe.</p> <p>The program is aimed at raising awareness, introducing quality management, implementing a quality management system which can be audited by customers, or by an externally qualified auditor and integrated with customers or road transport quality assurance programs. TruckCare has been developed with the assistance of animal welfare scientists from the Department of Primary Industries, Victorian Government</p>
Welfare	Australian Standards for the Export of Livestock (ASEL), Standard 2 - Land Transport of

SECTOR	ASSURANCE PROGRAMME
	<p>Livestock.</p> <p>Required outcomes</p> <ul style="list-style-type: none"> • Only livestock fit to travel are presented for loading. • Livestock are loaded in a manner that prevents injury and minimises stress. • Transport of livestock is undertaken in a manner that meets these Standards, any requirements of a state or territory relating to the transport of livestock, and importing country requirements. • Livestock are unloaded in a manner that prevents injury and minimises stress. <p>Compliance with ASEL at this stage is not routinely verified by AQIS. AQIS is not usually present during receipt at a feedlot.</p> <p>Compliance with various states animal welfare legislation is verified from time to time by regulator being present during receipt at a feedlot.</p>
FEEDLOT	<p>Australian Lot Feeders Association - National Feedlot Accreditation Scheme (NFAS)</p> <p>As stipulated in Export Meat Orders, this NFAS is mandatory for feedlots producing grainfed beef for export markets. The National Feedlot Accreditation Scheme (NFAS) is an industry self-regulatory quality assurance scheme that was initiated by the Australian Lot Feeders' Association and is managed by an industry committee, the Feedlot Industry Accreditation Committee (FLIAC).</p> <p>To be accredited a feedlot operator must:</p> <ul style="list-style-type: none"> • Have documented specific feedlot procedures in place which meet the requirements of industry standards; • Maintain records that these procedures have been adhered to for all cattle prepared at the feedlot; and • Undergo a third party audit of these procedures, records and facilities at the feedlot. Audits are performed by AUS-MEAT. <p>The key elements of NFAS are:</p> <ul style="list-style-type: none"> • Animal welfare • Environmental management • Stocking density • Stock identification systems • Livestock transactions and movements • Carcase quality, bruising and skin or hide damage • Safe and responsible chemical use • Cattle treatment records • Feedlot rations • Feed commodity control • Emergency response management • Persistent chemicals in soils • Obtaining and storing agricultural and veterinary chemicals • Paddock, crop and grain treatments • Training • Internal auditing and corrective action • Quality Records • Document control

SECTOR	ASSURANCE PROGRAMME
	Export depot feedlots are not part of this NFAS.
Welfare	<p>ASEL Standard 3 - Management of livestock in registered premises</p> <p>Required outcomes:</p> <ul style="list-style-type: none"> • Facilities at registered premises are appropriate for the type and species of livestock to be held. • The health and welfare needs of the livestock are appropriately catered for in a secure environment. • Livestock leaving the premises are fit for the export voyage and meet importing country requirements. • Livestock rejected for export are managed humanely. <p>Compliance verified through at least one visit by AQIS</p> <p>Compliance with various states animal welfare legislation is verified from time to time by regulator</p>
PORT	
Welfare	<p>ASEL Std 4 - Vessel preparation and loading</p> <p>Required outcomes</p> <ul style="list-style-type: none"> • Livestock are healthy, fit to travel and comply with importing country requirements. • The vessel meets Australian requirements for the safe carriage of livestock. • Sufficient personnel must be available both at loading and during the voyage to ensure that livestock husbandry and • welfare needs are addressed. • Livestock are handled and loaded in a manner that prevents injury and minimises stress. • The travel and loading plans adequately address the health and welfare of the livestock. • A health certificate and an export permit are issued by the Australian Quarantine and Inspection Service (AQIS). <p>Compliance with various states animal welfare legislation is verified from time to time by regulator</p>
VOYAGE	
Welfare	<p>ASEL Std 5 - On-board management of livestock</p> <p>Required outcomes:</p> <ul style="list-style-type: none"> • The voyage is completed safely. • Adequate livestock services are maintained throughout the voyage. • Onboard care and management of the livestock is adequate to maintain their health and welfare throughout the voyage. • Statutory reporting requirements are met, both during and after the voyage. <p>Compliance verified by AQIS through examination of reports from shipping lines.</p> <p>Marine Orders (part 43) prescribes the dimensions of livestock pens and other fixtures/fittings on ship. Compliance verified by the Australian Maritime Safety Authority which issues an Australia Certificate for the Carriage of Livestock.</p>
FOREIGN	

<u>SECTOR</u>	<u>ASSURANCE PROGRAMME</u>
DISCHARGE	
Welfare	Covered in part by OIE requirements for lairage. These are not mandatory requirements. Some export countries have internal welfare requirements which must be met for imported animals (e.g. Egypt)
TRANSPORT	
Welfare	Covered in part by OIE requirements
FEEDLOT	
Welfare	Covered in part by OIE requirements
TRANSPORT	
Welfare	Covered in part by OIE requirements
ABATTOIR	
Welfare	Covered in part by OIE requirements

