

CHAPTER 3

STRUCTURE OF THE LIVE SHEEP TRADE

Introduction

3.1 The Committee was informed that the export of live sheep from Australia to the Middle East is the largest, planned, mass movement of animals by sea in the history of the world.¹ As a result, no comparable research and management problems have been encountered elsewhere in the world.

Size of the Trade

3.2 In 1983, 7.3 million sheep with an FOB value of \$A208 million were exported from Australia.² Approximately 3.2 million were loaded in Western Australia, 2.1 million in South Australia, 1.5 million in Victoria and 0.2 million in Tasmania. The principal destinations for these sheep were Saudi Arabia (3.2 million), Kuwait (2.0 million), Libya (0.6 million), Qatar (0.4 million) and the United Arab Emirates (0.1 million).³ This contrasts with the year ended 30 June 1977 when 2.2 million sheep were exported from Western Australia, 1.0 million from South Australia, 0.3 million from Victoria, and 0.1 million from Tasmania to give a total of 3.5 million. The principal destinations were Iran (1.7 million), Kuwait (0.7 million), Saudi Arabia (0.5 million) and Singapore (0.1 million).⁴ In a period of six years the trade had doubled.

3.3 The voyage to the Persian Gulf usually takes about three weeks but that depends on the port of loading and the port of unloading. For example, a voyage from Portland takes three or

four days longer than one from from Fremantle and the passage through the Suez Canal to Libya can increase the voyage by several days. In addition, some ships unload sheep at more than one port in the Middle East. Bunkering and revictualling of ships, berthing delays, bad weather and political developments can also extend the duration of the voyage. The distance travelled ranges from 10 000 to 15 000 kilometres.

Industry Structure

3.4 The export sheep trade has experienced rapid growth in recent years, passing from the 'buccaneering' phase of the early 1970s to the present phase of a large investment base and increasingly complicated management. The industry can be divided into three sectors: (i) purchase and assembly; (ii) sea transport; and, (iii) Middle East.

Purchase and Assembly Sector

3.5 The first sector of the industry is the domestic or Australian sector which involves the selection, purchase, transport, assembly, feedlotting and loading of sheep.

3.6 The selection and purchasing of sheep are done by special purchasing teams employed by either the export companies or the pastoral houses. Private livestock agents are also involved in securing orders for 'boat sheep'.

3.7 At present 50 per cent of feedlots are owned by the four integrated export companies; that is, the Kuwait Livestock Transport and Trading Company (KLTT), the Saudi Livestock Transport and Trading Company (SLTT), Rachid Fares Enterprises and Siba International. Most of the others are Australian owned.

3.8 Eleven export feedlots in Western Australia have been approved and had their capacity assessed by the Western Australian Department of Agriculture as at February 1985. The ownership and capacity of each are shown in Table 3.1.

Table 3.1: Capacity of Western Australian Feedlots

<u>Owner</u>	<u>Sheep</u>
RETWA (KLTT)	125 000
Fares	110 000
Siba	70 000
Metro	20 000
Emanuelles (x3)	26 000
Ormond Nominees	115 000
Others (x3)	<u>100 000</u>
 TOTAL CAPACITY	 566 000

Seven South Australian feedlots have had their capacities vetted by the South Australian Department of Agriculture as shown in Table 3.2.

Table 3.2: Capacity of South Australian Feedlots

<u>Owner</u>	<u>Sheep</u>
Metro (x3)	150 000
Elders (x2)	135 000
Dalgetys	30 000
Reg H. Pearce Trading Pty Ltd	<u>60 000</u>
 TOTAL CAPACITY	 375 000

(Note: Wallaroo (x2) and Port Lincoln are no longer used)

Two feedlots have been assessed by the Victorian Department of Agriculture. Their capacities are shown in Table 3.3.

Table 3.3: Capacity of Victorian Feedlots

<u>Owner</u>	<u>Sheep</u>
Pedigree (Portland)	150 000
Kobo (Portland)	<u>120 000</u>
TOTAL CAPACITY	270 000

There is one feedlot in Tasmania.

Table 3.4: Capacity of Tasmanian Feedlot

Quoiba (Devonport)	100 000
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3.9 The live sheep stock feed manufacturers are listed in Table 3.5.

Table 3.5: Feed Manufacturers

Western Australia

Fares Rural Company, Kojonup
Milne Feeds Pty Ltd, Perth
Swan Feeds Pty Ltd, Perth
Wesfeeds Pty Ltd, Perth
Maces Feeds, Williams

South Australia

Milling Industries, Adelaide
Johnson and Sons, Adelaide
Red Comb Co-op, Adelaide

Victoria

Barastoc (Elders), Kerang
R.M. Gillett, Geelong
Metro Deny Fodders, Heywood

Two of the four major exporting companies, Fares and KLTT, own their own feedmills.

Sea Transport Sector

3.10 The second sector involves the design, commissioning, deployment and operating of livestock carriers and the management of sheep aboard the carrier. Livestock exporters are licensed by the AMLC and in 1984 there were 16 licensed exporters which exported more than 1000 sheep. Currently, there are 24 ships, approved by the Federal Department of Transport, to export live sheep to the Middle East, ranging in capacity from 12 000 to 125 000 sheep. None of the livestock carriers is Australian owned although Wesfarmers has a small share in one ship. Twelve ships, with an annual capacity of approximately 4 240 000 sheep, are owned by companies in Kuwait and Saudi Arabia. Ten years ago most ships were under charter but now charter shipping is a very small proportion of the total.⁵

Middle East Sector

3.11 The third sector concerns the unloading, feedlotting, transport and slaughter of sheep in the Middle East. The integrated companies own 50 per cent of the holding capacity in the receiving/importing countries.

3.12 The distribution, wholesaling and retailing of the sheep are the responsibility of various government and commercial organisations. In Libya, LUHUM, the Libyan Livestock and Meat National Company, a state-owned corporation, has total

control over this operation. In Kuwait it is controlled by KLTT and another smaller operator. In Saudi Arabia it is carried out by SLTT, Mukairish, and KLTT, although the tenure of KLTT in this market is uncertain. In the United Arab Emirates, the Dubai company receives trans-shipments from Kuwait and also re-exports to Muscat. It appears to be largely privately owned with some government participation. In Bahrain the Ministry of Commerce and Agriculture is solely responsible for the purchase of sheep.

Investment Base of the Industry

3.13 The main explanation for the rapid growth in the trade was the significant increase in Middle Eastern oil revenues, which provided ample funds for investment. There is a large investment base to the trade. For example, the conversion of an oil tanker to the livestock trade could cost \$A32 million or more above the original purchase price.⁶ KLTT has an investment in four livestock carriers of \$A150 million with operating costs for each ship of \$A15 000 per day.⁷ The corollary is that Australian interests have either not had enough capital to invest in ships or were not prepared to risk capital in such a venture. The investment does not necessarily end with shipping but can extend to facilities in both Australia and the Middle East.

Government Investment in the Trade and Plutocratic Influence

3.14 Australian investment in the trade is through Australian pastoral houses and other commercial interests. Australian Government involvement is mainly limited to regulatory functions, although trade and diplomatic matters, in so far as they impinge on the trade, also remain within the Government's area of responsibility.

3.15 Middle Eastern companies own much of the infrastructure of the trade. Unlike Australia, many of these companies are controlled, directly or indirectly, by or come under the influence of the governments of their countries of which only Kuwait has an elected national assembly. Most of the countries in the Middle East that import live sheep from Australia are governed by ruling families, who also have strong commercial interests. These links between the commercial aspects of the trade and the interests of the Middle Eastern governments, although not clearly defined, confer commercial advantages on the Middle Eastern companies, for example through subsidies on bunker oil for their own ships. Although this does not preclude competition in the trade, it makes their companies artificially competitive with Australian or foreign interests.

Vertical Integration in the Industry

3.16 Four companies involved in the live sheep trade are vertically integrated, that is, involved in the ownership and operation of some or all of the following aspects of the live sheep export trade:

- . feedlots and feedmills in Australia;
- . separate buying organisations in Australia;
- . livestock carriers;
- . feedlots and other facilities in the Middle East; or
- . wholesale and/or retail outlets in the Middle East.

The companies are the Livestock Transport and Trading Co. KSC, Kuwait (KLTT); Saudi Arabia Livestock and Trading Co., Saudi Arabia (SLTT); Siba International, based in Italy and wholly-owned by Italians; and Rachid Fares Enterprises, based in

the United Kingdom and Argentina, and whose shareholders have registered addresses in the Lebanon, Argentina and Australia. They are responsible for approximately six million of the seven million sheep exported.⁸ However, there is evidence that the cost reduction, which it was hoped would be obtained by vertical integration, has not eventuated. In addition, profits have been eroded by increased competition in recent years.

3.17 With the exception of Metro Meat, there appears to be no horizontal integration in the industry between exporters of live sheep and carcase exporters.⁹ Although there is vertical integration, the Middle Eastern importers are not, ipso facto, tied to Australian supply but can, and do, import sheep from other countries.

Co-ordination and Regulation of the Trade

3.18 There are a number of organisations that co-ordinate the industry.

3.19 The Australian Livestock Exporters Association (ALEA) is the industry organisation composed of the principal exporters. It co-ordinates industry policy on political, welfare and industrial questions. It does not co-ordinate the conduct of research on an industry-wide basis or compile industry statistics.

3.20 The Association of Livestock Transport Veterinarians (ALTV) is a group of seven veterinarians who have at various times been retained as veterinary consultants by major exporters. Veterinarians involved with the trade are also represented through the Australian Veterinary Association (AVA) which convened a special working party on the trade in 1980.

3.21 Livestock agents involved in the purchasing and selling of export sheep are usually affiliated to the Australian Council of Livestock Agents (ACLA) although the larger pastoral houses are also members of ALEA.

3.22 The principal rural organisation involved with the trade has been the Sheepmeat Council of Australia. The immediate past president, Mr Ralph James, was a member of the 1982 Australian Sheep Meat Study Mission to the Middle East. The Sheepmeat Council and the Cattle Council are also represented on the ALEIAC. The National Farmers' Federation (NFF) and the State farmer organisations, such as the Victorian Farmers and Graziers Association, have become involved in local disputes such as at Portland where graziers have ignored AMIEU bans and loaded export sheep themselves. Transport operators, feedlot operators and feed manufacturers have no industry organisations to represent their particular interests.

3.23 The Australian Meat and Livestock Corporation (AMLC) is a statutory authority which issues export licences under the Australian Meat and Livestock Corporation Act 1977. Licences are issued only to exporters who meet standards which have been designed to maintain export quality. Orders issued under the Act are intended to ensure that the animals exported conform to importers specifications. If they are not met, the AMLC can withdraw the exporters' licences.¹⁰

3.24 The Australian Agricultural Health and Quarantine Service (AAHQS), formerly the Animal and Plant Health and Quarantine Service and before that the Australian Bureau of Animal Health (ABAH), is a division of the DPI, with responsibility for quarantine and animal health and welfare. It administers regulation 86D of the Quarantine (Animals) Regulations under the Commonwealth Quarantine Act 1908 which provides that:

'(3) A person shall not export a consignment unless the consignment has been examined at the port of shipment during the period of 48 hours immediately preceding shipment by a quarantine officer who is a veterinary surgeon.

(4) Subject to sub-regulations (5) and 86F (2), a quarantine officer who examines a consignment in accordance with sub-regulation (3) shall grant such certificates relating to the freedom of the consignment from disease or otherwise as the circumstances require.'

The administration of these Regulations at the loading port is undertaken by various State veterinary services acting as agents of the Commonwealth.¹¹ These State veterinary officers acting as quarantine officers, inspect the sheep in the feedlot for health and fitness to travel and are present at the wharf during loading. They are also required to ensure that conditions on the ship are satisfactory prior to, and during loading.¹² Under the Commonwealth Quarantine Act 1908 and associated Regulations, they issue the export certificate, without which the ship cannot put to sea.

3.25 In 1983, the Minister for Primary Industry appointed the Australian Livestock Export Industry Advisory Committee (ALEIAC). The ALEIAC is chaired by an officer of the AAHQs and has consultative functions only. It serves as a vehicle for discussion between government and industry. It has no provision for representation from the AVA, AMIEU, RSPCA or other animal welfare organisations.

3.26 The ABAH was responsible for the publication in 1981 of 'Sea Transport of Sheep', which attempted to document procedures and husbandry practices used in the trade and provided recommendations for their improvement. Subsequently it published 'Standards for the Preparation and Carriage of Sheep by Sea' which provided a basis for industry self-regulation and closer supervision by veterinary staff.¹³ The Standards were drafted in consultation with industry and government.

3.27 The AAHQS provides administrative support for the Sub-Committee on Animal Welfare of the Standing Committee on Agriculture. This Sub-Committee had its inaugural meeting in 1980 and has among its members representatives from State Departments of Agriculture. It has developed a number of model codes of practice including codes on road, rail, and sea transport of livestock and on intensive husbandry of sheep, which provide minimum standards for the export process. At present these model codes have no legal status. In Victoria, codes of practice based on the model codes may be admitted as evidence in court proceedings. The Western Australian Government, however, does not intend to introduce any element of enforcement into the codes.¹⁴

3.28 The Livestock Policy Section of the DPI administers the Customs (Prohibited Exports) Regulations. These require that the export of sheep and cattle must be authorised on a shipment by shipment basis by the Minister for Primary Industry or a designated officer. The purpose of these Regulations is to regulate or prevent primary industry exports as the need arises, for example the current restrictions on the export of merino rams.

3.29 The Department of Transport (DOT) administers Marine Orders Part 43, 'Cargo and Cargo Handling - Livestock' pursuant to the Navigation (Orders) Regulations of the Navigation Act 1912. The Marine Orders prescribe minimum standards for the transportation of animals by sea, subject to the safety of the ship, and were formulated by the LAC.

3.30 The Marine Orders provide for the inspection of a ship prior to loading livestock to ensure that the ship meets the requirements specified in the Marine Orders. It provides for aspects of animal welfare not directly attributable to the need for containment and control of livestock such as the approval of a government veterinary officer in regard to the animals'

fitness to travel. In addition, inspections are carried out to ensure that the ship complies with the requirements of the Safety of Life at Sea Convention 1974.¹⁵ All new ships fitted for live export are inspected by a DOT marine surveyor to ensure that the design and construction of the sheep pens, alleys and loading ramps conform to the Regulations. The Regulations provide for the furnishing of a Masters Report in which every ship's master reports the daily mortality level of animals at the end of the voyage. If the mortality level exceeds three per cent, the reasons for the high level of mortality are examined by Government authorities prior to loading being permitted on the next voyage.

3.31 The transport, assembly and loading of sheep within Australian jurisdiction also comes within the scope of State legislation for the prevention of cruelty to animals. The powers of inspection and action that can be taken by inspectors under this legislation vary from State to State. For example, under the Western Australian Prevention of Cruelty to Animals Act 1920, a special constable appointed under the Act has the right to board livestock carriers for the purpose of inspection and he may launch prosecutions for breaches of the Act. This right of inspection of ships does not apply in other States.

3.32 The co-ordination and regulation of the industry outlined above applies almost exclusively to the industry within Australia, except that the carriers must meet minimum standards. Once ships leave Australian waters, Australian influence, both government and private, over welfare conditions for export sheep at sea and in the Middle East appears to be limited. There are only rudimentary welfare regulations operating in the Middle East.