

Chapter 6

Conclusion

6.1 On 30 May 2011, the ABC *Four Corners* program televised *A Bloody Business*. The ABC described the program as an "explosive expose of the cruelty inflicted on Australian cattle exported to the slaughterhouses of Indonesia".¹

6.2 No one who appeared before the committee, or wrote to the committee, condoned the treatment of cattle in the footage broadcast as part of the *Four Corners* program. A clear message throughout this inquiry from animal welfare groups, the livestock industry, governments and the wider community was that the treatment of cattle as shown in the *Four Corner's* program was totally abhorrent and inexcusable.

6.3 During this inquiry, a number of witnesses expressed concerns about the ABC *Four Corners* program. Some witnesses expressed concerns about the accuracy of the program, while others made quite serious allegations about the editing of the footage. Some of the individuals interviewed for the program contacted the committee to express concern at the manner in which they were treated by the *Four Corner's* team and the way in which they were presented to the Australian public. The committee has chosen not to comment further on the specifics of these concerns, having decided that it is not well placed to determine whether or not they are well founded.

6.4 What is clear to the committee is that the program was intended to have a significant impact on the viewing public, and through them, the Australian Government and the live export industry. Many on the committee are satisfied that the primary motivation for the *Four Corner's* program was a desire to end the live export trade.

6.5 To say that this objective has been achieved is an understatement. The program was so hard hitting that it panicked sections of the community and the Australian Government into thinking that the only solution was to immediately suspend the live cattle trade, without consideration of the devastating and far reaching impact this action would have on the many families and communities who depend on the trade for their livelihood, or on Australia's relationship with the Indonesian Government.

6.6 However, the committee does not consider that there is anything to be gained from dwelling further on the motives of Animal's Australia, RSPCA Australia or the ABC. The committee prefers instead to focus on how these serious shortcomings in

1 Australian Broadcasting Corporation, *Four Corners, A Bloody Business*, accessed at <http://www.abc.net.au/4corners/content/2011/s3228880.htm>.

Australia's live export trade can be properly addressed to preserve this significant trade and the communities it underpins.

6.7 The committee believes that out of adversity comes opportunity. The Australian Government and the Australian red meat industry have in their hands the opportunity to place the industry on solid foundations. To achieve this, some key lessons must be learnt from the events of the last six months.

There is no room for compromise on animal welfare

6.8 Firstly, Governments, parliaments and industry must all accept that there can be no compromise around animal welfare. There is genuine and widespread concern in the Australian community about the welfare of Australian animals exported for slaughter in other countries. We must continue to strive to improve the treatment of Australian livestock and foster significantly improved animal welfare standards.

6.9 The committee endorses the sentiments of Dr Temple Grandin:

I think using animals for food is an ethical thing to do, but we've got to do it right. We've got to give those animals a decent life and we've got to give them a painless death. We owe the animal respect.²

6.10 While this may seem self evident, the committee considers that in tackling the difficulty of influencing outcomes in animal welfare in another sovereign state, compromises have been made, particularly in the Indonesian live cattle export market.

6.11 The committee notes that prior to the *Four Corners* program, the industry had adopted an incremental approach to improving animal welfare within importing countries, partly in response to the sensitivities involved. In Indonesia in particular, the widespread prevalence of traditional slaughter practices, the level of understanding of animal handling practices and the plethora and diversity of slaughter facilities have posed significant challenges. The committee recognises that achieving change in this environment required a careful and considered approach.

6.12 However, the committee is concerned that there appears to have been insufficient monitoring to determine if this incremental approach was achieving sustained change. Given the significant investment of both financial and physical resources by the Australian Government and peak industry bodies over a considerable period of time, the committee is concerned that the changes appear to be minimal.

6.13 The committee cannot help but think that at a fundamental level, Australian cattle producers have been let down by a failure to appreciate the magnitude of the risk posed to the industry if animal welfare issues were not effectively addressed within a reasonable timeframe.

2 Comment from Dr Temple Grandin, accessed at, http://www.goodreads.com/author/quotes/1567.Temple_Grandin, 20 October 2011.

6.14 By their own admission, MLA and LiveCorp were aware of significant shortcomings in animal welfare within the Indonesian market for some time. The committee is satisfied that other peak bodies must also have been aware of the true situation. The number of reviews and reports, undertaken on behalf of the industry, pointing to significant shortcomings in animal handling practices and in animal welfare casts a cloud over the efforts of peak bodies to facilitate improved welfare outcomes.

6.15 The clear positive to come out of the past six months' chaos is that it has fast-tracked a lot of processes that were taking altogether too long to reach an appropriate conclusion, and stimulated a greater degree of shared commitment and cooperation. Within a very short period of time, a range of sensitive diplomatic issues appear to have been addressed and the level of cooperation government to government and industry to industry displays a renewed commitment and vigour.

6.16 The committee considers that there is also a lesson here for the live export industry. The industry must review its lines of authority and responsibility and the manner in which peak industry bodies communicate both within the industry and with other key stakeholders, governments and the community. The industry would benefit from a review of which peak bodies currently hold what responsibility for the live export industry, the nature of those responsibilities and the extent to which they are shared with other industry peak bodies. In undertaking such a review, the industry should seek to clarify the extent to which those bodies with responsibility to act and speak for the industry are accountable to the industry for those actions and statements. The committee considers that clarification of the lines of responsibility and authority within the industry would assist the industry to respond more effectively to any future call for urgent action.

Recommendation 6

6.17 The committee recommends that the Australian live export industry undertake a review of the responsibilities of peak bodies that act and speak on behalf of the industry with a view to clarifying the lines of authority and communication within the industry.

Live export trade offers an avenue for effective change

6.18 While many submitters to this inquiry have argued strongly that the solution to these animal welfare issues is to end all live exports, the committee does not agree. The committee considers that Australia's active involvement in the live animal export trade puts it in a much better position to act as an agent of change.

6.19 In this context, the committee welcomes the Government's stated commitment to the live export industry and notes its expectation that the current reform process will provide stability for the industry and the individuals, small businesses and communities that are dependent upon it. The committee hopes that through its commitment to continue to work closely with the livestock industry, state and territory

governments and Australia's trading partners, the Government may be able to foster a return of confidence to this very important industry.

Reform across the supply chain

6.20 The committee considers that the Australian Government's recognition that it must play a more active role in the oversight of all stages of the live export chain is long overdue. The committee also welcomes the clear delineation of responsibility and the emphasis on accountability and transparency in the recently adopted supply chain assurance approach. The long-term future of the industry depends on effective accountability and full transparency.

6.21 The committee would also like to see closer accountability and scrutiny of Commonwealth funding for industry and government programs designed to improve the animal welfare framework across the live export industry.

6.22 The committee has also noted its support for the imposition of an expectation of full traceability of animals throughout the supply chain. The committee would, however, prefer to see this strengthened to ensure the mandatory application of a uniform, electronic traceability system across the board.

6.23 The committee notes that as a result of the Independent Review of Australia's Livestock Export Trade (the Farmer Review) and the work of the Industry Government Working Groups, the Government has committed to the implementation of further reforms throughout the supply chain, both domestically and internationally, for all live export markets.

6.24 The committee welcomes the Government's acceptance of all recommendations made by the Farmer Review. More importantly, the committee notes that the Review's findings have been welcomed by industry representatives. Mr Steve Meerwald, Managing Director of Wellard Rural Exports has said that "Our goals are aligned. The Federal Government, the Australian public, exporters and farmers all want to ensure that animals are treated professionally and humanely, that voyage success rates are optimised and that animal welfare is a priority throughout the live export process from procurement to processing".³ National Farmers Federation President Jock Laurie has noted the extent to which the Review's recommendations align with the recommendations made by the Industry Government Working Groups on live exports. Mr Laurie said "[this] shows that both the live sheep and cattle export industries are determined to actively drive the reforms. We have stressed before, and

3 See for example: Wellard Rural Exports Media Release, Farmer Inquiry into the Live Export Industry Released, 21 October 2011, accessed on 6 November 2011 at <http://www.wellard.com.au/home/corporate/media-and-publications/media-releases/farmer-inquiry-into-the-live-export-industry-released.html>.

we will continue to stress that animal welfare is of utmost priority to Australia's livestock industry."⁴

6.25 The committee notes that implementation of the recommendations will require action and cooperation on the part of Commonwealth, state and territory governments and the industry and notes the Government's intention that the proposed reforms be implemented across supply chains for 75 per cent of the live export trade by February 2012 and for the entire trade by the end of 2012.⁵ The committee notes that this work has commenced and will follow its progress closely.

6.26 As noted during the inquiry, the series of reforms implemented across the supply chain will impose significant additional cost on the industry. Members of the industry have indicated that the extent of these costs will not be fully understood until the reforms have been fully implemented. The Australian Live Export Council has estimated that the cost to the industry of implementing supply chain assurance programs in all of Australia's 29 live export markets could be in the order of at least \$25 million. ALEC has said that the industry will seek Government assistance to meet these increased costs.⁶

The need for effective and cooperative relationships

6.27 A key message from this inquiry is the fundamental importance of establishing and maintaining positive industry to industry relationships throughout the supply chain, and supporting this relationship through the provision of appropriate assistance and training. The committee is pleased to note that both industry and government representatives have managed to maintain positive working relationships with their counterparts within Indonesia during the recent crisis.

6.28 The committee is particularly pleased to note that the supply chain assurance framework offers the ability to respond to failings in the supply chain on a case-by-case basis without resorting to closing entire markets. The committee considers that there may have been too little emphasis placed on the diagnosis and correction of poor performance in the past. The supply chain approach offers an incentive to those involved to work cooperatively to ensure the sustainability of individual supply chains, by developing and maintaining good animal welfare practices.

6.29 In addition to this, the committee believes it is important for Australia to continue to work cooperatively with importing countries to improve animal welfare

4 National Farmers Federation quoted in Media report, Accidentally Outback, Ludwig responds to live export review, accessed on 6 November 2011 at <http://www.accidentallyoutback.com.au/news/1582-ludwig-responds-to-live-export-review>.

5 Media Release, Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, *Gillard Government reforms live export trade*, DAFF11/240L, 21 October 2011, p. 2.

6 Media Report, Beef Central, Live export review recommends Indo response in all markets, James Nason, 21 October 2011, accessed on 6 November 2011 at <http://www.beefcentral.com/live-export/article/772>.

and animal handling procedures. The committee believes there is an ongoing need for both government and industry to invest in appropriate infrastructure and training to ensure animal welfare standards are adhered to.

6.30 The committee considers that, in the first instance, an active dialogue must be maintained at the highest and most formal level between Australian Ministers and their counterparts within those countries with whom Australia engages in live export trade. The committee also considers that the messages from these high level discussions must in turn be clearly communicated to government officials and to industry to ensure that all parties are working harmoniously toward a common set of goals.

Recommendation 7

6.31 The committee recommends that the Australian government establishes an ongoing dialogue with the governments of each of our live export trading partners and ensures that agreements reached as a result of this dialogue are clearly communicated to Australian Government officials and Australian industry representatives.

6.32 The committee will maintain a watching brief over the implementation of the supply chain assurance system. It will monitor government and industry initiatives to assure itself that there is an ongoing commitment to the provision of appropriate training in animal handling practices, and that the effectiveness of such training in securing improved animal welfare outcomes is monitored.

Diversification of the industry

6.33 The live export industry plays an important role in the Australian economy. Much more significantly, however, it underpins regional economies in Western Australia, the Northern Territory and Queensland. The committee notes that it is a significant source of employment and investment in many rural and remote communities, both directly and through ancillary industries. It is also a significant source of training, employment and business opportunities for Indigenous communities. This investment in training, employment and infrastructure is not easily transferrable.

6.34 The committee does not support the argument that phasing out of the live export industry would reinvigorate the domestic processing sector. The committee is also not persuaded that the benefit to the processing sector would justify the economic and social dislocation involved. The committee considers that rather than seeking to phase out one industry in favour of the other, more emphasis needs to be given to strengthening the complementary relationship between the two.

6.35 At the same time, the committee is concerned that the northern Australian cattle industry is too heavily reliant on the live export trade, particularly the trade with Indonesia. The temporary suspension of the live cattle trade with Indonesia has highlighted the vulnerability of the industry. The limited ability of producers to access

alternate markets left the industry and surrounding communities in a very difficult position from which they will take some time to recover.

6.36 The committee considers that the reforms to the live export supply chain should go some significant distance toward placing the live export trade on a more secure footing and restoring confidence to the industry. However, the committee believes that the industry must also work to ensure that it is better able to withstand any future disruptions to the trade.

6.37 The committee welcomes current initiatives to establish meat processing facilities in northern Australia, and considers that these developments have the potential to contribute to long term diversification within the industry. The committee notes that these proposed facilities are intended to complement the live trade by providing a market for stock which does not meet the requirement of the trade.

6.38 The committee notes that the establishment or re-establishment of processing facilities in northern Australia is not without significant challenges. For such an enterprise to be viable, it must have a reliable source of labour, a secure supply of livestock and be able to adapt to the seasonal nature of production in northern Australia.

6.39 The committee notes evidence that such facilities are unlikely to be established without some form of government assistance. The committee considers that given the significant investment in the northern Australian cattle industry, government support of such enterprises, in all its guises, is fully justified. The committee encourages the industry and all levels of government to continue to investigate options for the development of commercial processing streams within northern Australia in addition to existing live export markets.

Government assistance

6.40 The committee also notes concerns raised regarding the provision of financial assistance by the Australian Government following the temporary suspension of the live cattle trade to Indonesia. Evidence received during this inquiry has shown that the losses directly incurred by cattle producers and by those engaged in a range of ancillary businesses, such as live stock transporters, helicopter musterers and stock feed suppliers, have run into millions of dollars.

6.41 The committee acknowledges that the Government assistance to date has been appreciated by some, but for many it has proved poorly directed and inadequate to the task of surviving the massive jolt that the industry has sustained. The committee also notes that take up of the assistance was slow and that many cattle producers in particular were reluctant to apply for what they perceived as welfare payments.

6.42 The committee notes that the effects of this jolt to the industry are likely to be felt for some significant time to come. The committee is therefore concerned that cattle producers and businesses affected by this crisis should have had to resort to additional debt in order to access the cash flow required to survive the impact of the

temporary suspension of the trade. During the inquiry, members of the committee expressed some concern that many northern businesses would not have the security against which to take advantage of the offer of subsidised interest rates on an additional \$300,000 debt. At the same time, the committee noted that such loans were a drop in the bucket in the context of some northern cattle enterprises.

6.43 The Australian Government must recognise that while the trade has now resumed and a degree of confidence has been restored to the industry, it will be a long time before these businesses and communities recover. The committee notes that the temporary suspension of the trade was imposed on the industry without consultation or warning. In this context, the committee would not be surprised if some in the industry were to seek legal recourse with regard to the costs incurred by their businesses.

6.44 The committee the urges the Australian Government to continue to work closely with the industry and communities to support producers and businesses through what is expected to be a long period of recovery. The committee is concerned that many producers and businesses have not taken advantage of the assistance measures. The committee believes that businesses should be able to identify the losses they have incurred as a consequence of the temporary suspension of the trade to Indonesia and seek further government assistance to address these costs.

Recommendation 8

6.45 The committee recommends that the Australian Government, in consultation with the live export industry and other ancillary businesses develops a package of further assistance or reallocates existing packages of assistance to address those identifiable and otherwise irrecoverable financial costs incurred as a result of the temporary suspension of live cattle exports to Indonesia.

6.46 The committee is also concerned that a number of producers and businesses have come under pressure from financial institutions as a result of the temporary suspension. The committee notes the assurances provided during the inquiry by the Department of Agriculture Fisheries and Forestry regarding the likelihood of financial institutions moving to imposing penalty interests rates or take similar actions. However, the committee also notes the findings made by Hydro Consulting regarding actions taken by some financial institutions since the imposition of the temporary suspension. The committee notes the suggestions made by Hydro Consulting with a view to assisting borrowers in their dealings with financial institutions and commends these to the Australian Government for further consideration. The committee also considers that the Australian Government should initiate discussions with financial institutions to encourage the adoption of a supportive approach to the repayment of debt.

Recommendation 9

6.47 The committee recommends that the Australian Government establishes a dialogue with financial institutions with regard to the financial difficulties faced

by producers and businesses involved in the live export industry as a result of the temporary suspension of live cattle exports to Indonesia. The committee recommends that the Australian Government seeks to encourage financial institutions to adopt a supportive approach to the repayment of loans and the imposition of interest penalties in the event of default on such payments.

Senator the Hon. Bill Heffernan

Chair

