



# INQUIRY INTO THE IMPACT OF THE PHASE-OUT OF AUSTRALIAN LIVE SHEEP EXPORTS BY SEA ON NEW SOUTH WALES

Responses to Supplementary questions

*1. Could suppressing prices in NSW also hurt grain producers and the broader supply chains?*

- Yes, the mechanism is as follows:
  - Live sheep export ban announced
  - WA sheep farmers expect less price competition in future
  - Confidence drops in WA sheep industry as long-term returns fall
  - Higher rates of turnoff, followed by lower rates of restocking, leading to lower overall WA sheep flock
  - Some WA sheep producers leave the industry permanently and produce more grain instead
  - Fewer options for NSW farmers to manage restocking after droughts, increasing risks of sheep production
  - Risk-adjusted returns to sheep farming across Australia fall damaging sheep production in the long run, making other options (producing cattle or grain) more attractive (all else being equal)
  - Prices for grain and cattle fall due to increased supply.
- This ignores the short-term impact of suppression of prices for sheep due to interstate transfers from WA, which also reduce confidence in NSW and elsewhere.
- The testimony from NSW DPIRD focuses on the short-term impact of increased interstate transfers and ignores entirely the long-run impacts (to the detriment of NSW farmers).

*2. Does ALEC believe further reforms to strengthen animal welfare without scrapping the whole trade is a better alternative?*

- ALEC believes the industry has already undertaken vast and significant reform to strengthen animal welfare and this is why mortality rates on vessels have fallen so dramatically during every month of the year for sheep.
- The Australian Standards for the Export of Livestock version 3.0 (ASEL v3) imposed additional requirements for the sheep trade to the Middle East, most significantly:
  - Increased time spent in registered premises prior to the voyage.
  - Tighter bedding requirements during the voyage.
  - A requirement for automated systems to supply water to livestock onboard vessels.
  - Increased fodder to be carried.

- The new Export Control (Animals) Rules also imposed further conditions for voyages carrying sheep to the Middle East during shoulder periods (all of May and 1 September to 14 September):
    - The sheep must be body condition scores of 2 or 3.
    - Any exports to Kuwait, must have Kuwait as the first port of call.
    - Exports must not stop at more than two ports.
  - Amendments to Marine Order 43 (MO43) in the last four years have also led to significant changes of relevance to animal welfare outcomes, including:
    - Accelerated phase out of two-tier vessels (the last two-tier vessel was retired in 2020).
    - Mechanical ventilation requirements (includes minimum air speeds; 2020 onwards).
  - Auditing and monitoring requirements have also increased, including the deployment of Independent Observers (suspended during the COVID-19 pandemic). The difference between sheep mortality rates and cattle mortality rates on vessels are now statistically insignificant.
  - There are very strong commercial incentives for exporters to deliver healthy sheep to an importer as they are paid according to the number and weight of sheep unloaded at their destination.
  - Sheep that are continually stressed, fall ill or are injured on a voyage lose weight. This is not just bad for sheep, it is bad for the exporters' business.
  - ALEC supports sensible and practical changes to regulations, standards, guidelines to improve animal welfare at all times.
  - ALEC supports an effective and efficient regulator that continually seeks to improve their performance on both criteria.
  - The live export industry pays levies (to LiveCorp and Meat and Livestock Australia) that go towards research and development in improving animal welfare.
  - These levies are structured as follows:
    - Beef and dairy cattle exported live from Australia attract a cattle (exporters) charge, while sheep, lambs and goats exported live from Australia attract a livestock (exporters) charge, paid by the person who owns the animals at the time of export from Australia.
    - For sheep the levy rates are 60c per head.
  - Over the past five years, MLA and LiveCorp combined have spent \$56.2 million on strategic projects and activities related to animal health and welfare (Sources: MLA Annual report 2023-24/ LiveCorp Annual reports 2019-20 to 2023-24).
  - Put simply, policymakers must acknowledge the significant reforms and industry investments that have already occurred and the exemplary outcomes they have produced all year round.
  - Please refer back to our submission for details of the outcomes.
3. *Given that mortality rates during transport are lower than on-farm rates? Does ALEC consider that this proves the phase-out is more about politics than animal welfare?*
- Yes. The difference between mortality rates on-farm and during sea transport are virtually indistinguishable.
  - The current suite of regulatory measures are working effectively and both the industry and the regulator strive for continuous improvement.

- There is no reason for the Australian Government to intervene with such a heavy-handed measure and it contravenes the Australian Government's own best practice regulation principles.
4. *With regard to the national wool industry, especially in NSW? If breeding ewes drop by 9%, won't it lead to long-term production losses?*
- Yes. This is already being reflected in national forecasts.
  - ABC news reported the following on 17 December 2024: (Source: <https://www.abc.net.au/news/rural/2024-12-17/wool-production-forecast-to-hit-100-year-low/104724354>) :

*The Australian Wool Production Forecasting Committee (AWPFC) has forecasted a 12 per cent drop in production for the 2024-25 financial year to less than 280 million kilograms.*

*In a concerning sign for the industry, wool production has not been that low since 1920-21.*

*At the same time, the number of sheep shorn is expected to fall 11.7 per cent nationally to 63.2 million.*

*To put that in perspective, Australia's sheep flock peaked at around 180 million in the 1970s.*

## ECONOMIC AND MARKET IMPACTS

### Farmgate Prices and Market Competition:

5. *What specific modelling does ALEC have on the potential impacts of the phase-out on sheep prices in NSW?*
- ALEC has not undertaken modelling of sheep prices in NSW as our membership is limited to exporters, registered establishment operators (ie pre-export quarantine feedlots), vessel owners and other suppliers to the industry (eg pathology testing labs, etc.).
  - This question is more appropriately directed to NSWFA.
  - Also, the focus directly on prices misses the point – the major long-term effect occurs through increased risks and lower returns on sheep production, particularly for wool breeds.
  - Mr Kompo-Harms reviewed the modelling undertaken by NSWFA to assess the impacts on NSW farmers. Mr Kompo-Harms has a Masters degree in Economic Studies from the University of New England and has worked in several technical economic roles over a 20-year professional career
  - Mr Kompo-Harms reviewed the methodology, logic and assumptions underpinning the NSWFA modelling and found that the analysis was both conservative and robust.
6. *How does ALEC anticipate the influx of sheep from WA into NSW markets will influence local producers and processors?*
- See the answer to question 1 above.

## Impact on NSW Farmers:

7. *Given that NSW does not directly export live sheep, what are the key indirect impacts you foresee for NSW producers and supply chains?*
  - See the answer to question 1 above.
8. *Are there NSW-specific risks to farmgate prices or market access that differ from WA's challenges?*
  - See the answer to question 1 above.

## REGIONAL SUPPLY CHAINS AND EMPLOYMENT

### Regional Jobs and Businesses:

9. *How might the phase-out affect NSW-based transport operators and feed suppliers who rely on interstate livestock movement?*
  - This question is more appropriately directed to NSWFA.
10. *Are there estimates of potential job losses or reduced economic activity in regional NSW as a result of the phase-out?*
  - This question is more appropriately directed to NSWFA.

### Labour Market Pressures:

11. *With WA already predicting significant shearer shortages, what flow-on effects do you anticipate for NSW, particularly in terms of rising shearing costs and labour availability?*
  - This question is more appropriately directed to NSWFA.
12. *What workforce strategies could be implemented to address potential disruptions in NSW?*
  - This question is more appropriately directed to NSWFA.

## TRADE AND INTERNATIONAL RELATIONS

### Middle Eastern Market Risks:

13. *Can you provide specific examples of how the phase-out could harm Australia's trade reputation in the Middle East, and how might this impact NSW exports beyond sheep?*
  - Kuwait flagged in a letter to former Agriculture Minister, Hon Murray Watt, that Australia's exports to its country may be at risk due to the ban (Source: <https://www.farmweekly.com.au/story/8357149/kuwait-pleads-live-export-case-to-minister/>):

*"Minister, I call upon you to consider the gravity of this decision-making by your government and put into perspective what this means for bilateral relations, trade and the social and economic wellbeing of all countries impacted including your own," - Kuwait Commerce and Industry Minister Mohammad Otham Al Aiban*

14. *What steps could NSW take to mitigate trade risks and maintain relationships with key export markets?*

- The best thing the NSW Government can do is to oppose the ban.

### Reputation and Precedent:

15. *ALEC argues that the phase-out could set a dangerous precedent for other agricultural industries. What examples exist of similar policies affecting NSW's agricultural practices or exports?*

- The precedent ALEC is referring to is activist-driven, evidence-free policy whereby the most extreme interventionist policy stance is taken despite an industry's clear evidence of reform and regulation. This spells a clear warning for any other industries that are subject to activist conjecture, which can be further expanded on by NSWFA.

## ANIMAL WELFARE STANDARDS

### Reforms vs. Phase-Out:

16. *ALEC asserts that reforms, rather than a ban, can address animal welfare concerns. What specific reforms would ALEC propose to improve welfare standards further, and how could NSW play a role in implementing these?*

- Welfare standards within the Australian Standards for the Export of Livestock (ASEL) under the *Export Control Act 2020* have already been significantly tightened, and this is borne out by the outcomes for sheep exported by sea.
- Over the past five years, MLA and LiveCorp combined have spent \$56.2 million on strategic projects and activities related to animal health and welfare (Sources: MLA Annual report 2023-24/ LiveCorp Annual reports 2019-20 to 2023-24).
- Unlike animal activist groups that receive considerable amounts of donations from the public and receive favourable taxation treatment by virtue of their charitable status, MLA and LiveCorp invest these funds directly on improving the health and wellbeing of livestock on farm and in the live export supply chain.
- Live exporters also employ several staff, as animal welfare compliance managers, veterinarians, stockpersons and in-market trainers and consultants that directly work on improving animal welfare on a day-to-day basis. Exporters have also been responsible for training staff and continuous improvement in feedlots and abattoirs overseas.
- Once the phase out has occurred, MLA and LiveCorp will receive fewer transaction levy funds, both directly from the sheep not being exported, and over the longer term with less sheep overall across Australia.
- This will reduce their corresponding matching funding from the Australian Government. There will undoubtedly be less money available from industry to fund animal welfare enhancing projects both in Australia and abroad.
- One priority area for reform is the Independent Observer (IO) program. It should be rebalanced and enable greater use of technology.
- Greater efficiency in assurance programs to verify compliance and animal welfare outcomes will benefit animals, exporters and the livestock export regulator.

- As recommended by the Inspector-General of Animal Welfare and Live Animal Exports in his review of the IO program (IGAWLAE, 2024):
  - DAFF should clearly define the measurements and parameters used to assess animal health and welfare with the intention of providing a basis to test the capability of modern technologies to supplement existing regulatory tools for livestock voyages.
  - DAFF should implement a revised IO policy to enable deployment of at least one independent observer per exporter per year, regardless of their risk status.
- ALEC supports these recommendations.
- Rebalancing the IO program towards a greater use of technology and away from physical observers and making assurance activities more efficient would mean a greater focus on direct investment into animal welfare enhancing research and initiatives.
- Greater use of technology means collecting more objective and better data and reducing the time lags between collecting data and taking action to improve outcomes.
- Currently, much of the cost of the IO program relates to providing appropriate working conditions for the IOs.
- DAFF employment conditions currently mandate that IOs require business class flights upon their return from a voyage. This expenditure, sometimes in the vicinity of \$10,000 per voyage, does nothing for animal welfare and if invested in technology instead, could achieve the same or better levels of assurance at lower cost to both regulator and industry, freeing up both to pursue other initiatives to improve animal welfare.

*17. Are there welfare challenges unique to the live export trade that cannot be mitigated through regulation?*

- Every industry sector in livestock supply chains faces unique welfare challenges.
- The questions seems to ask whether risk can be lowered to zero.
- This is a ridiculous benchmark, which should never be the goal of regulation in any sphere, otherwise we would ban all activities and this would unambiguously make society as a whole worse off.
- Regulation is about lowering risk to a level that can be tolerated or accepted.
- Current regulatory settings have reduced risks in the live sheep export to historically low levels on par or exceeding those of many other sectors of livestock production.
- There has never been greater transparency with the regulator and to the public about the outcomes of the industry.

### Consumer Confidence:

*18. How does ALEC address public and consumer sentiment, particularly in NSW, that is increasingly critical of live exports on welfare grounds?*

- ALEC stridently rejects the premise of the question that public and consumer sentiment is increasingly critical of live exports on welfare grounds.
- There are no 'consumers' of livestock exports in NSW. All customers that purchase livestock from Australia, reside outside Australia by definition.



- As outlined in Mr Kompo-Harms' testimony to the Committee, the most rigorous study of community sentiment is conducted annually by Voconiq, a spin-off from the CSIRO and a leader in robust community sentiment analysis methods.
- The analysis has been commissioned by LiveCorp every year since 2019 and is based on representative surveys of approximately 4,000 people.
- Some of the key results are (Source: <https://livecorp.com.au/project/7qhJXoM8gPs5upJBmXVSUF>):
  - When asked if "the live export industry makes an important economic contribution to Australia", 78% of respondents agreed with the statement in both surveys.
  - When asked about the relative costs and benefits of live exports, more than three-quarters of respondents (76%) in the pulse survey agreed the benefits outweigh, or are equal to, the costs.

## POLICY ALTERNATIVES AND TRANSITION SUPPORT

### Transition Planning:

*19. If the phase-out proceeds, what measures does ALEC suggest to support NSW farmers and regional businesses in adapting to the changes?*

- As ALEC does not represent farmers in New South Wales, this question is more appropriately directed to the NSW Farmers' Association.

*20. How could compensation or structural adjustment packages be designed to minimise harm to NSW?*

- Domestic meat processors, export meat processors and livestock exporters create a healthy ecosystem for livestock producers to get the best returns possible.
- Live export, in particular, provides support for wool producers as well, so the idea that domestic meat processing capacity can 'offset' live exports is simplistic and flat out wrong.
- Removing one part of the livestock production ecosystem and trying to replace it with another, is like removing a leg from a three-legged stool and lengthening one of the other two legs.
- The stool will be ineffective and even more unbalanced.
- Banning live exports hurts the entire ecosystem for sheep producers across Australia.

### Domestic Processing Alternatives:

*21. Does ALEC see opportunities for NSW to expand its domestic meat processing capacity to offset the impacts of the phase-out? If so, what investment would be required?*

- ALEC firmly believes that both state/territory governments and the Australian Government should be looking for ways to improve opportunities for their producers, processors and both meat and livestock exporters.
- There need be no tradeoff between domestic meat processors, export meat processors and livestock exporters.

- All three sectors create a healthy ecosystem for livestock producers to get the best returns possible.
- Live export in particular, provides support for wool producers as well, so the idea that domestic meat processing capacity can 'offset' live exports is simplistic and flat out wrong.
- Banning live exports hurts the entire ecosystem for sheep producers across Australia.

