



Supplementary questions from members:

- 1) Does NSW Farmers consider it risky for State and Federal government to assume grain and fodder industries won't face ripple effects from the phase out?**

Yes.

- 2) Does NSW Farmers believe the ban undermines the progress made by industry in improving animal welfare standards with live export?**

The ban on live sheep exports by sea has been made without consideration of the scientific evidence of the high animal welfare standards live export delivers to animals during voyages.

Markets that receive live sheep from Australia benefit from a product that has the highest level of animal health and welfare standards and assurances in the world. In the absence of that supply, those markets will instead likely source animals from countries with minimal, or no, animal welfare standards and assurances.

- 3) Does NSW Farmers believe this sets a precedent for shutting down other regulated industries that are making progress in self-improvement?**

Yes, because now, no legal, legitimate industry can be certain that the current Australian Government will not close them down.

The consequence is that all farmers, but especially those in animal industries, are less certain of their futures which reduces business confidence and ultimately adversely affects investment decisions and continuity of operations.

- 4) What specific national economic impacts does NSW Farmers believe the Independent Panel's analysis ignored?**

The Independent Panel's report did not include comprehensive analysis of the impacts to other states, for example:

- Flow-on effects to related markets, such as fodder, shearing and grains
- Reduced resilience of farms, both in WA and nationally, to drought. In particular, the loss of the option to destock and export sheep from NSW during periods of acute drought. As well as reduced capacity to recover from drought.
- The wider non-market impacts of a less viable and resilient agriculture sector to rural and regional communities.

- 5) If the data didn't account for NSW, does NSW Farmers consider the phase-out strategy fundamentally flawed?**

Yes. We are unaware of the details of how the phase-out strategy will be implemented, and how assessment of support needs will be undertaken should the commitment to phase-out live sheep exports by sea continue. We await information from the Australian Government as to how the Government and Transition Advocate will work to implement a strategy that supports all farmers and supply chain stakeholders ahead of 1 May 2028, although we must be clear that we do not support the phase-out. The best strategy would be for the phase-out of live exports of sheep by sea decision to be overturned.

6) How might oversupply from WA hurt NSW sheep prices in the short term?

Evidence from DPIRD provided at the hearing indicated that there was no detectable relationship between the reduction in live sheep exports from WA over the long term, and lamb and sheep prices in NSW. However, NSW Farmers is concerned that the Department's evidence fails to consider that while agricultural markets are constantly in a state of change, if changes are large and unforeseen, they cannot generally be absorbed without dramatically impacting farm prices year-to-year.

By comparison, the short term 'shock' of a ban on exports leading to a glut, or oversupply, of sheep into national markets in a narrow window of time cannot simply be absorbed into existing markets without drastically and negatively impacting prices. NSW Farmers considers that the effect of such a shock amounts to approximately \$125 million in lower returns for NSW sheep producers in the short term.

7) Could a 14% price drop push smaller farmers out of business?

A 14% price drop in the short-term means that many farmers at all scales will make substantial losses, which they will be unable to recoup – ultimately going out of business.

8) Would this cause instability in the entire national market?

Any economic shock is likely to cause instability and flow-on impacts to the entire sector, and more broadly to the national economy. In particular, the loss of farming businesses can lead to 'economic scarring' in regional agricultural communities, which refers to the tendency for relatively short periods of unemployment of labour, or underutilisation of land, to lead to longer-term consequences. For example, skills and expertise that take years or decades to develop may be lost, and the costs of remediating underutilised land becomes prohibitive.

9) How does the phase-out make it harder for WA and NSW sheep farmers to maintain consistent flock sizes?

The impact of a smaller, more volatile and seasonal sheep flock in WA is a less reliable source of sheep when needed for restocking in NSW after drought.

10) How could overstocking in NSW impact local processing industries, specifically processing time and hook price for farmers?

A supply glut of sheep is expected to lead to a decreased price and lower returns for farmers in the order of 14%. In addition, there will be many farmers who will be unable to get any price at all due to processing facilities being at maximum capacity. See also answer to questions 7 and 8.

11) Would a reduced WA supply force farmers to source feed at much higher prices?

Sheep farmers in NSW will source feed from WA during periods of drought in NSW when local supply is unavailable. If less feed is available from WA because the sheep flock is smaller, then this would lead to less fodder being available to supply NSW during drought except at much higher prices.

12) How could this harm NSW farmers' ability to recover from future droughts?

As outlined in the previous answers, the impact on NSW will adversely affect feed markets, demand for limited agistment, various land management decisions, and the ability to source sheep from WA following droughts. In addition, animal welfare outcomes for native species will be negatively effected, due to the reduced ability to manage stock during drought impacting habitats.

This also has an impact on the ability of farming landscapes to recover to full productivity following drought.

13) Has NSW Farmers polled its members regarding this ban and its impact on their mental health and financial stress? If so could you provide the committee with results.

NSW Farmers has obtained qualitative feedback on submissions that has provided information pertaining to the impacts of market dynamics across sheep, grains and fodder raised by members. Many members have expressed deep dismay and outrage at the decisions taken to phase-out the live sheep export trade by sea.

14) How can policymakers address these indirect social costs?

NSW Farmers supports live exports by sea. Therefore, overturn of the federal government policy is the only solution to resolve impacts to NSW farmers being realised during the transition period and beyond 1 May 2028.

However, in the absence of a reversal of the ban, it is critical that supports are prepared to ensure that farmers in NSW can access the financial and social supports they may require should they directly experience impacts to their businesses and personal health. NSW Farmers submission identifies that for NSW, a support package for structural adjustment of at least \$53m would be required. This funding must be additional to the support packaged the federal government has funded. In addition, ongoing support to the industry will be needed to address the reduced resilience over the long term.

15) If the industry has reduced mortality rates by 70%, does NSW Farmers consider this evidence that reforms are working?

Yes.

16) NSW Farmers in testimony indicated that you didn't feel consulted or considered by independent panel or State government, however other witnesses indicated that your organisation was part of the process, with state government witnesses indicating that they sought your counsel directly. Can you clarify your position on the consultation process and NSW Farmers involvement in it?

NSW Farmers did not engage in the consultation with the independent panel as it was a federal consultation. The peak industry councils that NSW Farmers is a member of represented our position and policies through their engagements with the panel.

NSW Farmers counsel was not sought by the state government Department of Primary Industries and Regional Development (DPIRD) at any time since the announcement of the phase-out of live sheep exports by sea and this inquiry. As Mr Gordon's evidence states, DPIRD staff requested a meeting with NSW Farmers to understand our submission to this inquiry. The meeting was not a consultation or request for counsel. There is no evidence that the discussions of the meeting shaped DPIRD's positions put forward to the inquiry.

We would have welcomed a proactive approach by DPIRD to determine impacts to NSW from the live sheep export by sea phase-out decision at a time well before the appearance; it may have

been best for the department to have undertaken this work when the commitment was actioned by the former federal Minister for Agriculture.

NSW Farmers does not support Mr Gordon's evidence, in response to questions from The Hon. Aileen MacDonald, that DPIRD "engaged NSW Farmers". This statement indicates the engagement was genuine consultation to inform DPIRD's analysis, which DPIRD evidence to the inquiry admits did not occur.

This is confirmed in evidence by Mr. Gordon, who, in response to the question from The Hon. Scott Barrett seeking to understand which industry bodies DPIRD consulted with to educate their views, replied that the department only used internal data and looked at the NLIS database. Mr Gordon did not directly answer which industry bodies were consulted, thus supporting our position that NSW Farmers was not engaged in consultations with the state government, nor was our counsel requested by DPIRD.

With regard to industry bodies, it is important to clarify that the Research and Development Corporations Mr Bayley referred to DPIRD meeting with are not allowed to engage in or fund agri-political activities as per their Statutory Funding Arrangements with the Commonwealth. This may have influenced the information that the Research and Development Corporations were able to share with the DPIRD.

17) Your submission highlights the critical role of WA sheep in NSW's post-drought flock recovery. Can you explain how a reduced WA flock will affect restocking capacity for NSW farmers?

A smaller sheep flock in WA would result in less sheep being available from WA as a source of restocker lambs following drought.

(a) How much would the cost of restocking increase for NSW farmers if WA's supply diminishes? Are there alternative sources to mitigate this issue?

Restocker lambs from WA are typically \$56.10 (38 percent) cheaper than in NSW or other eastern states in years following drought. However, the price of restocker sheep in NSW does not differ much from other eastern states including Victoria and Queensland, since climatic and market conditions are typically highly correlated. Therefore, if cheaper restocker lambs are not available from WA, there are no other markets that could act as substitutes.

(b) What long-term impacts could increased restocking costs have on the viability of sheep farming in drought-affected regions of NSW?

If farmers are forced to pay elevated prices to restock following a drought, then they will be less able to invest that money instead on productivity-improving enhancements to their businesses. As a result, farm business viability and long-term sustainability decreases, and their ability to prepare and recover from future droughts is also diminished. See also answer to questions 11 and 12.

18) You estimate a \$125.5 million loss in gross production value for NSW due to price suppression caused by a WA supply glut. Can you provide further detail on the methodology behind this calculation?

NSW Farmers has provided a detailed appendix to its submission detailing the methodology used

and assumptions employed to arrive at the stated figures. The 'critical assumption' behind the modelling to be the forecast decline in the WA sheep flock following the ban is based on an industry sentiment survey conducted by Meat and Livestock Australia that forecast a 15 percent decline in the WA flock. NSW Farmers uses a more conservative 8 percent decline, based on price effects keeping some producers in the market.

(a) How long do you expect this price depression to last, and what sectors in NSW will be most vulnerable to these impacts?

We expect that the impact of the supply glut is expected to last two years, based on the MLA study cited above. The sheepmeat farming and wool sector is expected to be the most vulnerable to these impacts, however, related sectors such as transport, fodder, and agricultural supply chain services are also expected to be impacted.

(b) Could additional domestic processing capacity help absorb surplus supply and stabilise prices? What investment would be required to make this viable?

Additional processing capacity could theoretically absorb excess supply. However, the notion that this would automatically stabilise prices is highly prospective, since the glut of sheep at processing would inevitably turn into a glut at wholesale or retail stages, forcing lower prices at the checkout to propagate back to lower prices for farmers.

In addition, no processor is likely to make long-term capital improvements based only on short-term temporary market conditions. Therefore, it is likely that substantial public funds would be necessary to prepare processing facilities, with no prospect of generating a financial return.

19) Your submission predicts a \$3.12 million annual increase in shearing costs for NSW farmers.

How did you arrive at this figure, and what assumptions underpin your projections?

A detailed methodological appendix to our submission detailing how impacts were monetised. However, in brief the logic of NSW Farmers modelling is as follows:

- A reduced flock in WA leads to fewer shearers and shedhands as work becomes less consistent and more seasonal.
- The remaining flock requires more seasonal labour from shearers to be sourced from other states.
- Some of this labour is sourced from NSW, which has relatively more shearers per sheep than other states, not including Tasmania.
- Drawing shearers away from NSW exacerbates the shortage of shearers, pushing shearing contract prices upwards.

(a) What practical measures could the NSW Government or Federal Government take to address shearer shortages in the short and long term?

NSW Farmers supports live exports by sea. Therefore, overturn of the federal government policy is the only solution to resolve impacts to NSW farmers being realised during the transition period and beyond 1 May 2028.

(b) Could funding for workforce training or incentives for shearers mitigate rising costs?

NSW Farmers considers that improving industry access to workforce training and recruitment through government funded vocational training programs could mitigate against high shearing costs for farmers. Other broader incentives include addressing critical housing shortages in Regional NSW that limit the pool of available workers for all agricultural industries, including sheep and wool.

(c) How might these workforce challenges affect the broader wool industry in NSW?

NSW Farmers considers that the broader wool industry will be materially impacted by increasing shearing costs in the event that live sheep exports by sea are phased out. The wool industry continues to struggle with workforce shortages and high shearing contract prices, and the additional impact of the live sheep export ban will lead to some wool production businesses becoming unviable.

20) Can you outline how the phase-out will affect transport operators, fodder suppliers, and other agricultural businesses in NSW? Do you have data on potential job losses or revenue declines?

Meat and Livestock Australia's 2020 Report *Impact of the live sheep export trade's self-imposed moratorium and regulatory changes* details the extensive damage to several actors in the agricultural supply chains, including road transport operators, shearing services, fodder production, contract balers and stackers, livestock agents, exporters, veterinarians and wider supply chain participants. Assuming the outright ban is at least as detrimental to the supply chain as the moratorium on summer trade, the economic cost in terms of lost revenue and jobs will be significant.

(a) Your submission highlights a \$21.15 million social welfare cost associated with drought stress exacerbated by the phase-out. Can you elaborate on how this was calculated and the impacts you foresee on rural communities?

As outlined in the submission, NSW Farmers utilises an economic measure (Willingness to Pay) adapted from the academic literature to quantify the non-market social costs of drought to be about \$25,915 per household per year. NSW Farmers makes the assumption that in the event of a drought, the flow-on impacts of the ban will magnify the negative impacts of the drought in the Far Western and Orana SA4 by 1 percent, which is a conservative figure.

Drought impacts rural communities in a wide variety of ways, including on mental health arising from financial stress and loss of services. Both younger and older demographics report higher levels of emotional distress during droughts, and a loss of social capital and connectedness as agriculture-dependent workforces leave. If the viability of rural communities during and following droughts are negatively impacted as a result of the ban, these impacts can only be expected to worsen.

(b) How would reduced farm profitability flow through to regional services like local retail, health, and education?

By reducing farm profitability, the viability of the regional communities supporting them is threatened. The goods and services that farmers procure, including chemicals, advisory, and machinery and equipment directly contributes to the

sustainability and vibrancy of their local communities. In addition, the wages paid to farm staff, labourers and contractors including employed farmers, shearers, vets, and others are spent in local communities, generating economic multiplier effects.

Supporting a critical mass of population and employment in a community is vital for providing the rationale for health, education, social assistance and other public services to be provided and maintained. Below a certain population threshold, councils and other Government entities struggle to provide a baseline level of service, leading to a negative feedback effect which pushes even more people out of those communities.

21) You propose NSW should receive at least \$53 million (50% of WA's support) to mitigate economic harm. What specific programs or initiatives should this funding target to assist NSW farmers and communities?

NSW Farmers supports live exports by sea. Therefore, overturn of the federal government policy is the only solution to resolve impacts to NSW farmers being realised during the transition period and beyond 1 May 2028.

However, in the absence of a reversal of the ban, programs that target resilience and productivity across the sheep and wool sector should be targeted. In particular, programs that enhance farm resilience and recovery from drought are a viable target that have been shown to deliver positive economic returns. In addition, ongoing support to the industry will be needed to address the reduced resilience over the long term.

(a) Would investments in drought resilience, regional infrastructure, or workforce development be most effective?

The most relevant long-term impact arising from the ban on live sheep exports would be the reduced resilience to drought as NSW sheep farmers are unable to source as much fodder or restocker lambs from WA. Investing in sector-wide drought resilience measures — which could include regional infrastructure or workforce development initiatives — are appropriate targets for government investment.

(b) How do you respond to claims that NSW is less directly impacted by the phase-out, and therefore requires less structural adjustment support?

NSW Farmers accepts that the brunt of the economic impact of the ban will fall on WA, and therefore it is appropriate that WA receives a greater share of available structural adjustment support. However, NSW Farmers rejects the notion that primary producers in NSW should not be eligible for any structural adjustment support just because it is expected to experience a smaller impact.

22) What policy alternatives could minimise the phase-out's impact on NSW farmers, such as a longer transition timeline or additional support for domestic processing?

NSW Farmers supports live exports by sea. Therefore, overturn of the federal government policy is the only solution to resolve impacts to NSW farmers being realised during the transition period and beyond 1 May 2028.

(a) Could NSW sheep producers transition to alternative markets or revenue streams to offset the impacts of the phase-out? What barriers currently exist to this transition?

NSW Farmers supports live exports by sea. Therefore, overturn of the federal government policy is the only solution to resolve impacts to NSW farmers being realised during the transition period and beyond 1 May 2028.

(b) How can governments work collaboratively with industry to address these challenges while balancing animal welfare concerns?

NSW Farmers supports live exports by sea. Therefore, overturn of the federal government policy is the only solution to resolve impacts to NSW farmers being realised during the transition period and beyond 1 May 2028.

Should the Committee require further information from NSW Farmers for this inquiry, please contact Sam Miller, Principal Economist

Yours faithfully

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