

Submission
No 161

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

Organisation: Australian Livestock Exporters Council

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AUSTRALIAN LIVESTOCK
EXPORTERS COUNCIL

26 September 2024

Hon Mark Banasiak MLC
Chair
Portfolio Committee no. 4 – Regional NSW
NSW Legislative Council
Parliament of NSW

Dear Committee Chair

The Australian Livestock Exporters' Council (ALEC) is a member-based, peak industry body representing Australia's livestock export sector which contributes over \$1 billion in export earnings annually while employing 13,000 mainly regional Australians. ALEC provides strategic direction to the industry, sets industry policy and represents Australia's livestock export trade in Australia and internationally.

ALEC members account for more than 96 per cent of Australia's annual livestock exports, by volume and value. ALEC's membership also extends to supply chain participants including registered premise operators, ship owners, feed suppliers and other service providers to the trade. SEALEA is the state chapter and representative body for exporters and supply chain stakeholders in South Eastern Australia.

ALEC and SEALEA appreciate the opportunity to make a joint submission to the New South Wales (NSW) Legislative Council Regional Committee Inquiry into the impact of the phase-out of Australian live sheep exports by sea on New South Wales.

The Albanese Government announced the details of its phase out policy in May 2024 and urgently rushed through legislation to implement the phase out in June 2024. The Albanese Government's own handpicked advisory panel concluded its work in October 2023. ALEC made a submission to the panel and this is provided to committee members as an attachment to our current submission.

Markets for sheep and wool across Australia are interlinked

As you and your committee members would no doubt be aware, the markets for sheep on the east and west coast are separated by thousands of kilometres, but nevertheless, they have a strong influence on each other. There are several ways NSW sheep and wool producers will be impacted, as well as grain producers.

It is abundantly clear that the phase-out of live sheep exports by sea will impact Australia's sheep and wool sectors beyond the Western Australia border – it is already happening! The mere announcement of the end date for the trade is driving greater than normal turnoff. Many of those sheep are being sent to the eastern states and suppressing prices there.

The phase-out of live sheep exports by sea will, in the longer-term, inhibit the ability for NSW sheep and lamb producers to turn-off animals if required into live export markets. Ultimately, this will introduce greater risk for NSW sheep and wool producers and lower profitability by reducing drought management options and resilience. This goes against everything State, Territory and Federal Government have been trying to achieve for decades.

Performance of the industry is exemplary and the phase out goes against best practice regulation principles

What makes this worse, is that the policy is based on misguided ideology, not evidence and science. The live sheep export industry has made great strides in performance since 2018. This has been achieved by significant regulatory change, and industry initiative and research. The substantial regulatory and industry reforms include:

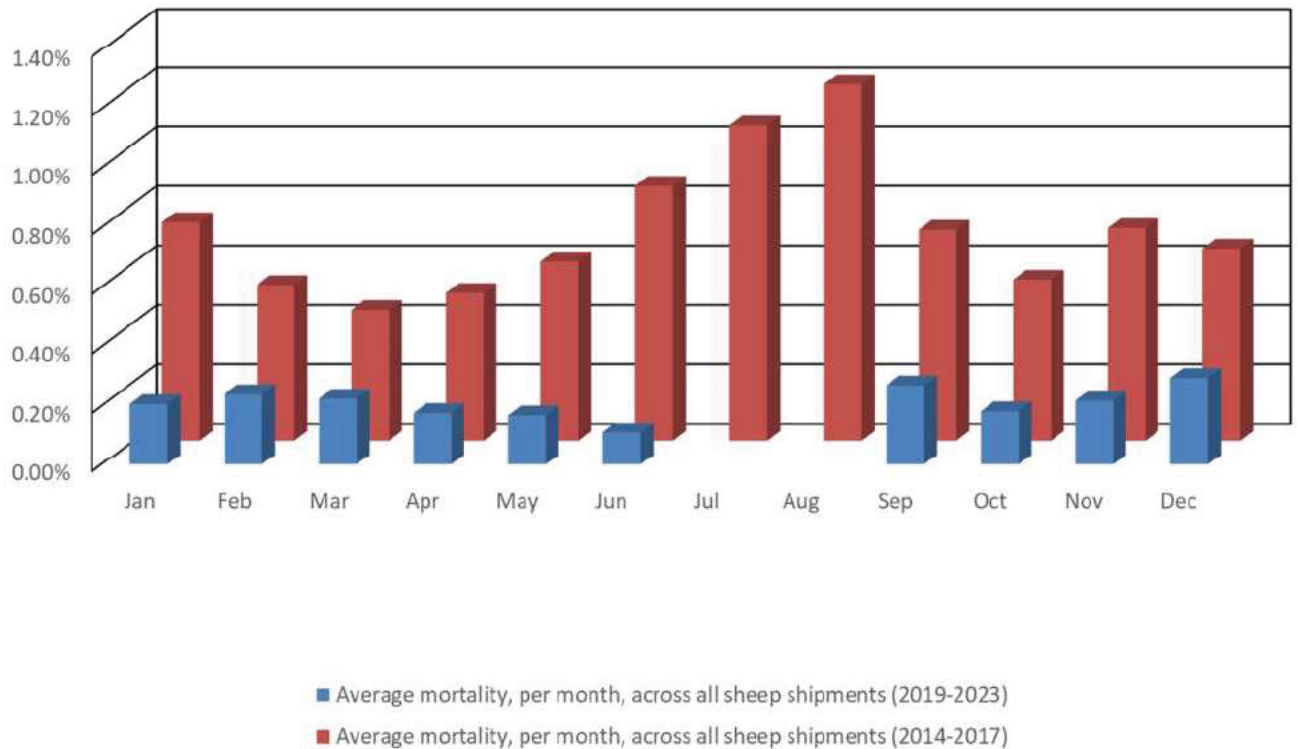
- ASEL v3 imposed additional requirements for the sheep trade to the Middle East, most significantly:
 - Increased time spent in registered premises prior to the voyage.
 - Tighter bedding requirements during the voyage.
 - A requirement for automated systems to supply water to livestock onboard vessels.
 - 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).

Figure 1 below shows the average monthly mortality rates for sheep exports by sea. The chart shows conclusively that a significant decline in shipboard mortalities has occurred since major changes to regulation were introduced in 2018. This is evident across every month, proving that the regulatory settings are having a significant impact beyond the prohibition on live sheep exports to the Middle East during the northern hemisphere summer. Sheep are well protected by the current regulatory settings.

Mortalities are not the only measure of animal welfare, but they are the best indicator for long-term comparisons. It is important to recognise that mortality rates cannot be reduced

to this degree without significant improvements in overall animal welfare: lower injury rates, less illness, lower incidence of heat stress.

Figure 1: Average monthly mortality rates, sheep exports by sea



Source: DAFF, reports to Parliament, calculations by LiveCorp

It is also possible to compare mortality rates across different production systems and settings. The daily mortality rate per 100,000 head exported for live sheep exports from Australia is 9 for sheep. That is 9 sheep deaths per 100,000 head exported. This compares to 14 sheep per 100,000 per day for New Zealand sheep on farm and between 13 and 15 for Australian sheep per day on-farm.¹ Once again, this shows the current regulatory settings provide significant protection for sheep exported by sea.

ALEC requests that the committee note the following observations in their report:

- All these changes have occurred over a very short space of time and industry adaptation has occurred despite challenging external conditions.
- Several sheep vessels have upgraded their ventilation systems to exceed the MO43 standards.
- The regulatory changes described are independent of the prohibition and had a marked effect on mortality rates and animal welfare.

¹ Data and details of calculations are available on p.32 of LiveCorp's submission to the panel inquiry into the phase of live sheep exports by sea: <https://haveyoursay.agriculture.gov.au/live-sheep-phase-out> (viewed 25 September 2024). Sources are described in Appendix A of the same submission.

- Mortality rates on vessels are equal to or lower than mortality rates in other production systems and settings.

In summary, the industry has invested heavily in animal welfare to deliver on the expectations of the Australian community. Performance on animal welfare is exemplary and the current regulatory settings are working as intended. This is why the phase out sets an appalling precedent and the damage it is doing to the broader agriculture sector, both within Western Australia and across the country, must be acknowledged.

Consultation process has been a sham, driven entirely by politics

Right from the start, the policy process and consultation has been chaotic, lurching from urgency to go-slow and back again. This has been terrible for confidence in the industry. The chair of the panel requested an extension to their deadline, from the end of September to the end of October 2023. The Minister at the time, Senator the Hon. Murray Watt, took three weeks to respond to the Panel's extension request. In a curious decision, Minister Watt denied the Panel 6 days and gave them only until 25 October.

Minister Watt then took nearly six months to announce the timeline for the phase out, including the passage of legislation. Minister Watt only announced on 11 May 2024 that the trade would end on 1 May 2028. This is despite the Panel clearly recommending that to meet a mid-2028 timeframe, transition assistance measures would need to be announced by the end of 2023 to ensure confidence in the industry was not shattered. He then proceeded to rush through legislation, circumventing a Senate inquiry on grounds that the legislation was urgent. The urgency was apparently driven by the need to appropriate funding.

Minister Watt, in a Senate Estimates Committee hearings on 30 May 2024, committed to a Senate inquiry on the Bill to phase out live sheep exports by sea. The Albanese Government originally voted against a House of Representatives inquiry, when proposed by Nationals Leader, the Hon. David Littleproud, but less than a week later, in an attempt to avoid a more thorough investigation through a Senate inquiry, referred the legislation to a House of Representatives committee. Labor controlled the numbers on the inquiry, restricted the terms of reference and curtailed the inquiry to report back within 7 days.

The Chair of the Inquiry, Ms Meryl Swanson, chided industry representatives at the Inquiry hearing in Canberra, in what can only be described as a churlish fashion, for not selling the Albanese Government's policy to their members and promoting transition assistance. The fact remains, to this day, that there is no way for anyone in the industry to access any of the appropriated funding. The Federal Department of Agriculture, Fisheries and Forestry has released no information or details about any programs or funding. The newly sworn in Minister for Agriculture, the Hon. Julie Collins has only said she will talk to industry and the Western Australian Government about transition funding. The Albanese Government continues to fiddle while the sheep and wool industry in WA burns and the contagion spreads across the country.

Government actions to date have been woefully inadequate - making nightmares come true

The Albanese Government makes grandiose claims about assisting farmers and others in the live export supply chain – truckies, shearers and regional communities – to transition to a

so-called “brighter future” exporting sheep meat. In an attempt to achieve this, the Albanese Government committed \$107 million over five years.

Breaking this package down, the first thing we observe is that \$40 million goes straight back to Government itself - the Department of Agriculture, Fisheries and Forestry (DAFF) gets \$40 million of that - so far DAFF is the only entity to see a dollar spent. DAFF has employed a new permanent senior executive and presumably an entire branch of people to deal with the phase out.

This leaves only \$64.6 million (less than \$15 million per year) for industry to invest in alternatives. The WA Meat Industry Association has said it would need \$435 million to increase processing capacity to the level required to process a similar number of sheep.² If a similar number of animals cannot be processed in WA as are currently exported, that implies there are only two alternatives for WA sheep and wool producers – send sheep to other states to be processed or used as breeding stock, or euthanise them. Either way, it is doubtful these outcomes would be superior to animals being exported live, in an animal welfare sense.

Third, the Albanese Government has failed in sourcing new markets for sheep meat. Former Minister Watt crowed about new market access for Australian sheep meat into Brazil. That market is able absorb around 500 head of sheep per year (equivalent carcass weight) at best. Around 0.005% of Australia's current sheep meat exports - this is an insult!³ Respected livestock analyst, Mr Matt Dalgleish states in the article that Brazil is not a first, second or third tier market. He said:

Talking about Brazil is ridiculous.

Minister Watt also announced that the shelf life acceptable to Gulf Cooperation Council (GCC) countries for vacuum-packed chilled meat was increased for sheep meat to 90 days. Minister Watt touted this as a measure to improve transition prospects. Some context about that decision is needed.

This result took the better part of a decade to achieve and was equally the result of hard work by industry as it was Australian Government negotiation. Also, the importing countries extended the shelf-life for beef, buffalo meat and goat meat at the same time. This is business as usual for the Australian Government – it should *always* be seeking to improve market access for Australian exports.

This decision by GCC countries had nothing to do with a ‘transition plan’ away from live exports. After the decision to phase out these countries preferred source of imported protein – livestock exports – and the ham-fisted attempts of Australian Government officials to communicate the phase out policy to middle eastern trading partners it actually made this outcome less likely. The former Secretary of DAFF committed a major diplomatic *faux pas*, visiting and discussing the issue with a Kuwaiti Government agency that was not

² Loo, I, Opening remarks made during House of Representatives inquiry in to the phase out of live sheep exports by sea, 14 June 2024, https://www.apf.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=committees/commrep/28184/&sid=0005 (viewed 11 September 2024)

³ Sim, T., *Murray Watt's Brazilian sheep meat export hope 'a red herring'*, Sheep Central, 3 July 2024, <https://sheepcentral.com/murray-watts-brazilian-sheep-meat-export-hope-a-red-herring/> (viewed 11 September 2024)

responsible for food security.⁴ These are not the actions of a government that is serious about a genuine transition. From day one, the Government has been more concerned about its image in the eyes of animal activist groups in an attempt to secure political preferences.

Fourth, the conversation about sheep meat is a diversion. It is actually the wool industry that will be hardest hit - and it hasn't figured in any conversations about transitions. The MLA-AWI wool production forecasts that the national shorn wool clip will decline both this financial year and next, from 328 million kg greasy wool in 2022-23 to 318 million kg in 2023-24 and down to 285 million kg in 2024-25. Meat production uses a lot less shearing services and land transport, so shearers and truckies will be most adversely affected, without any transition assistance.

The true funding required to make a transition where the impacts on farmers and the supply chain are minimised vastly outweighs the value of the industry. This is a foolish policy with costs far greater than any benefits it might generate.

The Panel gave the following warning:

"Failure to address these action areas, or an unbalanced focus on one or more areas, is likely to see a greater contraction of the WA sheep flock, leading to social and economic impacts that would flow to more individuals, businesses and communities. Indeed, the more severe outcomes expressed by some stakeholders in the Panel's consultations, and covered in some of the analysed reports, are more likely to be realised if these actions are not taken."⁵ (Panel report p.67)

The Government's actions to date have been woefully inadequate and the worst-case scenarios are already happening. We never expected anything else, given the sham 'consultations'.

Impacts of the policy are being felt already – the damage is being done

The data are in and the verdict on the policy can only be considered a catastrophic failure. And Minister Collins responds with nothing more than callous indifference. Producer sentiment has fallen like a stone between May 2023 and May 2024, as measured by Meat and Livestock Australia and Australian Wool Innovation, for both wool (down 37 percentage points) and sheepmeat (down 23 percentage points)⁶. Both wool and sheep producers have started reducing their flock sizes and the composition, particularly in WA, is shifting away from Merino breeding ewes. These changes are set to continue in the next year. From the survey authors themselves:

It is evident from the feedback provided and analysis undertaken that the pressures on producers described earlier, together with the confirmation of

⁴ Tillett, A., *Australian bureaucrats met wrong officials over sheep ban*, Australian Financial Review, 16 February 2023, <https://www.afr.com/politics/federal/australian-bureaucrats-met-wrong-officials-over-sheep-ban-20230216-p5cl17> (viewed 11 September 2024)

⁵ Glyde, P., et al, October 2023, *Independent panel report, Phase out of live sheep exports by sea*, (viewed 11 September 2024)

⁶ MLA and AWI, *Sheep producers intentions survey* (SPIS), May 2024, p.6

the phasing out of live sheep exports have all contributed to a less positive outlook for wool and a modest outlook for sheepmeat. (SPIS, p.7)

Breeding ewes are forecast to decline by 9% nationally in 2025 driven largely by WA and SA. Similarly, wethers are forecast to decline by 17% nationally over the same period also driven by large projected falls in WA and SA. In the long term, these forecast declines will damage the NSW industry as WA will no longer be able to fill the function of a reservoir of breeding stock for NSW producers, negatively impacting their willingness to destock before, and their ability to restock quickly after, dry conditions. The actions of the Albanese Government will make NSW sheep producers less resilient to climate variability, despite a stated commitment to increasing and improving drought resilience in agriculture.

Conclusion

None of the impacts of the phase out are a surprise. Industry submissions to the Albanese Government's panel pointed out these effects and they were ignored. The analysis commissioned by the panel pointed out that these negative effects would occur without adequate support and time

Thank you for the opportunity to provide a submission to this NSW Legislative Council inquiry. ALEC would welcome the opportunity to discuss the issues, concerns and recommendations raised in this submission at the Committee's public hearing on the matter. Please do not hesitate to contact ALEC CEO, Mr Mark Harvey-Sutton at should you wish to discuss further.

Yours Sincerely

David Galvin
Chair
Australian Livestock Exporters Council

Jim Teasdale
Chair
South East Australian Livestock Exporters
Association

