

5 February 2020

Dr Melissa McEwen  
Principal Regulatory Officer  
Live Animal Exports Division  
Department of Agriculture

By email: [MEsheepexports@agriculture.gov.au](mailto:MEsheepexports@agriculture.gov.au)

Dear Dr McEwen

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. More on the importance of the livestock export industry to Australian agriculture and the economy can be found at Attachment 1.

ALEC thanks the Department of Agriculture (the department) for the opportunity to provide comment on the *draft Regulation Impact Statement (RIS): Live sheep exports to or through the Middle East – Northern Hemisphere summer* and the associated impacts of the draft policy options. ALEC have submitted to the many department consultation processes on this topic over the last 12 months. The information contained within those submissions is also relevant to this draft RIS process and, therefore, should be read in conjunction with this submission.

The industry-led moratorium on sheep exports to the Middle East unequivocally delivered improved animal welfare outcomes and proven the livestock export industry's unwavering commitment to the sustainability of the industry. Animal welfare is and remains the livestock export industry's key priority.

In announcing the moratorium, ALEC Chairman, the Hon. Simon Crean is quoted as stating, "June to August sheep exports to the Middle East are worth \$55 million per annum, so the moratorium will, without any doubt, impact farm gate returns. But this decision shows the genuine care exporters have for livestock – values we share with producers – and our commitment to the industry's future."

ALEC notes the report by Mecardo: *Impact of the live sheep export trade's self-imposed moratorium and regulatory changes*<sup>1</sup> published this month which examines how the 3-4 month halt to live sheep exports to

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<sup>1</sup> <http://www.livecorp.com.au/research-development/reports/impact-of-the-live-sheep-export-trade%E2%80%99s-self-impos>



the Middle East in both 2018 and 2019 affected people and businesses involved in the trade, particularly in Western Australia. Based on modelling of a 12-month trade versus actual numbers exported, it's estimated the industry nationally lost \$83.6 million due to the three-month suspension during 2018. Due to the moratorium being flagged in advance, allowing more time for planning, the loss was less in 2019 at \$65.8 million.

The Mecardo report highlights the impact on other livestock export supply chain participants such as shearers, livestock transporters, veterinarians, fodder manufacturers and livestock agents, as well as the widespread concern within WA's sheep industry that continued uncertainty, instability and negativity regarding the trade will see the continued loss of support services. The Mecardo report shows how important this draft RIS process is in providing the desperately needed stability in the regulation of live sheep exports.

The draft RIS makes many simplistic assertions regarding the Australian sheep industry. Any producer with ewes and rams will produce lambs, however, not all lambs are destined to be fat/prime lambs for slaughter. Not every sheep producer can turn-off fat lambs because of the area, climate or environment. Many lambs become replacement breeders, wool cutters or sold as store lambs.

The live export trade is an integral part of many sheep producing operations, primarily in Western Australia at present. However, a market shift will see the return of the live export trade to the eastern states. It is also important to recognise that the live export trade provides the additional benefit of acting as a sheep industry relief valve – in the event of drought, fires or floods, domestic meat processors cannot remove 60,000 sheep from the supply chain within 2 – 3 weeks, whereas live export can.

#### *Draft policy options*

The draft RIS proposes the following three policy options for sheep exports to, or through, the Middle East during the northern hemisphere summer from 2020 onwards:

1. Regulatory Status Quo
2. Prohibition from 1 June to 14 September to all ports with additional prohibition periods for Qatar and Oman
3. Implement a revised Heat Stress Risk Assessment (HSRA) model consistent with recommendations for the HSRA review

The draft RIS contains very little in the way of quantification or supporting evidence for the options presented. Whilst recognising the difficulties in achieving this, the associated costs and benefits of all three options, supported by evidence, is necessary to appropriately compare each option equally against the others.

### **Option 1: Regulatory Status Quo – Not supported**

ALEC notes that the inclusion of this option in the draft RIS is only due to RIS government policy, not because the department views it as a viable option.

Without recognition or incorporation of the livestock export industry's self-imposed moratorium of sheep exports to the Middle East during the northern summer into Option 1, the export of sheep to or through the Middle East would be permitted year-round. The livestock export industry's self-imposed moratorium, which came into effect on 1 June 2019, was developed and initiated by **all** exporters trading sheep to the Middle East departing from Australian ports in the months of June, July and August. The moratorium was implemented to address the highest heat stress risk period for voyages and in-market and has been successful in achieving this.

The collective of exporters supporting the moratorium recognised the necessity to:

- protect the welfare of the animals on vessels;
- provide certainty to producers by maintaining and growing a strong, viable nine-month trade in sheep;
- protect the interests of and safeguard food security for those countries heavily dependent on live sheep supplies from Australia;
- support long standing commercial relationships and reduce political sensitivities surrounding uncertain supply after 40 years of consistency; and
- help protect the future of live sheep exports and ensure the trade can continue to be a significant contributor to the Australian economy and rural and regional Australia.

It is for these reasons that the livestock export industry does not support Option 1.

### **Option 2: Prohibition from 1 June to 14 September to all ports with additional prohibition periods for Qatar and Oman – Supported in-principle, amendment necessary**

In regulating the export of live sheep to or through the Middle East, ALEC notes that the department must seek to manage the risk of heat stress and achieve desirable welfare outcomes on voyages, while supporting a sustainable live sheep export trade. **The live sheep export trade is already under severe commercial pressure and any further restrictions to its operating capacity will continue to erode the sustainability of the industry.**

Hundreds of millions of dollars invested in vessels and Middle East infrastructure that is ESCAS approved and designed and purpose built to manage the numbers of animals that can be regularly sourced and shipped from Australia are now underutilised and the incentive to invest in the Australian trade eroded. Impacts to the viability of the live sheep trade have a direct and proportional impact on Australian producers.

In the departments consultation on the *Proposed Conditions for Live Exports to the Middle East during September and October 2019*, ALEC supported an industry led moratorium on sheep exports to the Middle East from 1 June to 30 August for Red Sea destinations and 1 June to 14 September for Persian/Arabian Gulf



destinations. This effectively describes the mortality-based risk-setting agreed on and adopted by the livestock export industry. ALEC commends the department for its rational consideration of available relevant information and providing an option within the draft RIS that is at least close to an industry supported position.

There are, however, significant concerns with the additional conditions applied to Option 2, including, as raised earlier in this submission, a lack of sufficient quantification and evidence supporting. Without an analysis of the perceived costs and benefits of these additional conditions there is insufficient or no justification for their imposition. ALEC contends that the associated costs of these additional conditions are substantial, with questionable or no benefit. ALEC therefore strongly recommends the removal of additional conditions from this option.

The livestock export industry concerns with the additional conditions are further expressed below:

*Removal of the requirement to use the existing HSRA model*

Advice received from the Department, exporters and vessel owners indicates that excellent animal welfare outcomes were achieved during shipments made in May, September and October 2019. This is further evidenced through the very low mortalities on these voyages. The introduction of reduced stocking densities as part of the implementation of the revised ASEL from 1 May 2019 has contributed to improvements in overall animal welfare performance.

The livestock export industry's support for this reduced stocking density to be in place from May to October is ongoing, ensuring that acceptable animal welfare outcomes and record low mortality levels continue to be achieved. As described in Option 1 above, ALEC does not support the use of the existing HSRA model and agrees with the department that in its current form, the existing HSRA model serves no purpose and is an unnecessary regulatory burden.

It is broadly recognised, however, that moratoriums or regulator-imposed prohibitions are blunt regulatory tools that, while capable of achieving desired animal welfare outcomes, lack the flexibility to incentivise investment in capability and technology which could lead to further improved animal welfare and commercial outcomes. The livestock export industry has therefore been seeking to identify mechanisms that could be implemented that achieve the same or greater animal welfare outcomes, while providing improved flexibility to incentivise future investment in capability and technology. This is accurately reflected in the draft RIS where it states that industry has committed to revising the HSRA model to be based on robust welfare science by the end of 2021.

ALEC notes that the department acknowledges in the draft RIS that research into heat stress management is ongoing and that new science and technology could provide valid alternatives to the proposed options contained in the draft RIS. The interim review by March 2021 and the post implementation review by March 2022 are therefore welcomed. However, to align with these reviews, consideration should be given to applying a sunset clause to any regulatory changes resulting from this RIS process.

NFF House  
14-16 Brisbane Ave, Barton ACT  
Locked Bag 9, Kingston ACT 2604

Phone: (02) 6269 5690  
Email: [info@livexcouncil.com.au](mailto:info@livexcouncil.com.au)  
Web: [www.auslivestockexport.com](http://www.auslivestockexport.com)

### *Single discharge port in Persian/Arabian Gulf*

Restricting live sheep exports to single destination ports for voyages arriving in the Persian/Arabian Gulf during June to near the end of October is the antipathy of sustainability. Many of our trading partners in the Persian/Arabian Gulf are smaller markets than Kuwait and are unable to receive full shipments of Australian sheep. Whilst currently small, the Omani and UAE markets, for example, have significant growth potential and are extremely important markets for Australia. The only way these markets can be accessed and remain viable is through shipments that disembark at multiple ports.

Restricting live sheep exports to single destination ports would effectively extend the prohibition on the export of Australian sheep to markets such as Oman and the UAE to almost six months of the year. This will adversely affect Australian producers, exporters, Australia's trade relationships and puts at risk the entire viability of the trade to the Persian/Arabian Gulf markets. Markets such as UAE and Oman also have, in part, different specifications for the types of sheep they require. Australia's inability to supply will also affect farm gate prices due to livestock export sheep buyers having to decline the purchase of certain types / classes of sheep.

*Export Advisory Notice (EAN) 2018-06 - Legislation amendments for the export of sheep by sea* mandates 'that if Kuwait is one of the destinations, the exporter must discharge sheep in Kuwait first'. Exporters have proven that with Kuwait as the first port, risk mitigation strategies allow vessels to further destock decks which increases space allowances in preparation for proceeding ports, when delivery to multiple ports occurs after 1 June. The same can be accomplished safely for shipments departing Australia between 15 to 30 September to multiple ports. The draft RIS provides no justification for departing from this existing and successful approach.

Exports of live sheep from Australia to the Persian/Arabian Gulf have long thrived on flexibility and economy of the 'milk run' approach of one vessel delivering to multiple ports. The proposal to restrict exports to one destination port seriously threatens this approach at the time of the year when it is most effective in managing risk for animals in-market, by regularly delivering smaller numbers of Australian sheep to the various Persian/Arabian Gulf markets.

There are inherent political, diplomatic and commercial implications from restricting shipments of Australian live sheep to a single destination port, some of which the department may not have considered. These include:

- Growing resentment amongst Persian/Arabian Gulf trading partners caused by continual and repeated interference and doubt from the Australian Government, the impact it has on their businesses and the increased risk to their sovereign food security;
- The increased risk of Persian/Arabian Gulf markets seeking to stockpile Australian sheep to mitigate additional regulatory barriers;
- The increased need for road transport sheep from Kuwait to other Persian/Arabian Gulf states which has the potential to result in poorer animal welfare outcomes; and
- Restricting the trade of Australian sheep put our trading partners food security at risk, forcing them to source sheep from other countries and redirecting investment to those supply chains.



The single discharge port proposal contained in the draft RIS is specific for voyages arriving in the Persian/Arabian Gulf during June or departing Australia between 15 to 30 September. Whilst unnecessary, unjustified as described above and therefore opposed, ALEC contends that this condition is also open to interpretation. The existing definition of 'arriving in the Persian/Arabian Gulf' is arriving at the first destination port. ALEC therefore seeks confirmation that this existing definition is the departments understanding. ALEC strongly opposes any variation thereof.

#### *Wool length of 15mm or less*

Requiring a wool length of 15mm or less to apply to individual sheep, as opposed to mob-based averages, is an unacceptable regulatory impost that leads to questioning whether the department is legitimately seeking to support a sustainable livestock export industry. Condemningly, the draft RIS is completely bereft of scientific evidence, or even anecdotal posturing, that supports the proposed requirement to reduce the maximum wool length from the current 25mm to less than 15mm. ALEC questions whether there is in fact a real case for change, when there is no evidence suggesting that 25mm and less has done nothing other than deliver satisfactory animal performance.

The livestock export industry is cognisant that short wool sheep travel better on the vessels and accordingly shear all sheep that require it. Sheep at risk of nearing the current maximum of 25mm wool length at time of export are shorn to ensure they are well below the current regulatory requirement when exported.

Despite what is stated in the draft RIS, it is not common practice for the livestock export industry to shear very close to loading to meet the 10mm or less classification in HotStuff (v.4) – it is not even possible. Mob-based averages are used, not individual sheep classifications, and while shearing can start 10-12 days out from vessel loading, the number of sheep that can be shorn is limited by the daily shearing shed throughput. In WA sheep export Registered Premises (RP), this is about 2,500 – 2,800 sheep per day. It is not possible to shear an extra 10,000 in a day to get more sheep on the vessel.

The number of sheep requiring shearing before loading is only known as and when the consignment is bought – buyers nominate daily through the sheep aggregation process the numbers needing to be shorn. There are times when 30-50% of a shipment are shorn prior to loading, however, this is undertaken with substantial planning and co-ordination. It is also important to note that wool growth after shearing and can be as much as 10 – 12mm per month depending on feed availability, stocking rates, etc. Time in the RP would need to be significantly extended to enable such a large number of sheep to be shorn, resulting in unnecessary, additional and substantial agistment and feeding costs which is not in the best interests of a sustainable livestock export industry.

The Australian Standards for the Export of Livestock (ASEL) also mandates the sheep shorn in the RP must be accommodated in sheds - paddocking is not permitted. Considering there are only two sheep RP's in southern Australia (both shedded facilities in WA) that could manage anywhere near this type of requirement – this would stop any future prospect of sheep exports from eastern Australia, thereby limiting the industry's growth

NFF House  
14-16 Brisbane Ave, Barton ACT  
Locked Bag 9, Kingston ACT 2604

Phone: (02) 6269 5690  
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Web: [www.auslivestockexport.com](http://www.auslivestockexport.com)



and expansion back into these areas if market forces change, and by extension limiting the industry's sustainability.

The welfare of export consignments will be jeopardised needlessly due to significantly more sheep needing to be shorn than under the existing maximum wool length of 25mm. This unnecessarily exposes a larger number of sheep to shearing nicks and cuts. Notwithstanding is the additional stress and welfare impost of having to shear sheep 'again'. Sheep shorn in either autumn or spring periods can have more than 15mm of wool, but well less than 25mm, by the time they arrive to the RP for May or September/October shipments.

ALEC notes that the draft RIS proposes to remove the requirement for legs/hocks to be shorn, as proposed by industry, and supports the view that this will reduce the risk of shearing nicks and cuts. ALEC, however, contends that this does not outweigh the risks associated with requiring additional and unnecessary shearing prior to vessel loading.

ALEC strongly recommends retaining the existing maximum wool length at 25mm. The draft RIS does not provide evidence of benefit or justification for change. Implementation of such a requirement will, however, only increase animal welfare risk and associated costs, impacting Australian exporters ability to be internationally competitive and therefore impacting the industry's sustainability.

It is important to also note that Awassi and other hair sheep are exported from Australia to the Middle East. Hair sheep such as the Awassi must be shipped 'in-the-wool', they cannot be shorn as this detracts from their commercial value in-market. Records show that several million Awassi sheep have been successfully shipped over the years under additional space requirements with no adverse effects in summer or winter. Awassi sheep (and other hair breeds) must remain excluded from any shearing requirement.

#### *Maximum body condition score of not higher than 3.5*

The draft RIS does not contain evidence or a rationale for reducing the current ASEL maximum body condition score from 4 to 3.5. The only statement made in support of this requirement is that lowering the maximum body condition score 'may contribute to heat stress and poor welfare'. This does not come close to the quantified justification necessary for consideration as a regulatory condition. Unsurprisingly, ALEC strongly recommends the removal of this proposed condition.

Body condition scoring sheep provides an estimate of the condition the animal is carrying or its 'nutritional wellbeing' and is simply done by assessing the amount of muscle and fat covering the backbone and the short ribs of sheep. While it is possible for half a body condition score to be practically assessed by a skilled and experienced assessor, accurately applying this across the tens of thousands of sheep making up an export shipment is setting an unachievable benchmark. ALEC contends that it is unlikely that the department has the requisite skill or experience to accurately assess half a body condition score and questions the departments intimation that reducing the maximum body condition score by half a mark will materially improve an animal's ability to withstand heat stress.

NFF House  
14-16 Brisbane Ave, Barton ACT  
Locked Bag 9, Kingston ACT 2604

Phone: (02) 6269 5690  
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Web: [www.auslivestockexport.com](http://www.auslivestockexport.com)

The major contributor to the declining mortality rates on voyages to the Middle East over the last decade has been the reduced age of the sheep being exported. This together with the reduced stocking densities associated with recent regulatory changes has led to the very low mortalities currently being recorded on voyages to the Middle East, which make a strong case for not needing to make any further regulatory changes.

Industry experience dictates that sheep less than three years old have a much lower mortality rate on voyages to the Middle East than older sheep. This is due to younger sheep having stronger appetites because they are eating for growth as well as maintenance, and seasonal cycles don't affect them as much as older sheep. The declining flock size, as extensively referenced in the draft RIS, strongly indicates that the changes to the age of sheep exported to the Middle East over the last decade are here to stay - Export consignments are predominantly made up of lambs (old & new seasons) and young wethers up to 30 months of age.

The department has access to body condition scores being applied to consignments through sheep exporters HSRA submissions (recent and historical) – industry expects that most will be body condition scores of 2 and 3. However, reducing the body condition score of sheep able to be exported to the Middle East unnecessarily further restricts the numbers of sheep an exporter has access to in a purchasing program which would have significant financial ramifications for livestock exporters and thereby impinging the industry's ongoing sustainability.

ALEC notes that the departments perceived concern regarding body condition score could be associated with drafting error rates, which can result in small numbers of heavier sheep being loaded on vessels. Continual improvement in the livestock export industry is seeing ongoing improvements in drafting capability and associated reductions in error rates with regard to body condition score. ALEC would welcome discussions with the department regarding acceptable drafting error rates or tolerances and processes to ensure alignment between the Independent Observer, Stockperson and Australian Accredited Veterinarian on the average body condition score of sheep loaded on a vessel.

### **Option 3: Implement a revised HSRA model consistent with recommendations of the HSRA Review – Not supported**

One of the recommendations from the investigatory reports on the voyage of MV Becrux in 2002, where a high number of cattle deaths occurred due to heat stress, was that industry *“as a matter of urgency [develop] a computer-based system to assess and manage [heat stress] risks”*<sup>2</sup>.

Industry acted rapidly on this recommendation and commissioned Maunsell Australia to develop a heat stress risk assessment (HSRA) model for voyages to the Middle East with the work completed in December

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<sup>2</sup> More, S., 2002, op. cit.

2003<sup>3</sup>. The model has been progressively updated over time as software enhancements were needed and new information came to light. The latest developed version is Version 5.

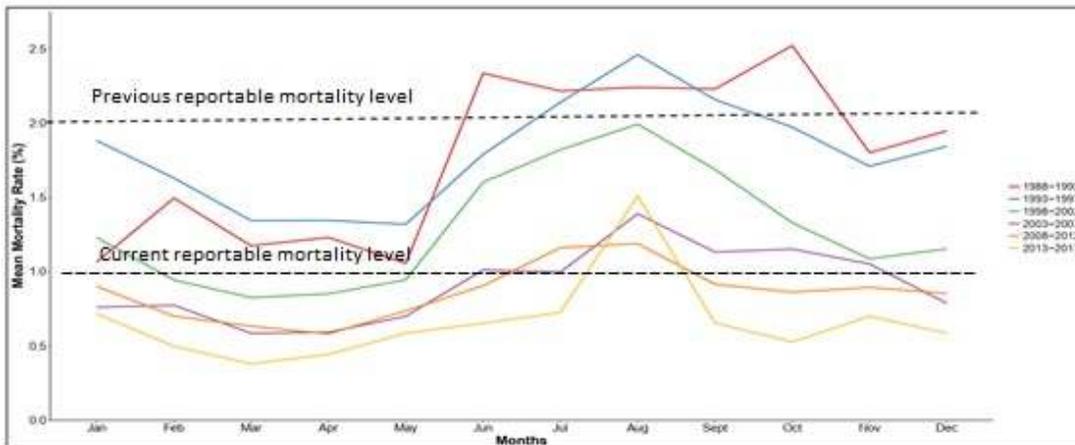
The HSRA model represents ground-breaking research. When devised in 2003 it was the first attempt, and is still the only attempt, to place within a coherent risk framework most factors shown to have been relevant live export mortalities due to heat stress. To ALEC's knowledge, in terms of heat stress analysis, the degree of sophistication in the HSRA model has no equal.

The HSRA model has succeeded in its primary objective: to reduce live export mortalities due to heat. Mortalities due to heat stress have fallen for both cattle and sheep. Importantly, the HSRA model allows outcomes to be directly referenced by regulation (i.e. an outcome related to minimising mortalities on a live export voyage). As ALEC has referenced numerous in previous submissions on this topic, good regulations directly reference an outcome rather than inputs to achieve an outcome.

*Mortalities have fallen since HSRA was introduced*

Since the implementation of the HSRA model there has been a significant reduction in livestock mortality rates (see Figure 1). The rate of mortality for sheep during live export has been decreasing, from around 2.5% in the mid 1990's, less than 1.0% in 2011<sup>4</sup> and has continued to drop further from there.

Figure 1: Live sheep export mortality rates 1988-2017



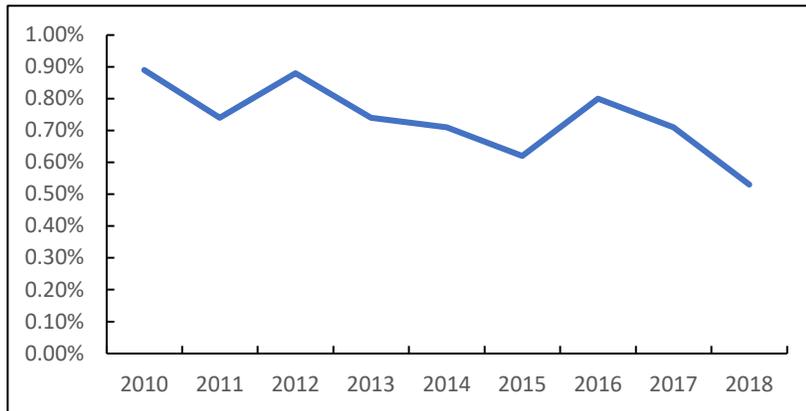
The introduction of the industry led moratorium on sheep exports to the Middle East during the northern summer in 2018, in conjunction with the introduction of allometric stocking rates during the shoulder

<sup>3</sup> Maunsell Australia Pty Ltd, 2003, Development of a heat stress risk management model, *Final Report for Project LIVE.116*, Meat & Livestock Australia, Sydney, December

<sup>4</sup> Norris, R.T. & Norman, G.J., 2012, *National livestock export industry shipboard performance report 2011*, Meat & Livestock Australia, North Sydney.

periods in May 2019 has led to continued declines in the rate of mortality. A mortality rate of 0.53% was achieved in 2018<sup>5</sup> (see Figure 2), coinciding with a reduced reportable mortality level of 1%, from 2%.

Figure 2: Live sheep export total mortality rates 2010-2018



The HSRA model has undoubtedly played a large part in this outcome, but it is recognised that there have also been other contributing factors such as the introduction of ASEL, changes to Marine Order 43, improvements in vessels, management practices and changes to the livestock types exported.

*Existing HSRA no longer fit for purpose*

The introduction of reduced stocking densities as part of the implementation of the revised ASEL from 1 May 2019 and the industry led moratorium/regulatory prohibition on sheep exports to the Middle East have delivered substantial improvements in overall animal welfare performance. The livestock export industry's support for this reduced stocking density to be in place from May to October is ongoing, rendering the existing HSRA model, in its current form, redundant.

As indicated earlier in this submission, it is broadly recognised that moratoriums or regulator-imposed prohibitions are blunt regulatory tools that, while capable of achieving desired animal welfare outcomes, lack the flexibility to incentivise investment in capability and technology which could lead to further improved animal welfare and commercial outcomes.

ALEC therefore supports the development of a revised HSRA model based on robust welfare science. To this end ALEC is strongly supportive of the animal welfare indicator research being undertaken and funded by LiveCorp. However, before animal welfare indicators can be used as an effective and appropriate regulatory measure, significant research must still be undertaken to further understand the diverse range of reactions animals have to changing conditions, including heat stress, and how these can usefully and consistently be

<sup>5</sup> <http://www.agriculture.gov.au/export/controlled-goods/live-animals/live-animal-export-statistics/reports-to-parliament>

interpreted. It is for this reason that ALEC does not support the outcomes of the Final report by the Heat Stress Risk Assessment Technical Reference Panel<sup>6</sup> as they are not implementable or appropriate.

ALEC's concerns with the outcomes of the Final report by the Heat Stress Risk Assessment Technical Reference Panel are well documented in submissions made to associated consultation processes. These include:

- The introduction of a revised HSRA as described above will result in the enforced cessation of sheep export to the Middle East for at least six months of the year;
- Fails to recognise the voyages made in May, September and October 2019 which delivered substantial improvements in overall animal welfare performance and no reports of heat stress related mortalities by government Independent Observers (IOs);
- The HST defining when second phase panting would be induced were based on outcomes from one, possibly two (the report is unclear) studies involving a statistically insignificant sample size;
- A single arbitrary measure (wet bulb temperature) was set based largely on one small academic study. The use of a single measure may represent convenient regulation but ignores the complexity of animal welfare outcomes; and
- HSTs were set without consideration of duration or respite.

ALEC continues to support ongoing progress towards an innovative and proactive regulatory solution for the industry managing heat stress on voyages to and through the Middle East, considering the available science, best management practices and practical observations. Seeking to arbitrarily regulate one or some of the diverse range of reactions animals have to changing conditions at this stage is inappropriate. Therefore, while animal welfare-based indicators are unable to be a solution in the short-term, they can and will be in the longer term.

### **Additional comments**

#### *Live sheep export industry*

ALEC questions the veracity of some of the statements made on the overview of the live sheep export industry contained in the draft RIS. To assist with the drafting of the final RIS, ALEC provides the following comments:

#### *Exports of live sheep have generally declined*

While exports of live sheep have declined, the argument made in the draft RIS that this is solely due to a decline in Australia's flock or the recent drought is simplistic and fails to consider supply and demand influences and the impact the resulting increase in Australian sheep prices have had on Australian exporters competitiveness in Middle East markets. Strong competition from North African, South American and Eastern European suppliers that can deliver live sheep at much cheaper prices, with significantly lower animal welfare requirements, have also taken its toll on the number of Australian sheep being exported.

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<sup>6</sup> <http://www.agriculture.gov.au/SiteCollectionDocuments/biosecurity/export/live-animals/hsra-technical-panel-final-report.pdf>



The introduction and enforcement of the Export Supply Chain Assurance System (ESCAS) in 2012 not only delivered improved animal welfare outcomes for exported Australian live sheep, it also significantly increased the cost. Historically, Saudi Arabia was one of Australia's equal largest export sheep markets but has thus far refused to adopt ESCAS, instead preferring to source live sheep from other suppliers. Up to 750,000 Australian sheep annually could have been exported to this market since the introduction of ESCAS.

The premise held by government that Middle East markets are beholden to Australia is false. ALEC understands that the Middle East markets consume in excess of 15 million live sheep annually - this highlights the scale of 'other' suppliers that have appropriated Australia's former market share.

#### *Transporters*

The sheep transport industry in Western Australia is heavily reliant on live exports. More than three sheep movements can occur within the live export supply chain, however, in the current environment signals to invest in the transport of sheep are poor. Many transport companies operate purpose-built sheep trailers where a reduction in sheep export volumes heavily impacts the economies of scale and operating costs.

#### *Shearing services*

The number of people employed in the shearing industry is in decline due to the declining sheep population nationally. Extending the prohibition on live sheep exports to or through the Middle East will only speed up the decline the number and quality of shearers available.

#### *Stockfeed manufacturers*

ALEC questions the accuracy of the data presented in the draft RIS regarding stockfeed manufacturers and suggests that the data is not specifically live sheep export orientated, but rather live export generally. ALEC understands that two feed mills in Western Australia supply very close to 100% of the sheep export trade. Each of these have a very heavy trade focus with the major manufacturer quoting 77.5% of total output to sheep exports in 2019, and 87.4% in 2018. A feed mill in South Australia produces limited quantities of pellets for sheep exports and one in Victoria producing even less.

Declining sheep export volumes significantly impact these operations and are not necessarily offset by on-farm feed sales opportunities. It is reasonable to conclude that the feed mills in Western Australia would not be able to survive without live exports. The flow on effects are significant to hay producers, straw balers, grain growers and transporters who are all specialty operators serving the feed mills.

#### *Shipowners*

The current instability in the live sheep export trade acts as a de-incentive for the major ship owners to considering longer term strategies around vessel refurbishment and renewal. Reduced carrying capacity will affect export volumes longer term as will these ships being deployed to other export markets (competitors).

NFF House  
14-16 Brisbane Ave, Barton ACT  
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Phone: (02) 6269 5690  
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## *Destination markets*

Australia's live sheep export markets are becoming increasingly frustrated with and distrusting of Australia's willingness and ability to supply. Food security is a number one priority in the Middle East and in their view, Australia has failed to understand or respect their need for live sheep for this purpose. Active engagement from the Australian government is necessary to avoid further erosion of this mutually beneficial trade relationship for sheep meat, whether live, chilled or frozen.

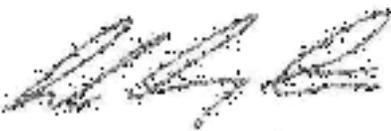
The claims made in the draft RIS that many countries in the Middle East which import live sheep subsidise consumer prices is factually incorrect. Only one market (and the equal largest sheep importer) currently provides a subsidy for live sheep imports to what is effectively a Government backed importer. The same market imports three times the volume of chilled or frozen sheep carcasses than it does live sheep from Australia. Any claims that these subsidies enable livestock exporters to have a competitive advantage when buying sheep in the Australian marketplace is inaccurate and misleading.

The authors of the draft RIS have also taken a very narrow, and perhaps biased, view regarding the growth of frozen and chilled meat export volumes into the Middle East, implying that the demand for live sheep has declined. What is not reflected and needs to be, is that the overall trade in live sheep into the Middle East has grown out of displaced market share for live animals once held by Australia. Australian livestock exporters compete with the regions own sheep production, as well as imports from Iran, Iraq, India, Somalia, Sudan, Jordan, Spain, Romania, Bulgaria and others, all of whom have been afforded greater access and market share directly as a result of the regulatory imposts on Australian livestock exports. It is, however, important to note that there is a growing interest in Australian live sheep in the Middle East, following their experiences with other suppliers. The Australia Government would do well to maximise this opportunity.

Finally, whilst not expressly outlined in the draft RIS, based on the perceived intention ALEC understands that the draft RIS is specific to sheep exports to the Middle East by sea voyage, and restricted to this mode of transport. If this understanding is misplaced, ALEC respectfully requests an opportunity to address alternative modes transport prior to publication of the final RIS.

ALEC and its members appreciate the opportunity to comment of the draft RIS and expect that the feedback provided will assist the department in implementing sensible, science and risk-based regulatory oversight of sheep exports to the Middle East.

Regards,



Mark Harvey-Sutton  
Chief Executive Officer  
Australian Livestock Exporters' Council

## Attachment 1

### *The importance of the livestock export industry to Australian agriculture and the economy*

According to market intelligence company Mercado, over \$620 million of revenue from live cattle exports is returned to the farm gate, representing around 50 per cent of total revenue. Live Cattle exports are valued at \$1.2 billion, representing 13 per cent of the total cattle industry value. The live cattle industry also sustains approximately 10,000 full time jobs.

Of more relevance to the discussion paper is a similar report prepared by Mercado, which recently found that the average value of Australia's Live Sheep exports from 2014-18 is \$220 million per annum. Almost half of the revenue earned from the live sheep export trade is retained on-farm and is estimated to have averaged \$100 million per annum over the last five years. Western Australia is the largest exporter accounting for 82 per cent of all sheep exports, representing nearly 30 per cent of annual sheep and lamb turn off.

This indicates that the live export sector plays an integral role in underpinning price, which assists in growing the overall value of the sector. Many chilled and frozen markets have been established off the back of the live export industry's initial presence, providing a pathway for chilled and frozen exports.

There are also significant other benefits of the trade beyond economic:

- Some countries do not produce enough livestock to feed their population and as a result they rely heavily on Australian livestock for their food security and in some cases, social harmony.
- Processing animals locally, for some nations, is often cheaper than buying boxed or chilled meat slaughtered in Australia, which is a high input cost industry compared to its global competitors.
- Religious requirements, particularly around festival times, dictate the slaughter of animals (under Australian controlled conditions where Australian animals are involved).
- International processors prefer to use not just the meat, but the entire animal for different products.
- The export of livestock supports a wide range of consumers and different market segments that live animals processed locally are most suited to (for example, wet markets).
- Exporting livestock strengthens breeding and herd numbers with quality genetics and aids many developing countries in achieving self-sustainability goals.
- Australia's live exports support the development of a local processing sector in developing countries.
- Live export supports public policy programs to increase meat and dairy consumption and the endeavours of importing countries to provide food security.

Over 100 countries export live animals with Australia having the highest standards in the world. Indeed, through the Livestock Global Assurance Program (LGAP) which is an initiative of the Australian industry, a global standard will be set for live animal exports.

Australia's increased efforts to help improve animal welfare is recognised as contributing to wider social and ethical change, better treatment of local livestock, improved worker safety and better meat quality. This positions the sector as a key driver of animal welfare improvements globally.