



AUSTRALIAN LIVESTOCK
EXPORTERS COUNCIL

8 June 2021

Committee Chair
Joint Standing Committee on Trade and Investment Growth
PO Box 6021
Parliament House
CANBERRA ACT 2600

Via email: jsctig@aph.gov.au

Dear Mr Christensen MP

Re: Submission to the Inquiry into the Prudential Regulation of Investment in Australia's Export Industries

The Australian Livestock Exporters' Council (ALEC) thanks you and the Australian Parliament's Joint Standing Committee on Trade and Investment Growth for the opportunity to provide a submission to the *inquiry into the prudential regulation of investment in Australia's export industries*.

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.

As a collective, the livestock export industry is deeply concerned about the influence activist groups are exerting over corporate Australia and the impact this will have on legal and law-abiding industry's ability to access finance, as well as other crucial business services such as insurance. ALEC members already find access to these services challenging, despite being a world leading and completely legal industry.

This influence is carried under the guise of ESG (environment, social and governance) investors and the associated industry of advisory groups that can actively mislead investors and therefore carry undue influence over lending institutions. These lending institutions are often hyper-sensitive to perceived public opinion - particularly in the wake of the Banking Royal Commission – and will make investment decisions based on misrepresentation driven by activist agendas.

Our industry need not look any further than the Animal Australia Leadership team which boasts a Director of Corporate Affairs charged with *"focusing on developing close relationships with corporates, financial institutions and agricultural participants with a view to cooperatively pursuing progressive changes in animal welfare."*

Another example of gross misrepresentation of our industry came from the report entitled “ANIMALS ON THE HIGH SEAS Challenges For Responsible Investors In The Live Export Market” prepared by the Australian arm of global firm ISS (ISS ESG Advisory Services)¹.

At no point during the preparation of this report did ISS approach industry for information, and instead only referenced information sourced from animal activist group Voiceless, and community sentiment data commissioned by RSPCA Australia – both entities on record as opposed to livestock exports.

Under the heading “Implications for Business” the report advises:

Investors should identify which businesses are involved in live exports. Exporters, those directly involved in and likely to generate a large proportion of revenue from the live export business, are the obvious first source. Another source is logistics companies that facilitate the transportation of livestock, such as those involved in the operation of ports and transport lines, marine and railroads.

Additionally, certain sub-industries which may not be directly involved but have supply chain risks include suppliers of agricultural products, packaged foods and meats, and food distributors.

There are many other ways in which companies can be stakeholders in the live export industry. For instance, some companies may hold equity stakes in an insurance company that insures livestock exporters. A company may construct a railway that is used for live export, as well as passenger transport and general freight. A real estate company may provide agricultural assets used to export animals, particularly transport infrastructure.

Under the heading “Opportunities for Companies” the report flippantly advises:

Businesses could transition away from live export and change their approach, right down to making choices about the breed of animals they farm.

Companies could switch to a chilled and frozen meat trade approach with processing facilities in Australia to spare animals the journey. Livestock could be processed in Australia and sent abroad in boxes.

Both statements are incredibly patronising of Australia’s livestock export industries, completely naïve of Australian livestock production systems, particularly in the north, and deeply misinformed.

When a leading global investment advisory firm provides this kind of advice, and this is one such example, is it little wonder ALEC members have difficulty sourcing finance and insurance. ALEC is even aware of examples where members have even been refused the ability to set up everyday bank debit accounts by ‘big four’ banks.

There is no doubt that as an industry we must work hard at maintaining the community’s trust. However, the key lesson learnt from the COVID period it is that many countries are reliant on Australia as a provider of their food security, and that our industry is incredibly resilient. It has continued uninterrupted during the COVID period, has quite rightly been categorised as an essential service, making a significant contribution to Australia’s economic recovery.

Our industry also plays an incredibly important role for Australia’s rural and regional communities. 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

¹ <https://www.issgovernance.com/library/animals-on-the-high-seas-challenges-for-ri-in-the-live-export-market/>

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. Ironically, banking and insurance providers actively support our Northern Australia cattle producers, as they should, yet deny the same services to the livestock export industry, which is the main market for cattle produced due to proximity to export markets and distance to domestic abattoirs.

A similar report prepared by Mercado 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, rely heavily on Australian livestock for their food security and in some cases, social harmony.
- Processing and feedlotting animals locally, for some nations, is often cheaper than buying boxed or chilled meat slaughtered in Australia, which are both high input cost industries compared to our 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.

As a member of the Red Meat Advisory Council, we support its recommendations and implore the Committee to consider the following measures:

- the Commonwealth Government ceases commercial dealings with financial service providers that do not support law-abiding businesses.
- the Commonwealth Government issues a statement of intent to be a financial service provider of last resort for law-abiding businesses in instances of market failure; and
- the Commonwealth Government annually reviews all financial service providers who are reported to have refused service to law-abiding businesses.

Investment institutions are entitled to make ethical investment decisions. However, these decisions must be based on an informed rationale and be transparent.

Providers of deliberate misinformation or even poorly researched advice must be held accountable. Failure to do so allows lending institutions to become moral arbiters and effectively place proxy bans

on what are legal and highly ethical businesses – which is of course the objective of these activist groups.

ALEC and our members appreciate the opportunity to provide a submission to the *inquiry into the prudential regulation of investment in Australia's export industries* and would welcome the opportunity to appear before the committee to discuss the issues raised in more detail.

Please do not hesitate to contact me at ceo@livexcouncil.com.au or on 0400 980 452 should you wish to discuss further.

Yours sincerely



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

