



20 January 2020

Re: Third party assurance scheme for exported livestock: Consultation regulation impact statement

The Australian Livestock Exporters' Council (ALEC), Cattle Council of Australia (CCA), Goat Industry Council of Australia (GICA) and Sheep Producers Australia (SPA) are the peak bodies representing the livestock industries. Alongside the Australian Livestock Export Corporation Ltd (LiveCorp), these organisations are also the founding members of AniMark, the independent company established by industry to deliver the Livestock Global Assurance Program (LGAP). The peak bodies listed above are hereon referred to as Founding Members.

Founding Members thank the Australian Government for the opportunity to provide a submission to *Third party assurance scheme for exported livestock: Consultation regulation impact statement* ('the RIS'). We are also appreciative of the Department of Agriculture's work on this issue.

As peak bodies for our respective industries we are committed to the implementation of LGAP, recognising the many benefits the program offers to both exporters and producers alike. We support option 2b as the potential for complications arising from having ESCAS approved but non-LGAP accredited facilities operating within supply chains potentially undermines LGAP.

The Australian Government's support for LGAP is also acknowledged, including the provision of a budgetary commitment for its development. LGAP is a critical tool for the ongoing sustainability of the live export trade and the livelihoods the sector supports in regional communities across Australia.

The introduction of Third-Party Provider of Assurance Services (TPPA) arrangements will provide an opportunity to simplify administrative processes, increase flexibility and reduce regulatory costs, while maintaining appropriate levels of animal welfare in accordance with the principles of the Export Supply Chain Accreditation System (ESCAS). Accordingly, we support AniMark being recognised as a Third-Party Provider of ESCAS.

Support for AniMark Submission

It was industry that established AniMark as an independent entity charged with providing quality assurance arrangements for the livestock export industry. A key stipulation of establishing AniMark was its independence from industry and Government. This was done so that:

- LGAP would be independent from Government and industry and would be overseen by an independent Board.
- LGAP would be governed by a Board of Directors, including an independent Chair and Managing Director with two committees responsible for the review and maintenance of intellectual property, covering rules and integrity and standards.



Founding Members support AniMark's submission to this RIS process. It is crucial for the success of LGAP that an independent entity be charged with providing oversight and rigour the livestock export industry's quality assurance.

The Importance of Animal Welfare and Food Security

Over 100 countries export live animals with Australia having the highest standards for animal welfare (extended beyond its borders) in the world. ESCAS has enhanced animal welfare practices throughout the livestock export supply chain, and LGAP's implementation will assist in the delivery of ESCAS and provide further improvement.

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 in export destinations. This positions the sector as a key driver of animal welfare improvements globally, which has resulted in innovative and world-class research, development and extension, recognised by international agencies such as the World Organisation for Animal Health (OIE) for its contribution to global animal welfare.

In addition to improving animal welfare outcomes, another key role of the livestock export industry is helping meet the food security needs of its markets. Over the next 20 to 30 years, the challenge for Australia's livestock and red meat industry is to continue to grow while demonstrating that it is an important and sustainable industry sector within the Australian economy, sustaining 440,000 jobs and turning over A\$65 billion on average every year.

It is in Australia's national interests that it meets the food security needs of its trading partners and food security will indeed be one of the great global issues going forward.

The Importance of the Live Export Trade

Between 2012 and 2017, on average:

- 1,095,325 head of cattle were exported annually;
- This represents an annual value of \$1.2 billion, \$620 million of this revenue is retained by producers;
- Cattle were exported to over 23 countries;
- The live cattle trade was found to be 13.3% of the Australian cattle industry's value;
- The industry employed 9,799 full time equivalents

Between 2014 – 2018, on average;

- 1.8 million head of sheep were exported
- This represents an annual value of \$220 million, \$100 million of this revenue is retained by sheep producers
- Sheep are exported to 18 countries
- The live sheep trade represents 6.5% of the sheep industry's value
- The industry employed 3,443 people.

In 2018-19:

- 18,650 head of goats were exported;
- This represents a value of \$7.2 million.
- The major markets were Malaysia and China.

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

There are significant benefits of the trade beyond economic. These include:

- 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.
- There is demand for Australia livestock and through that, improved animal welfare outcomes are achieved.
- 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, local consumer preference, inconsistent electricity or access to refrigeration).
- Australia's live exports support the development of a local meat processing sector in developing countries.
- Live export supports public policy programs to increase meat consumption and the endeavours of importing countries to provide food security.

Improvements to ESCAS

ESCAS has served the live export industry well. It has allowed the trade to continue and has targeted and direct consequences for animal welfare breaches in individual supply chains (rather than placing the entire industry at risk).

ESCAS represents unprecedented regulation in several ways:

- It was the first system, and is still the only system, designed to regulate animal welfare outcomes throughout the supply chain across international borders.
- It defines the animal welfare outcomes to be achieved at each stage throughout the supply chain.

- It requires the implementation of traceability and control systems that cross international borders.
- It places legislative obligations on exporters making them accountable (both for their own actions and those of their supply chain participants) for delivering Australian regulatory outcomes in international jurisdictions.

Not surprisingly, given the novel nature of the ESCAS regulations and their rapid development, they exhibit several weaknesses – of which two are prominent:

- First, there is a challenge in extending Australian Government requirements on animal welfare for Australian livestock across international borders – a fact that the government has recognised.
- Secondly, the potential exists for further improvements through the implementation of a more thoroughly researched and designed system such as LGAP.

LGAP has been designed to address both weaknesses in ESCAS. LGAP represents a purpose-built conformity assessment program, systematically designed to:

- strengthen assurances that Australian livestock exported overseas continue to be treated in accordance with ESCAS and OIE animal welfare standards;
- crystallise the commitment, oversight and management of welfare more proportionately along the supply chain through Operators (i.e. exporters and importers) and Facilities (i.e. feedlots, farms and abattoirs); and
- deliver enhancements such as audit impartiality, clear and unambiguous obligations regarding animal welfare and more timely visibility into conformity, that together enhance the robustness of the system and improve animal welfare outcomes for Australian livestock in overseas markets.

Additional Animal Welfare Assurance

LGAP provides a long-term sustainable solution for the industry in meeting community expectations regarding animal welfare.

Elements of LGAP's design include distribution of responsibility for animal welfare assurances along the supply chain, fairness and proportionality, clear and appropriate escalation of non-conformances, greater rigour in auditing and promoting an environment of continual improvement.

Founding Members reject the notion contained in the RIS that regulatory compulsion for LGAP undermines its credibility and independence, given these additional assurances the program provides. Given the limitations of the Australian Government to regulate extra-territorially, LGAP offers a system that provides for immediate redress for animal welfare concerns and integrates animal welfare more prominently into our supply chain systems.



Reduction in Regulatory Burden

LGAP is expected to reduce the regulatory burden of ESCAS, which will benefit both exporters and producers as outlined in the examples below.

Example 1:

- Under ESCAS when leakage (livestock exiting approved supply chains in-market) occurs, the focus is on identifying the exporter/s whose livestock have leaked – they are assigned responsibility for the leakage. All exporters potentially involved in the leakage are required to review their traceability records, often over an extended period, to try to identify whether the leakage involved their livestock.
- When leakage occurs under LGAP, the focus is on identifying the overseas facility and/or importer involved. Investigations are focussed towards those parties with direct responsibility, which is a more efficient approach than under ESCAS.

Example 2:

- Under ESCAS, exporters must apply to the department to approve supply chains, organise audits, review reports, collect data and provide information to the department. These obligations are onerous and impose a significant administrative burden on exporters.
- Exporters can utilise operators' and facilities' certification under LGAP as an alternative means to demonstrate their compliance with ESCAS. Communications and interaction between the department and an exporter will be streamlined and more efficient under TPPA arrangements.

Administrative Savings

By eliminating duplication, LGAP should result in administrative savings to the live export industry and the Australian Government as the regulator of the industry. Furthermore, the facility-based design of LGAP makes it a simpler, more streamlined system than ESCAS.

This is even more pertinent considering the 2018-19 financial year cost-recovery arrangement for live animal exports recorded a deficit of \$5.749m, a \$2.753m decline against the budgeted deficit of \$2.996m. This result leaves the Government with a running deficit of \$18.181 million and as such, more cost-efficient systems need to be implemented.

Moreover, Government can better focus its regulatory resources through assessment and review of the verification services / data / evidence produced by LGAP. As the founding members we would like to see a commitment to a clear reduction in operating costs from the Australian Government. This will have the added benefit of industry potentially offsetting these reduced costs which will be an investment in the strength of the system.

Clarification on LGAP and ESCAS Interaction Required

It is important to emphasise that LGAP has been initiated, designed and is now being implemented by the livestock export industry in partnership with producers. The regulatory impacts, consistent with the original intent of LGAP are accepted by the industry in principle.



It was always industry's intent that periodic audits would be conducted by the Government to confirm delivery of quality assurance regulatory objectives and financial sustainability and ensure that ESCAS-equivalent outcomes are being delivered. However, industry's clear expectation is that LGAP does not duplicate ESCAS. This in turn should lead to a reduced government resources and therefore costs being required. In addition, it was also envisaged that exporters would not need to undertake duplicative tasks to satisfy both their LGAP and ESCAS obligations. This was also supported by the department's officials and peak council representatives who were on the LGAP Implementation Steering Committee. Consequently, ALEC members unanimously voted in favour of supporting LGAP on the basis that duplication be absolutely remove.

LGAP will only drive more efficient regulation and administration, and most importantly, provide industry and the broader community assurance about animal welfare in the livestock export supply chains if Government that does not unnecessarily encroach and therefore duplicate the role of LGAP.

ALEC seeks clarification about how ESCAS and LGAP interact consistent with the research project's original intent. For example, page 25 of the RIS states: *Where non-compliance events are identified in the supply chain by the exporter or TPPA, the exporter has a responsibility to ensure that this information is shared with the department.* If read literally this contradicts one of the intentions of TPPA arrangements whereby an exporter reports the non-compliance to the TPPA i.e. AniMark. Surely an exporter can rely on the reporting requirements of the TPPA to the department in terms of its responsibility to ensure information is provided to the department and not duplicated for no perceived benefit/reason at all. Currently this remains unclear. As the RIS states, the department would have access to all information provided to the TPPA when investigating a non-compliance.

Similarly, the RIS proposes that an exporter would still be required to submit an ESCAS submission declaration for assessment by the department. One of the disadvantages of ESCAS is that it constrains cattle movements to approved supply chains. Under LGAP it was always envisaged that livestock movements between LGAP certified facilities would be permitted. The requirement proposed in the RIS seemingly undermines this unless exporters are permitted to simply submit all LGAP certified facilities as part of its ESCAS submission.

As an industry, we strongly support the notion of apportioning greater responsibility on individual facilities within supply chains. Indeed, this was also one of the recommendations of the LGAP research project and the recognition of AniMark as a Third-Party provider will ideally give effect to this. Again, this was also supported by the department's officials and producers who were on the LGAP Implementation Steering Committee.

Conclusion

Founding Members are committed to LGAP and the work of AniMark given its tangible animal welfare benefits and quality assurances.

The Founding members support RIS Option 2 with a preference for 2b, mandating the use of a TPPA. This approach will also enable LGAP to truly reach its potential and for regulation of the livestock export industry to reach optimum efficiency and transparency as well as enhancing animal welfare outcomes for Australian livestock around the world.



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