

Panel report – Phase out of live sheep exports by sea

**Summary for stakeholders
by
Australian Livestock Exporters Council,
Sheep Producers Australia and
Wool Producers Australia**

Chapter 4. Impacts

Starting point:

Low sentiment in WA sheep industry. Reduced prices for sheep compared to previous year, in WA and elsewhere. Destocking - Panel concerned that these were being conflated by some stakeholders with the policy commitment. Anticipating the end of the trade is further contributing to industry concerns in WA.

Producers concerned at lack of space/bookings in abattoirs. Unable to turn off stock. Substantial backlog. Panel noted some stakeholders were distressed by treatment of animals throughout the live export supply chain. Stated that phase out will benefit these stakeholders and the welfare of sheep.

Identifying potential effects:

From Ep 3 report, Panel expects a limited number of businesses have significant exposure to live sheep trade or a limited ability to reorient away. Due mainly to drop in export volumes already and Northern Summer prohibition - businesses have already made transitions away.

Significantly affected businesses include:

- feed millers supplying pellets
- shearers who shear sheep before voyages
- livestock transporters
- livestock exporters

Ep 3 found that no businesses surveyed relied on the live sheep trade greater than 50% of their income, including exporters. Increase in opportunities for feed millers - supplying feedlots for domestic processing.

Demand for shearers will decrease currently operating at pre-export premises and more so if flock size and composition changes. Livestock transporters will be affected. Sheep being exported travel 3.5 times on average, versus sheep processed in WA travel 1.5 times on average. Opportunity to shift these drivers and businesses into other transport sectors.

Impacts on exporters will be lower for those also involved in the live cattle trade or have other source countries for sheep or other business interests in Australia. Some exporters and cattle producers will need to reconsider existing use of mixed shipments from Fremantle Port. In 2022-23, 35% of all vessels were mixed (65% cattle only). But only 25% of cattle to the Middle East were on cattle-only voyages (75% mixed). Panel notes cattle only vessels can continue and increase but the supply chain may need to change to do so.

Quantifying impacts:

Hard to summarise existing reports and commissioned work. Different assumptions and timeframes. Lack of agreed baseline data. Report prediction limitations:

- using a transition period that is shorter than the government's minimum period
- existing in a steady state or using a straight-line approach - does not consider market adjustments, seasonal conditions, etc.
- applying multipliers to data without external reference points
- considering industry settings prior to the introduction of the Northern Hemisphere Summer Prohibition.

Largest negative impacts found in Mecardo 2019 report. Smallest forecast negative effect was ACIL Allen in 2023. Pegasus 2018 forecast a positive employment impact. Panel placed greater weight on WA Government submission. Accounts for reutilisation of land and resources to next highest economic value. Balanced consideration of the compounding effects on sheep producers. Panel is confident that early action by government to support industry transition will minimise adverse impacts.

Key variables:

- Flock size
- Flock composition
- Pricing for sheep meat and wool

Flock Size

A swift or large decrease to the flock size would generate significant negative impacts for the rest of the supply chain and communities. Risk of excess animals waiting longer for slaughter. Will be negative for animal welfare and human mental health. Downward pressure on prices would exacerbate these. Panel concludes a substantial or swift exit from the WA sheep industry should be avoided.

Flock composition:

If phase out leads to increased sale of breeding ewes, current flock size will decrease and will be more difficult to rebuild in future. MLA AWI survey of sheep producer intentions showed WA producers intend to drop number of breeding ewes by 18% in 2024, due to poor seasonal conditions and uncertainty about phase out.

Wool is integral part of WA sheep producers business - current flock consists of 80% merinos. Adult sheep farmed for wool are general not desired by local processors.

Significant drop in merinos would impact negatively on wool production and income. Ripple effect to allied industries such as shearing and wool handling.

Prices and price risks

Converting Australia's live sheep exports to sheep meat would not be considered to have a material impact on global supply or prices. Panel believes some activities can help underpin or improve prices. Better targeting meat processing market – could improve nutrition to quickly grow merino wethers to market specifications.

Removal of live sheep exports may encourage destocking – downward pressure on prices. large price drops will create greater risk of producers exiting sheep farming. Upholding demand is necessary to avoid this.

Four action areas collectively needed to support ongoing functioning of WA's sheep and wool industry:

- farm businesses
- sheep supply and value chains
- sheep processing labour
- markets.

Chapter 5. Farm businesses

Changing production model

WA sheep producers use live exports as readily available stock turn off option. Risk management tool. Phase out will impact businesses – may make them more vulnerable, especially in dry seasons.

Panel notes change has already occurred due to Northern Summer Prohibition but note many producers have “not adjusted their operations or expectations” due to restocking demand in eastern states and worldwide demand helped maintain high prices.

Opportunities for Merinos to be used in first-cross lamb enterprises, rather than requiring an exit from Merinos altogether. Possibility of feedlotting or confinement feeding to help bring animals to slaughter specifications. Producers may benefit from expert input or advice to understand the necessary steps to move.

Panel does not believe that producers should delay making decisions hoping government policy may be overturned. Instead, clear and early communication will enable producers to plan for the future. Panel recognises that producers are highly adaptive and have responded and others will do so.

Supporting businesses to be resilient

The Panel sees value in effective planning for the future - specialist advice or training for different aspects of enterprise and production system. There are some existing initiatives in these areas:

- Farm Business Resilience Program (Future Drought Fund)
- Farm Household Allowance (plus training and advice)
- Rural Financial Counselling Service
- RDC programs

Narrow eligibility mean more may be needed. Could include (but not limited to):

- producers
- shearers
- transporters
- feed suppliers
- lot feeders
- feed millers
- sheep husbandry contractors
- local retail stores and service providers

Former Professional Services Fund established under the Regional Small Business Support Program Pilot may provide a template for future initiative.

Principles for promotion and delivery

The Panel believes that business supports in response to the end of live sheep exports by sea should be:

- delivered as much as possible through experienced local organisations in the affected communities
- activated well in advance of the end of live sheep exports
- promoted via existing communication channels in the affected communities and industries.

Relevant recommendations [Bold = early action or funding]

1. **The Australian Government should provide funding to enable businesses in the WA sheep supply chain to prepare a business plan for their adjustment away from live sheep exports by sea. This could be via existing initiatives and should also be available to cattle producers who may be affected by the end of live sheep exports by sea.**
2. The Australian Government should establish transition funding arrangements accessible to businesses in the supply chain to prepare for and adjust to the absence of live sheep exports by sea. Funds should be contingent on businesses preparing a plan, perhaps drawing on the opportunity provided by Recommendation 1. Consideration should also be given to the needs of non-supply-chain businesses affected by the cessation.
3. The Australian Government should consider what support is needed for supply chain businesses with a high reliance on live sheep exports by sea to exit the industry if they are unable to transition by the cessation date. Support should follow businesses completing a business planning process.
11. The Australian Government should ensure workers who need to change their skill set or employment due to the end of live sheep exports by sea are aware of and have access to appropriate training and support to aid their transition.

Chapter 6. Sheep supply chains and value chains

Need for increased sheep processing in WA

Lifting processing capacity in WA is critical to confidence. If capacity is not grown, the flock size is likely to drop. Will lead to significant economic and social impacts and animal welfare issues.

More than abattoirs – about an entire value chain

A value chain each stage adds to the value of the product, which creates a competitive advantage. One key aspect is sharing information, so that each part of the chain is adding value. For WA, this requires a level of communication and feedback that is not currently observed by the Panel. Some industry participants who openly acknowledged they do not communicate product or market intelligence to other points of the supply chain. Processors could inform producers about product and timing requirements so that slaughter specifications could be more readily met.

MLA and AMPC could facilitate feedback loops and this could extend to the use of feedlots to finish animals for slaughter.

Farm businesses

In the absence of the live trade, Panel recommends producers, will need to change management. Will increasingly need to prepare animals with a specification or timing in mind, or risk lower prices or not being favoured by processors.

Not everyone will choose to move into a value chain model. Panel suggests that embracing the “change to live exports” as an opportunity for renewal and growth would be preferable.

Feedlots and feed millers

Some producers will elect to stay with the same flock management (both breed and age at turn-off), while others will make changes to deliberately target meat markets. Some consultation feedback suggests that changing breeds will be required. Panel observes that this may not be necessary and that adapting to a different turn-off age or feeding regime will be more critical.

Sheep processing in WA experiences seasonal variability, balancing stock levels with feed on the ground. Fluctuations make it difficult for processors to manage capacity and labour. Larger facilities and workforces helps deal with the peaks but are more costly in periods of low supply.

Feedlots can provide a useful mechanism for smoothing out supply. Option for processors and producers to establish or expand feedlots. Will required stored feed or capital to purchase supplementary feed and to set aside land (may not be possible for some). Existing live export registered establishments could be repurposed. Local and state government approvals are constraints.

Noted lengthy delays in EPA approvals. Evidence that construction would take 18 months to 2 years after EPA approval. Panel considers there are opportunities to ensure administrative and approval processes are known and streamlined to reduce delays.

Feedlots are an opportunity for feed millers and cropping.

Absence of standards for feedlotting for sheep. Panel noted ALFA's development of NFAS, run by AUS-MEAT and sees a sheep feedlot accreditation scheme as a desirable element of a future value chain.

Abattoirs and cold storage

Australia-wide, 80 establishments registered to process sheep meat for export with 9 located in WA. Three independent boning rooms. All WA facilities in South West WA.

If the WA flock stays at current levels with a similar composition, could be up to an additional 1 million to 2 million head of sheep requiring processing. Well above throughput in each of the past 10 years. If the flock composition favours more breeding ewes, and therefore lambs for slaughter, the processing need will be greater. If the flock size were to drop by 15%, as modelled in the WA Government submission, existing capacity could be sufficient. Some processors indicated they could process more sheep if they had more labour. Labour and regional housing constraints. Cold storage is also a limiting factor.

Freight

More road transport required for sheep moving to feedlots and sheep being trucked across to eastern states when prices suit.

Concerns expressed by RSPCA about animal welfare on road journeys from WA to eastern states. Panel notes SA is in a difficult position, with sheep needing to be spelled during west-east transfers and greater animal welfare oversight. Panel believes Australian Government should drive new land transport standards.

Panel noted importance of air freight for chilled meat market access. Lack of export freight space is still constraining exports from Perth – less flights and higher prices than pre-COVID. Some exporters report it being cheaper to transport products domestically and then fly out of Perth.

Panel notes about 5% of Australia's total live cattle exports were sent on sheep ships to the Middle East from Fremantle. Panel notes some cattle exporters will need to find alternative transport options.

Competition and sale arrangements

Concerns about a lack of perceived lack of competition among buyers in saleyards, lower prices for producers. ACCC also raised risk of less competition among buyers once live trade closes. Based on the ACCC's findings in the cattle market study, and the possibility that the number of livestock agents could decline, Panel considers more transparency in, and oversight of, the activities of livestock agents and commission buyers will be beneficial.

Producers may benefit from more transparency and reporting.

Forward contracts may be an important part of a value chain, but risks around disease outbreaks, natural disasters, etc. May necessitate more financial risk management training and advice for producers.

Relevant recommendations [Bold = early action or funding]

4. The Australian Government should establish transition funding arrangements accessible to businesses in the supply chain to prepare for and adjust to the absence of live sheep exports by sea. Funds should be contingent on businesses preparing a plan, perhaps drawing on the opportunity provided by Recommendation 1. Consideration should also be given to the needs of non-supply-chain businesses affected by the cessation.
4. **Governments should provide access to funds or concessional loans to improve the capacity and efficiency of the WA sheep supply chain. Ideally, any government funding should be accompanied by private investment. Possible projects could include, among others, the expansion of processing facilities, installation of**

feedlots, addition of cold storage, improvements to transport or logistics infrastructure that support sheep product exports, or the supply of worker accommodation.

5. All levels of government should streamline planning and approval processes to facilitate infrastructure improvements in the WA sheep supply chain.
6. Governments should look for ways to increase air freight capacity for sheep products from WA, including consideration of time-limited assistance for air freight costs.
7. Market integrity and competition should be strengthened through the entire WA sheep supply chain. This could include close monitoring by the Australian Competition and Consumer Commission, WA Department of Mines, Industry Regulation and Safety and WA Meat Industry Authority, and promotion of existing price transparency tools.
19. The Australian, state and territory governments should work together to review and enforce the Australian Animal Welfare Standards and Guidelines – Land Transport of Livestock.
21. The Australian sheep industry should be encouraged and supported to:
 - a. establish a national accreditation scheme for sheep feedlots, to include standalone and on farm intensive feeding systems
 - b. develop a complementary national sheep meat quality assurance scheme (similar to AUS-MEAT) for meat produced from sheep finished in feedlots.

Chapter 7. Sheep processing labour

Expanding meat processing in WA will rely on infrastructure improvements (covered in Chapter 6. Sheep supply and value chains) and access to a sustainable workforce. Availability of labour is already a constraint to processing volumes – situation likely to be magnified by shifting to increased onshore processing.

Worker shortfall is exacerbated by low unemployment in the affected regions, difficulties in attracting and retaining workers and associated factors such as access to affordable and appropriate housing, childcare and public transport.

Sheep meat processing in WA – current state

In Sept 2023 there were 9 export-registered sheep processing establishments in WA, 3 additional independent boning rooms and some non-export accredited processors. Range from small (less than 10,000 head p.a.) to large (more than 300,000 p.a.).

In 2023 abattoirs processing sheep and lambs in WA employed approximately 1,750 FTE (ranging from 110 to 800 FTE per facility).

Annual slaughter of sheep in WA has averaged 3.97 million head over the last 10 years, with a high of 4.46 million in 2022-23. The relationship between slaughter numbers and employment in processing plants isn't simple, and processors trade off the labour costs vs return on additional or value-added processing.

The need to expand the workforce

Labour shortages across the WA sheep supply chain were a prominent issue during consultation. Strong competition from the mining and resources sector exacerbate difficulty in attracting and retaining workers in agriculture and processing roles.

Producers are already concerned about capacity constraints of meat processors, with a backlog of sheep waiting for space at abattoirs. Some processors told the panel they could process more sheep or invest in additional capacity if the workforce was available.

Panel noted the need for a stable, long-term pool of workers to support year-round operations, and access to a more flexible pool to meet seasonal demand during peak turn-off period (October to March). Panel heard that increasing the number of permanent (or near permanent) workers could bring social and economic benefits to the regions.

Competition for suitable workers is strong

Meat processing workers are in demand in Australia

Workforce shortages in the meat processing industry are experienced across Australia. High annual workforce turnover rates in the industry (2021 AMPC study reported average of 58%, with up to a third of employees leaving within the first 3 months). Points to an important role for retention strategies. Panel supports work being done by AMPC to develop a best practice model for employee retention and to promote careers in meat processing within the regions.

Regional populations are growing but the working age population is not keeping pace

The 3 regions expected to be most affected by the phase out (Great Southern, Wheatbelt, Mid West-Gascoyne) experienced population growth from 2018 to 2022, but this growth wasn't reflected in the working age population. The result is greater competition for employees and growth in job vacancies. Unemployment is consistently low (3.2% in March 2023).

Immigration – a solution with challenges

Migration seen by processors and unions as a necessary part of meeting the workforce challenge, and both saw creation of a stable long-term workforce (i.e. creating pathways to permanent residency rather than relying on temporary migrant workers) as important.

Processors across Australia use temporary migration to boost workforce numbers, and draw on a range of visa pathways:

- **Pacific Australia Labour Mobility scheme (PALM, visa subclass 403).**
 - As ‘approved employers’ businesses can recruit workers from 9 Pacific Islands and Timor-Leste for seasonal jobs or roles for up to 4 years.
 - Targets low- and semi-skilled roles in the agriculture and food product manufacturing industries and provides skills development funding.
 - In August 2023 over 10,000 PALM workers were engaged in the meat processing industry across Australia.
 - AMIC reports that members find the approved employer application requirements challenging, and many access PALM via labour hire providers.
- **Labour agreements (visa subclasses 186 and 482).** Agreement with the Australian Government that provides flexibility for businesses employing migrant workers where a need can’t be met domestically or through existing skilled visa programs. Includes:
 - Industry Labour Agreements between an employer and the government, e.g. Meat Industry Labour Agreement – facilitates sponsorship of ‘skilled meat workers’ for up to 4 years and/or permanent residency.
 - Designated Area Migration Agreements (DAMAs), between a Designated Area Representative (e.g. LGA or Regional Development Australia) and the government. Endorsed employers operating in the region can reach individual DAMA labour agreements with the government under the head agreement’s terms and concessions.
 - Panel thinks amended or new DAMAs for regions affected by the phase out could assist processors to supplement domestic recruitment efforts.
 - Temporary Skills Shortage Visa. Meat Inspectors are eligible.
- **Special category visa (subclass 444).** Allows NZ citizens to work and stay in Australia. NZ has well-developed processing industry and therefore a source of skilled workers.
- **Working holiday makers (WHM, visa subclasses 417 and 462).** No obligation to work, but visas can be extended by 1-2 years by undertaking work in approved industries including processing of animal products (shearing, butchery, packing and tanning). In 2020-21 there were 764 WHMs in the meat processing industry. WHMs have restrictions on the time they can work for a single employer (this contributes to reported high annual turnover rates) but provide important labour to meet seasonal demand.

Migration review

The independent review of Australia’s migration system, delivered in 2023, may provide further avenues for industry to source labour. The government responded to the review with a draft migration strategy indicating it was looking to:

- Simplify the system to make it faster/easier for employers to access skilled workers.
- Ensure the system responds to needs of all Australians, including those in the regions, while ensuring proper investment in housing, infrastructure and services to secure the benefits of migration.
- Focus on integrity measures to rid the system of abuse and ensure migrants have clearer pathways to permanent residency.

[NB the government’s final strategy was delivered in December 2023].

Pathway to permanency

Providing migrants with a clear pathway to permanent residency is seen as valuable for building a stable, long-term workforce in the regions.

Labour Agreements and DAMAs can include pathways to permanent residency, but applications are only permitted after working in a plant for 3 years, require a sponsor and impose application costs on employers. Panel notes the potential to look at the processing industry's uptake of permanency through this pathway, and any barriers needing attention.

Visa processing

Processors raised concerns about lengthy and complex processes for accessing migrant workers. Panel suggests that the government add meat processing occupations to the list of priorities for Temporary Skills Shortage Visa processing, to reduce the time taken (median is 33 days, can take up to 5 months).

More than finding suitable workers

The location of processors in outer urban and regional areas creates challenges with attracting and retaining workers. Issues include:

- **Accommodation.** Scarcity of affordable and appropriate housing options in many regional areas. Episode 3 (2023) reported that some processors have invested in existing housing or built their own accommodation for workers. Panel notes that the challenge of worker accommodation is not limited to meat processing businesses and solutions are more likely to succeed if they are progressed through a broader group of interested parties, including regional development commissions.
- **Accessing services.** Limited access to services such as childcare, and access to transport (public transport, ride-sharing options).
- **Other workers.** Lack of skilled workers (electricians, builders, engineers) may also limit further development of the processing industry. Panel sees opportunity to increase use of Designated Area Migration Agreements to address these broader challenges.

First Nations employment part of the solution

First Nations Australians constitute 2.6% of employment in meat and meat product manufacturing (c.f. 2.1% of employment across all industries and 1.8% in agriculture). Meat processing industry is well positioned to contribute to the growth of employment opportunities for First Nations Australians and sheep supply chain employers are encouraged to engage with listed relevant Australian Government initiatives.

Training and upskilling

Shift away from live exports to greater onshore processing will require workers (throughout the supply chain) to be skilled for new tasks. Processors and AMPC will play a large role in upskilling workers in the processing sector, alongside initiatives such as Fee-Free TAFE or training funded or conducted by RDCs or state governments.

Panel considers it important that affected workers are aware of and have access to training and support to aid their transition.

Worker protections

The panel reinforces the ongoing importance of worker welfare and protection from exploitation in meat processing establishments and throughout the sheep supply chain. Migrants are inherently more vulnerable to exploitation than domestic workers.

Government initiatives

Australian Government initiatives to support jobs and skills development nationally may have relevance to the WA agricultural and meat processing workforce. The Panel's findings and recommendations related to workforce are consistent with those identified by the Agricultural Workforce Working Group, convened by the government over 2022-23.

Jobs and Skills Australia is undertaking a Food Supply Chain Workforce Capacity Study to identify opportunities to grow a targeted workforce in the agriculture sector, due in June 2024.

Relevant recommendations [Bold = early action or funding]

4) Governments should provide access to funds or concessional loans to improve the capacity and efficiency of the WA sheep supply chain. Ideally, any government funding should be accompanied by private investment. Possible projects could include, among others, the expansion of processing facilities, installation of feedlots, addition of cold storage, improvements to transport or logistics infrastructure that support sheep product exports, or the supply of worker accommodation.

8) The Australian Government should allocate a high priority to the meat processing industry to accelerate processing of skilled visa applications.

9) The Australian Government should consider increasing WA's allocation through the skilled migration program to supply additional workers to the sheep processing industry in regional WA.

10) The Australian Government should work with the affected regions to establish Designated Area Migration Agreements (DAMAs) if not already in place or expand existing DAMAs to include sheep industry workers.

11) The Australian Government should ensure workers who need to change their skill set or employment due to the end of live sheep exports by sea are aware of and have access to appropriate training and support to aid their transition.

12) Governments should ensure initiatives are available to businesses in the WA sheep industry to attract, train and retain First Nations workers

Chapter 8. Markets (p. 104-120)

22/23 sheep industry (meat, live and wool) = 10% value of Ag production

Limits of domestic markets

Growing demand for meat, wool and other co and by products is key to future of sheep industry in WA. Failure to drive and secure additional demand for these products is likely to reduce prices, affecting business viability.

Sheep meat needs to work into developing countries, MENA, SEA and China.

Wool and by-products will require growth in onshore processing. Need to find markets for these products (no domestic consumption to absorb). Later silent on the need to invest in wool processing....?

Limits of domestic markets

Australia does not consume mutton in same quantities as lamb. Not viable to transport W-E for processing.

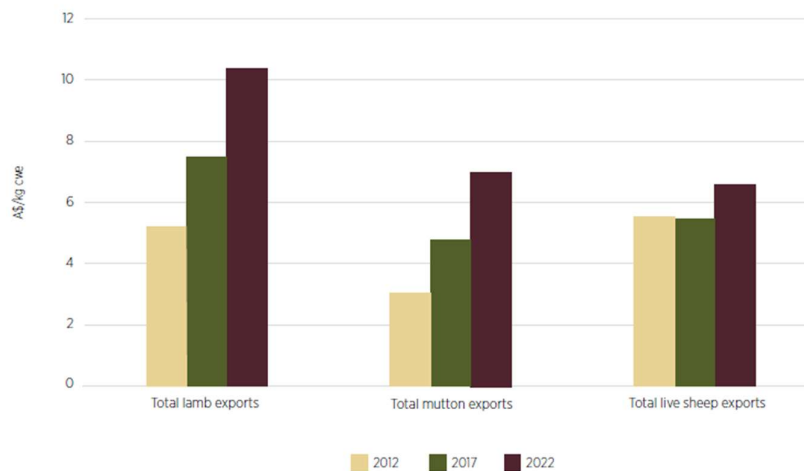
While some animals do move W-E from time to time- the viability in the long-term is not of a level that would mitigate cessation of live trade.

Sheep meat

Export values of sheep meat have declined proportionate to meat. (\$647.8 million v \$76.9 million in 2023)

Possibly driven by increases in “unit value” in recent years, where lamb and mutton unit value has increased substantially 2012-2022) in comparison to live sheep

Figure 31 Australian sheep and sheep meat exports, unit value comparison (A\$/kg)



Note: Live sheep carcase weight equivalent price (cwe) is based on gross export weight. Carcase weight equivalent is the weight of a live sheep as its equivalent weight as a dressed carcase.

Commentary on main markets for AU lamb (main market US) and mutton (main market China) with some comments on falling NZ production (AU and NZ currently 75% of global sheep meat export by value).

Demand forecast to grow for sheep meat- though big growth markets (China, India etc. may internally produce- as they have potential for production growth). Best prospects for growing demand for sheep meat are MENA (esp. Saudi) and SE Asia (esp. Malaysia).

Analysis suggests that boxed sheep meat is not directly substituting live sheep in Middle Eastern countries, indicating that the cessation of live export trade does not mean Australia's boxed meat will automatically increase or decrease in value.

Saudi Arabia last imported live sheep from Australia in 2012–13 and has since increased its imports of Australian sheep meat from \$16.9 million in 2012–13 to a peak of \$34.3 million in 2021–22

These examples highlight the global nature of trade and the need for Australia to grow new and deepen existing markets for Australian sheep products, and not necessarily those with existing live sheep markets.

Commentary about live trade providing a “floor price”. 22-23 live ex by sea was just 2% of value of lamb and mutton exports. - transition would not materially change global prices.

Increasing trade opportunities

Wool clip forecast to broaden.

Minister Farrell statement government wants to deepen and diversify trading partner network (Ref to: SE Asia Economic strategy).

Market Access: Reference to FTA/s: China, India, UK (0% 75000tonne @ 2032, US and Indonesia. Preferential market access is great, but also need work on technical market access (export facility listings and audits).

Ongoing work will be needed to drive increasing demand for mutton in these markets.

MENA- need to have increased presence of Australian personnel in markets – the Department of Agriculture, Fisheries and Forestry (DAFF) and Department of Foreign Affairs and Trade officials, state government trade representatives, MLA staff, Austrade officers, and Australian company representatives for promotion.

Market advancement: Growing demand for Australian sheep meat is not simply about assuming that trading partners will substitute live sheep for sheep meat. There is a need to drive interest in Australian products – lamb, mutton and co-products – in multiple markets, including those that are not live sheep destinations. Suggestion that there is strong alignment with MLA in this space. Reference to MLA \$1.665 ATMAC grants and suggestions for similar funding to assist Live Ex transition.

Wool- 20% AU production from WA. Declining production (volume and value) will impact allied industries- such as shearing, threatening viability of allied industries. Opportunities to expand Australia's wool trade via promotional or investment activities. Any such activities could specifically consider the WA wool industry, including its proximity to South-East Asia and South Asia, and be based on partnerships with AWI and MLA, along with the WA Department of Primary Industries and Regional Development.

Other products: government support needed for market access for tallow and rendered products. Skins (US\$513,000 / 58,000 tonne) Edible Offal (US\$258,000 / 200,000 tonnes)

No real link to LiveEx – other than loss of vessel supply. Suggestion that sheep producers could produce fodder for export.

Growing foreign investment

Increasing domestic processing capacity will be key to the long-term sustainability of the industry. Very weak link to Foreign Investment opportunities.

Relevant recommendations [Bold = early action or funding]

14. The Australian Government should provide access to additional funding for:

- a) **industry-linked organisations to grow new and deepen existing markets for Australian sheep products, particularly from WA**
 - b) **the Department of Agriculture, Fisheries and Forestry to support market access and growth for Australian sheep products, particularly from WA.**
15. The Australian Government should continue to engage with trading partners on the development of the sheep meat trade in the Middle East during the transition away from live sheep exports by sea.

Chapter 9. Individuals and communities

Panel recognises that individuals and communities will bear the brunt of negative consequences from the phase out if there is inadequate support, planning or early action. Early announcements and investment in resilience and capability will contribute to better outcomes for those affected.

During consultation many people pointed to potential mental health impacts, either arising from animal welfare concerns about the existing trade or from uncertainty about when the trade would end and what it would mean for their business or community.

Recognise a clear linkage between strong businesses and healthy individuals and communities. Concern that contraction of the WA sheep flock may force businesses to close and people to relocate – deepening existing issues with availability/delivery of local services.

Resilient individuals and communities

Notes that resilient individuals and communities will be critical to navigating the change brought by the end of the live sheep export trade.

According to the government's White Paper on Jobs and Opportunities, metropolitan areas typically have a higher adaptive capacity than regional areas. Panel emphasises the importance of having frameworks and support measures in place for individuals and communities that enable them to plan and flexibly respond to the change.

Community context

The Panel's consideration of individuals and communities focuses on 3 Regional Development Australia regions with strong linkages to sheep production (but does not exclude other areas):

- Mid West-Gascoyne
- Wheatbelt
- Great Southern

These areas have experienced low but consistent rates of population growth in recent years.

Unemployment in the main sheep producing areas of WA (in March 2023) was below that of Perth and the non-metropolitan state average.

Poor access to services (incl. healthcare, education, digital connectivity) is an ongoing concern for regional WA communities. This could be exacerbated if populations in these areas contract following the phase out.

The regional WA experience is consistent with other national information and data that shows those living in regional and rural areas have shorter lives, higher levels of disease and injury and poorer access to and use of health services.

External factors

Phase out comes in a broader context of challenges for many in the industry, including increasing costs of inputs, limited access to and retention of skilled workers, demographic shifts (as crop production increases at the expense of more labour intensive livestock production), other regulatory changes affecting agriculture and climate variability.

The impact of stressors on psychological and physical health is well documented. Panel wants to see supports delivered to individuals and communities to reduce the uncertainty they face and arrest negative outcomes.

Panel heard from individuals who are distressed by the experience of sheep exported by sea.

Impacts from the end of live sheep exports by sea

Individual health and wellbeing

Panel regularly heard of mental health impacts caused by the phase out commitment, noting:

- Concerns about income certainty and business viability.
- Producers worried about how to manage sheep if the season quickly deteriorates, and live export is not available.
- The unknown end date of the trade and reduced future options for turning of stock is causing personal distress.
- Directly affected producers have their identity closely linked to their profession, and close connections between family, housing, lifestyle and farm work mean business uncertainty is connected to personal anxiety.
- Individuals mayn't be able to readily relocate or find alternative employment, given the capital tied up in farm businesses.
- The importance of supporting producers, particularly men, to seek mental health assistance.

General lack of confidence in the WA sheep industry is reflected in the MLA and AWI Sheep Producers Intentions survey, in which WA producers' sentiment about the outlook for sheep meat went from +42 in October 2022 to -48 in May 2023. The phase out decision is a contributor to this decline in confidence, along with predicted seasonal conditions. Price declines since the MLA survey in May 2023 are also weighing on producers.

Community businesses and allied industries

The live sheep export industry is made up of businesses of varying size and levels of involvement – direct and indirect. The impacts of the phase out will flow through to all, e.g.:

- Indirectly through a decline in local spending on goods and services.
- Disruption to income streams for those with partial reliance on the trade, such as feed millers, shearers, husbandry contractors and transporters.
- Impacts will come on top of those that flowed from the Northern Hemisphere Summer Prohibition.

Lost revenue in the community can change local demographics as service provision is restricted – people move away and others are less likely to move to the area. The Panel noted that the small starting population of many WA towns means even small shifts in population size or structure can change social and community fabric.

Supporting individuals and communities to be resilient

The Panel's concern for individuals and communities affected by the phase out spans from the initial announcement about the government's policy, throughout the transition period to when the trade ceases and beyond.

Early investment will reduce the depth of the shock and drive improvements beyond the end of the trade.

Those likely to be impacted by the phase out are spread over a large geographic area and make face difficulty accessing mental health support. People will be affected in different ways and at different times.

There is value in governments assessing demand for advice and support services and providing sufficient funds and staff to avoid delays when affected individuals seek support.

Focus on communities

Panel notes Regional Australia Institute research that examines need for change to be accepted before adaptation can begin.

Panel notes that community and industry leaders will ‘be crucial in communicating the next steps for the policy implementation and helping industry and community participants plan for and adjust to the end of live sheep exports by sea.’

Panel also ‘emphasises the importance of a clear and early announcement about when live sheep exports by sea will end, in order to prompt acceptance, adjustment and planning’.

Community members should drive the change process/help tailor solutions for affected regions. Area-specific initiatives are seen as important, rather than a one size fits all approach.

Panel believes the Transition Action Group should include representatives from affected communities.

Panel notes the importance of bringing people together in communities to ‘build connections, foster resilience, and give and receive support’ as the communities adjust to the phase out.

Lists relevant national programs that could be utilised, including:

- Future Drought Fund.
- The National Emergency Management Agency sponsoring community events such as agricultural shows, field days and exhibitions.
- Growing Regions Australia program.

Principles for promotion and delivery

Panel notes that ‘any supports delivered to individuals and communities will need to be initiated early, have local input, and be communicated in ways that promote uptake.’

Relevant recommendations [Bold = early action or funding]

13) The Australian and WA governments should assess the demand on existing mental health and other support and advisory services and ensure they are appropriate to the needs of communities. These services should:

- a) be adequately resourced to conduct outreach and manage any increase in demand due to the end of live sheep exports by sea
- b) be promoted in the regions affected by the end of live sheep exports by sea
- c) include funding for community events and activities in the affected regions to foster mental

22) The Australian Government should make an announcement in 2023 stating when the end of live sheep exports by sea will occur.

25) The Australian and WA governments should establish a group to co-design the development and delivery of transition activities including projects in the affected regions to stimulate regional economies and support local communities. This would not include the early actions (Recommendation 24). This group should include members with experience in the WA sheep supply chain, regional development and the WA grower group network. Where possible, priority should be given to using WA agencies and organisations for delivery of initiatives arising from this report to enhance uptake and place-based solutions.

Chapter 10. Broadacre cropping

WA grain production

Grain production in WA occurs in arable land in South West corner of the state. There were 8.9 million hectares sown across the Kwinana, Albany, Esperence and Geraldton port areas. Around 2,900 farms from 1,000 to 20,000 hectares. Mostly family owned. Around 48% mixed sheep and grain farms. Total grain production around 26m tonnes in 2022-23. Record production resulted from higher area sown due to high global prices.

Most lupins grown in WA sold domestically are used for stockfeed. About 40% of lupin production in WA is retained on farm as stockfeed and seed or sold on to domestic livestock industries. Balance is exported.

Links between cropping and sheep farming

Synergies between cropping and sheep farming:

- Commercial risk mitigation
- Improved land use efficiency
- soil management

Between 1989-90 and 2021-22, WA sheep flock dropped by 68%, cropped area grew by 80%.

Farm income and commercial considerations

Higher rate of return for cropping than sheep farming.

End of live sheep exports is likely to exacerbate current trend away from sheep farming to cropping but some producers will not have this option, due to climate, soil type and land tenure. Grain farming also requires more capital. Marginal land

Risks

In good years, cropping producers yield substantial benefits. However, in poor seasons high rates of cropping and low income diversity will have a bearing across communities. Conversely, although producers reduce numbers or destock in poorer seasons, supplementary feeding of sheep, while costly does see income still being generated in those years.

Already pressures on WA grain infrastructure after years of record production. WA freight network under pressure. May need to accelerate improvements – larger scale such as rail, as well as smaller investments in local roads to support increased trucking of grain.

If sheep flock declines, less incentive to grow lupins. Could increase industry's exposure to disease risk and poorer performance on nitrogen fixing and soil carbon.

Relevant recommendations [Bold = early action or funding]

5. **The Australian Government should provide funding to enable businesses in the WA sheep supply chain to prepare a business plan for their adjustment away from live sheep exports by sea. This could be via existing initiatives and should also be available to cattle producers who may be affected by the end of live sheep exports by sea.**
6. The Australian Government should establish transition funding arrangements accessible to businesses in the supply chain to prepare for and adjust to the absence of live sheep exports by sea. Funds should be contingent on businesses preparing a plan, perhaps drawing on the opportunity provided by Recommendation 1. Consideration should also be given to the needs of non-supply-chain businesses affected by the cessation.

16. The Australian Government should support the transition away from live sheep exports by sea, including by:
 - a. encouraging the rural research and development corporations to accelerate their activities that support the WA industry to transition away from live sheep exports by sea
 - b. making funds available for extension and adoption to assist producers to create a value chain without live sheep exports by sea.

Chapter 11. International relations

Australia is a trading nation

Australia is a highly globalised economy with a reputation built on its strong export performance. Trusted and reliable supplier of agricultural products.

A domestic policy

Policy decision is a domestic one based on community concern about animal welfare and not targeted to any trading partners.

Panel heard that trading partners place value on bilateral relationship and history. Representations made by Kuwait against the policy and stated it threatened the trade and economic ties between Australia and the region. Panel hopes that Australia's reputation will stand it in good stead for future trade and investment opportunities.

Panel encourages the government to engage with trading partners throughout the transition.

Growing trade and investment

Kuwait Investment Authority portfolio of over \$12.7 billion in Australia, covering agriculture, property, energy and infrastructure. UAE has \$13.8 billion in 2022, including investment in agribusiness, tourism, health and aged care, and resources sectors. Saudi Arabia's investment in Australia is over \$1.3 billion, with significant potential for economic ties to grow, given mutual interests in areas such as agriculture, mining services, education and construction.

Panel believes that diplomatic engagement, trade missions and business delegations can all add to a positive relationship and should be continued.

Influencing global animal welfare

Two viewpoints during consultations:

- Australia's presence in the trade raises the collective animal welfare standards.
- Australia's decision to exit the trade sets a new standard for other countries to emulate.

Panel notes that both could have value. Australia's standards for export and slaughter have resulted in improvements to vessels and processing facilities in importing countries. However, the Panel also notes that importing countries have not applied this standard as a requirement for all imported sheep.

Australia can contribute to improved global animal welfare standards without exporting live sheep through diplomatic channels, international forums and agreements. Australia will also continue to have a presence in markets where it exports sheep by air, or other livestock such as cattle.

Relevant recommendations [Bold = early action or funding]

7. The Australian Government should continue to engage with trading partners on the development of the sheep meat trade in the Middle East during the transition away from live sheep exports by sea.
20. Australia should maintain its strong engagement in the World Organisation for Animal Health's international standard setting processes, through technical input and ongoing consultation with Australian experts. Australia should look for opportunities to influence improved global animal welfare standards through bilateral forums and agreements.

Chapter 12. Research and development corporations

Affected RDCs

Five RDCs will be affected by and be influential in the transition away from live sheep exports by sea:

- Australian Livestock Export Corporation (LiveCorp)
- Australian Wool Innovation (AWI)
- Meat & Livestock Australia (MLA)
- Australian Meat Processor Corporation (AMPC)
- Grains Research and Development Corporation (GRDC).

The panel believes that RDCs will have an important role in not only assisting the WA industry to transition away from live export but also continuing to promote learning opportunities in partnership with other intermediaries such as the Grower Group Alliance.

Summary:

While the Panel notes that some RDCs (LiveCorp, AWI) income will be negatively impacted by this decision, they include references for the need for these RDCs to INCREASE activities to support the transition away from live sheep exports.

The expectation, particularly regarding AWI's support activities to increase while taking a direct hit in levies directly related to this decision is naïve to say the least.

On the other hand, the Panel suggests that sheep meat production could increase post the ban and therefore have a positive impact on MLA's levies, again this seems to be a naïve assumption.

This assumption carries over to the impact on AMPC given the predicted increase in sheep processing in WA which will only be realised if it is commercially attractive to producers, which is currently not the case.

While the positive impact on GRDC levies through land use conversion towards grains seems to be understated and largely silent.

LiveCorp

LiveCorp's income fluctuates depending on the volume of livestock exported. In 2021–22 LiveCorp's income was \$4.805 million, more than half of which was derived from levy payments. 11% of levies income was generated from sheep exports, with the majority from beef cattle (66%) and dairy cattle (23%) exports.

The end of live sheep exports will remove approximately \$300,000 from LiveCorp's income (based on 2021–22 income).

LiveCorp's income has been declining due to a slowdown in cattle and sheep exports, driven by multiple factors. This decline saw LiveCorp's expenditure exceed revenue in 2 of the last 3 years, and it has accessed its financial reserves to meet operating expenses. At the end of the 2021–22 financial year, LiveCorp held \$7.1 million in equity.

If levy incomes continue to drop, government and industry will need to consider LiveCorp's future role and funding.

The company will need to ensure it continues delivering for these stakeholders even as the trade comes to an end.

Supporting the transition away from live sheep exports: LiveCorp has featured animal welfare for live exports by air (for all breeds) in its 2021–22 key deliverables. Market expansion and RD&E support for live sheep exports by air could be an area for ongoing development in the lead-up to and beyond the end of live sheep exports by sea.

Australian Wool Innovation

AWI's expenditure for the past 3 years has outweighed its revenue, with that trend forecast to continue in 2023–24. AWI has stated that this level of drawdown cannot continue and that cuts in programs are likely in 2024–25. **From a WA perspective, any decline in the quantity or value of the wool clip in WA due to the end of live sheep exports by sea will have a further negative impact on AWI's operating position and ability to deliver for the industry. Further, if AWI revenue continues to decline, there may be fewer opportunities and incentives for AWI to continue its training programs for shearers and wool handlers, which could affect shearer numbers or capability.**

Supporting the transition away from live sheep exports: *The Panel believes WA woolgrowers are considering reducing their flock size or shifting to more meat breeds in the absence of live exports as an option for turn-off. The WA woolclip is already shrinking (predicted to be 5.5% decrease 2024/25 – Wool Production Forecasting Committee, April 2024) and it is not thought that producers will be increasing meat sheep production, they will leave the industry completely, making their assumptions regarding this section flawed.*

Nonetheless, the Panel believes that AWI will have a significant role to play in this transition including making woolgrowers profitable in the face of the ban, through:

- wool harvesting, including attracting and retaining staff (shearers and wool handlers) and biological harvesting
- sheep health and welfare
- genetic improvements
- ewe reproductive efficiency
- on-farm automation.

Marketing and promotion is also important, especially if the WA wool clip incorporates more broad merino or **cross-bred wool following the cessation**. AWI should research and expand markets for these wool grades, particularly if exported from WA.

AWI's existing work to support producers in their business planning, risk management and decision making should continue, perhaps with a deliberate focus on WA producers as they plan their transition away from live exports by sea. As noted in Farm businesses, building business resilience will be critical in navigating the close of the live export trade and ensuring an earlier and stronger recovery.

Meat & Livestock Australia

In 2021–22 MLA received \$288.2 million in revenue, with expenditure recorded as \$310.7 million. Lamb and mutton levies contributed \$36.6 million, representing 37% of levy income. MLA's deficit in 2021–22 was the result of high spending combined with deliberate drawdown from reserves and reduced income due to the impacts of COVID-19 processing restrictions, floods in Queensland and northern NSW and the resulting herd rebuilding.

Supporting the transition away from live sheep exports: Again, the Panel believes that there will be an increase in sheep meat production following the ban. **This is another flawed premise and making the assumption, particularly the potential for a 'positive effect on the levy' invalid.**

The Panel believes that possible areas of focus that could be useful include:

- research and extension to provide guidance for on-farm and standalone sheep feedlot systems specific to the WA seasonal cycle
- feed-base management to strengthen producers' knowledge and practices for understanding natural resource management, nutritional requirements for stock and carrying capacity
- production planning to help strengthen producers' knowledge of and practices for managing production categories, managing flock size and composition, weaning and cull rates, flock nutrition, genetics, and fertility and reproductive efficiency, such as the existing MeatUp forums
- business planning to assist producers to manage profitability, grow their business and manage risk, particularly in the absence of live exports as a risk management and income diversification tool
- market research and expansion, and associated feedback to producers, for producers shifting to increased meat production.
- investigation of the role of sheep in improving soil carbon and pursuing opportunities for year-round pasture management to contribute to carbon sequestration, including extension to enable producers to access carbon credits. Existing programs on this topic such as the WA Department of Primary Industries and Regional Development's Carbon Farming and Land Restoration Program may be of assistance.

Australian Meat Processor Corporation

In 2021–22 AMPC received income of \$37.2 million, of which 42% (\$15.8 million) was from levies. Total expenditure was \$46.8 million. The shortfall in levy revenue was due to lower than expected slaughter rates

Supporting the transition away from live sheep exports: the Panel believes the removal of live sheep exports by sea may lead to an increase in the amount of sheep meat processing in WA. **This may create consistent supply throughout the year for WA processors, but with capacity already being reached and prices being received currently being at below the cost of production, an increased and sustained supply of WA sheep for processing will only be realised if it is commercially attractive to producers – which is likely to sustain current production volumes.** Based on the assumption that there will be increased sheep processing in WA, the Panel believes this will result in the creation of both opportunities and responsibilities for AMPC in supporting the industry through change. AMPC has existing programs in areas that will require increased focus in the lead-up to and beyond the end of live sheep exports by sea, particularly if greater processing volumes are to be accommodated:

- automation, remote operation and artificial intelligence
- worker safety, including knife safety and use of exoskeletons
- animal welfare, including in lairage and slaughter
- extending sheep meat shelf life
- sustainability, including emissions, water and waste management.

AMPC will need to work with WA processors as they consider and implement expansions to their operations. This could include AMPC helping processors navigate regulatory requirements for expansion and working across the industry to attract and retain staff. Pilot programs of automation initiatives could be rolled out in member establishments to accelerate development and uptake of technologies. **Labour requirements (particularly pre-automation needs) have not been referred to by the Panel, which seems to be an oversight.**

AMPC should also partner with MLA to understand market preferences so these can be met by producers and processors. The Panel often heard of the need to establish or improve the feedback loop so producers better understand how to grow animals to processor (and possibly

niche market) requirements. Improving transparency and the amount of market information available to producers, such as product destination, specifications and price, could enable producers to become more actively engaged in the market and adjust their flock or farming practices.

Grains Research and Development Corporation (GRDC)

GRDC levies are collected at the first point of sale and based on the net farmgate value. Total revenue in 2021–22, including government contributions and other income, was \$343.4 million, including a 42% increase in levy revenue compared to the previous year. The increase reflects the outstanding grain-growing and market conditions in the past year. GRDC returned an operating surplus of \$131 million in 2021–22.

Supporting the transition away from live sheep exports: The Panel is conscious that some farmers expect to increase the proportion of grains in their production due to the end of live sheep exports. **This seems to be understated by the Panel as it is assumed that there will be significant hectares that currently run sheep converted to cropping enterprises where land type allows it.** GRDC will therefore have a role to play in supporting these producers through change, while limiting any negative impact for them or other producers. Some possible areas of focus include:

- research and extension to best manage soil moisture, fertiliser and herbicide use, including in the absence of sheep grazing or fodder crops being used in rotation
- assessment of market impacts and opportunities due to changes in grain quantities or crop mix
- identification of WA infrastructure needs due to increased grain production, including road, rail, storage and port needs
- education and extension to support amending

The disruption caused by the transition away from and the end of live sheep exports by sea provides an opportunity for GRDC to deliberately direct additional efforts to WA producers and production systems.

Relevant recommendations [Bold = early action or funding]

16) The Australian Government should support the transition away from live sheep exports by sea, including by:

- a) encouraging the rural research and development corporations to accelerate their activities that support the WA industry to transition away from live sheep exports by sea
- b) making funds available for extension and adoption to assist producers to create a value chain without live sheep exports by sea.

17) The Australian Government should consider the role and financial position of the affected rural research and development corporations during and following the transition away from live sheep exports by sea.

Chapter 13. Australian Government live export regulatory activities

Community concerns about live sheep exports by sea

Panel asserts that live sheep exports “by their nature” present a risk to animal health and welfare. Ongoing community concern in Australia about treatment of sheep on voyages and in-market.

Attributes reviews and changes to specific incidents or concerns since the 1980s. Allegations of non-compliance, particularly through the media can have a dramatic impact on the public’s confidence in Australian Government’s ability to regulate. Public concerns remain.

Panel only cites a limited number of reviews:

- Senate select committee report in 1985
- Keniry review following Cormo Express in 2003
- Farmer Review and ESCAS in 2011
- McCarthy and Moss reviews in 2018 following Awassi Express in 2017.

Regulation of live sheep exports

Live sheep exports regulated by DAFF and livestock vessels regulated by AMSA.

DAFF administers:

- Export Control Act 2020 (includes ESCAS)
- Export Control (Animals) Rules 2021
- Australian Standards for the Export of Livestock (ASEL)

AMSA administers:

- Navigation Act 2012
- Maritime Order 43 (cargo and cargo handling – livestock) 2018

ASEL operates until animals are disembarked overseas and are enforceable standards under the EC Act and Animals Rules. Consistent with international bodies such as WOAHP. Read in conjunction with Commonwealth State and Territory laws, regulations, standards and guidelines. Importing country requirements must also be met under ASEL.

ESCAS is a regulatory requirement under the EC (Animals) Rules. Applies to feeder and slaughter livestock. Australia is the only country in the world with this kind of system.

Four key principles:

- Animal welfare
- Control through supply chain
- Traceability
- Independent auditing

Applies from disembarkation to confirmation of death at point of slaughter. Australian exporters are held responsible.

Panel cited ESCAS review. Following completion, DAFF intends to implement a new ESCAS framework with consolidated and better-articulated set of outcomes-focused requirements for control, traceability and animal welfare for feeder and slaughter livestock. Responsibility on livestock exporters will remain.

The Panel wants to ensure animal welfare requirements are achieving their objective of upholding animal welfare standards until live sheep exports by sea end. The Panel believes

completing the ESCAS review and implementing recommendations in a timely manner would support this outcome.

Substantial changes in regulation from the McCarthy review:

- regulation 'should move from a risk assessment based on mortality to a risk assessment based on animal welfare'.
- Northern Hemisphere summer prohibition (enshrining industry-led moratorium in regulation).

Moss Review, led to reestablishment of the Animal Welfare Branch in DAFF to ensure animal welfare is at the centre of regulatory activities for live sheep exports. Inspector-General of Live Animal Exports (IGLAE) established.

Revised regulatory requirements included:

- changes to pen air turnover verification,
- increased pen space allowances,
- automated watering systems on all vessels
- exporters to have a heat stress management plan in place for each voyage
- reduction in the reportable mortality rate in ASEL from 2% to 1%.

DAFF established an Independent Observer program.

Panel cited concerns about animal welfare breaches from stakeholders but made no findings and merely described DAFF's current compliance and enforcement activities.

Panel noted findings from DAFF's review of the 2022 Northern Hemisphere that regulatory settings introduced in 2020 have been effective in minimising the risk of heat stress and heat stress mortalities and improving animal welfare outcomes for sheep exported to the Middle East.

Panel also noted DAFF's finding that in the view of the regulator, 'if mortality rates significantly decline it is reasonable to deduce that morbidity rates will also have declined and that other welfare parameters will have improved'.

Cost recovery for live animal export services

Panel noted that DAFF partially recovers costs related to regulating live animal exports and includes a quote from the IGLAE about the underlying capital asset of regulatory capacity and capability being degraded prior to 2017. IGLAE noted that regulator is not fully mature and efficient and so full cost recovery is not possible and public investment is to build up capability and capacity.

Panel is concerned about funding shortfall and that funding should not be diverted from other areas of DAFF. Panel notes that declines in live sheep export volumes are leading to a fixed cost base being spread across lower live export volumes overall. Phase out will worsen this situation.

The live cattle export industry should not be required to offset the revenue declines as the live sheep trade transitions to a domestic processing model. Panel recommends that the regulator should be sufficiently funded. Panel notes that fees and charges for live exports will need to be reassessed once live sheep[exports cease, given that the sheep trade will no longer be paying those fixed regulatory costs.

Relevant recommendations [Bold = early action or funding]

18. The Australian Government should ensure that the Department of Agriculture, Fisheries and Forestry and the Australian Maritime Safety Authority have the funds needed to fulfil their regulatory obligations and assurance requirements for live sheep exports by sea.

20. Australia should maintain its strong engagement in the World Organisation for Animal Health's international standard setting processes, through technical input and ongoing consultation with Australian experts. Australia should look for opportunities to influence improved global animal welfare standards through bilateral forums and agreements.

Chapter 14. Timing

The need for certainty

Panel consistently heard from both sides that certainty about phase out timing was important.

Lack of a clearly defined timeframe was already creating emotional strain and business pressure for producers and supply chain operators.

Individuals and organisations ‘with an animal welfare focus’ also wanted certainty on timing so they could ‘be assured that the policy would be implemented.’

The Panel’s recommendation is that by the end of 2023 the Australian Government should announce when it will be ending live exports by sea. Providing clarity on the date is expected to:

- Help kickstart investment in sheep meat processing and market development efforts.
- Prompt the supply chain to begin planning and adaptation, e.g.
 - producers make changes anticipating a shift to greater lamb production
 - transporters use fleet renewal to opt for more refrigerated trucks
 - processors begin recruitment and training activities to grow skilled labour.
- Allow importing countries to plan for their food security needs when the trade ends. Panel notes that some will want to increase their focus on Australian sheep meat imports, and others will look to source live sheep from elsewhere. Giving certainty on timing ‘may help lessen this issue as a focus in bilateral relations.’

Panel’s support for an early announcement reflects its desire to see government support rolled out without delay. Panel noted:

- A low level of confidence in the WA sheep industry at the time of consultations points to the critical need for action to demonstrate there is a future in sheep farming in the state.
- Failure to ‘lift confidence and affirm future opportunities will risk a pronounced exit from sheep production’ and contribute economic and social difficulties for those regions.
- Delaying the announcement could add to uncertainty and low industry confidence.

Timing options

Panel considered 3 main options, each commencing in the middle of the calendar year to align with the Northern Hemisphere summer prohibition (a known break in the exporting season).

Option 1 – short – mid 2025

Noting the government’s commitment that the trade wouldn’t end in this term of parliament, the earliest the trade could end is during the northern summer prohibition from May 2025.

Panel outlines that the benefits of a shorter transition are that it:

- Is favoured by stakeholders ‘who expressed concern about the animal welfare implications of the existing live trade’.
- Would mean ‘fewer live sheep will be exported on vessels, leading to improved animal welfare outcomes.’
- Would ‘send a clear signal to the market of the government’s commitment to addressing the views of many constituents about live sheep exports by sea.’

Panel notes however that there is a recognised need to ensure an orderly transition.

Panel described potential downsides to a short transition:

- Won’t be sufficient to allow for business adjustments and may result in a greater, and more negative, impact on those involved in/reliant on the trade.

- Producers are already concerned about accessing kill space / finding markets for current high numbers of stock in WA (exacerbated during northern summer trade prohibition), and feed availability to sustain existing stock and new lambs.
- Processors wouldn't have time to adjust / expand to process additional volumes.
- Sheep for sale in May 2025 may already be in the breeding cycle – producers could be pushed to accept lower prices, or retain excess stock. Animal and human welfare risks.
 - Without a turn-off option and with too many animals in the market, some producers may elect to shoot stock on farm (negative mental health and environmental consequences) or transport more stock interstate (also presents risks to animal welfare). Panel thinks both these outcomes should be avoided.

This approach could cause unnecessary hardship and require undue levels of government investment and is therefore not preferred.

Option 2 – medium – mid-2028

'A medium-term transition in mid-2028 seeks to balance the interests of all stakeholders and aligns with some calls to end the trade in 5 years (... from the time of the Panel's appointment).'

Panel notes this time frame provides welfare advocates with certainty about the end of the trade alongside assurances that 'welfare protections remain in place during the transition period.'

In support of this option the Panel notes it:

- Gives producers 'enough opportunity to plan and adjust their businesses' including sheep flock or genetic changes to be more targeted at sheep meat.
- Allows for the large numbers on stock in WA to enter live export or slaughter pathways.
- Provides a more achievable time frame for processors to adjust their business models and increase processing and cold storage capacities.
 - Panel notes that 'both the WA Government and Episode 3 reports pointed to a buffer in existing processing capacity for most of the year (see Impacts), so the pressure to fully complete works by the cessation date may not be critical.'
- Allows the market development process to begin, and for information to flow back to producers to inform their breeding decisions.
- May allow businesses to adapt and change at natural points, e.g. transporters may use fleet renewal to opt for more refrigerated trucks or seek new clients.
- Gives a clear market signal to producers, processors, allied industries and trading partners that the trade will end.
- Is short enough to spur action and long enough for these actions to occur or to be substantially implemented

Successful transition relies on processing capacity and markets being in place to support increased onshore processing and exports of sheep products from WA. Government investment in these activities will help to achieve a successful outcome for the WA sheep industry.

Option 3: long – mid-2033

'A longer-term transition in mid-2033 (10 years after the Panel's commencement) provides industry every opportunity for a successful transition.' Will give sufficient time for:

- Producers to adjust planning, including significantly progressing flock or genetic changes well ahead of the trade cessation.
- Processors and related businesses to adjust their business models and increase processing and cold storage capacities
- Markets to be opened or deepened, underpinning demand and prices for sheep products.

- Would be preferred by many industry stakeholders to reduce business impacts in the short to medium term and to 'lighten the mental load'.

Panel believes this time frame could have unintended consequences and contribute to further long-term uncertainty for the industry. Panel noted potential downsides to a long transition:

- Could give the impression that the trade may not be stopped, leading to a lack of action to prepare for the change.
- Uncertainty could reduce investment in industry RD&E and reduce producer readiness for change / delay market development efforts for processed sheep meat.
- May be reduced incentive for governments to provide support, as there will be time for businesses and markets to adjust. This 'may be counter to many industry expectations of government support to underpin the policy decision.'
- Exporters may pre-emptively secure new sources of livestock ('particularly given the cost of maintaining Australia's animal welfare requirements') and exit the Australian live sheep trade before the cessation date, leaving producers with reduced export options.

Supporting animal welfare

Panel is conscious that the period prior to trade cessation should 'see animal health and welfare upheld, even as there may be less incentive to invest in these aspects of the trade.'

Finding a balance

Panel is concerned with finding the right balance in its timing recommendation.

- Too soon – not enough time for businesses to adjust, for capital to be directed to enhance processing, or for new/expanded markets to be secured.
- Too long – not enough urgency/incentive for change. Business may not make necessary adjustments and be unprepared. Investment may not be offered for the current or the future industry because neither would have 'sufficient certainty of operation.'

Government support/actions recommended by the Panel may smooth the transition path, and if accepted would take time to implement.

The short and long options both risk a lack of preparedness for change. The Panel recommends that the end of live sheep exports by sea from Australia occur at the beginning of the Northern Hemisphere Summer Prohibition in 2028.

Relevant recommendations [Bold = early action or funding]

- 22. The Australian Government should make an announcement in 2023 stating when the end of live sheep exports by sea will occur.**
- 27. The end of live sheep exports by sea from Australia should occur at the beginning of the Northern Hemisphere Summer Prohibition in 2028.**
- 28. The end of live sheep exports by sea should be legislated during this term of the Australian Parliament (47th Parliament). Legislation should describe the date from when live sheep exports by sea will be prohibited and should not apply additional restrictions such as quotas or caps during the transition period**

Chapter 15. Mechanism to end live sheep exports

Determining the 'how'

The Panel identified 3 possible options to transition:

- Quota option
- Prohibition option
- Set a date option

Current arrangement

Panel notes volumes have been decreasing for 2 decades and live sheep are going to fewer destinations. Panel notes volumes exported by sea is closely linked to the price of stock. Prices high mean volumes low and vice versa. Panel considers these trends could eventually make the trade unattractive to maintain.

Panel did not consult on maintaining the trade until it becomes unviable, as this was beyond the terms of reference, but heard from many who did not want the government to intervene. While not setting a clear end date would allow an organic end to the industry, it would not provide certainty.

Gradually reduce exports ('quota' option)

Option allows exporters and sheep producers to transition away from the trade at a regulated rate as limits (quotas) would determine the number of live sheep or number of consignments that could be exported each year until they hit zero.

Significant drawbacks to the approach. Imposing additional market restrictions will interfere in the market's functionality, reducing confidence and adding risk.

Panel also heard suggestions that the trade be capped at existing levels, rather than allowing exports by sea to grow or expand to new markets. Panel viewed this as a quota by another name. Does not support this option.

Expanding the Northern Hemisphere Summer Prohibition period ('prohibition option')

Some stakeholders suggested expanding the months in which the Northern Hemisphere Summer Prohibition. Could be achieved through a single increase to expand the period (6 months on 6 months off) or alternatively add additional time each year until eventually the prohibition covers all 12 months.

Firm ending ('set a date' option)

Several stakeholders advocated for a clear date for the end of live sheep exports by sea, to restore confidence and underpin future decisions.

The existing trade could continue up to the declared date. Producers, businesses and markets could make decisions and work within a clearly defined time frame for the closure of the trade. All could plan and invest without having to consider additional regulatory complexity in their operations. Administratively the simplest and easiest to understand option.

Setting an end date will provide certainty for trading partners, providing time for market development and trade access activities by the Australian Government. Panel's view is that setting a clear end date for live sheep exports by sea is the most likely approach to enable an orderly transition process for those involved in the trade.

Panel considered three options to set a date:

- ceasing facilitation of export-enabling activities
- amendments to rules under existing legislation, prohibiting further exports of sheep
- new or amended primary legislation, prohibiting further exports of sheep by sea.

First option is what New Zealand used. Panel notes refusing export certificates is not available to DAFF under current legislation. Would be counter to Australia's usual facilitative approach to exports and may damage Australia's reputation for evidence-based export certification. Would require legislation, so not favoured.

Australian Government (DAFF Secretary) could amend the EC (Animals) Rules. Rules can be disallowed by Parliament but would be quicker than primary legislation. Any decisions under the rules can also be reviewed.

Panel notes that a legislated mechanism identifying an absolute cessation date would be easily understood, enable clear communication, and avoid confusion. The Panel also sees benefit in the public transparency associated with primary legislation being approved through the parliament. The Panel notes that a mechanism included in an Act of parliament cannot be as quickly reversed as other methods explored here.

Panel sees benefit in passing legislation before the end of this parliamentary term to provide a clear signal about the government's intentions.

Relevant recommendations [Bold = early action or funding]

- 19. The Australian Government should make an announcement in 2023 stating when the end of live sheep exports by sea will occur.**
- 27. The end of live sheep exports by sea from Australia should occur at the beginning of the Northern Hemisphere Summer Prohibition in 2028.**
- 28. The end of live sheep exports by sea should be legislated during this term of the Australian Parliament (47th Parliament). Legislation should describe the date from when live sheep exports by sea will be prohibited and should not apply additional restrictions such as quotas or caps during the transition period.**

Chapter 16. Managing the transition

Regional experience to inform change

Panel commissioned research from the Regional Australia Institute (RAI) that considered previous regional transitions.

Transition principles

Panel nominated 4 principles:

- Certainty
- Timeliness
- Local, place-based partnership
- Clear and consistent communication

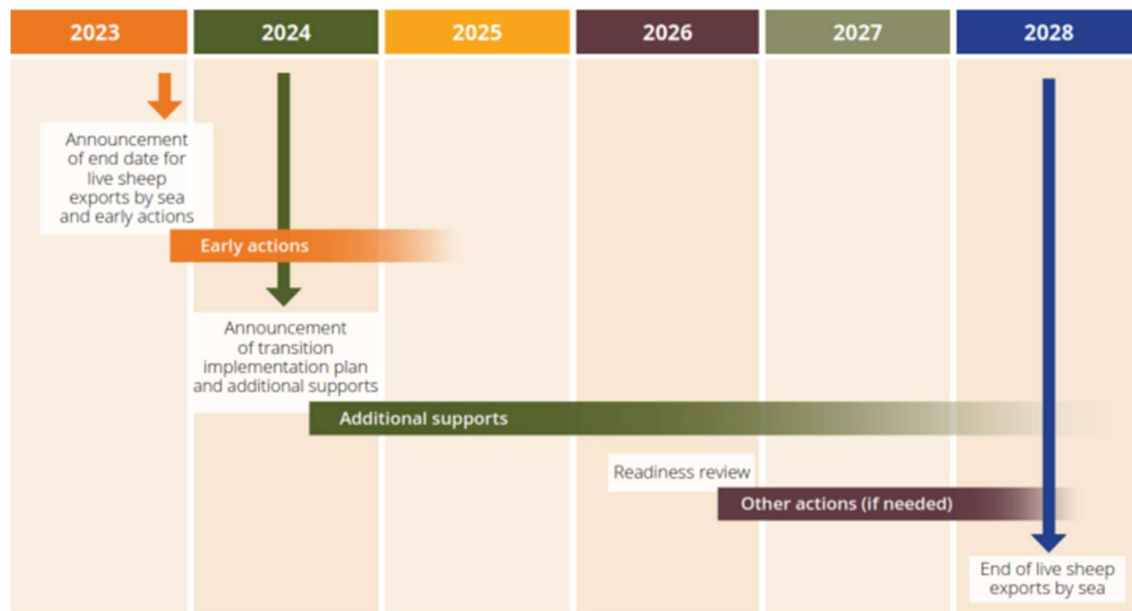
Transition phases and governance considerations

Panel considers announcing the end date before the end of 2023 is key to avoiding a protracted period of uncertainty for the WA sheep industry.

Panel also recommends early actions to restore confidence and drive quick and strong adaptation. Specifically:

- Support for supply chain businesses to prepare a business plan for their adjustment
- providing funding or beneficial loans to increase capacity of processing and cold storage infrastructure
- accelerating the growth of new and deepening of existing markets for Australian sheep products, particularly from WA. [NB not just meat]

Also need to raise awareness of mental health and wellbeing services already funded by governments.



Panel anticipated federal Minister for Agriculture will lead implementation in consultation with WA Minister for Agriculture. DAFF should coordinate implementation with other Australian and WA Government agencies and other 'delivery partners'.

Transition Action Group (TAG) should be established. Group should include representatives along the supply chain and from affected communities. Transition advocate should be ex officio member. DAFF provide secretariat services.

DAFF to lead implementation plan with WA DPIRD – plan should be prepared in first half of 2024:

- details support initiatives
- confirms implementation partners
- describes key performance indicators to track transition performance over time, with mitigation actions to keep the transition on track.

The Panel sees an ongoing role for DAFF throughout this phase, including:

- oversight of the implementation plan
- ongoing communication with all stakeholders
- reporting to the Australian Minister for Agriculture, Fisheries and Forestry, and to the WA Minister for Agriculture and Food on progress

Service providers should be local organisations, experienced in the communities so that they can tailor the support provided rather than taking time to become established in the affected regions. Initiatives should be promoted via existing communication channels.

Panel suggest funding needs to be delivered:

- with transparent requirements and assessment processes
- low admin and overhead costs
- quickly, clearly and effectively to encourage investment, adoption and change
- with needs of recipients in mind

Transition advocate should be appointed:

- ex officio member of TAG
- advocate for collaboration between Australian and WA Governments
- advise federal and WA ministers on programs and improvements

Panel recommends a review in 2026 to assess industry readiness and progress. Review should include recommendations about:

- adjustments needed
- changes to timelines
- further actions to support smooth transition.

Further review should occur after 2028 to assess success and learn lessons.

Relevant recommendations [Bold = early action or funding]

20. The Australian Government should make an announcement in 2023 stating when the end of live sheep exports by sea will occur.

21. A review should be conducted in 2026 to ensure farm businesses, the WA sheep supply chain and market development are on track to achieve the onshore processing of the WA sheep turn-off expected by the cessation date for live sheep exports by sea. This review should include recommendations about any adjustments needed, any change to timeline and further actions to support a smooth transition by individuals, businesses and communities.

22. The Australian Government should fund and commence implementation of early actions as soon as practicable to restore confidence in the WA sheep industry and

drive a quick and strong adaptation to the end of live sheep exports by sea. The priorities for early action by the first half of 2024 are:

- a. farm business planning (Recommendation 1)**
- b. processing and cold storage infrastructure (Recommendation 4)**
- c. market opportunities (Recommendation 14).**

23. The Australian and WA governments should establish a group to co-design the development and delivery of transition activities including projects in the affected regions to stimulate regional economies and support local communities. This would not include the early actions (Recommendation 24). This group should include members with experience in the WA sheep supply chain, regional development and the WA grower group network. Where possible, priority should be given to using WA agencies and organisations for delivery of initiatives arising from this report to enhance uptake and place-based solutions.
24. The position of Transition Advocate should be created and funded to monitor transition initiatives and provide advice on progress to the Australian Minister for Agriculture, Fisheries and Forestry and the WA Minister for Agriculture and Food.