



SUBMISSION

13 June 2023

Phillip Glyde

Chair – Independent Panel for the phase out of live sheep exports by sea

c/- Department of Agriculture, Fisheries and Forestry

Agriculture House

70 Northbourne Avenue

CANBERRA ACT 2601

Via email: livesheep.phaseout@agriculture.gov.au

Dear Panel

Re: Submission to the phase out of live sheep exports by sea

Livestock SA is the peak industry organisation for South Australia's red meat and wool industries. There are over 5,200 sheep producers and more than 2,700 beef cattle producers in the state. With a membership of over 3,500 sheep, beef cattle and goat production businesses who account for the majority of the state's red meat and wool production, we work to secure a strong and sustainable livestock sector in South Australia.

South Australia's \$4.3 billion livestock industry is a key economic contributor to the state which supports 21,000 South Australian jobs across red meat and wool industries.

The Livestock SA Board appreciated the opportunity to meet with the Panel on 31 May 2023. We welcome the opportunity to provide a written submission to this process (in addition to our verbal feedback on 31 May), which is important to our members.

Policy not supported and not necessary

Livestock SA was a signatory to the joint letter from 25 livestock industry bodies (dated 1 March 2023) advising that we oppose the Australian Government's policy to phase out live sheep exports by sea. Our position remains unchanged.

The live sheep export trade rightfully came under intense scrutiny following the Awassi Express incident in August 2017. South Australia sheep producers were just as disappointed as the government and animal activist groups at that time, and we collectively demanded change. Over the past few years, the trade has fundamentally changed. We acknowledge and commend the trade for its reform, which has been substantiated by evidence and enhanced Australia's trading reputation internationally. Today, the trade is also more transparent than ever before.

While South Australia hasn't directly exported live sheep by sea since 2018, phasing out the trade will have wide ranging and far-reaching consequences. Negative impacts will include loss of market diversification and competition, damaged international relationships, loss of confidence in the sheepmeat and wool industries, and decreased global animal welfare outcomes, all of which will impact South Australian sheep producers.

The other issue that has not been discussed as part of this process is policy precedent. Effective policy development demands careful analysis of different options, drawing on available evidence. Evidence-based analysis and good process matter because getting policy right matters. Public policy measures can have pervasive effects on community wellbeing¹. Effective policy is not based on, as appears to be the case here, non-contemporary or biased information. Closing a legitimate agricultural industry for political reasons while ignoring overwhelming evidence of reform and improvement within the live sheep export trade over recent years sets an alarming and potentially pivotal precedent.

Our involvement in this process and the provision of this submission in no way provides support for the current policy to phase out live sheep exports by sea. We have engaged in this process to highlight to the Panel the significant negative consequences of this policy on South Australian sheep producers, should it be implemented.

We consider that the Panel's terms of reference ('other matters as appropriate') provide scope for it to fully investigate, and report on, the significant negative consequences of this policy.

Recommendation

Review the current government policy to phase out live sheep exports by sea in the context of the trade as it operates today and the significant negative consequences that will be experienced should it be implemented.

Commitment to continued improvement in animal welfare outcomes

The decision to phase out live sheep exports by sea undermines the enormous amount of work and investment that has and continues to occur to position ourselves as a world leader in animal welfare. At a state level, South Australian sheep producers demonstrate an ongoing commitment to animal welfare through the identification of enhanced animal health and welfare as key strategies in the South Australian Sheep Blueprint² and subsequent investment of industry funds³.

Animal welfare is the main argument used to substantiate phasing out live sheep exports, and that removing Australia will improve animal welfare outcomes. Underpinning this argument is the assumption that by removing Australian sheep from the mix, destination countries will suddenly stop purchasing sheep live. The argument and the underpinning assumption are incorrect. This is not how markets work, especially when there are alternative suppliers available.

As can be seen on the chart below⁴, the annual exports of sheep to middle eastern countries that have seen large increases in trade flows of live sheep in recent years show that while Australian

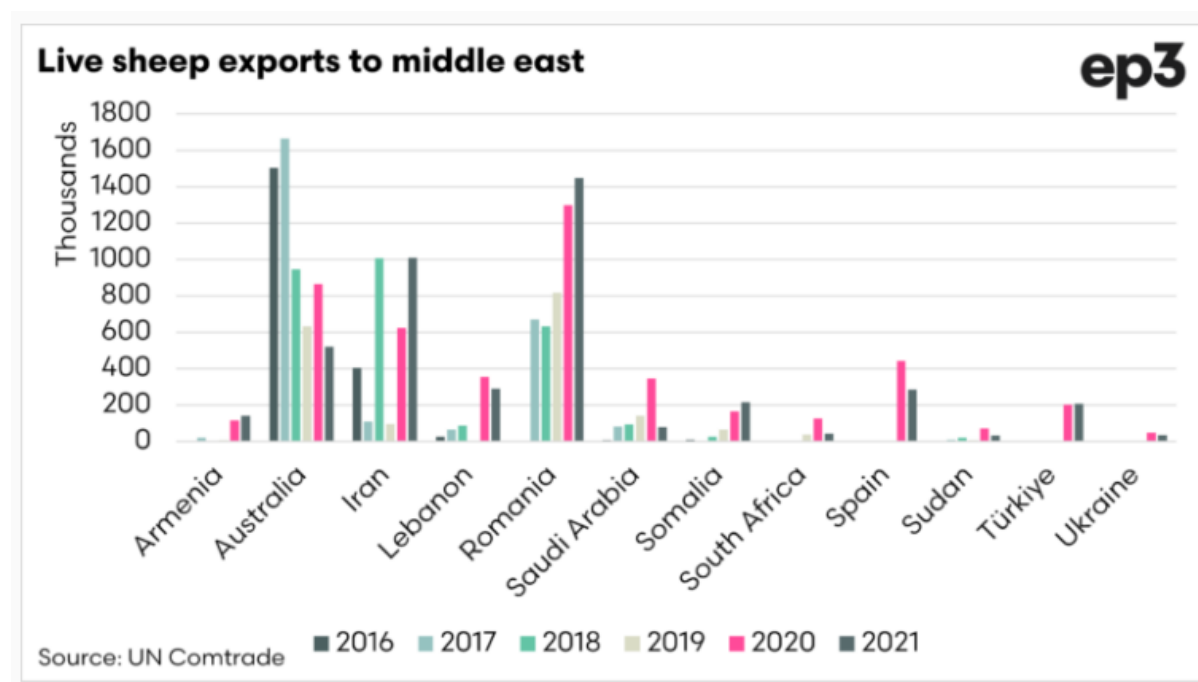
¹ Productivity Commission 2010, *Annual Report 2009-10*, Annual Report Series, Productivity Commission, Canberra

² <https://livestocksa.org.au/industry-development/industry-blueprints>

³ <https://livestocksa.org.au/industry-funds>

⁴ Episode3 (2023), *Sheep Live Export – A dying industry?* (<https://episode3.net/livestock/sheep-live-export-a-dead-industry/>)

volumes have decreased, predominantly due to flock rebuilding and the associated higher price for sheep (which is now reversing), other origins have seen increased volumes.



Buyers will continue to purchase live sheep, limiting our ability to market boxed meat to them. The reality is that other parts of the world with lower animal welfare standards are advancing their live export industries. Removing Australia from this market will not only damage our trading relationship with the affected countries, but it will also perversely result in poorer animal welfare outcomes at a global level.

Recommendation

Undertake independent economic impact and community sentiment studies which provide unbiased and robust analysis about the live sheep trade's performance over recent years and the consequences of implementing the policy on global animal welfare standards.

Commitment to international relationships to facilitate access to export markets

Australian sheep producers are heavily trade exposed with over 70 per cent sheepmeat and 98 per cent of wool produced exported. Over many years, the red meat and wool industries have invested hundreds of millions of dollars in producer levies developing our markets and fostering trusted relationships with our trading partners. Australia's live sheep export relationship with countries within the Middle East and North Africa (MENA) region spans well over 50 years.

The MENA region continues to import a significant number of live sheep and goats – over 9 million were imported in 2021 and 10 million is likely in 2022. The main driver for this increasing demand is food security and the MENA region continues to invest heavily into protecting access to safe, high-quality food for its citizens.

Similarly, over many years through multilateral partnerships like the Cairns Group in the World Trade Organisation Australia has committed to achieving free and fair trade in agriculture that provides real and sustainable benefits for the developing world. And that free and open agricultural

trade is the best way to ensure global food security. Phasing out a legitimate trade that contributes to the food security imperative of the MENA region potentially diminishes Australia's leadership of the Cairns Group as it is not consistent with agricultural trade liberalisation.

Recommendation

Undertake an independent quantitative and qualitative study to provide unbiased and robust analysis about the potential damage to Australia's reputation as a trusted trading partner and as an international leader in agricultural trade liberalisation, particularly as it relates to animal agriculture operating in a more geopolitically complex trading environment.

Reduced markets lead to reduced competition, declining producer sentiment and lower livestock prices

The live sheep export trade provides valuable support to and flexibility for the sheep industry at times of severe stress, such as during protracted drought and periods of industry adjustment like the abolition of the wool price reserve scheme 1991. For South Australian producers, WA is an important source of breeding ewes in some seasons and pastoralists across the north of the state have used the live sheep trade to sell store sheep when they cannot finish them to slaughter market specifications.

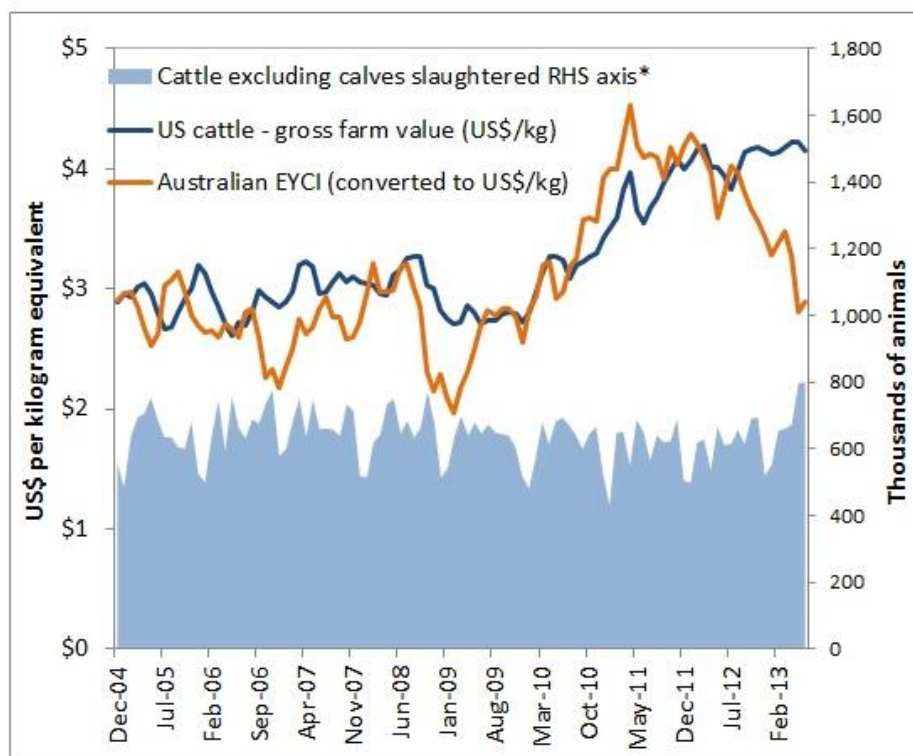
The trade provides price competition for a class of sheep that are less desirable to domestic meat processors and don't meet the needs of Australian consumers. The price of WA sheep is determined by the prices available in the eastern states minus transport costs. The inter-relationship between east and west markets creates the natural price floor for sheep. The pricing impact of removing this market is already being experienced with sheep and lamb prices declining significantly since the phase out process commenced. There has already been buying activity in WA from South Australian processors, which drives the prices down due to stock availability. There has also been discussion of 'feature' sales of WA sheep into the eastern states, which again risks further unsettling the South Australian and eastern markets.

Meat & Livestock Australia's (MLA) latest producer sentiment survey highlights the impact the decision to phase out the trade is having on confidence in the sheep industry. Net sentiment about the sheepmeat industry fell from 68 sentiment points in October 2022 to 27 sentiment points in May 2023 – a fall of 40 points. Declining producer sentiment has been most significant in WA, where sentiment points are down to -48 (a decline of 90 points), primarily due to concerns around the future of sheep live export⁵.

South Australia is the only sheep producing central state, and our producers will potentially experience the greatest indirect economic impact from a phase out the live export trade. These assumptions are underpinned by our experience following the decision by the Gillard Government to suspend live cattle exports to Indonesia in mid-2011. Very few South Australian cattle are sold into the Indonesian live export market; however, the aftershocks of that event had a profound impact on cattle prices here for several years.

⁵ MLA (9 June 2023), *Producer sentiment in the sheepmeat sector declines: Sheep Producer Intentions Survey*. (<https://www.mla.com.au/news-and-events/industry-news/producer-sentiment-in-the-sheepmeat-sector-declines-sheep-producer-intentions-survey/>)

While we don't have state-specific data, the below chart of the Australian Eastern Young Cattle Indicator price (EYCI)⁶ from that period demonstrates what South Australian beef producers experienced following this decision. As can be seen, the EYCI fell from about \$4.50/kg in May 2011 to about \$3.50/kg in March 2013 – a 22+ per cent decline in less than two years. The EYCI did not break \$4.00/kg again until 2015, a level it essentially has not been below since.



Recommendation

Undertake an independent financial study to provide unbiased and robust analysis about the expected decline in South Australian sheep and wool prices if the policy is implemented and quantify the level of government investment required into suitable programs that can offset this loss in farm gate revenue.

Increasing domestic processing unlikely to replace live sheep export opportunities

The argument of replacing live export with increased domestic processing capacity faces several challenges. Dire workforce shortages are being experienced across Australian agriculture, which is currently greatest in the meat processing sector and the horticulture industry. While governments have recognised this systemic problem, the solution to date has been a greater reliance on migrant labour. This is not a sustainable solution.

The labour issue is compounded in South Australia with a shortage of suitable, affordable housing in regional areas. This issue has become so critical to the future prosperity of the state that it motivated the South Australian Government to establish an Office for Regional Housing⁷.

⁶ Australian Farm Institute (2013), *Live cattle export suspension aftershocks affecting all beef farmers*. (<https://www.farminstitute.org.au/live-cattle-export-suspension-aftershocks-affecting-all-beef-farmers/>)

⁷ <https://renewalsa.sa.gov.au/office-for-regional-housing/>

Another issue is the current lack of markets for the boxed product from the type of merino sheep being turned off WA properties that are destined for live export. Market specificity is becoming increasingly complex and if a profitable market for this grade of sheepmeat is not developed, processors will not be able to extract 'whole carcass value', which is essential for producers to receive profitable returns for their livestock.

Recommendations

Undertake an independent study to identify the markets, level of demand, profitability, and access requirements (including costs of gaining and maintaining market access) for the boxed product from the type of merino sheep being turned off WA properties that are destined for live export.

Undertake an independent study to identify where the additional processing space and the staff to fill the facilities will come from.

Community sentiment towards the trade is changing

The argument that the trade has lost its social licence is not consistent with evidence-based community sentiment. LiveCorp recently commissioned the third in a series of national surveys about the live export industry since 2019⁸. The independent VoconIQ research sought to inform broader understanding of what Australians think about live exports, animal welfare within the livestock industry in general, and the export of sheep by sea specifically. The overall finding is that there is growing support for the industry across most key questions, including:

- When asked whether "live exports should stop regardless of the impact on farmers", 42% of respondents either disagreed or strongly disagreed, compared to just 29% who agreed or strongly agreed.
- When asked whether "the Australian live export industry has improved the standard of livestock management and slaughter in overseas markets, 58% agreed or strongly agreed, 30% were neutral and only 12% disagreed.
- When asked whether "the industry supports the diet and nutrition to people overseas", 64% agreed or strongly agreed increasing substantially from 55% in 2019.
- Six questions that asked about livestock export generally were adapted to examine attitudes toward the export of sheep, specifically. The findings show there was no significant difference in the two sets of answers.

Recommendation

Undertake an independent review of all empirical community sentiment studies towards livestock exports conducted since 2019 to determine if sentiment towards the trade has improved. If inconclusive, undertake a government funded independent community sentiment study – consult industry on the survey design, data collection and analysis and reporting processes.

Conclusion

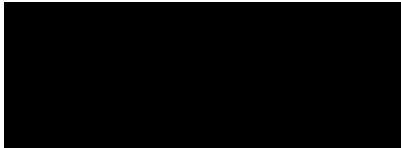
Livestock SA strongly opposes the Australian Government policy to phase out live sheep exports by sea. We consider there are many unresolved issues that must be properly investigated, researched and addressed to inform this process. We acknowledge that this will take time and resources but consider it non-negotiable for a decision as significant as this to phase out a legal agricultural trade

⁸ VoconIQ (2023), *Live Exports and the Australian Community: A national survey*. (<https://livecorp.com.au/report/3t42rgz00FfRxzddT6SVI>)

that continues to meet its regulatory requirements. Access to equally profitable markets for sheep destined for live export must be secured and sustainable levels of increased processing capacity must be proven before the government considers setting a timeline for the phase out the trade. We request that the Panel convey our position, reasoning and recommendations to the Minister for Agriculture, Fisheries and Forestry, Senator the Hon Murray Watt.

Please contact the Livestock SA office on [REDACTED] or via email at [REDACTED] if you would like to discuss this submission further.

Yours sincerely



Travis Tobin
Chief Executive Officer