



The Phase Out of Live Sheep Exports by Sea

June 2023



Promoting Safety, Productivity and Efficiency

The Phase Out of Live Sheep Exports by Sea

Introduction

The Livestock and Rural Transport Association of Western Australia (Inc) (LRTAWA) has been incorporated since 1980. The majority of livestock transport businesses in Western Australia are members of the LRTAWA in addition to a large proportion of companies that transport other rural commodities such as grain, fertiliser, hay and horticultural products. It is the only transport association in Western Australia specifically representing rural carriers.

The following submission will focus on rural transport. Commentary about sheep numbers, markets, international trade, animal welfare and export conditions will not be covered in detail as these areas will be covered comprehensively by supportive submissions from grower groups and others.

The announcement in March 2023 by the Federal Government that it intended to phase-out live sheep exports by sea from Australia has shocked all industries associated with livestock production. The principal reason for the shock is that contrary to assurances provided by governments and their departments, science and evidence have been relegated to inconsequential status in favour of political expediency and appealing to urban elites. There is now no confidence or trust in any guarantees given by governments in relation to livestock production and associated industries. The obvious question is 'what sector will be next?'

The terms of reference for the Panel established to make recommendations as to how live sheep exports by sea may be phased out, do not include discussion about the merits of the decision. However, in the absence of any other consultation available to the industry where it is possible to consider the substance of the decision, the LRTAWA will take this opportunity to record its objection to government intervention in a legitimate and legal trade.

There is no transparency about the basis for the decision to phase-out live sheep exports by sea apart from loose references to social licence and a diminishing trade. The live export industry has invested significantly in innovation, infrastructure and accountability, particularly since the Awassi Express situation in 2018. Performance has improved with no reportable mortality incidents since that time. The entire supply chain has absorbed the northern summer moratorium on live sheep exports notwithstanding its ongoing financial impact. The reforms have been made in good faith with encouragement and support from regulators.

The only statements from the Government that come anywhere near providing justification for such a far reaching and devastating decision is either that the trade has been in decline for some time and that it has lost its social licence. The numbers of sheep exported have declined for a variety of reasons which will be explored in detail in submissions from grower representatives however we will touch on it briefly here to emphasis one of the flaws in the decision making to end the trade.

The decline commenced in 2012 following the introduction of the Exporter Supply Chain Assurance Scheme (ESCAS) which resulted in Saudi Arabia ending live shipments from Australia. This was followed by the northern hemisphere moratorium in 2019. Additionally,

there was an exodus of sheep to the Eastern States between 2020 and 2021 for restocking following a severe drought. The majority of these sheep would have been destined for the live export market. The Eastern States movements are not a permanent fixture of the landscape and there is the potential for Saudi Arabia to re-enter the market, so is this decline in numbers a reliable basis for the decision?

The mere fact an industry is in decline, does not justify extraordinary government intervention to destroy an industry. It is a dangerous precedent for a government to pick 'winners' and 'losers' and attempt to manipulate market forces. There is considerable commentary that such an approach leads to decisions being based on political rather than economic grounds and ultimately weakens the economy overall.

Profile of the rural transport industry and its relationship with live sheep exports

Figure 1 indicates the sheep disposals from WA producers in 2021. Based on these figures Western Australia exports 99.2% of the total number of sheep shipped live from Australia.

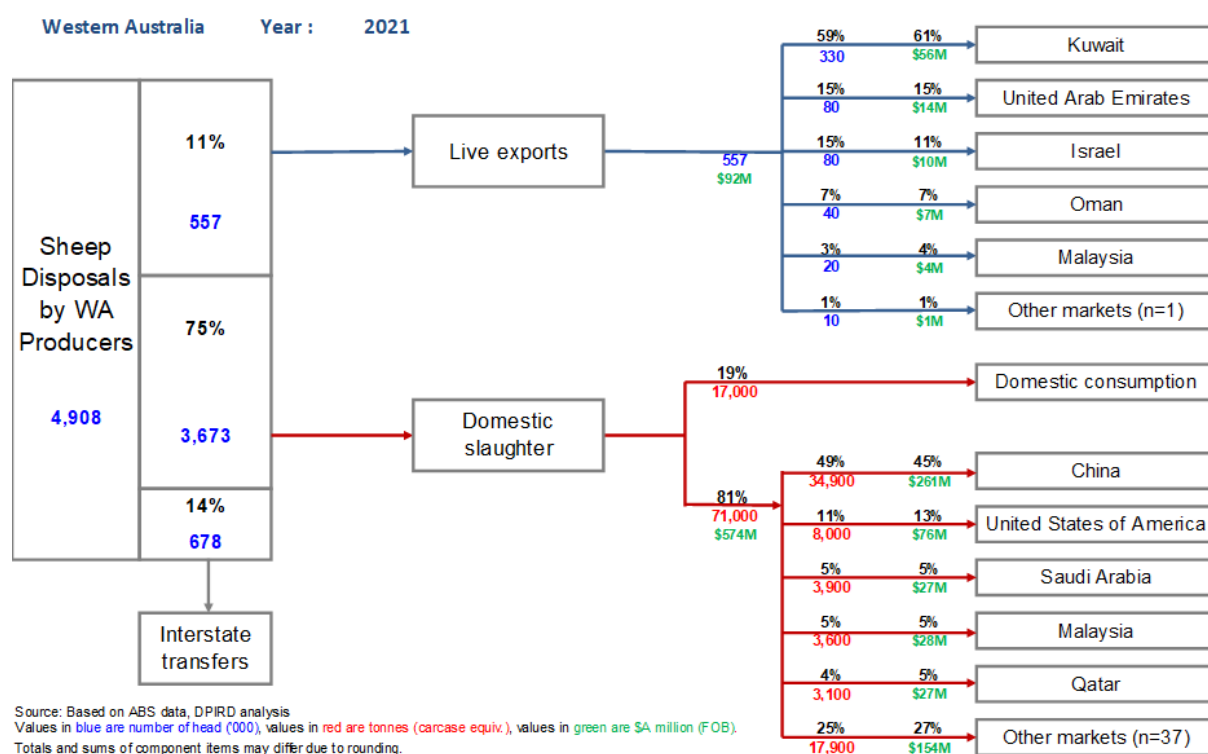


Figure 1

While live export accounts for approximately only 11% of the total WA turnover, transport activity is significantly higher for livestock destined for the live export market compared to movements for domestic consumption. Sheep are moved as much as six times, sometimes more, during their lifetime prior to being loaded on a ship whereas sheep destined for domestic purposes are moved on average twice in their lifetime.

The following example is based on a typical cycle taken from a transporter's records servicing around eight producers who buy on average 1100 – 2500 merino wether lambs per

year for live export. The majority of these animals are eventually sold into the live export market with a small number not meeting specifications and are sold domestically. The livestock are moved from property to property depending on availability of feed. In total there are at least six livestock movements associated with the live sheep trade compared to an estimated two to three for the domestic market. This example, based on actual figures, represents 33% of the transporter's livestock transport work. Depending on the season the farm-to-farm movements may increase but are unlikely to decrease. At least one BDouble truck and trailer and driver would be used exclusively on this job.

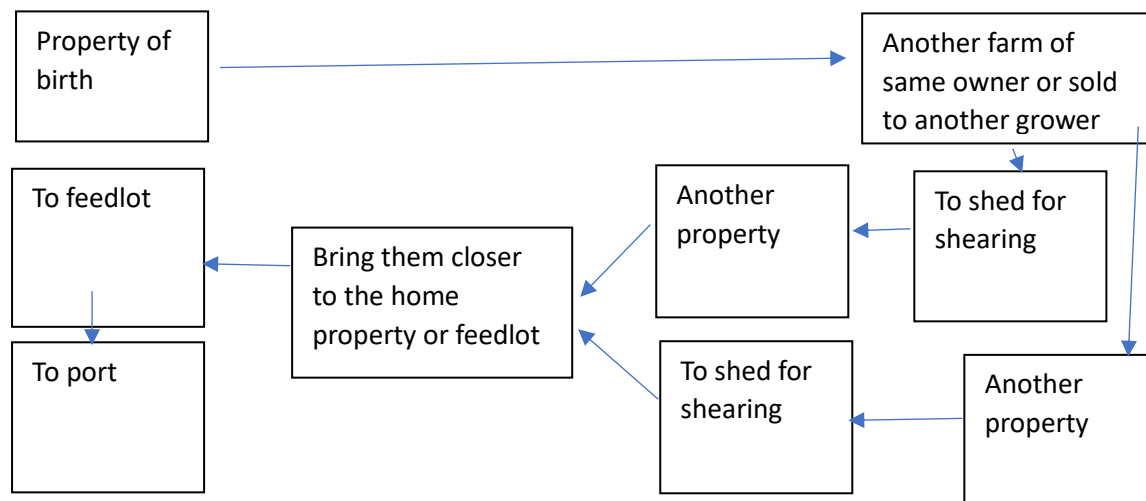


Figure 2 - typical movement cycle for live export sheep

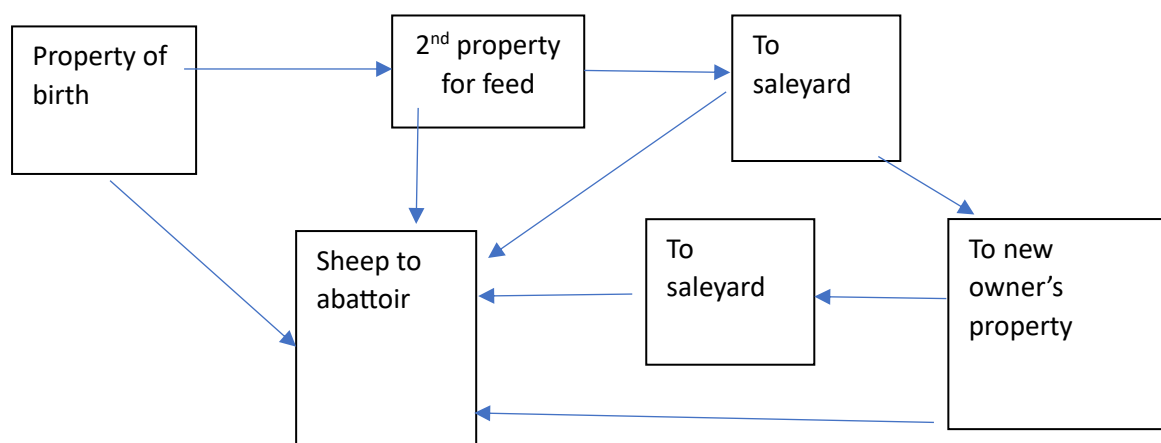


Figure 3 - typical movement cycle for domestic sales

Additionally rural transporters deliver wheat, barley, oats, lupins, meal, pellets, hay and straw to feedlots and ships with the majority of this activity based around the live sheep trade as opposed to the live cattle trade.

The impact on rural transporters

The profile outlined above demonstrates the footprint that live sheep exports have on rural transporters. A recent survey of LRTAWA members indicated that the removal of live sheep exports would have an impact of between 30 and 40% to their bottom line. 64% of the respondents said they will need to terminate at least one driver and 27% would terminate more than two drivers.

Most survey respondents said the phase out would result in the sale of equipment both trailers and trucks. Considerable anxiety was expressed about the likelihood of livestock crates losing value. A new set of livestock crates is worth between \$500,000 - \$600,000. Second hand, five year old crates typically sell for around \$300 – 350,000. A glut of crates on the market will have a damaging effect on their saleable value.

The announcement about the phase out of the live sheep industry has already resulted in growers making decisions about the sheep herd and injected significant uncertainty to the future projections for rural transporters. Carriers have contacted the association expressing concern about new equipment on order and the accuracy of the financial projections the purchasing decisions were based on.

As can be seen from the movement matrix in figures 2 and 3, transport for the domestic market instead of for the live sheep trade will not replace like with like. Clearly there is a disparity in the extent of livestock movements, however other factors are also evident. The inevitable reduction in the sheep flock will obviously reduce the number of sheep available for transport which will have an immediate impact on transporters' turnover. In addition, most of the processors have ongoing contracts with specific transporters. Rather than additional work being available for the entire livestock transport fleet, only a small group of transporters would benefit from any increase in processing activity assuming this eventuates. There is considerable conjecture about whether the processing sector will expand to the extent that supporters of the phase-out claim. More detailed information will be provided on this aspect by other submissions.

The fortunes of rural carriers are inextricably linked to the those of the growers they service. If growers suffer a downturn, rural carriers will similarly suffer a downturn. Primary producers can access the Farm Management Deposit Scheme to help them deal with fluctuations in cash flows. The scheme allows eligible primary producers to set aside pre-tax income which they can draw on in future years when they need it, such as for restocking or replanting when conditions start to improve.

Income deposited into an FMD account is tax deductible in the financial year the deposit is made. It becomes taxable income in the financial year in which it is withdrawn (repaid)¹. Unfortunately, despite representations to establish a similar scheme, rural transporters do not have access to managed deposit scheme and therefore have no buffer to mitigate losses apart from their own cash reserves.

¹ <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/drought/assistance/fmd>

Social licence

Reliance on the nebulous 'social licence' concept to justify the phase-out decision is disturbing. 'Social licence' is being used opportunistically to serve a particular activist and government objective. At no time has the term been articulated in such a way that industry participants were aware of the benchmarks. By any measure the live export supply chain has adhered to norms expected of it in terms of compliance and transparency. Although public trust was diminished by the Awassi Express incident there are strong signs that trust is rebuilding. The public is becoming better informed and understands that Australia is likely to be the only country able to influence animal welfare outcomes at the end of the supply chain. They are beginning to understand that good animal welfare will not result from Australia's exit from the industry in favour of countries with lesser standards and oversight than our own, with livestock originating from countries such as Somalia and Sudan. More data about public confidence will be provided by other submissions.

However, if this set of circumstances results in the loss of 'social licence' there is little prospect that any other sector, or specific livestock activity, that is similarly pilloried stands any chance of defending itself.

Community impact

Most rural transporters are small to medium sized businesses with their depots and homes in rural communities. They strongly support their communities through sponsorship of local activities. The majority of respondents to the member survey i.e 95%, reported sponsoring at least one local group but in some cases five to six. Groups and activities sponsored included agricultural shows, shearing competitions, fox hunts, golf clubs, junior and senior football and hockey, tennis clubs, karting clubs, basketball competitions, speedway, community centres, the Country Women's Association, cricket clubs, equestrian events and a variety of short-term fundraisers. A downturn in transporters' businesses will put this sponsorship at risk.

Small businesses are the life blood of rural communities. As strong supporters of their community, transporters patronise other local businesses by purchasing parts, fuel, maintenance and tyres locally. A reduction in transport activity will inevitably reduce the amount that is spent with local small businesses. This will undoubtedly flow on to other businesses such as cafes, road houses and other service providers.

Conclusion

Phasing out live sheep exports by sea will impact rural transporters' bottom line by between 30 -40%. Despite claims to the contrary, there is no reliable evidence that local processing will replace the activity that transporters derive from live sheep exports. Trucks and equipment will be sold, but the value of equipment will be significantly diminished. Drivers will be terminated. Sponsorship of local community and sporting groups will be affected as will small businesses in rural towns that benefit from the support of transport companies and their employees.

This association is opposed to the proposal to phase out live sheep exports by sea. Transporters are in a vulnerable position with significant capital investment at risk of becoming moribund.

It is incumbent on the Federal Government to take a balanced view and objectively consider both sides of the argument. All levels of government need to respect and acknowledge the value of rural people and businesses to their local communities as well as to the Australian economy.

Attached to the submission is a supporting submission from the Australian Livestock and Rural Transporters Association.



14 June 2023

Independent Panel
Live Sheep Phase Out

Dear Independent Panel

PHASE OUT OF LIVE SHEEP EXPORTS BY SEA: CONSULTATION PAPER

I write to endorse the submission lodged by the Livestock and Rural Transport Association of Western Australia (LRTAWA) in response to the consultation paper on the *Phase-Out of Live Sheep Exports by Sea*.

Our Association

The Australian Livestock and Rural Transporters Association (ALRTA) is the peak body representing around 700 road transport businesses servicing the agricultural supply chain. We are a federation of six state associations including:

- Livestock and Rural Transport Association of Western Australia
- Livestock, Bulk and Rural Carriers Association of New South Wales
- Livestock and Rural Transporters Association of Victoria
- Livestock and Rural Transporters Association of South Australia
- Livestock and Rural Transporters Association of Queensland
- Livestock Transporters Association of Tasmania

ALRTA National Council considered the consultation paper at a meeting on 16 May 2023.

Our Position

Live sheep export by sea is an important Australian industry. In 2022, Australia exported 524,908 sheep valued at \$82m, with the vast majority exiting Western Australia.

Historically, live exports support more than 13,000 jobs in Australia, with wages in excess of \$1b annually, and the vast majority of jobs being in rural areas. Independent research has shown that sheep saleyard prices would be around 18% lower without an export market.

ALRTA is strongly opposed to the intended phase-out of live sheep exports by sea.

Not only will road transport businesses be negatively affected by any decision to terminate live sheep exports, there will be an economic ripple effect right across the Australian domestic sheep market, and dependent rural and regional communities.

ALRTA has worked closely with LRTAWA in the preparation of a formal submission. We strongly support the LRTAWA submission via this letter of endorsement.

Additional Remarks

ALRTA acknowledges that the Independent Panel is not considering the merits of phasing out live sheep exports by sea. However, ALRTA feels so strongly about this matter that we nonetheless offer comments in this regard.

ALRTA does not shy away from the fact that live sheep export standards and practices were deficient and needed to improve.

In response to community and industry concerns about live export practices, the Australian Government has commissioned several internal and independent reviews over recent years, adopting a myriad of recommendations aimed at improving oversight, reporting and ultimately animal welfare outcomes. These include the McCarthy Review and the Moss Review.

Most recently, the Australian Government has progressed the establishment of an Inspector-General for Animal Welfare that will complement and strengthen the current functions of the Inspector-General of Live Animal Exports.

While new restrictions have resulted in a significant fall in the number of live sheep exported by sea, mortality rates have improved dramatically, and are continuing to improve. Key statistics contained in official reports to the Australian Parliament are reproduced in Table 1.

	2017	2018	2019	2020	2021	2022
Voyages	275	324	357	320	251	192
Sheep Exported	1,741,314	1,259,860	1,047,080	775,606	662,630	379,870
Mortality Rate	0.71%	0.53%	0.25%	0.23%	0.21%	0.14%

Table 1: Key Statistics for Live Sheep Exports by Sea. Source: [Reports to Parliament](#).

These objective, and publicly available, statistics confirm that live sheep exports by sea could and should continue under strict regulation.

ALRTA believes that the majority of Australians are not opposed to meat production, transport, processing, consumption or live export provided that reasonable animal welfare standards are met.

Given the very significant benefits that the live export trade delivers to Australian rural and regional economies, many of which have few other economically viable options, our first obligation must be to fully explore solutions that reduce risks and facilitate continued trade.

Our domestic livestock supply chain benefits from international trade and other nations rely on Australia to supply food to their growing populations. Over 100 countries around the world export livestock, but in establishing the *Australian Standards for the Export of Livestock* and requiring that all exported animals be slaughtered in approved premises, Australia has gone further than any other nation to protect animal welfare.

Asian and Middle Eastern markets simply cannot afford to substitute live imports with chilled boxed meat, nor does Australia have the capacity to supply it. Already, meat processors across Australia cannot find enough staff to process current domestic livestock production. Despite this, meat processors will of course support closure of live exports because domestic livestock prices will fall and farmers will have no alternative but to accept the processor price.

If Australia prohibits live sheep exports by sea, Middle Eastern countries will continue to import live animals from other countries with lower welfare standards, such as countries located around the Horn of Africa. Australia should not surrender the live export trade to less regulated competitors.

Further, as with any complex policy issue, it is important to take a balanced perspective and consider the views of all affected stakeholders. It would be fair to say that the public outcry about live exports has been at least partially fuelled by a lobby that is philosophically opposed to meat consumption and associated production systems.

If live sheep exports are banned, this lobby will move onto their next target. ALRTA is concerned that giving ground on live sheep exports by sea, especially when the trade has demonstrably improved under better regulation (Table 1), will embolden extreme animal activists who will have succeeded in destroying an industry regardless of its actual animal welfare performance. Australian livestock producers, transporters, handlers and processors will likely be subject to increased trespassing, harassment and disruption in the hope that a similar outcome can be achieved across the entire livestock supply chain.

If you wish to arrange a meeting to discuss the attached submission, please contact the ALRTA Secretariat on [REDACTED]

Yours sincerely

[REDACTED]

Scott McDonald
National President