

Submission to the Independent Panel Regarding the Phasing Out of Live Sheep Exports



██████████ is a broadacre cropping and livestock enterprise in the ██████████ of Western Australia. Sheep have been an integral part of the business for three generations and we pride ourselves on turning out a high quality export product with minimal impact on the environment and a close attention to animal welfare.

Mechanism

1) *How should the government implement the phase out of live sheep exports by sea? Why should the government use this approach?*

We do not agree with the phase out of live sheep exports by sea. We strongly assert that this sets a dangerous precedent for governments to shut down legitimate and legal enterprises in Australia without justifiable grounds. We also firmly believe there will be significant consequences to the economy, the environment, the sustainability of rural communities and the well-being of regional people.

Timeframe

2) *What is an appropriate timeframe to phase out live sheep exports by sea? What are your reasons for proposing this timeframe?*

We propose that live sheep exports are not phased out because there is no acceptable timeframe and no justifiable reason for the phase out.

If the intention is to replace live sheep export with increased capacity for chilled and frozen boxed meat, it would be logical to maintain live export until such time as new facilities are constructed, staffed and fully operational. If the social license sits with onshore processing, then farmers should receive at least an equivalent price for locally processed animals, it will then follow that the live export trade will naturally cease due to the alignment of both the commercial and social benefit, the market will decide. To pivot the existing industry will take time and investment.

Important considerations include:

- The breeding cycle of the existing flock and the time to rear existing lambs to a marketable age.
- The time it takes to build and staff meat processing facilities in Western Australia, factoring in an over-heated construction sector and significant labour shortages across Australia for both construction and meat processing.

Impact and adjustment

3) Will you or your business be impacted by the phase out of live sheep exports by sea? If so, please provide details of the impact.

The sheep flock currently contributes [REDACTED] of income to our cropping and livestock enterprise annually and mitigates up to [REDACTED] by saving on fertiliser, herbicide and diesel inputs for soil amelioration. We breed South African Meat Merinos (SAMMs) specifically for the export market. With the phase out of live export we will be exiting the livestock industry and concentrating only on broadacre cropping. This will result in an annual financial loss of [REDACTED] of profit, plus the loss of up to [REDACTED] in the contribution sheep farming makes to soil amelioration, weed and pest control for our cropping program. It also reduces our ability to risk mitigate through diversification, providing an income stream in years with poor crop yields, in natural disasters such as drought, cyclone or frost, and when grain prices slump.

The loss of live export markets will result in an over-supply of sheep and a dramatic fall in prices. If the sheep price falls too low there will be no incentive to invest into livestock enterprises including infrastructure, management and husbandry. In the last 5 years, we have invested in new sheep yards to keep workers and animals safe and comfortable, we have replaced and maintained windmills and water points and we have replaced and maintained kilometres of fencing. Much of this work was completed in the two years post Tropical Cyclone Seroja, delivering the double hit of suffering extensive damage in a natural disaster and wasting time, energy and money replacing infrastructure which will become redundant under a live sheep export ban.

A reduction in the state's flock will also result in a reduction of lupin cropping. Lupins fit in the broadacre cropping rotation as a valuable source of nitrogen, reducing the need for synthetic chemicals to maintain yields of wheat and canola. Including lupins in our cropping program is only viable if there is a market for lupins as animal fodder. Currently Lupins contribute [REDACTED] of income to our enterprise and without them we will be increasing our current [REDACTED] fertiliser costs to add nitrogen and contributing further to global greenhouse gas emissions.

4) What will the phase out mean to you, your employer or employees, suppliers, customers, friends and family, and/or your community?

Each year we spend [REDACTED] in maintaining our flock, shearing and transportation and up to [REDACTED] maintaining and purchasing infrastructure, plant and equipment. We use regional contractors and businesses for this expenditure. This money will be removed from the local economy and will impact the viability of regional businesses, contributing to continued population decline. The single biggest threat to regional Western Australia is population decline and this unjustifiable phase out of a legitimate industry will definitely see families leave the regions to pursue other job opportunities in larger centres, further decreasing the liveability and viability of the towns they leave behind.

Road transport operators have custom built trailers, specifically for the safe transportation of sheep which will be rendered useless and unsellable if the Western Australian flock is significantly reduced.

Shearing contractors are based in our regional centre and service a large geographic area. A reduced state flock will make many of these teams unviable and will result in the remaining teams having to service unsustainably large geographic areas. The inability to source a shearing team with timeliness will force a further reduction in the state flock.

It is important to note that shearing and shearing training centres have been invested in heavily as a diversion and engagement pathway for Aboriginal youth. These programs will fail if the state flock is reduced due to the Live Export Ban.

Agricultural supply businesses generate a portion of their income from products such as drenches, ear tags, shearing supplies, fencing, troughs, pipes and fittings. Reducing the state flock will impact the income and viability of these businesses. In many small communities the local agricultural supplier is one of the biggest businesses in town, doubling as the local hardware store, gas bottle depot and courier depot. Small communities cannot afford to lose a significant employer and service provider.

5) *What barriers and/or constraints might there be for exporters, farmers, and other participants across the supply chain to transition away from live sheep exports by sea?*

- Cost to gearing up for a new enterprise to replace sheep for export – Existing plant, equipment and infrastructure associated with the sheep industry is highly specialised and cannot be used for an alternative livestock enterprise. Livestock Carriers, Farmers and Shearing Contractors will need to have access to capital (either loans, grants or subsidies) if they are required to purchase new plant, equipment and infrastructure for a new enterprise to replace sheep.
- Skills to transition to alternative enterprises - Shearers and farmers have highly developed skills and knowledge in animal husbandry, for shearers in particular their skills are not easily transferable to an alternate industry with the scale and sustainability of sheep. Education and training will need to be available to enable transition away from the sheep industry.
- Suitability of the terrain or climate to transition to an alternative enterprise – Sheep are often grazed on land which is not suitable for cropping due to the climate (too dry or too wet) or the terrain (e.g. too hilly, too rocky). To transition away from sheep an alternative use for this land will need to be found to maintain the viability of farms in these areas. It is important to note that forcing farmers into increasing their cropping area could have devastating effects on the environment as remnant trees and bush in the middle of paddocks would be cleared to make way for the large machinery used in successful cropping enterprises. Sheep are in fact protecting the biodiversity of the [REDACTED].
- Mental Health and Well-being – The impact on people who have identified as, and been proud of being, sheep farmers cannot be underestimated. There is a significant difference between exiting the industry because you are ready and it is your decision, and having your identity and livelihood unjustifiably ripped away. Make no mistake, this will contribute to the already horrendously high mental illness and suicide rates among farmers. In March this year, the National Farmers Federation reported devastating

statistics with 45% of farmers reporting thoughts of self-harm or suicide and 30% attempting self-harm or suicide. The live export ban will only exacerbate these statistics.

6) *How should supply chain participants be supported as they transition away from live sheep exports by sea?*

If the Federal Labor Government is determined to destroy a legitimate industry which makes significant contribution to the economic and social fabric of regional WA then the following support should be considered mandatory:

- Subsidies and compensation payments – the price of sheep is already falling as confidence is ripped out of the market and growers pre-emptively increase sales to reduce risk. A subsidy to maintain the farm gate price should be provided from the time the announcement was made until 48 months after the ban comes into effect. This will allow farmers to exit the industry without significant financial loss. In addition, a compensation payment should be made to cover any investment in infrastructure, plant and equipment in the previous 5 years and for large capital expenditure (eg shearing sheds, windmills and sheep yards) in the previous 10 years.
- Training opportunities and professional business advice – Anyone involved in the sheep industry should have access to training to retrain for an alternative industry. Business owners (transport, farming or shearing) must be provided with professional business advice to develop a strategic transition plan for exiting the sheep industry.
- Wool industry – It is critical to have a dedicated plan for the wool industry in Western Australia. The WA wool industry exists in relationship with the sheep meat industry and devastating one will have similar impacts of the other.

7) *What would you or your business and/or other supply chain participants need to do to transition away from live sheep exports by sea?*

Without a guaranteed alternative market with the same profitability as live export, the only option available is to sell existing stock and exit the sheep industry.

As a consequence of destocking, we would remove water points, which will impact the native wildlife, and remove fences instead of repairing or replacing them.

Removing fence lines will benefit cropping by creating larger open paddocks suitable for large efficient equipment, but it will have the consequence of increased clearing to remove the vegetation which once created a corridor along a fence line. Clearing will facilitate the transition to increased broadacre cropping which needs large open areas for large machinery and is not compatible with trees or remnant bush in the middle of paddocks.

Investment will need to increase in soil amelioration and fertiliser inputs to grow crops on former grazing country. This will be particularly important for paddocks which are no longer rested and grazed as part of the crop rotation. We will also need to increase herbicide inputs to

manage weeds which are not being eaten by the sheep and increase mice baiting because fallen grains will no longer be consumed by the flock and will become a food source for rodents.

8) *How long do you think it will take for you and/or other supply chain participants to transition away from live sheep exports by sea?*

Because the commercially sensible choice is to exit the industry this can be achieved over two to three seasons, a devastatingly quick shock to our viability and vocation. The prediction is that local sheep production in WA will crash and ultimately lead to higher prices for domestic consumers who want a local product or, ironically, to the introduction of cheap imported chilled and boxed sheep meat which adds food miles and contributes to carbon emissions. The Live export industry supports production for the domestic market in Western Australia as well as feeding a global population in a culturally appropriate way, with a quality product.

9) *What can be learnt from other countries that have ceased live sheep exports? What lessons can be learned from Australian states or territories that no longer export live sheep by sea?*

There is a cautionary tale from the New Zealand experience of banning live sheep exports to the Middle East and the damage caused to that trading relationship which is still not repaired. The consequence of withdrawing an established trade relationship can make it difficult to negotiate trade for other unrelated industries with the same countries. Disrupting an established, safe, and reliable supply of a quality product has implications for Australia's reputation and the food security of our global partners.

In New Zealand, farmers turned to cattle as an alternative to sheep, but this has environmental impacts in a number of ways including increased irrigation, increased effluent and increased soil disturbance and compaction. Sheep have a very low environmental impact in comparison, particularly in the conditions which dominate the Western Australian wheatbelt.

As a country which trades in global markets, it is usual to value the cultural practise and preferences of the customer, in this case the customer prefers to have a live product. This is not dissimilar to the live export of crayfish to China or the live export of cattle to Indonesia. Australia runs the risk of both insulting a trading partner and gaining a reputation for being unreliable.

Opportunities

10) *What opportunities should the government and/or industry pursue in the lead up to and following the transition out of live sheep exports by sea? (e.g., expanding domestic processing and value adding, increasing sheep meat exports, other)*

The only opportunities the government should be pursuing are the expansion of the existing sheep meat and wool industry in Western Australia. We recommend that live sheep export is *retained* at the same time as onshore meat processing is developed to genuinely provide both options and allow the market to dictate the success or failure of either.

11) *What would industry participants need, or need to do, to take advantage of opportunities?*

The onus is on government to find and develop new markets for chilled or frozen boxed meat, if that is the industry they are committed to.

The current customers are not looking for a chilled boxed product and will therefore turn to other global suppliers to source the product they actually want. The onus is on the Federal Labor Government, who arbitrarily shut down the industry, to find new customers who are willing to pay enough for a new product to ensure the farm gate price is at least equivalent to live export at its height.

12) *What are the barriers and/or constraints to pursuing opportunities?*

The handling of the live sheep export ban has created so much uncertainty and instability that sheep prices are already dropping rapidly. This will create the economic conditions to force existing producers out of the industry before there is any opportunity to adapt or pivot. A significant barrier to pursuing opportunities is the speed at which the change is being made and the uncertainty around timelines.

Once the infrastructure, plant and equipment such as trailers, shearing sheds, water points, windmills, fence lines and yards have gone it will be cost prohibitive to get back into sheep. If the government can not transition to alternative markets for boxed meat fast enough or provide enough incentive for farmers to stay in sheep during the transition, then the opportunity will be lost permanently.

Comment

Environmental impacts

The Panel must consider the environmental impacts of significantly reducing the Western Australian sheep flock and put mitigations in place for the environmental consequences.

- Removing water points will impact native birds and animals who have come to rely on them. It can be expected that populations will reduce without this infrastructure, especially in summer or during drought when natural water sources have disappeared.
- Without livestock, there is no incentive for farmers to deal with foxes, feral cats or wild dogs which pose no threat to crops. These predators will increase in number and move closer and closer to more inhabited areas in search of food, including into land traditionally used for dairy cattle, horses, poultry and other animal enterprises on the fringes of larger centres.
- Farmers who have been forced to expand their cropping programs to remain viable post-sheep will need to clear land to gain the efficiencies which make cropping profitable. This will have a significant impact on biodiversity, reducing habitat for small birds and marsupials and removing remnant native flora from small wildflowers to large mature trees.
- Removing livestock means removing grazing from a mixed farming program, when paddocks aren't rested in a planned crop rotation it results in depleted soils. As a consequence, farmers must increase fertiliser and herbicide inputs to maintain yields. This will increase both the cost and risk of farming, as well as increasing the carbon emissions of agriculture

through diesel to drive machinery over paddocks multiple times and the energy hungry manufacturing of chemicals to feed crops and control weeds and pests.

- Mice plagues will become more frequent without grazing animals to clean paddocks of any grain which has fallen during the growing season and harvest. Increased mice baiting will become necessary, no doubt impacting native wildlife and increasing carbon emissions as well.

Dangerous precedent

Our final comment is about the dangerous precedent of closing down an entire industry which has risen to the challenge of making every improvement they were required to make, to become a world leader in providing a quality live product, with animal welfare at the centre. The Live Export Ban creates a disincentive to any other industry which is required to improve to maintain its social licence. Why would any other industry put in the hard work and investment to become a world leader when it can be shut down regardless? Will irrigators on the Murray River or live cattle exporters be next? This decision is potentially the thin edge of the wedge which sees populism trumping good economic and environmental policy and it will result in an uncompetitive Australia.