

SUBMISSION TO THE INDEPENDENT PANEL ON PHASE OUT OF LIVE SHEEP EXPORTS

Federal Department
of Agriculture,
Fisheries and Forestry

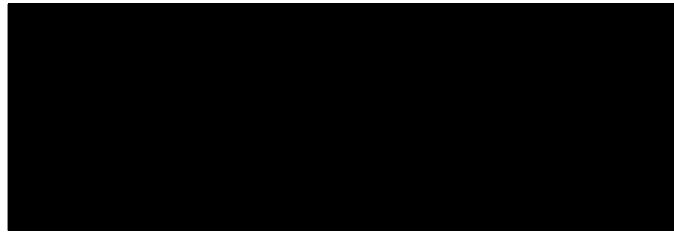
25 May 2023

Wellard
Limited



Wellard





25 May 2023

Independent Panel on Phase Out of Live Sheep Exports

C/- Federal Department of Agriculture, Fisheries and Forestry
Canberra ACT 2600

By Email: haveyoursay.agriculture.gov.au/Live-Sheep-Phase-Out

SUBMISSION TO THE INDEPENDENT PANEL ON PHASE OUT OF LIVE SHEEP EXPORTS ("Panel")

Dear Panel Chair,

Wellard Limited (**Wellard**) seeks to place on record its strong opposition to the Federal Government's decision to phase out the live export of sheep from Australia.

Our position is based around three key principles:

- a) The Government was warned as early as 2009 that Australia's shipping standards were insufficient to protect animal welfare, yet it refused to act until after the M/V Awassi Express incident. It is inequitable and unfair that the nation's sheep farmers and the rural communities who rely on them will bear the burden of the Government's inaction.
- b) The Government, either through convenience or malfeasance, is using incorrect figures to downplay live sheep export volumes, and therefore the economic importance of the trade to the Australian sheep industry, and in particular, to Western Australia.
- c) The live sheep export trade is meeting contemporary expectations of the Australian public so should not be held liable for historic issues.

Wellard also addresses the Consultation Questions for the Panel in the second part of this letter.

1. Sheep producers should not bear the burden of the Government's longstanding inaction.

In 2009 and based on 30-years of shipping livestock around the world, Wellard began campaigning for improvements to the Australian livestock shipping sector. Specifically, we advocated for improved ventilation on vessels, the removal of double tiered vessels, and the imposition of an age restriction on livestock vessels.

Wellard's efforts were rejected, initially by then-Transport Minister Anthony Albanese and Agriculture Minister Tony Burke, and subsequently by their Liberal Party successors. We were told these rebuffs were based on the view that Australian standards were the best in the world and nothing more needed to be done.

Being the best in the world isn't good enough.

Tragically, it took the M/V Awassi Express incident in August 2017 to prompt the Federal Government to re-examine Australian livestock shipping standards, and many of the changes Wellard had sought almost 10 years prior were subsequently implemented, too late and to the detriment of animal welfare in the intervening period.

Another result of that delay is the current Albanese Government's current policy to end the live sheep trade.

This was entirely avoidable had the Government chosen to act when it was first informed.

If it wasn't so serious, there would be a certain irony to the Government's action to ban the trade as a consequence of its own inaction to prevent the M/V Awassi Express catastrophe.

2. Importance of the live sheep trade

We note statements by Federal Agriculture Minister Murray Watt that the live sheep trade is in decline, from almost two million to just 0.5 million in recent years.

This ignores—either conveniently or deliberately—the real reason why export volumes have declined: price.

In seeking to justify its policy to shut the live export trade in sheep, the Government argues that the trade is in terminal economic decline. As with all agricultural commodities, sheep prices fluctuate. It is no surprise that with the recent decline in Australian sheep prices, shipping activity has quickly picked up.

Wellard has received regular enquiries from Middle East sheep importers for the past three to four years. However, the market price of Australian sheep has rendered their ability to import uneconomic. So, the export demand remains, but just not at the price that Australian producers have enjoyed during this period.

Wellard has received multiple, serious approaches to invest in excess of \$100m in a complete sheep supply chain upgrade and model from breeding to delivery into Middle East. Due to the uncertainty created by the ALP in Government and as Opposition over the past decade, each proposal required assurances the Government would not shut the trade for 10 years – a firm commitment that we could not give. This represents not just a loss to Wellard, but a loss to all the associated goods and service providers in the supply chain, mostly family and small businesses, and mostly in rural areas of Western Australia.

Similarly, the Government and this Committee would do well to acknowledge the important role that live export can play when drought conditions in Australia require a large and sudden stock turn-off. The inability to achieve this can have dire animal welfare consequences which cannot be ignored by the Government or the Committee.

3. Current standards are achieving results.

It is notable that since Australian regulations were changed post the M/V Awassi Express incident, the animal welfare outcomes that the live export sector are achieving for sheep are nothing short of outstanding, and certainly meet the contemporary expectations of those in the community whose

views are not permanently prejudiced by the issues of the past.

The live export sector has proven that it can export sheep in a manner that meets community expectations, while providing a valuable and essential market for sheep farmers.

Finally, while the responsible Federal minister has given public reassurances that the closure of the live sheep export trade does not endanger the live cattle export industry, Wellard's position remains that phasing out the live sheep export trade is misconceived and that this important industry can be managed extremely safely and with high animal welfare outcomes.

Already the Government's actions are leaking into the Australian cattle trade. Indonesia is already looking elsewhere (Brazil and Kenya) to feed its people, after recently granting Indian Buffalo meat import licenses (now firmly entrenched) in an effort to secure supply and drive down prices. The importers are acutely aware that politics are behind the sheep decision, not science, and the consequent lack of trust overrides whatever statements are being made. *"Trust us cattle are different to sheep"* simply doesn't cut it.

If Labor was serious about its statements and ongoing commitment to the Australian cattle trade it would strengthen the AMSA regulations to decrease the risks of adverse outcomes from live export.

Cancelling an entire industry based on political expediency and activist demands sets a dangerous precedent.

4. What does the proposed phase out mean for Wellard and the Australian livestock industry?

Wellard acknowledges that the Panel has asked for submissions seeking specific input on the implications of the proposed phase out. The Government's Consultation paper correctly "recognises the phase out will impact individuals, businesses and communities that rely on the trade".

Wellard addresses the specific questions posed in the Consultation Paper as follows. The Panel should not assume that any response below is based on an agreement in whole or part with the proposed phase out.

Mechanism
<p>1. How should the Government implement the phase out of live sheep exports by sea? Why should the Government use this approach?</p> <ul style="list-style-type: none"> <i>The Government must take full legal responsibility for the direct and indirect consequences of the ban, which Wellard believes has been made out of political expediency, and is not based on sound economic analysis, or a thorough examination of the science around obtainable animal welfare outcomes.</i> <i>The Government must be able to demonstrate that it has take into account both the legitimate concerns of the 'animal rights' lobby and the concerns and substantial investments of all of the live sheep industry participants.</i> <i>The Government must, concurrently to the consideration of any phase out, also thoroughly consider the alternative, which preserves the industry, and improves the regulations around animal welfare and the requirements of live export vessels (including the removal of sub-standard vessels from the market).</i> <i>The Government should act with transparency in all respects and make public any and all analysis which it believes legitimises its proposal to phase out the live sheep trade.</i>

Timeframe
2. What is an appropriate timeframe to phase out live sheep exports by sea? What are your reasons for proposing this timeframe?
<ul style="list-style-type: none"> ▪ <i>Government's timeframe should be long-term, and in any case, no shorter than 10-15 years.</i> ▪ <i>Only a long-term phase out allows all industry participants to adequately plan for the transition that is required, and to readjust the very substantial financial commitments made to their businesses in response.</i> ▪ <i>Government must be cognizant of the immediate effect that an eventual ban will have on a businesses ability to finance and depreciate its assets over a long period of time.</i>
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.
<ul style="list-style-type: none"> ▪ <i>Yes</i> ▪ <i>Wellard, an ASX-listed company, is one of the principal suppliers of shipping logistics services to the live export trade.</i> ▪ <i>Wellard maintains a fleet of ships to service this trade. An inability to export sheep removes an historically important revenue stream and restricts Wellard to only the live export of cattle. This, in turn, substantially increases the risk profile of Wellard's business, and reduces its options in the event of downturns in the Australian cattle export trade.</i> ▪ <i>Wellard's ships can be repositioned to other markets in the world, but repositioning ships to other markets is an extremely expensive undertaking. So reliance on only the cattle trade likely exposes Wellard to more frequent repositioning expenses.</i> ▪ <i>Wellard maintains expensive AMSA accreditation for its vessels, which ensures the highest animal welfare outcomes for the livestock on-board our vessels. This makes Wellard relatively less competitive in non-Australian markets when its ships are forced by the proposed ban.</i>
4. What will the phase out mean to you, your employer or employees, suppliers, customers, friends and family, and/or your community?
<p>WELLARD</p> <ul style="list-style-type: none"> ▪ <i>Due to recent, temporary market conditions and sheep pricing, Wellard has not exported sheep from Australia for several seasons (since 2020). However Wellard has worked hard and invested to maintain its customer relationships, received regular business enquiries and pursued opportunities for live sheep export.</i> ▪ <i>This commitment has required attention and expense.</i> ▪ <i>A phase out of the live sheep business will inevitably mean the loss of business opportunities for not just live sheep but also live cattle to some of our customers. Wellard's preeminent position as the highest quality animal exporter in Australia, if not the world, will be impacted by having to say "no" to customers, and we will forfeit income and opportunities.</i> ▪ <i>We estimate that with a return in demand, Wellard is capable of exporting up to 360,000 head of sheep in a season (including with the current regulatory constraints against exporting during the middle eastern summer).</i> <p>CUSTOMERS:</p> <ul style="list-style-type: none"> ▪ <i>By closing the high-performing sheep export trade, our traditional customers will turn to alternative markets.</i>

- *There is no good evidence that the ban will encourage or force our existing live-sheep customers to instead import boxed, processed sheep meat. Instead they will turn to existing suppliers of live sheep with lower animal welfare and shipping standards.*
- *So the proposed ban effectively exports poor animal welfare to the rest of the world.*
- *Our customers, who have also traditionally taken mixed cargos of sheep and cattle, will, instead, not take any product from Australia.*

WA FARMERS & COMMUNITIES:

- *Wellard is a proud Western Australian company, and its roots are firmly in the WA sheep trade.*
- *The proposed ban will effectively end an important financial, cultural and historical practice which has sustained generations of WA sheep producers. In turn, we predict that it will further degrade the strength and viability of our regional and rural communities, further hollow-out regional economies, and potentially force industry participants from their homes and farms.*
- *It will also mean greater reliance on grain for traditional 'mixed' farmers and expose them to greater seasonal and price risk of a single commodity production than if they continued with mixed farming enterprises.*

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?

- *Wellard's fleet of livestock vessels are highly specialised and cannot carry out any other cargo.*
- *Our multimillion-dollar investments are effectively denied participation in an historically important revenue stream out of Australia.*
- *There can be no change or adjustment in our vessels which would compensate for the loss of the sheep trade.*
- *Wellard ships can and do trade in live cattle, but there is effectively no ability to "transition away" from livestock export – it is simply not an option.*
- *Instead, the proposed ban amputates an important limb from our business.*

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

FINANCIAL COMPENSATION

- *Assuming an eventual ban, all supply chain participants must be compensated by the Government individually and fully for the diminution in their business value, and for any and all future opportunity cost losses which can be modelled.*
- *The proposed ban is not based on science or economics, but instead, on politics.*
- *In such a case, there must be fulsome and individually tailored compensation for the compulsory obligation to close some or all of a participant's business.*
- *Compensation must not be delayed or denied.*
- *Compensation must take into account the overall effect of the ban on a business, not just the immediate forfeiture of a revenue stream. Whilst the ban may only effect one part of a business, the stresses and impacts on the overall viability and longevity of the whole enterprise must be compensated for.*

INDIVIDUAL & COMMUNITY SUPPORT

- *In implementing the proposed ban, the Government must also provide support for the indirect effects on businesses, communities, families, and individuals.*
- *Financial and personal counselling must be made available widely and free to any effected industry participant;*

<ul style="list-style-type: none"> ▪ <i>Government must implement and fund regional programmes to develop and support replacement businesses in effected areas for a substantial period of time leading up to and after the implementation of any ban.</i> ▪ <i>Long-term funding must be made available to study and understand the less tangible effects of a ban, and funding must be pledged to support and restructure communities and businesses for these intangible or indirect consequences of any ban.</i>
<p>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?</p>
<ul style="list-style-type: none"> ▪ <i>Wellard's shipping fleet would need to substantially change its business model, which is most likely to include a change to operate from other jurisdictions than Australia.</i> ▪ <i>That this would mean the loss of Australian revenues, incomes and taxes etc from the operation of our vessels in respect of sheep exports.</i> ▪ <i>In addition, it will mean the loss of Australian jobs and the expertise that goes with them.</i> ▪ <i>As a listed ASX company, Wellard is obliged to prioritise its shareholders' investment in making such decisions. Wellard has already postponed the commissioning of a new state-of-the-art livestock vessel, based on a series of factors including Australian economic and regulatory uncertainty.</i> ▪ <i>Wellard should be individually engaged by the Government in respect of a fully funded transition plan to compensate it for the effects of any live sheep export ban, which funding should be sufficient to support the business to develop alternative revenue streams.</i>
<p>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?</p>
<ul style="list-style-type: none"> ▪ <i>We refer to our response above that the timetable for commencement of any proposed ban must be no shorter than 10-15 years.</i> ▪ <i>The high cost and very long-term life cycles of our shipping assets means that they cannot be simply "turned off".</i> ▪ <i>In addition, due to the extremely specialised nature of our vessels, there is a very limited international market for them, should a ban require the eventual sale of any or even all vessels.</i>
<p>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?</p>
<p><u>INTERNATIONAL:</u> <i>The example of New Zealand's ban of all live exports, now including both sheep and cattle, demonstrates clearly that:</i></p> <ul style="list-style-type: none"> ▪ <i>There is no impact on the demand for livestock from customers, they simply import from other markets, thereby denying New Zealand the revenue which they would otherwise have earned; and</i> ▪ <i>New Zealand passed up the opportunity to do the hard work of examining and upgrading its regulatory regime to address animal welfare concerns. It could have formed a coalition - with Australia – to develop a new best practice set of regulatory standards which would assure customers that their fresh sheep product is sustainably farmed, and that the entire export supply chain is guaranteed to be implemented at the world's highest standards of care.</i> <p><u>AUSTRALIA:</u></p> <ul style="list-style-type: none"> ▪ <i>Australian sheep farmers who do not export sheep by sea (eg Victoria) are left with fewer revenue streams and fewer alternatives for turn off for their stock.</i>

- *There are no states with a ban, it is simply that in recent times, the live-export sector has not been commercial for local farmers in some states.*
- *Those farmers are, therefore, constrained to either (i) sell to local abattoirs; (i) transship their stock by truck interstate; (iii) trade locally; (iv) keep their stock; or, worst (v) destroy their stock.*
- *The live sheep trade has, historically allowed farmers to realise their investment in their stock and find a market.*
- *We note that the animal welfare regulations governing interstate trucking are far below those imposed on ships, and there is little attention to animal welfare outcomes on these long journeys.*
- *We note with concern recent media reports that Western Australian farmers are seriously considering culling their lambs due to the inability to export live sheep during the current seasonal moratorium, combined with the total lack of local capacity at local abattoirs. This demonstrates that the Government's assumption that local processing will always be available is, at best, unreliable, and at worst, wishful thinking.*

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 Government should:

- **Reconsider its proposed ban** on live sheep exports;
- **Partner with all industry participants** to understand and enhance the considerable opportunities for positioning Australian live sheep as the premier product available in foreign markets;
- *Examine the relatively simple opportunities to **upgrade AMSA shipping regulations** to further improve animal welfare outcomes;*
- **Ban non-compliant ships** and sub-standard export license holders from the Australian market;
- **Advocate internationally** for the implementation of highly protective animal welfare standards for the live shipping of all livestock by sea by all international regulators;
- *Invest in the **substantial political, foreign trade and diplomatic opportunities** which will present by supporting an enhanced live sheep trade to the principal middle eastern markets, and develop new markets.*
- **Co-Invest with producers and exporters**, including Wellard, in underwriting best quality assets to ensure that Australian sheep are provided to international markets as best quality, ethically treated stock.
- *Examine the substantial **opportunities in regional Australia for indigenous businesses** to participate in all aspects of the live sheep export trade.*

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

Industry participants need two things – immediate certainty and strong, unconditional financial support.

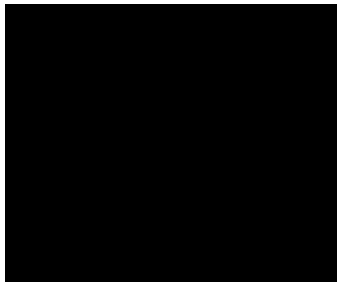
12. What are the barriers and/or constraints to pursuing opportunities?

Wellard cannot answer this question without the government fully committing to the opportunities that may be presented.

Each business will understand barriers and constraints to pursuing opportunities based on its own individual circumstances.

Suffice to say that Wellard, like all Australian businesses, should be in a position to fully understand and make free and informed decisions when planning its business, and should not have to guess whether Government might decide to close down a revenue stream which has never been either unethical or illegal.

I would be happy to discuss further with you and can be contacted on [REDACTED] or



John Klepec
Executive Chairman

Animal Welfare
Its at the heart of everything we do



Wellard Limited

[Redacted]

[Redacted]

[Redacted]

CONTACT:

Executive Chairman
John Klepec

[Redacted]



Wellard