

Live Export Trade – Managing the Risks

(How Government Policy Makers Almost Destroyed an Industry)

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Gillard Pushes Labor to lift India Uranium ban

“Julia Gillard is set to demand the labor party overturn a 30 year old ban on selling uranium to India, arguing it is not in Australia’s economic interests to be the only country resisting nuclear trade with the worlds biggest democracy.”

The West Australian 15 November 2011



Live Trade Limbo

“Australia’s Live export industry is in limbo after the Gillard Government moved to indefinitely suspend trade to Indonesia yesterday.”

The West Australian 8 June 2011



- Two decisions made by the same Government:
 - one to open up an export industry;
 - one to shut down an export industry.
- Both have the same level of support, and both have the same level of opposition, but with vastly different outcomes.
- Why the difference?



- The decision on uranium mining is seen as being in the national interest, creating jobs, and strengthening relations with a nation that is already Australia's fourth largest export market.
- The decision was made following the APEC forum, and was done with limited consultation with Government Ministers, and no consultation with the Labor Left, Government backbenchers, the Independents, nor the Greens.



- The decision to suspend the \$330 million live cattle trade was done with:
 - **No consideration** to how it would affect the livelihoods of thousands of livestock producers and their workers;
 - **No consideration** as to what would be the impact on the live export industry;
 - **No consideration** as to the impact it would have on Australia's relationship with its closest neighbor and trading partner;
 - **No consultation** with Industry, livestock producers, farming organisations, or State and Territory Governments.



- The cattle industry is a significant component of the Australian economy. Australian cattle account for up to 40% of Indonesia's beef consumption, and Indonesia buys 60% of Australia's live cattle exports.
- In Western Australia the live export industry directly employs 5,000 people, and has a flow on effect to 15,000.
- In Western Australia the live export industry is the sole livelihood for pastoralists in the North of the State, especially Indigenous stations.



Yet without any consultation or debate, the Government suspended live cattle exports, and then, prior to reinstatement, demanded that the industry regain its “*Social Licence*” and ensure that all livestock exported for slaughter were treated properly, including at the point of slaughter.



But primarily, we are faced with the question of not how did this happen, but why we as an industry let this happen?



Over 250 million animals have been exported from Australia over the past 30 years. These include cattle, sheep, goats, and dairy stock. The major markets are Indonesia, Malaysia, and the Middle East.



Cattle

- WA supplies 40-50% of Australia's exports of live cattle. About 390,000 head were exported in 2009/10 worth \$330 million.
- Kimberley region makes up 45% of total live cattle exports valued at \$122 million.
- Pilbara region makes up 6% valued at \$15.1 million.
- Gascoyne and Midwest regions make up 10% valued at \$26.9 million.
- Southern rangelands and agricultural areas make up 39% valued at \$106.4 million.



- **73% of Kimberley cattle are exported live** to Indonesia. The majority of cattle are Brahman or Brahman cross.
- **46% of Pilbara cattle are exported live.** The majority of cattle are Brahman/droughtmaster crosses.
- **35% of Gascoyne and 22% of Murchison cattle are exported live.** Most breeds are composites of Bos Taurus/Indicus like red Brahmans, Murray Grey, etc



Sheep

- **WA currently supplies about 75% of Australia's exports of live sheep, about 2.5 million head per year.**
- Between 2006 - 2010 this averaged 2.8 million sheep worth \$233 million.
- Almost all these sheep are exported out of the Port of Fremantle to markets in the Middle East, with Kuwait the largest importer.



Goats

The main markets for WA live goat exports are:

1. Malaysia,
2. Singapore,
3. Middle East

A total of 7,896 head of live goats were exported in 2010.

Almost all live goat exports are transported by air.



So how does a Government, which for the past 30 years has been fully supportive of a valuable and necessary trade, decide over night to suspend cattle exports, and jeopardize the livelihoods of thousands of Australian workers?



What happened in the case of the suspension of live exports was a **Perfect Storm**, where a series of players were able to initiate a shock campaign targeted directly at the politicians.



- On May 26, *ABC Four Corners* ran an documentary created by *Animals Australia* exposing cruelty to Australian cattle in Indonesian abattoirs.
- The Australian public saw footage on prime time television of horrendous treatment of cattle, including scenes of actual slaughter.



- However as distressing as this footage was, what is even more distressing is when you see how it was not about exposing animal cruelty in Indonesian abattoirs.
- It was systematically designed to ensure a knee jerk reaction from policy makers as part of a campaign to cripple to live export industry.



- Animals Australia and the RSPCA advised their supporters of the footage six months prior to the program being aired;
- An internet and social media advertising campaign focussed on ensuring high viewer participation;
- An intensive direct public relations campaign targeting politicians in the media, on the internet, and through social media.



THE PLAYERS

- **Animal Australia**
- **RSPCA Australia**
- **GetUp!**
- **The Greens**
- **The Government**
- **The Media**
- **The Industry Bodies**
- **The Indonesians**



Animals Australia

- Animals Australia has been scrutinizing the live export trade for decades – however since 2003 following the Cormo Express incident, its focus on ending the live trade intensified.
- Since 2003 Animals Australia has conducted investigations on a number of occasions in Kuwait, Bahrain, Qatar, UAE, Oman, Jordan and Egypt.
- Animals Australia have gained access to nearly every slaughterhouse, marketplace and feedlot in those countries.
- Animals Australia took the footage in September 2010, and provided copies to the RSPCA.



RSPCA AUSTRALIA

- RSPCA Australia has made no secret over its stance of live exports. In 2009 the RSPCA commissioned a report calling for the phasing out of the live sheep industry.
- Prior to the footage being shown on ABC Four Corners, the RSPCA alerted the general public through the Internet and social media sites to watch the program, and to contact their MP's about banning the live trade.
- They also created an online page to deal with the issue, which crashed the day after the show aired due to the number of hits.



GetUp!

- GetUp! describes itself as "a new independent political movement to build a progressive Australia".
- GetUp! campaigns are community based, and are primarily coordinated through the Internet, and through Social Media sites such as Facebook and Twitter.
- Immediately following the Four Corners program GetUp! began an online petition which within the first five hours had over 35,000 signatures supporting banning the live export trade.



THE GREENS

- The Greens are opposed to Live exports.
- On July 1, 2011 newly elected Greens Senators took their seats, holding the balance of power.
- For the first time, the Greens have a House of Representatives member, who holds a balance of power with other Independents.



THE GOVERNMENT

- Following the 2010 election, the Labor party for the first time formed a minority Government with the assistance of the Greens and the Independents.
- The Government was faced with putting forward its Carbon tax legislation, which required full support of the Greens, and Independents.
- The new Government was under attack by animal welfare organizations on how much money it was spending on improving animal welfare issues in the Middle East and SE Asia, especially the installation of cattle restraint boxes.



THE MEDIA

- The ABC had a dichotomy of views with the producers of *ABC Four Corners* (who had a top rating story) supportive of the footage, and ABC Rural and Regional programs, including *Landline* supportive of the industry.
- This division carried on into most mainstream media, with a clear divide between metro and rural media organisations.
- What is interesting was the shift over the course of the suspension by the metro media from wanting to close down the industry to supporting it.



THE INDUSTRY BODIES

- Meat and Live Stock Australia, Live Corp, Cattle Council, Sheepmeats Council, NFF, ALEC, WALEA, State Farm organizations including the PGA, State Agriculture Departments.
- Numerous organizations with varying degrees of expertise in not only live export but policy development.
- These bodies were unprepared to handle such an explosive campaign.



THE INDONESIANS

- Beef self-sufficiency has been a focus of the Indonesian government over recent years.
- Yet, this remains at best an unrealistic target, as Indonesia's desire to achieve livestock self-sufficiency faces a wide range of barriers. Global movements towards a more unregulated market make it impossible to stop imports flowing into the economy without a legitimate reason. More-over, current cattle industries in Indonesia still rely heavily on imported feedlot cattle, many of which come from Australia.



- Prior to the ban, 19,426 cattle had been shipped during the month of June.
- When the suspension was imposed, there was a great amount of anxiety over when or if exports to Indonesia would resume.
- Many producers who had contracts found that the buyers had invoked Force Majeure under the purchase contract and cancelled the contract for stock that had not been delivered.



As an alternative many producers:

- **Sold stock into alternative export markets**

such as the Middle East and Malaysia. These markets traditionally pay less than Indonesia (but have less stringent specifications for the animals they will accept).

\$1.60 per kg (steers), as opposed to the price prior to the ban of \$2.05 to \$2.10.

For a 320kg steer this is a loss of revenue of \$160/hd.



Or-

- **Sold into domestic markets** at Longreach, Harvey or Murray Bridge.

However, in these markets, Brahmin cattle are traditionally not preferred and utilised primarily for mince and other by-products.

Further the cost to truck and sell from Kimberley to Harvey is \$150 per head, from Northern Territory to Murray Bridge of \$250 per head and Northern Territory to Longreach of \$136 per head which is prohibitive.



- In addition the window for the supply to meet the demand of the Indonesian market is very narrow due to the commencement of the wet season in November/December, after which it is physically impractical to move cattle from many stations to the export port.
- Keeping cattle on country for longer than is usual, or the need to transport them long distances by road train also has the following consequences:



- Cattle may be over the 350 kg specification for Indonesian markets. Many producers who could not sell their cattle earlier in the year would be faced with cattle no longer within weight specification by early-mid August. This limits export to smaller alternative export markets such as the Middle East and Malaysia or sale to the local market.
- Pasture may be degraded as animals stay on country for longer than usual. This could limit the capacity of the station for the next 1-2 years and contributes to a reduction in the capital value of the station.



So producers were faced with the following choices:

- **Find an alternative export market for their cattle at a lower price;**
- **Find an alternative domestic market for their cattle at a lower net price;**
- **Hold on to their cattle and hope for the resumption of trade with Indonesia;**
- **Destroy the cattle.**



Following the lifting of the suspension on 6 July the Australian Government initiated a set of new reforms for the Indonesian trade which would be applied across the entire live export industry following the recommendations of the Farmer Review.



1. Implementing the supply chain assurance approach developed for Indonesia (appropriately modified to specific circumstances) to all markets and for all livestock species intended for feeding or slaughter by the end of 2012.
2. Encouraging the use of stunning for slaughter of Australian livestock in importing countries wherever possible.
3. Reviewing the Australian Standards for the Export of Livestock (ASEL) by 28 February 2013. In addition, the Australian Maritime Safety Authority will review shipping standards and carriage of livestock. This review will commence within the next 6 months.



4. Working with states and territories to articulate respective roles, encouraging states and territories to incorporate welfare standards in legislation, and seeking agreement from the states and territories to implement unique individual animal identification of all cattle, sheep and goats as soon as practical.
5. Encouraging industry to implement a through-chain quality management system.
6. Improving the support and assessment of AQIS-accredited veterinarians.
7. Examining the need for conditions for the export of breeder livestock, with an industry government working group to report to the Minister for Agriculture, Fisheries and Forestry by 31 October 2012.



8. Allocating \$10 million over four years from the Official Development Assistance (ODA) contingency reserve to eligible countries that import Australian livestock in order to improve animal welfare outcomes.
9. Providing \$5 million over two years available to support exporters to deliver improved supply chains.
10. Providing a report on the effectiveness of the reforms to Parliament in 2014.



The Government made \$5 million available over the next two years to support exporters to deliver improved supply chains. This funding will be available on a 3:1 investment ratio. The full details of this program will be settled in consultation with industry



These reforms will increase costs for exporters and importers who are now required to provide animal welfare assurance in their supply chains.



So after suspending the live trade to Indonesia, with no assistance in providing alternative markets, no consultation with Industry, and no guarantees of whether the trade would be suspended again, the Government reestablished the trade, provided exporters could ensure traceability, and accountability for all livestock to the point of slaughter.



So why did it happen?

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- In 2007, the trade to Egypt was suspended following animal cruelty footage shown on 60 minutes. However, in this case there were other markets for the cattle. With Indonesia this was not the case, so when the trade was suspended there were no other markets to quickly absorb the cattle.
- Once the Indonesian market was disrupted, there was no mitigation strategy by industry, or representative bodies to establish an effective response. As well, there was limited dialogue between industry and the new Minister which was easily exploited by the media.
- The industry had not engaged sufficiently with the Australian public to explain the value and the importance of the industry. This eventually occurred, primarily through the campaign run by industry advocates, but only after the trade was suspended.



So how did we let this happen?

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- The live export trade is primarily based on a single market for breeds. Bos Inducus cattle were bred exclusively for the Indonesian market. Sheep are primarily for the Middle East, Goats for Malaysia. Any disruption in exports to a single market has a dramatic flow on to the industry participants, because of limited access to other markets.
- There was no mitigation strategy by industry or Government if the flow into these single markets are disrupted.
- Lack of industry direction through competing organizations.
- Lack of industry consultation with a Minister and Government that had just been elected in a minority position.
- Lack of industry awareness over the impact of Internet and social media campaigns.
- Lack of industry engagement with the general public.



Each of these points were used by the anti live export groups to construct a very formulated, and targeted campaign.



How do we ensure that this does not happen again?



Industry needs to:

- Ensure that the resolutions listed in the Farmer Review are carefully followed, implemented and exceeded throughout the supply chain.
- Lead State and Federal Governments on Animal Welfare issues.
- Engage with the Australian Community.
- Realise that there are groups dedicated to ending our industry.



Questions?



THANK YOU