

Phase out of live sheep exports by sea

31 May 2023

Introduction

Thank you for the opportunity to comment on the Government's proposal to phase out live sheep exports by sea. A formal process of phasing out live sheep exports has been a long time coming, but the transition itself is already well underway.

The history of the live sheep export trade has long been controversial and plagued with animal welfare issues. As far back as 1985 an Australian senate committee concluded that the trade was inimical to good animal welfare and stated that *"if a decision were to be made on the future of the trade purely on animal welfare grounds, there is enough evidence to stop the trade."*¹ While standards have changed since 1985, particularly in the last 5 years, those changes have only gone so far. Reforms have not overcome the animal welfare issues inherent to the trade, which are the products of physiology, climate, and deeply held cultural practices. These issues are inevitable and cannot be managed or overcome. The fact that the trade is incapable of adequate regulation is ultimately the reason the trade is being phased out.

If the Australian Government has accepted this reality and is acting on the concerns of the Australian community in adopting the phase-out policy, it is incumbent upon them to act swiftly in its implementation. For every year the transition period continues, thousands of additional animals will be subjected to the very outcomes the phase-out policy is intended to avoid.

This transition should not be viewed solely as a loss that will result in impacts to business, but as an opportunity for further investment, job creation, value-adding, and strengthening of the WA sheep industry among other benefits.

We appreciate that implementing any industry transition is a complex task and that there are many factors to consider, but ultimately a phase-out of live sheep exports is a manageable undertaking and one that we sincerely believe will leave the WA sheep industry in a stronger and more sustainable position for the future.

¹ Senate Select Committee on Animal Welfare (1985), *Export of Live Sheep from Australia*.

Recommendations

Recommendation 1

That the transition be implemented via legislation including declining annual export quotas for each year of the transition period.

Recommendation 2

That the transition legislation include additional animal welfare safeguards during the term of the transition, including:

- expanding the northern summer trade prohibition to the period 1 May to 31 October;
- a requirement that every export vessel carrying live sheep include an independent observer; and
- making individual electronic ear tagging of sheep a requirement of ESCAS.

Recommendation 3

That the transition legislation prohibit the opening of any new live export markets or supply chains during the term of the transition period.

Recommendation 4

That the transition timeframe not exceed three years, and includes an end date of 1 May 2026.

Recommendation 5

That legislation be introduced in this term of parliament to commence the transition.

Contents

INTRODUCTION.....	1
RECOMMENDATIONS	2
1. Transition mechanism	4
2. Transition timeframe	5
2.1 Animal welfare.....	5
2.2 Affected businesses.....	8
2.3 Community expectations.....	9
3. Transition impact and adjustment	11
4. Transition opportunities and benefits	13
4.1 Value-adding and job creation.....	13
4.2 Brand and reputational protection.....	14
4.3 Relieve cost pressures on the department and reduce regulatory subsidies	15

1. Transition mechanism

The transition must be delivered by legislation. Legislation is the only mechanism that can deliver the certainty that all stakeholders require, including industry participants, trading partners, animal welfare groups, and the Australian community.

To avoid sudden shocks and to ensure that industry winds down in an orderly fashion, the legislation could include a tapering down of the trade by setting maximum yearly export quotas that decline each year of the transition period. Based on current export numbers, this could be set at 400,000 in the first year of transition, 250,000 in the second, and 100,000 in the third and final year.

The transition legislation should also include additional safeguards to protect the welfare of animals during the transition period. The inherent animal welfare risks of live sheep export are likely to be accentuated during the transition period due to a lack of investment in maintaining and improving infrastructure, retaining and recruiting skilled and experienced personnel, and in ensuring compliance with the Australian Standards for the Export of Livestock (ASEL) and Exporter Supply Chain Assurance System (ESCAS).

Accordingly, the legislation should include additional safeguards, including:

- expanding the northern summer trade prohibition to the period of 1 May to 31 October in line with the recommendations of the Heat Stress Risk Assessment Review (see section 2.3)
- making it a requirement that every export vessel carrying live sheep include an independent observer, and
- making individual electronic ear tagging a requirement of ESCAS.

Finally, to maintain certainty and avoid giving mixed signals to the industry, which in turn would place more stress on farmers seeking to transition away from supplying the live export trade, the legislation should include a prohibition on the approval of new live sheep export markets and supply chains during the course of the transition period.

Recommendation 1

That the transition be implemented via legislation including declining annual export quotas for each year of the transition period.

Recommendation 2

That the transition legislation include additional animal welfare safeguards during the term of the transition, including:

- expanding the northern summer trade prohibition to the period 1 May to 31 October;
- a requirement that every export vessel carrying live sheep include an independent observer; and
- making individual electronic ear tagging of sheep a requirement of ESCAS.

Recommendation 3

That the transition legislation prohibit the opening of any new live export markets or supply chains during the term of the transition period.

2. Transition timeframe

The timeframe for transition should aim to strike a reasonable balance between the interests of animal welfare, affected businesses, and community expectations. It is important to note that the longer the transition period, the greater the uncertainty for all stakeholders and the greater the risks to animal welfare.

Having regard to all of the factors discussed below, we propose a transition timeframe of no longer than three years, with an end date of 1 May 2026 (to coincide with the commencement of the proposed northern summer trade prohibition). To provide certainty to all stakeholders and to meet community expectations around the Government's election commitment, the legislation should be introduced in this term of parliament to commence the transition process. It is important that the Panel's recommendation around timeframes include a specific end date (i.e. 1 May 2026) as opposed to simply a timeframe (i.e. three years) as delays in introducing legislation could cause the desired timeframe to be pushed out.

2.3 Animal welfare

Recent regulatory reforms have not fixed the inherent animal welfare issues within the live sheep trade. Long export journeys to the Middle East continue to place great stress on exported sheep. Merino sheep, by virtue of their physiology, do not cope well with high humidity environments and continue to suffer prolonged heat stress while traversing the equatorial, Persian Gulf and Red Sea regions, particularly in the shoulder months of the prohibited period during May, September and October. Analysis of Independent Observer reports show that heat stress has been observed on over 80% of live sheep voyages to the Middle East since the Independent Observer program began.

The continued frequency of heat stress was entirely foreseeable as it was predicted by the Independent Technical Reference Panel commissioned by the Australian Government to conduct the Heat Stress Risk Assessment Review in 2019.² The Technical Reference Panel concluded that subjecting sheep to prolonged periods of open mouth panting was an unacceptable animal welfare outcome. The Panel recommended changes to the regulatory settings to avoid this outcome. However, the Panel's recommendations were not implemented by the previous Government as they would have effectively prohibited the trade for the entire Middle Eastern summer period of May to October, inclusive, and this was inconsistent with the previous Government's policy of maintaining the trade.

² HSRA Technical Reference Panel (2019) Final report by the Heat Stress Risk Assessment Technical Reference Panel, Department of Agriculture and Water Resources, Canberra.

The Department of Agriculture outlined the implications of the Panel’s recommendations as follows:

The revised HSRA model would have the impact of effectively stopping live sheep exports for the Northern Hemisphere summer period. The revised HSRA model would destock voyages entirely or permit stocking rates that are too low to be economical, which effectively prohibits the trade for 6 months.³

Figure 16 Expected stocking rates for 3 classes of sheep, under the revised HSRA model as a percentage of ASEL (version 2.3) requirements

Sheep class	Destination	May	Jun	Jul	Aug	Sep	Oct
40kg merino adult, shorn, zone 3	Kuwait	0%	0%	0%	0%	0%	40%
	Qatar	0%	0%	0%	0%	0%	20%
	UAE	0%	0%	0%	0%	0%	40%
	Turkey	0%	0%	0%	0%	0%	20%
	Jordan	0%	0%	0%	0%	0%	20%
52kg merino adult, shorn, zone 3	Kuwait	0%	0%	0%	0%	0%	20%
	Qatar	0%	0%	0%	0%	0%	0%
	UAE	0%	0%	0%	0%	0%	20%
	Turkey	0%	0%	0%	0%	0%	0%
	Jordan	0%	0%	0%	0%	0%	0%
40kg awassi, zone 3	Kuwait	20%	0%	0%	0%	0%	80%
	Qatar	20%	0%	0%	0%	0%	70%
	UAE	50%	0%	0%	0%	0%	85%
	Turkey	40%	0%	0%	0%	0%	60%
	Jordan	40%	0%	0%	0%	0%	60%

81-100%
61-80%
41-60%
21-40%
1-20%
0%

Instead, the Morrison Government chose to implement different regulatory settings that would allow exports to continue during May, late September and October, despite knowing this would result in sheep continuing to suffer severe heat stress.

The Department of Agriculture’s recent review of the Northern summer export regulations noted that 87% of voyages during this period over the past three years experienced wet bulb temperatures that exceeded the heat stress thresholds of the exported sheep and 100% of voyages which had an Independent Observer onboard reported heat stress in the sheep during these shoulder months.⁴

While it is true that mortality rates have declined in recent years, this is predominately due to the prohibition on exports during the northern summer period. Regardless of this recent outcome, mortality rates are not an appropriate nor scientifically valid measure of animal welfare. That animals survive a journey does not tell us whether they experienced good welfare, merely that it was not catastrophic, but when some animals in a group die, it may indicate an underlying level of poor welfare in the broader group. Gaining an understanding of the welfare of exported sheep involves monitoring their health, nutrition, environment and behaviour at the level of the individual. This was one of the central recommendations of the 2018 McCarthy Review, which noted that it was “time for the industry to come together as a whole and place a much stronger emphasis on animal welfare and move away

³ Live Sheep Exports to or through the Middle East – Northern Hemisphere summer – Draft regulation impact statement, 2019 OBPR ID: 23822, p. 53.

⁴ Review of live sheep exports by sea to, or through, the Middle East during the Northern Hemisphere summer, Draft report, December 2021, p. 33.

from measures that use mortality as a benchmark.”⁵ Unfortunately, nearly a decade on from the commencement of an industry-funded animal welfare indicators project, which found that a comprehensive welfare monitoring protocol requires repeated daily sampling of up multiple indicators throughout a voyage, the live sheep export industry is still failing to properly consider the welfare of individual sheep (Box 1).^{6,7,8,9}

Box 1. Animal welfare indicators

From its beginning, the live sheep export trade has relied on sheep being treated as an expendable commodity, where the welfare of individual animals is subsumed by the collective economic value of the consignment. Both the economics of the trade and the regulatory controls set by government have, for many years, accepted mortality as the primary measure of a ‘successful’ voyage. Until 2020, 2% of sheep could die on any voyage without triggering an investigation only after the introduction of ASEL 3.0 was this reduced, to 1%. As mentioned above, the 2018 McCarthy Review signalled to both industry and regulators that they should move away from mortality as a benchmark and place a much stronger emphasis on animal welfare.

Animal welfare scientists and advocacy groups had been promoting the need to consider animal welfare more holistically, and at the level of the individual animal, for many years. In 2013, Livecorp and MLA funded an animal welfare indicators project, but progress on this was incredibly slow, with an initial protocol not published until 2020. During this time, Livecorp argued (in submissions to regulatory reviews) that no decisions should be made on the indicators industry would be required to measure until the project was completed.

The animal welfare indicators project eventually identified 50 pen-side measures. These were considered by an industry committee which recommended 21 measures be adopted for sheep, only some of which corresponded with the research project measures. Of these, only 6 of these were new, animal-based indicators – the remainder, such as wet bulb temperature, mortalities and feed quality were already required in ASEL 2.3 daily voyage reports. Further, these new animal-based measures – feeding behaviour, fleece cleanliness, general demeanour, posture and sailing conditions – are measured only once daily at the deck or vessel level, recording only one value per indicator to pinpoint the welfare of multiple pens containing several thousand sheep in total. After nearly 10 years of research and development, the monitoring of sheep welfare during live export voyages remains at the same rudimentary level, where the average welfare of the collective continues to override consideration of the suffering of individual sheep.

Finally, Australian sheep exported to the Middle East are still slaughtered while fully conscious, while Halal-accredited slaughter in Australia, including for lamb and mutton exports to the Middle East, involves stunning. Slaughter without stunning causes considerable pain and distress in sheep,

⁵ Independent Review of Conditions for the Export of Sheep to the Middle East during the Northern Hemisphere Summer 2018, p4

⁶ Willis et al. (2021) Animal welfare indicators for sheep during sea transport: The effect of voyage day and time of day. Applied Animal Behaviour Science 238:105304

⁷ Dunston-Clarke et al. (2020) Developing an animal welfare assessment protocol for livestock transported by sea. Animals, 10(4):705

⁸ Livecorp/MLA (2021), Research summary – Shipboard Animal Welfare Surveillance, 8pp

⁹ Shipboard Animal Welfare Surveillance Committee (2021) Collection of animal welfare indicators on board live export vessels, W.LIV.3047, 98pp

however, there are no reasonable prospects for Middle Eastern abattoirs and Halal authorities to change this practice and accept stunning in the foreseeable future.

These welfare issues are inherent to the trade. They are the products of physiology, climate, and deeply held cultural practices. They cannot be managed or overcome. This is ultimately the reason the trade is being phased out. If Government has accepted this reality and is acting on the concerns of the Australian community in adopting the phase-out policy, it is incumbent upon the Government to act swiftly in its implementation. For every year the transition period continues, thousands of additional animals will be subjected to the very outcomes the phase-out policy is intended to avoid.

A further factor to consider in determining the transition timeframe is the fact that standards may decline during the term of the phase-out period as exporters will have little incentive to invest in maintaining standards. A lack of investment in maintaining and improving infrastructure, retaining and recruiting skilled and experienced personnel, and in ensuring compliance with ASEL and ESCAS would significantly increase risks to animal welfare. These factors support the implementation of a relatively short phase-out period.

2.2 Affected businesses

In considering impacts on businesses, it is important to note that the trade has already declined by over two-thirds since 2017/18. Recent analysis by Pegasus Economics concludes that it is likely the vast bulk of the adjustment costs have already been incurred by sheep producers.¹⁰ While they acknowledge that losses to farm businesses would be significant if the government implemented a decision to immediately ban the trade, a gradual phase out over three years would significantly reduce transition costs and give sheep farmers time to adjust the size and composition of their flocks, adopt alternative cropping strategies, and make any other necessary operational adjustments.¹¹

This is also supported by GBAC Chief Executive and farm debt specialist Greg Bloomfield who recently told the *Weekly Times* "if the government phased in a (live sheep) ban gradually, it would give farmers a far better chance to diversify and realign their stock."¹²

While providing some time for farmers to adjust is important, equally, a long phase-out timeframe may create greater challenges for industry. The uncertainty and mixed messages created by a long phase-out period may create a 'death by a thousand cuts' scenario. Producers may continue investing in current breeding operations in reliance on a long phase-out timeline, only to be left stranded by exporters exiting the trade much earlier than the phase-out period and with much less notice.

A longer phase-out timeframe may also be used by government to justify limiting the amount of compensation that would otherwise be available for producers to assist with their transition costs. For these reasons, a relatively short phase-out timeline of three years may be in the best interests of affected businesses.

¹⁰ Pegasus 2023, p.30

¹¹ Pegasus p.30

¹² Jason Gregory, 'Call to learn from live beef ban', *The Weekly Times*, 2 May 2023.

2.3 Community expectations

It is also important for the Panel to have regard to community expectations in recommending an appropriate transition timeline. The community will have expectations relating to the protection of animal welfare and in government keeping its election promises.

On animal welfare, social research has consistently found high levels of support within the community for phasing out the live sheep export trade. Periodic research commissioned by RSPCA Australia has found that this support has increased over time.¹³ In 2015, 63% of Australians supported the phase out if affected farmers were provided with assistance to transition. While in 2018, that support rose to 77%, and in 2022, it was 78%. Notably, this support was largely consistent across states, and in fact, WA recorded 79% support for the phase out in the most recent research.

While this research did not ask participants for their views on phase-out timeframes, based on the strength of the support expressed, it is likely that a short transition period would be preferred over a prolonged one, particularly if producers are assisted with the transition.

Such is the depth of community concern for animal welfare that research has found that knowledge and awareness of animal suffering, including in the live export trade, can affect the psychological wellbeing of people. Researchers from the University of Queensland have found that exposure to images of animal suffering in the live export trade caused considerable emotional distress and feelings of helplessness in people.¹⁴ The researchers recommended that future media coverage of animal suffering in the trade should advise the public of contact details for counselling and mental health support.

The Department of Agriculture has also noted research identifying correlations between the psychological wellbeing of Australians and awareness of animal welfare, noting the potential for improved psychological wellbeing with increased confidence that animals are being treated humanely.¹⁵

Accordingly, the negative psychological impact of allowing live sheep exports to continue for a prolonged period of time should also be a factor the Panel has regard to.

In addition to expectations around protecting animal welfare, the community will also have a strong expectation that the Government will follow through with its election commitment of phasing out the trade. This is a commitment the Australian Labor Party has taken to the last two federal elections. The policy was widely discussed in the Australian media during the election campaign.¹⁶ The Australian

¹³ McCrindle research

¹⁴ Tiplady et al (2013) Public response to media coverage of animal cruelty, *Journal of Agricultural Environmental Ethics* 26, 869

¹⁵ Live sheep exports to, or through the Middle East – Northern Hemisphere summer, Regulation Impact Statement, p.56

¹⁶ Examples of media stories: Andrew Tillett, Labor to push for ban on live sheep exports, *Australian Financial Review*, 3 May 2022; Fergus Hunter, Labor announces it would phase out live sheep exports, *Sydney Morning Herald*, 3 May 2022;

Terry Sim, Live sheep trade upbeat despite Labor stance, *Sheep Central*, 4 May 2022; Call Wahlquist, Greens and animal welfare groups push for Labor to give timeline for live export ban, *Guardian Australia*, 5 May 2022; Peter Law, WA Premier Mark McGowan refuses to support Federal Labor plan to ban live sheep export, 5 May 2022

Alliance for Animals' digital advertising campaign further highlighted the phase-out policy, reaching over two million Australians during the course of the election campaign. The community's response to the policy announcement was overwhelmingly positive.

The community will therefore expect to see tangible action, including legislative action, taken before the next election to fulfil this election commitment. Holding consultations and producing a report, while an important step in the process, will not be sufficient to meet the community's expectations in this regard. The Australian Labor Party committed to phasing out live sheep exports at the 2022 election. Putting off the fulfilment of that policy until after the next election does not fulfil the commitment. Legislation must be introduced in this term of parliament to lock in and commence the phase out. This will be the most definitive way of demonstrating the Government's commitment to fulfilling its election promise.

The role of rural media

While the level of opposition to live sheep exports in the Australian community has been high for decades and crosses political and social divides, this is not the view projected by rural media. The vast majority of reporting from the rural press reflects the voices of proponents of the live sheep export trade. This unfortunately creates the impression within the audience of these publications and platforms, primarily farming communities, that there is more support for the trade than there is.

This lack of balance is not limited to commercial media – it is also reflected in the coverage of live sheep exports by ABC Rural. Often this coverage is dominated by industry perspectives and frequently fails to include animal welfare viewpoints despite animal welfare issues being a key feature of the stories. To investigate this observation, the Alliance for Animals commissioned a retired journalist to conduct a systematic analysis of ABC Rural online reporting on the live sheep export trade from April 2018 to March 2023. The analysis was confined to articles that discussed animal welfare issues within the trade. A total of 54 articles were identified and analysed using a combination of quantitative and qualitative measures. Key findings from the analysis included the following:

- industry spokespeople received over five times more space than those representing animal welfare perspectives
- 436 quotes (57%) were from industry spokespeople, 249 quotes (32%) were from neutral sources or political representatives, and 81 quotes (11%) were from animal welfare spokespeople
- 32 articles (59%) included no animal welfare spokesperson or representative
- 32 articles (59%) were considered to have a 'pro-industry' slant, 22 (41%) were considered neutral, while no articles were considered to take a 'pro-animal welfare' position.

These findings are very concerning, but they go some way to explain why WA sheep farmers have failed to grasp the sustained level of opposition to live sheep exports or accept the serious intent of the federal Government's plan to implement the phase-out.

Social licence to operate

Reporting by the rural media of the reaction from WA sheep producers to the phase-out plans has also questioned the concept of a 'social licence to operate' (SLO) and cast doubt over the implication that the live export industry has lost its SLO.

An SLO is a relatively recent term applied to an activity that has the ongoing but unstated approval of the local community and other stakeholders. Put another way, the SLO framework refers to a community tacitly giving an industry the right to conduct its current business.¹⁷

Animal welfare has become a mainstream societal concern in Australia, and effective management of community expectations in relation to animal welfare is essential for the maintenance of SLO for many animal industries.¹⁸ The SLO of the live export industry has been eroded over many years by a series of disasters and exposés, including rejections of shipments by importing countries, loss of vessels at sea, trade suspensions, breaches of regulations, cancellation of export licences and high mortality incidents. Polling evidence, which consistently indicates that the majority of Australians (including the majority of West Australians) are opposed to the live sheep export trade, is a clear measure of this lack of community support for the live export industry. It's important to make a distinction here between farmers and live export companies: Australians continue to place a high level of trust in farmers; it is the live export companies trading live sheep to the Middle East that have lost public trust and support and thus their 'social licence'.

Recommendation 4

That the transition timeframe not exceed three years, and includes an end date of 1 May 2026.

Recommendation 5

That legislation be introduced in this term of parliament to commence the transition.

3. Transition impact and adjustment

The live sheep trade has declined by over two-thirds since 2017-18, from an average of 2 million head a year to just 500,000 in 2022. As Pegasus Economics notes, this indicates that the vast bulk of adjustment costs have already been incurred.¹⁹ The live trade now only accounts for approximately 10% of WA sheep turn-off with local slaughter accounting for the rest.²⁰ Western Australia's boxed and chilled sheep meat export trade is now worth \$576 million, more than six times that of the live sheep

¹⁷ Hampton et al. (2020) Social licence and animal welfare: developments from the past decade in Australia. *Animals* 10(12): 2237. <https://doi.org/10.3390/ani10122237>

¹⁸ Hampton et al. (2020)

¹⁹ Pegasus Economics

²⁰ Pegasus Economics p.18

trade at \$92 million.²¹ ABARES Outlook for sheep meat exports is positive, stating “the value of sheep meat exports from 2024-25 to 2027-28 is expected to continue rising due to an increased consumer base and income growth in existing key markets and emerging markets.”²²

Pegasus Economics estimates that phasing out the live sheep trade will cost the average broadacre farm running sheep, around \$6,300, which equates to less than 0.4% of total farm cash receipts.²³ In the absence of the live sheep trade, Pegasus predicts that sheep farmers will continue to transition to alternative options including increasing wool, prime lamb and crop production.

While Pegasus acknowledge that losses to farm businesses would be significant if the government implemented a decision to immediately ban the trade, a gradual phase-out over three years would significantly reduce transition costs and give sheep farmers time to adjust the size and composition of their flocks, adopt alternative cropping strategies, and make any other necessary operational adjustments.²⁴

Claims that 3,000 jobs would be lost as a result of the phase-out are patently false. Pegasus Economics analysis has thoroughly discredited the analysis from which this claim arose:

*Claims of the loss of 3,000 jobs in WA from the phasing out of the live sheep export trade are in our view are highly exaggerated. They appear to be based on the application of an erroneous employment multiplier when the industry was more than three times the size it is today. These claims also ignore the fact that employment could actually increase on-farm through higher prime lamb production and increased meat processing.*²⁵

Diverting an additional 500,000 sheep to local processing over time will be a significant undertaking, but it is certainly feasible. Western Australian abattoirs processed 3.7 million sheep in 2022.²⁶ Adding an extra 500,000 would therefore equate to a 14% increase. Pegasus notes that WA meat-processing capacity is significantly underutilised and operating well below their capacity.²⁷ Sourcing labour to fill the additional shifts would be the primary challenge but this is not a prohibitive barrier. Appropriate policy and financial incentives can be developed to attract necessary labour.

We acknowledge there is a current surplus of sheep on WA farms with estimates ranging from 800,000 to 1.4 million. However, this surplus cannot be attributed to the phase-out policy as it has not yet commenced. Rather, the surplus has occurred independently due to periodic fluctuations in market prices, limitations on processing capacity and a reduction in demand for sheep in the Eastern states.

To assist the industry with the transition, government could implement the following measures:

- government investment in necessary infrastructure to build local processing capacity

²¹ ABARES, Agricultural forecast and outlook, 2022 Agricultural Commodities Report, Vol. 12.1, p. 78-79.

²² ABARES, Agricultural Outlook, Sheep Meat 2023-24, <https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/sheep-meat#value-of-exports-to-rise-in-the-medium-term>

²³ Pegasus Economics

²⁴ Pegasus Economics p.30

²⁵ Pegasus Economics p.23-24

²⁶ Pegasus Economics p.18

²⁷ Pegasus Economics p.31

- policy and financial incentives to attract foreign workers to meet additional labour demand in the local processing sector
- a transition package for affected businesses to assist with interim adjustment costs.

As the Weekly Times explains, “these packages would be created to help those, for example, sheep producers wanting to stay in the industry transition to alternate revenue streams, such as boxed meat, or help those who want to leave the industry pivot to other income options, such as plantings.”²⁸

The quantum of any transition package would be a matter for further economic advice and analysis. We note the WA Government’s three-year phase-out of native forest logging was accompanied by a transition package of \$80 million for different components of the transition (Box 2). However, we note the native forestry industry was much larger than the current live sheep export trade.

Box 2: WA Native Forestry Transition Plan

In 2021, the WA Government announced that it would be phasing out native forest logging within the state. It developed a Native Forestry Transition Plan to guide the policy’s implementation.

- **Value of industry:** \$220 million
- **Transition timeframe:** 3 years
- **Transition package:** \$80 million (comprised of \$19.3 million for workforce transition, \$26.9 million for forestry businesses, and \$30 million for community development in affected regions).

4. Transition opportunities and benefits

The transition should not be viewed solely as a loss that will result in impacts to business, but as an opportunity for further investment, job creation, value-adding, and strengthening of the WA sheep industry among other benefits.

4.1 Value-adding and job creation

A likely shift in production systems to more wool, prime lamb and domestic processing would see greater value-adding to Australian supply chains, which Pegasus Economics believes could lead to a net increase in jobs.²⁹

Local processors are already planning for further investment in the regions. The WA Meat Marketing Co-Operative (WAMMCO) is reportedly developing a \$60 million plan to boost its throughput at its

²⁸ Jason Gregory, ‘Call to learn from live beef ban’ *The Weekly Times*, 2 May 2023

²⁹ Pegasus Economics pp. 23-24

Katanning abattoir by adding an additional run to its operations.³⁰ This would require an additional 250 staff. To accommodate the additional staff, WAMMCO is planning to purchase or build accommodation units in town over the next two years. WAMMCO will also be building a new \$20 million freezer and storage space. Investments of this nature bring much needed economic stimulation to regional WA economies. It is likely that other WA-based processors are planning similar investments.

Communication of these developments to local producers is crucial to the efficient implementation of the transition, allowing them to plan ahead and adjust their breeding practices to take advantage of increased abattoir capacity when it comes on board.

4.2 Brand and reputational protection

In addition to the positive value-adding and jobs growth, a phase-out of live sheep exports will remove a significant risk to the brand of the Australian wool industry and to Australia's broader 'clean green' agricultural reputation. Whenever disasters in the trade occur, or when footage of poor practices surfaces, it damages the reputation and trust that Australians have, not just in the live export industry, but in the broader sheep and livestock sectors. Reporting of animal suffering has been found to have a disturbing emotional impact on viewers, to the point where broadcasts of live export voyages contain disclaimers to warn the audience of distressing content.³¹

Animal welfare issues associated with the live export trade have also been raised during negotiations for Free Trade Agreements with the UK and the EU.³² It was the risk to its reputation for high standards of animal welfare which underpinned the New Zealand Government's decision to end the export of livestock by sea in 2021. The New Zealand Minister of Primary Industries, Damien O'Connor, has been clear in linking the decision to protecting New Zealand producers from reputational risk: "*There's a huge risk to us as people who are trying to sell... the most ethical, high-quality, best animal protein in the world.*"³³ We would like to draw the panel's attention to the submission from SPCA NZ and VAWA which provides further information about the level of concern over damage to Brand New Zealand caused by the live export trade.

Another risk to Australia's reputation in relation to animal welfare is the dual standard between the treatment of sheep in live export markets versus those remaining in Australia for slaughter. This is highlighted by the issue of unstunned slaughter. Abattoirs processing sheep in WA are required to ensure that every animal is stunned (rendered insensible to pain) prior to slaughter.³⁴ Across Australia, this is also a standard requirement for halal and non-halal slaughter and processing alike. Only a handful of domestic abattoirs have been granted an exemption to this requirement to conduct

³⁰ Aidan Smith, 'WAMMCO plans additional run at Katanning plant to cater for more sheep after live export ban', Countryman, 13 April 2023

³¹ Tiplady et al (2012) Public Response to Media Coverage of Animal Cruelty. Journal of Agricultural and Environmental Ethics 26(4). DOI:10.1007/s10806-012-9412-0

³² Latika Bourke, 'Australia's 'backwards' animal practices still in the way of free trade deal with Britain', The Sydney Morning Herald, 25 Jan 2023

³³ Jamie McKay, 'Damien O'Connor defends Government's livestock export by sea ban', *The Country*, 29 Sept 2022

³⁴ Australian standards for the hygienic production and transportation of meat and meat products for human consumption (AS 4696:2007)

religious slaughter without prior stunning.³⁵ The Australian public expects animals to be slaughtered humanely and there is a high level of opposition to the practice of unstunned slaughter. Yet every shipment of Australian sheep to a Middle Eastern market sends a message of tacit approval of this practice to importing countries.

This tacit approval for poor animal welfare practices extends beyond just the method of slaughter. For over 70 years, the Australian live sheep export trade has presented a consistent example to businesses and residents in importing countries that it is acceptable to transport sheep long distances by sea, regardless of resultant deaths, distress and suffering. Animal welfare science long ago established that long-distance transport places animals at risk, is inherently stressful and should be avoided by slaughtering animals as close as possible to their point of production. Ending the live sheep trade based on the widespread public recognition of animal sentience and the imperative to avoid unnecessary suffering, will help to activate and empower similar considerations in other exporting countries.

4.3 Relieve cost pressures on the Department and reduce regulatory subsidies

The phase-out of live sheep exports will also relieve some of the current cost pressures on the Department of Agriculture and reduce the regulatory subsidisation of the live export trade. Regulating the live animal exports is an expensive undertaking, exacerbated by the low level of regulatory maturity of the trade and the reduction in resourcing and capability of the Department over many years. The Inspector-General for Live Animal Exports has described this reduction in Departmental funding as “depreciation of the underlying capital asset of regulatory capability and capacity”.³⁶

The Department’s latest cost recovery statement shows that it is only recovering approximately 62% of regulatory expenses from the live export industry, and now has a cumulative debt of over \$30 million.³⁷ It anticipates an additional \$8 million of debt in the current financial year. This effectively means the Australian taxpayer is subsidising the live export trade. Such regulatory deficits are likely to increase during the term of the transition period due to declining investment from exporters in maintaining standards and compliance, necessitating greater regulatory oversight. The Inspector General has stated that it is unlikely that the Department will have sufficient resourcing from operational cost recovery alone to be able to meet the requirements asked of it under normal circumstances.³⁸ A reasonably short phase-out period will relieve the Department of some of these cost pressures and remove the public subsidisation of the live sheep export trade.

ENDS

³⁵ RSPCA Australia (2023) What is Kosher and Halal slaughter in Australia? <https://kb.rspca.org.au/knowledge-base/what-is-kosher-and-halal-slaughter-in-australia/>

³⁶ Inspector-General of Live Animal Exports (IGLAE) Communication and engagement in livestock export regulation Review report no. 2023–01. <https://www.iglae.gov.au/sites/default/files/2023-04/communication-and-engagement-in-livestock-export-regulation.pdf>

³⁷ Department of Agriculture, Fisheries and Forestry, Cost recovery implementation statement: live animal exports 2022-23 <https://www.agriculture.gov.au/sites/default/files/documents/live-animal-exports.pdf>

³⁸ IGLAE p5