

# LIVE ANIMAL EXPORTS



## Growing Australia's meat processing as an alternative to live exports

### SUMMARY

**The Australian Greens' 5 key issues the government must address to end live exports and build domestic meat processing:**

**1. Encourage the development of new meat processing facilities in northern Australia**

The Government, working with industry, should provide incentives to help open abattoirs in northern Australia, in a staged fashion, to assist producers to grow domestic processing.

**2. Remove trade distortions and more vigorously market Australian meat overseas**

The government, working with industry, should actively lobby for an end to subsidies and tariffs which favour the live export trade and put more resources into promoting the boxed meat trade.

**3. Boost skills and educate workers**

The government, working with industry and unions, should provide assistance to help attract and train Indigenous and other meat processing workers to serve a new, strong domestic meat processing industry.

**4. Smooth the transition for farmers and the meat processing sector**

The Government, working with industry, should work with farmers and investors to ensure a smooth and successful transition away from live exports.

**5. Establish teams to drive reform within government**

Establish new divisions within the Department of Agriculture, Fisheries and Forestry and Austrade responsible for growing domestic processing and building meat markets overseas and set up an independent Office of Animal Welfare.

## Where are we now?

Following a series of scandals in the live sheep and cattle export trade a critical point has been reached in the debate about whether this trade, with its unstable economic basis, high levels of risk and animal welfare problems, should continue.

While the government and exporters are staunchly backing live exports, the public, animal welfare groups, unions, the Australian Greens and some Labor backbenchers and pastoralists are calling for the domestic meat processing industry to be built up as an alternative to live exports.

This is because live exports are considered unsustainable in the long term.

Four in five Australians back the government supporting a phase out of live exports in favour of a local chilled meat export industry<sup>1</sup>.

The government's new regulatory system, ESCAS, cannot prevent another animal cruelty tragedy like that seen in Pakistan. New reports of cruelty in Indonesia have since surfaced and history shows further breaches are likely to be uncovered. The ESCAS scheme is not capable of controlling the supply chain or the conduct of importers.

For over two decades the merits of expanding the chilled and frozen processed meat trade from animals humanely transported and slaughtered here, in lieu of live exports, has been identified in inquiries, reports and economic studies<sup>2</sup>. The government's shelves are well-stocked with advice on how to grow Australia's meat processing sector and the research is available on how to make this important transition. New Zealand has shown it can be done. All that is needed now is action.

## Why build an alternative to live exports?

While there are difficulties to be worked through, and no silver bullet, dedication by the government to a transition will create positive outcomes, both in the short and long term:

- **Reduce unacceptable animal welfare risks from the Live Exports trade** – there are continuing risks to animal welfare from sea voyages and often when Australia's live exports are slaughtered.
- **Volatile markets** – suspensions due to animal welfare concerns and unpredictable and declining overseas markets make economic returns unstable and create untenable economic risks and instability for producers and associated businesses reliant on limited markets (eg the government of Indonesia – Australia's largest market for live cattle - aims to achieve beef self-sufficiency by 2014; has imposed weight limits and import quotas).
- **Job creation and economic benefits from domestic meat processing** – processing meat domestically will create more employment, strengthen Australia's meat processing sector, provide better income for producers and a superior economic boost to regional Australia.

1 Longeran Poll, November 2011 <http://www.humanechain.org.au/ourblog/index.php/2011/11/live-animal-export-condemned-in-national-opinion-poll/>

2 For example calls to expand the refrigerated meat trade with goal of substituting it for live exports was recommended as early as 1985 by a Senate Select Committee on Animal Welfare.

# The Australian Greens' 5 key issues the government must address to end live exports and build domestic meat processing

The Australian Greens have identified five key issues the government must address to provide a more economically robust and humane alternative to the live exports trade, in the lead up to the important last Government caucus meeting of the year where live exports has been identified as a key issue by some Labor MPs.

Australian Greens animal welfare spokesperson Senator Lee Rhiannon will consult with key players on these issues, including northern Australian cattle producers she plans to visit in Western Australia in December 2012, to gather feedback and help build the case for ending live exports, in line with the Greens Live Animal Export (Slaughter) Prohibition Bill 2012 currently before federal parliament.

Senator Rhiannon will also seek a meeting with Minister Ludwig to discuss the transition.

Considering all the evidence, a responsible government should be now working hard on a transition plan to boost Australia's trade in the export of chilled and frozen boxed.

The Australian Greens are ready to work with the government, farmers, industry and unions, to achieve what the Australian public demands – building a strong domestic meat processing sector to enable an end to live exports, reduced animal cruelty and a stronger economy.

## 1. Encourage the development of new meat processing facilities in northern Australia

The Government, working with industry, should provide incentives to help open abattoirs in northern Australia, in a staged fashion, to assist producers to grow domestic processing.

The Meat Workers Union has shown how live exports have directly affected the meat processing sector and closed abattoirs. 150 meat processing plants have shut over the last three decades and 40,000 meat worker jobs have been lost.

The ripple effect on local regional communities has been significant. A responsible Australian government should assist potential investors in Northern Australian processing facilities by adopting an economic development plan that encourages investment and employment in the region.

There is clear capacity for additional abattoirs in northern Australia to support domestic meat processing, improving the profits of northern cattle producers and boosting regional economy.

ABARES estimates that the global demand for sheep meat will double between 2007-2050 and that the value of Australian sheep meat exports will triple in that time. The global demand for beef is set to double in this same period and the value of Australian beef exports will do the same<sup>3</sup>.

International trade data shows increases in consumption of Australian processed beef in some live export countries. Indonesia this year increased its purchase of processed frozen beef from Australia to avoid meat shortages.

<sup>3</sup> WSPA submission to the Senate Select Committee on Australia's Food Processing Sector, 2011.

New attention is being given to the establishment or reopening of meat processing centres in Northern Australia:

- The Australian Agricultural Company has gained approval for the construction of an abattoir south of Darwin.
- The WA and QLD governments have commissioned feasibility reports that support new abattoirs and point to net profits that can be made<sup>4</sup>.
- Cloncurry in far north-west Queensland and northern Western Australia have been pinpointed as possible sites for new abattoirs.

Two meat processing centres have recently reopened in Western Australia, including one purchased by live exporter Wellard, suggesting even exporters are losing confidence in the live import trade.

A recently released report on the costs and benefits of transitioning away from live exports to a chilled meat trade, commissioned by WSPA and prepared by ACIL Tasman, provides an excellent blueprint<sup>5</sup>.

As a first step, WSPA proposes 'a market-driven rebalancing of the live animal and meat export trades'. The report shows that by processing 400,000 cattle per year that would normally be destined for the live export trade, in one or two northern cattle processing facilities, could be economically viable and would not need significant ongoing government financial contributions. A single facility would contribute over \$200m to the regional economy, create 1,300 full-time jobs and could increase a northern beef farmer's income by up to 245 per cent.

Other economic research shows domestic processing of sheep has a higher multiplier effect than that associated with the live sheep trade. Research points to the economic benefits of domestic processing. For example, a sheep processed domestically is worth 20 per cent more to the Australian economy than one exported live<sup>6</sup>.

Most Australian producers have already diversified in their farming operations and continue to do so to meet changing markets, for example producing both feed and cattle. Statistically only a small section of the market is exclusively dependent on live exports. This is evidenced by the low number of applications for income assistance as a result of the 2011 trade suspension to Indonesia.

While some producers may initially lose income, it is possible and desirable for farmers to make the transition to a more stable and secure income source. For example, loss of income from sheep live exports could be overcome through flock restructuring to gain income from lamb meat or wool.

## **2. Remove trade distortions and more vigorously market Australian meat overseas**

The government, working with industry, should actively lobby for an end to subsidies and tariffs which favour the live export trade and put more resources into promoting the boxed meat trade.

- **Act to reduce or remove trade distortions**

Live exports are heavily subsidised by some importing countries in the Middle East and tariffs erected to the meat trade. For example about 90 percent of Australia's live sheep are exported to the Middle East,

4 RIRDC Publication No 10.214, Feasibility of Establishing a Northern Western Australian Beef Abattoir, November 2010 and Meateng, Felix Domus and Tim Hofman Advisory, Evaluating the commercial viability of a northern outback Queensland meat processing facility, February 2012.

5 ACIL Tasman, An economic analysis of live cattle exports, 2012.

6 ACIL Tasman, Australian live sheep exports - Economic analysis of Australian live sheep and sheep meat trade, 2009.

mainly to the Gulf Cooperation Council States, which impose a 5 percent tariff on the importation of frozen and chilled sheep meat<sup>7</sup>. Money currently spent on supporting the live export industry (eg maintaining port facilities), could instead be spent on lobbying major importing countries to reduce or eliminate trade barriers, such as tariffs, subsidies and quotas, to allow the processed meat trade to flourish.

- **Undertake vigorous marketing**

The government should invest, hand in hand with industry, in more energetic marketing of Australia's boxed meat to the world, a strategy that has been successful in New Zealand, where they promote their meat as grass-fed, healthy, clean and green.

This measure would significantly spread the risk for farmers as live exports are highly concentrated and dependant on few markets.

### **3. Boost skills and educate workers**

The government, working with industry and unions, should provide assistance to help attract and train Indigenous and other meat processing workers to serve a new, strong domestic meat processing industry.

New abattoirs could offer alternative employment opportunities for local communities in the form of skilled and semi-skilled jobs. There are new jobs in a stronger domestic meat processing sector.

It has been estimated that an additional 2000 jobs could be created if Western Australian sheep were processed domestically rather than exported<sup>8</sup>.

ACIL Tasman's 2012 report estimates 107 direct and 1,300 indirect jobs could be created as a result of construction of a northern Australian abattoir.

Successful programs, such as 'Boys from the Bush', have already been established and train young indigenous workers in the meat processing industry. Creating new job opportunities in northern Australian abattoirs would remove the need for young Indigenous Australians to leave their land and travel to find employment in other parts of the country.

### **4. Smooth the transition for farmers and the meat processing sector**

The Government, working with industry, should work with farmers and investors to ensure a smooth and successful transition away from live exports.

WSPA's 2012 ACIL report notes, in relation to the shift to domestic cattle processing:

"Large extraordinary government assistance does not appear to be required...The assistance that is required is that which is routinely provided by Government. It requires reprioritisation or alignment with a coordinated strategy to develop a meat processing industry in the north of Australia, which would unlock considerable value across the whole of the economy."

There is a role for government in providing support, advice and research to ease the transition.

7 WSPA submission to the Senate Select Committee on Australia's Food Processing Sector, 2011.

8 ACIL Tasman, Australian live sheep exports – Economic analysis of Australian live sheep and sheep meat trade (2009)

For example:

- assisting in establishing services to new abattoirs (eg connection and supply of utilities, new road access)
- accelerating agricultural research and development into suitable breeds to restock farms in northern Australia best suited to local conditions.
- helping farmers adapt to a domestic slaughter market with different production system features, eg replacing income by undertaking flock restructuring to gain income from wool.
- identifying strategies to reduce production costs (eg how to more efficiently use water and energy and recover saleable meat)
- ensuring good, all weather roads.

Transport of stock to new abattoirs in northern NSW is an issue for producers but it is by no means insurmountable. There is already a huge movement of stock out of the Northern Territory and Western Australia to coastal ports to serve the live export industry, even in the monsoon season<sup>9</sup>.

The recent investment by the federal government's Nation Building Program in road upgrades in northern Australia will assist with addressing transport concerns, although attention may need to be given to assisting with the provision of slip roads and access roads.

## **5. Establish teams to drive reform within government**

Establish new divisions within the Department of Agriculture, Fisheries and Forestry and Austrade responsible for growing domestic processing and building meat markets overseas and set up an independent Office of Animal Welfare.

The Minister for Agriculture Mr Joe Ludwig needs to show leadership, a commitment to cultural change within his Department and to drive reform to achieve growth in Australia's meat processing sector as an alternative to live exports. Austrade must play a key role in promoting boxed meat overseas. Animal welfare also deserves additional attention through the creation of a separate agency:

- **Establish new divisions within the Department of Agriculture and Austrade responsible for growing domestic processing and marketing Australian meat overseas**

Stimulating the Australian meat processing industry, building meat export markets and developing new ones requires dedicated resources and a reorientation in the direction the Department of Agriculture and Austrade. Minister Ludwig needs to show leadership, a commitment to culture change within his Department and to drive reform by establishing a new division with responsibility for this task. Austrade will also play a key role.

- **Establish an independent Office of Animal Welfare**

The ALP's policy platform calls for the creation of an independent Office of Animal Welfare, as exists in the UK. This measure is long overdue. A dedicated office would be more effective in overseeing animal welfare as the Department of Agriculture is conflicted in carrying out its dual roles of promoting farming and protecting animal welfare.

<sup>9</sup> Statistics (ABS) on the LiveCorp website shown between Nov-Feb the following numbers of cattle were exported from the NT and WA: 176,585 (07/08), 186,504 (08/09), 237,277 (09/10), 198,613 (10/11), 176,880 (11/12). To provide context, a large meat processing facility similar to QLD's Oakey Abattoir P/L employs 750 Australians and requires approx 90,000 head of stock to keep it fully busy for a four month period.