



## **National Farmers' Federation**

### **Submission to the Federal Government Review of Exporter Supply Chain Assurance System (ESCAS)**

16 July 2014

NFF Member Organisations



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## 1. Introduction

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The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Federal Government Review of Exporter Supply Chain Assurance System (ESCAS).

The NFF was established in 1979 as the peak national body representing Australian farmers. The NFF now represents a broad cross section of the agriculture sector across Australia, encompassing the breadth and the length of today's supply chain. The NFF's membership comprises all of Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations collectively form the NFF.

For 35 years, the NFF has engaged in the identification, development and achievement of policy outcomes affecting Australian agriculture. The NFF exists as the single, united voice for the agricultural sector, providing high level advice and guidance on issues of critical importance to the sector.

The NFF supports the joint industry submission made by its member organisations, Australian Live Export Council (ALEC), Cattle Council of Australia and the Sheepmeat Council of Australia and suggests that the joint submission be the primary source for detailed information on this issue. The NFF seeks to reinforce within this submission some of the key principles raised in the industry submission regarding the ESCAS framework, that impact Australian producers and indeed rural communities and provide suggestions to the review to further improve the ESCAS framework.

## 2. The Principles of ESCAS

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Australia's livestock export industry is an important part of the Australian agricultural sector and a significant contributor to red meat supply requirements around the globe. The trade has been, and will continue to be a fundamental pillar of producer and rural prosperity in Australia, providing an economically powerful alternative market to domestic processing, the effects of which, particularly on farm gate returns, benefit producers Australia wide.

The Australian livestock export industry seeks to be the world leader in animal welfare practices in the livestock export trade. Since 2011, the industry has significantly increased and accelerated efforts to ensure the humane treatment of livestock in export supply chains. The NFF recognise that while industry was investing in welfare improvements prior to 2011, the pace of change was significantly out of step with community expectations.

Appropriate policy and regulatory settings are critical to the future of the livestock export trade and the thousands of producers who depend on it for their livelihood. The NFF is supportive of ESCAS as a system for delivering welfare assurance along the livestock export supply chain.

As the Government anticipated in its response to the 2011 *Review into Australia's Livestock Export Trade* (the Farmer Review), the extension of ESCAS to all markets and

related regulatory changes resulted in a significant change to the regulatory framework for the export of livestock and also a substantial improvement in assurance around the treatment of Australian animals. The legacy of that decision is the four pillars of welfare assurance – traceability, control, international animal welfare standards and independent auditing. Those pillars underpin animal welfare as the backbone of the Australian livestock export trade as generational change in attitudes and behaviours towards animals take hold in our destination markets. It also provides a rallying point for improvements in the livestock export trade globally.

### **3. Challenges for Producers within Exporter Supply Chain Assurance System**

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There is no question that ESCAS has brought animal welfare to the fore in Australia's live export markets. Where Australian livestock were previously exposed to extensive sales and distribution networks, ESCAS significantly tightened the options and in some cases, trade has halted due to issues concerning sovereignty and as well as incompatibility of ESCAS control requirements with traditional marketing systems in some importing countries. There have been wide ranging effects upon trade, with some importing countries experiencing very few changes to existing systems and others effectively ceasing imports of Australian livestock altogether.

Australia is the only livestock exporting nation which regulates animal welfare standards throughout the entire supply chain, right through to the point of slaughter in overseas markets. Of more than 100 countries exporting livestock around the world, Australia is also the only country investing in delivering animal welfare skills to people working in the livestock supply chains. ESCAS is an essential element of Australia's commitment to improving animal welfare performance.

The Australian industry is acutely aware that the sustainability of the livestock export trade is dependent on assurances of animal welfare outcomes, transparency of systems and accountability of individual exporters. The livestock industry accept this in the face of increasing pressures from international competitiveness from other livestock nations and from being the most heavily regulated livestock export industry in the world. With the possible exception of the uranium industry, in no other export market has extra territorial regulatory framework been implemented.

Australian livestock exporters are required to meet significant financial and administrative costs associated with complying with ESCAS that are imposed by the industry regulator, the Department of Agriculture. The export charges have increased substantially in recent years as a result of an increase in the Department's corporate overheads and the removal of a 40% rebate in 2009. ESCAS regulations are unique amongst global livestock export supply chains and have introduced a wide range of responsibilities and obligations on exporters.

The NFF believes that the regulatory imposts on producers involved with ESCAS can be reduced. The Government has an opportunity to reduce regulatory inefficiencies caused through the prescriptive and bureaucratic approach to ESCAS administration, unnecessary red-tape not supporting improved animal welfare outcomes, and a lack of consistency, transparency and predictability in regulatory decision-making. It is not unexpected that early in the stages of a new regulatory regime that an overly prescriptive and bureaucratic

approach has been taken. There is now better understanding of the sources of risk to animal welfare and where ESCAS imposes requirements that do nothing, but in fact add costs and constraints in the management of supply chains.

Changes are needed to the administration of ESCAS to ensure the regulator and industry can focus on outcomes, allocate resources according to risk, ensure animal welfare incidents are ‘as low as reasonably practicable’, and strive for efficiency and consistency in administration. The NFF believes that targeted and structured regulatory reforms to ESCAS are essential. The direct costs associated with the Department of Agriculture’s charges for delivering ESCAS services and administration are now too high and are affecting the industry’s competitiveness. It is incumbent on the Government to work to reduce these charges through a review of the Department’s cost structures and business systems, a shift to a more risk-based view of compliance activity and an appropriate sharing of costs with the broader community in recognition of the public goods delivered through ESCAS.

The fact remains, that exporters have sacrificed market opportunities for sustainability in order to deliver improved welfare outcomes and meet the expectations of the Australian public.

#### **4. The Benefits of the Exporter Supply Chain Assurance System Framework**

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The introduction of ESCAS has supported the sustainability of the livestock export trade by in part demonstrating the management and oversight of humane treatment, handling and slaughter of Australian livestock through to the point of slaughter. Australia invests more funds per head in animal welfare than any other country. ESCAS has further lifted our reputation in this global trade.

The establishment of ESCAS allows for animal welfare incidents to be managed on a supply chain basis by identifying, isolating and fixing the issue without affecting other supply chains or the broader trade. The prescriptive approach of ESCAS has allowed – as an implementation phase – for greater controls and risk management given the need for regulators, exporters and our trading partners to develop robust systems and given a higher probability of incidents arising as new practices are worked through in export markets.

ESCAS provides a mechanism through which to avoid suspension of trade. This is not only good for the industry, but important to Australia’s reputation as a reliable trading partner. It is also good for Government as a repeat of a suspension of trade as seen for Indonesia in 2011 is likely to result in further calls for Government assistance and lead to animal welfare concerns to animals in Australia without a ready market.

It is only through the commitment and investment of Australia’s exporters, importers and importing country governments that these changes have been possible under ESCAS. In the absence of well-regulated trade from Australia, there would be an increased risk of poor animal welfare outcomes with imports coming from countries with lower standards.

Suspension of the trade has the potential to inflict not only uncertainty and hardship on producers and on livestock exporters, but also raise questions with Australia's key trading partners about our reliability as a food supplier. The basis for ESCAS is to provide assurance at individual supply chain level. This is appropriate and supports the sustainability of the trade. Industry accepts the additional regulation that ESCAS has brought to bear on the basis there is now greater certainty than in the past that if failures in supply chain controls are identified there will not be a move to suspend the entire trade.

## **5. Impacts on Market Access and the Exporter Supply Chain Assurance System**

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Implementing ESCAS since its first introduction in Indonesia in 2011 has required strong commercial and government-to-government relationships. The significant variation in conditions between markets and between supply chains within the same country has meant different experiences in implementing ESCAS. Also, the arrangements put in place for Indonesia have not been able to be seamlessly transferrable in all markets and for other species.

While ESCAS has frustrated some markets for its imposition on their sovereignty and their own practices, this is not unusual for under any commercial or regulatory arrangement where post-sale conditions are imposed. Whereas in some markets, ESCAS has provided governments with the means to promote their expectations for animal welfare improvements, in others there has been greater resistance, especially where welfare standards are already considered to be equivalent.

In some cases, ESCAS remains incompatible with traditional livestock sales and distribution systems, particularly Saudi Arabia where there has been significant resistance to it from industry and government.

ESCAS has significantly tightened the options and in some cases, trade has halted due to issues concerning sovereignty and as well as incompatibility of ESCAS control requirements with traditional marketing systems. A consequence of moving away from supply chains that do not meet ESCAS requirements means Australia will no longer be lifting performance through its in-market support and commercial practices. ESCAS requirements have also restricted the size and scope of supply chains and locked out many smaller facilities that previously operated successfully.

## **6. Conclusion**

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Industry is confident the Government can have a vision for a livestock export trade that is known as professional and legitimate, delivering jobs and prosperity to Australia, with a strong future based on a reputation of reliability and consistent quality to our trading partners, while meeting the legitimate animal welfare concerns of the Australian community. Doing so requires strong industry and government partnership in market access and continuous improvement in the regulatory framework.

ESCAS has reduced our competitiveness in markets. As a result, the livestock export industry has made sacrifices to pursue improvements in animal welfare including

prioritisation of investment in infrastructure, training and support in-market to improve attitudes and behaviour towards animals. Where there is opportunity to do so without compromising the principles of ESCAS – principles embraced by industry – Government should look to ensure the current regulatory framework is delivered as efficiently and cost effectively as possible.

The livestock export industry continues to be an integral sales option for Australian livestock producers and an important contributor to the diversity and success of regional economies.

