



11 December 2014

Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee (RRATRC)
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

RE: Inquiry into industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector

The Australian Livestock Exporters' Council (ALEC) appreciates the opportunity to submit this response to the RRATRC's Inquiry into Industry Structures and Systems Governing the Imposition of and Disbursement of Marketing and Research and Development (R&D) Levies in the Agricultural Sector.

In response to this Inquiry, ALEC notes that:

- The livestock export industry is an integral part of global food value chains, bringing added prosperity to Australian livestock producers
- LiveCorp and MLA continue to have the support and confidence of livestock exporters to invest the levy collected from livestock exports
- Statutory levies address market failure and are critical to the livestock export industry's capacity to fund RD&E activities that support sustainability, competitiveness, growth, innovation and address industry risk factors
- The industry has comprehensive processes in place to engage with levy payers to determine how levy funds should be applied. These processes also include levy payers being able to reconsider levy rates, as required and direct where the levy dollars should be invested. The livestock export industry exemplifies how strong stakeholder engagement can work regarding industry levies.
- As an 'industry owned company' LiveCorp (as the prescribed R&D organisation for livestock exports) only receives the funds collected from industry, but has the same extensive negotiation and reporting requirements as an organisation that receives Government matching funds. This could be viewed as 'red tape' overreach.
- The industry has been the subject of numerous reviews, either directly or indirectly, over recent years – many of which have some relevance to the industry levy arrangements. While recognising the benefits stemming from these reviews in terms of greater efficiencies and maintaining acceptance of the industry by the broader community, industry is suffering from 'review fatigue'. This is being compounded by the fact that review outcomes usually add cost to the industry.



ALEC would welcome the opportunity to elaborate on our submission at any public hearing of the Committee.

Yours sincerely

Alison Penfold
CEO
Australian Livestock Exporters' Council



Submission to the Rural and Regional Affairs and Transport References Committee

Inquiry into Industry Structures and Systems Governing the Imposition of and Disbursement of Marketing and Research and Development (R&D) Levies in the Agricultural Sector

November 2014

About the Australian Livestock Exporters' Council

The Australian Livestock Exporters' Council (ALEC) is the peak industry body representing the livestock export sector. In 1998, ALEC's role as an industry body was prescribed under the Australian Meat and Live-stock Industry Act 1997. ALEC is also recognised as the livestock export sector's peak industry body in the LiveCorp Constitution.

ALEC is responsible for setting industry policy, providing strategic direction and representing its members at all levels. Our mission is to lead the development and growth of the sector through an improvement to the livestock export business environment; promote professional excellence and secure our standing with the Australian public and our customers.

ALEC Members include livestock exporters licensed by the Australian Government, who export (by sea and air) feeder, slaughter and breeder sheep, cattle (including dairy), goats, buffalo and camelids. Our members account for more than 95% of Australia's annual livestock exports. The Council's membership also extends to supply chain participants including producers, registered premise operators, ship owners and other suppliers to the trade. State-based exporter associations from WA, NT, South Australia, Victoria, Queensland and New South Wales are also members of ALEC.

ALEC plays an active role in promoting the interests of the livestock export sector including industry's investment in improving animal welfare, encouraging the adoption of best practice across the industry and advising members on challenges and changes to the operating environment.

Introduction

Australia seeks to be the world leader in the export of live feeder/slaughter, breeder and dairy cattle, sheep and goats. Exporters have different scales of investment in the export task – from significant vertical integration with hundreds of millions invested in supply chains, to smaller family owned or partnership niche market operations.

Since 2011, exporters have taken a supply chain approach to this task, accepting responsibility for livestock to the point of slaughter despite legal ownership having transferred at the port. While essentially a food and logistics industry, the health and welfare of livestock in industry's care has increasingly become core to our activities from a commercial and 'social license' perspective.

Since 2011, we have significantly increased and accelerated our efforts to deliver humane treatment of livestock in export supply chains, whilst attempting to remain commercially competitive in markets to capture opportunities for Australian livestock exporters and producers.

The Australian industry is acutely aware that the sustainability of the livestock export trade is dependent on assurances of animal welfare outcomes, transparency of our systems and accountability of individual exporters. We accept this in the face of increasing pressures to our international competitiveness from other livestock nations and as the most heavily regulated livestock export industry in the world.

Australia is a major, and in some cases the sole supplier of livestock to particular overseas markets. A number of countries do not have the resources to produce enough livestock to feed their population and as a result they rely heavily on Australian livestock for their food security and in some cases social harmony (Farmer, 2011). From this perspective, the Australian livestock export sector is an integral part of global food value chains.

The live export industry is an important component of the Australian agricultural sector and contributes an average of \$1 billion in export earnings annually to the Australian economy. The industry also employs approximately 13,000 people, mainly in regional and rural Australia and provides significant employment opportunities to indigenous people across northern Australia.

The importance of the live export industry to regional communities is amplified in northern and western regions of Australia where livestock production has been transformed to meet the requirements of south-east Asian and Middle Eastern markets. For many producers in these areas the industry is the only or significant source of income and they supply the majority of live animals for export (approximately 75% of sheep from Western Australia and 80% of cattle from Northern Australia). There are increasing opportunities for southern producers to provide livestock for the export trade with the development of the Russian breeder and slaughter market and the likely access to China once a health protocol is finalised. That said, the trade helps underpin livestock prices domestically and significant economic analysis has demonstrated that in the absence of a live trade, prices to producers on average would fall.

Research, development and extension are fundamental activities to a sustainable livestock export trade that has world best practice aspirations.

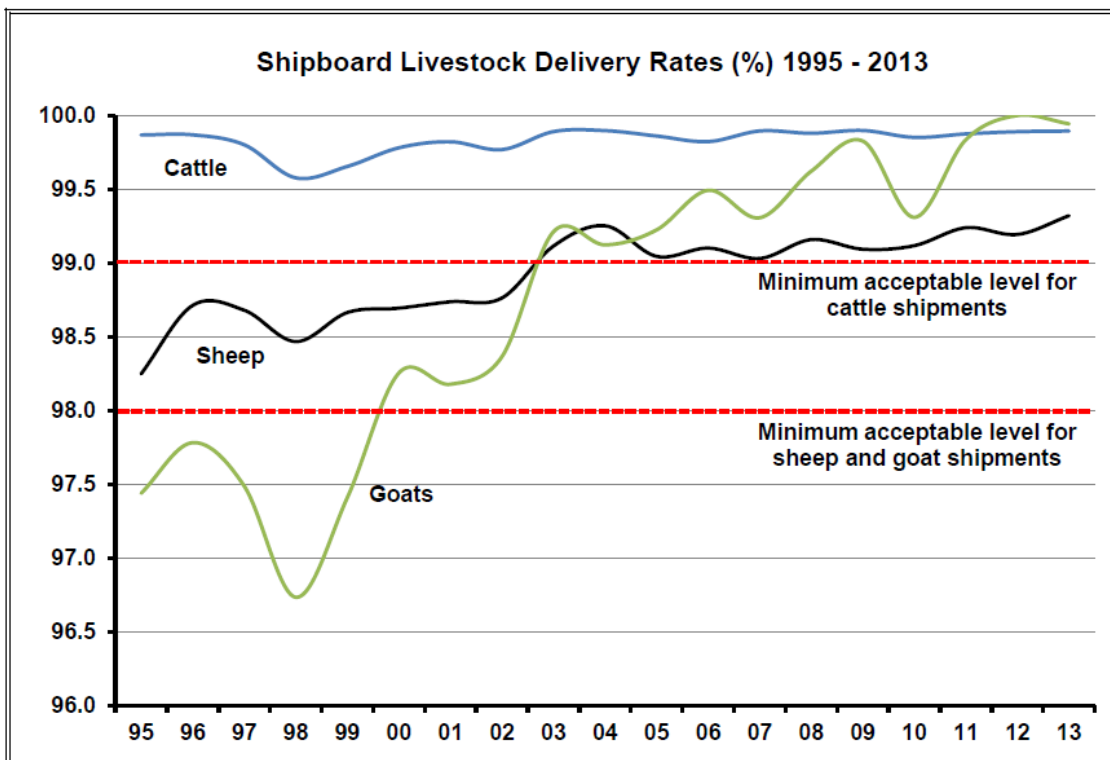
LiveCorp is the vehicle for livestock exporters through which their compulsory and voluntary (dairy cattle exports) levy funds are invested. As the industry's service delivery body, LiveCorp receives the statutory levy funds and directs them to the areas of strategic and practical importance to exporters. This work extends to the strong partnership with livestock producers (through Meat and Livestock Australia's investment in the Live Export Program (LEP)) to drive efficiencies, enhance productivity and profitability, deliver improved social and environmental outcomes and continue to make animal welfare improvements across the entire supply chain

Such investment is made possible by the collection of compulsory levies on the export of livestock. The continued industry support for the compulsory levies and the work of LiveCorp and MLA is based on a number of factors including:

- The significant level of ‘market failure’ in relation to RD&E investment in the absence of a coordinated industry led program
- The quality of the RD&E outputs including ease of commercialisation and implementation in business settings
- The industry performance improvements derived from levy investments and the adoption of RD&E
- The level of engagement by industry service bodies with exporters and the wider supply chain to ensure expenditure is targeted on priority areas including industry risk factors
- The level of transparency and accountability by industry service bodies in levy expenditure; and
- The calibre and commitment of staff and researchers attracted to work for the industry as a result of a certain and reliable levy stream

ALEC notes that a significant component of the industry levy collected from live exporters is applied to the betterment of animal welfare within Australia and overseas along export supply chains. For example, levies invested in research to improve onboard livestock management has significantly reduced livestock mortalities as can be seen from the graph below. Investment in research and development in this area continues as exporters drive for zero harm.

Table 1: Shipboard Livestock Delivery Rates (%) 1995 - 2003 (Source: LiveCorp)



One of the major criticisms of the industry is in the poor welfare outcomes associated with handling and slaughter practices in overseas markets. The world is still challenged by the extent of cruel animal welfare practices, more oft than not based on ignorance of better handling methods and simple lack of skills, materials and modern infrastructure. The Australian livestock export trade has

had to confront these practices and is challenged publicly because of them. While industry had been focused on improving welfare practices in the trade prior to the public exposé of 2011 and had been investing levy funds to do so for many years, it did not have the means (supply chain welfare assurance) nor the ‘line of sight’ to make necessary improvements at the pace and scale expected by the Australian community. The introduction of the Exporter Supply Chain Assurance System (ESCAS) has transformed industry’s capacity to deliver humane treatment of exported livestock and has affected a transformation in welfare practices never before seen in the livestock trade.

Improving animal welfare is a hands on job. It requires hours and days with workers in export facilities to change attitudes and behaviours; knowledge and skills. While some in the community argue that animal welfare can be best affected through legislation and standard setting or persecution and punishment, live exporters also see significant extra value in investing in people – through training and giving them the ability to improve the care and handling of livestock. A significant proportion of levy funds has been spent on training in market, reflecting our own acceptance of responsibility for animal welfare and our belief in our abilities to affect significant and lasting change in the welfare space internationally.

This investment in animal welfare is widely recognised. For example, the Head of International Trade at the World Organisation for Animal Health and Welfare (OIE) in his address at the 2013 LIVEXchange Conference said,

“Industry’s investments in improving implementation of OIE animal welfare standards and taking those improvements internationally to the rest of the world has the OIE’s full and unequivocal support.”

The ‘spillover’ benefits of industry investment also extend to meeting public expectations of animal welfare, reinforcing the ‘public good’ aspect of our work and the need for continued government contribution to R&D funding.

From this perspective, ALEC acknowledges the close working partnership the industry has with livestock producers, strategically through the Cattle Council of Australia, Sheepmeat Council of Australia and the Goat Industry Council of Australia who each provide strong support and guidance to the LEP in the design and delivery of industry programs that benefit all participants in live export supply chains as well as access to matching Government funds for industry levies.

Response to Terms of Reference

(a) an audit of reports, inquiries and reviews relevant to this inquiry

The Australian livestock export industry has been the subject, either directly or indirectly, of an extraordinary number of reviews over the last eleven years – all of which have some relevance to the industry levy arrangements. These reviews include, but are not limited to:

Title	Date
Livestock Export Review (Keniry Review)	Dec 2003
One Biosecurity – A Working Partnership (Beale Review)	Sept 2008
RRATRC review into the management of removal of fee rebate for AQIS export certification functions	Aug 2009
RRATRC inquiry in biosecurity and quarantine arrangements	July 2010
Independent Review of Australia’s Livestock Export Trade (Farmer Review)	Aug 2011

Industry Government Working Group on live cattle exports	Aug 2011
Industry Government Working Group on live sheep and goat exports	Aug 2011
An assessment of the ongoing appropriateness of Mark I and IV restraint boxes	Aug 2011
Senate Inquiry into animal welfare standards in live export markets	July 2012
Review of Australian Government cost recovery guidelines	Aug 2012
Review of the Inspection Regime Prior to Export of Livestock from Fremantle Port	Mar 2013
Review of the Australian Standards for the Export of Livestock and the Livestock Export Standards Advisory Group	May 2013
Review of modified and copy Mark IV type restraint boxes	July 2013
RRATRC review of Industry structures and systems governing levies on grassfed cattle	Sept 2014

In the context of the scope of this inquiry, the key issues from these reports include:

- The Keniry Review (2003) recommended (Recommendation 6) that there must be a continuation of the current industry investment in rigorous research and development programs on the suitability of different types of livestock for export. This supported the ongoing investment of industry levies into R&D, particularly addressing animal welfare.
- The Beale Review (2008) recommended (Recommendation 79) that export certification functions should return to 100 per cent cost recovery as scheduled at the beginning of July 2009. Prior to this, there was a 40% subsidy on the cost of certification. The removal of the 40% subsidy equated to a 66% increase in the cost of export certification. There are a number of issues relevant to this decision:
 - Cost recovery was applied on all activities undertaken by the Department of Agriculture relevant to livestock export, whether or not they related to export certification.
 - The outcome of this process is that the livestock export industry now pays to be regulated, not just for export certification.
 - The Government conveniently ignored the next recommendation in the Beale Review, that the Government should enhance Budget funding for activities which support biosecurity-related technical market access for Australian exporters. This was recognised as a 'public good' but is currently being funded by the industry.
- The Farmer Review (2011) identified the need for ongoing development of industry practices and procedures, establishment of new and improved practices (including in destination markets), closer alignment with international standards and increased training requirements. All these activities are funded through industry levy arrangements.
- The Industry Government Working Groups on cattle, sheep and goats (2011) proposed new regulatory arrangements consistent with the Farmer Review and the orderly role out of these arrangements across all markets. This required a regulatory response, but also required significant resourcing from industry – funded from levies. The subsequent Senate review in July 2012 reaffirmed the need for ongoing investment in markets to continue delivery of good animal welfare outcomes.
- The ALEC submission to the Australian Government's review of cost recovery guidelines identified that the profitability of the industry is under significant pressure from the high and

increasing costs being recovered by Government for export certification and other regulatory activities. For example, in 2010/11, total overhead costs increased by 113%.

- ALEC provided a submission and appeared before the RRATRC review of Industry structures and systems governing levies on grass-fed cattle. The views expressed by ALEC in that inquiry remain valid. In our view the current structure and system has been responsive to the needs of livestock export industry participants. Our support extends to the Red Meat Advisory Council (RMAC) which provides for each sector of the red meat industry to interact at a high level and engage on important issues. This is essential for the ongoing well-being of the industry and delivers an industry unity that would be lost if RMAC were removed.

(b) the basis on which levies are imposed, collected and used

In mid-2005, livestock exporters agreed to move from a voluntary to a statutory levy on livestock exports. This decision came off the back of extensive consultation with exporters over a period of several years.

The move to a statutory levy was rooted in ensuring a reliable funding base for industry research, development and marketing activities. The voluntary levy approach while successful in the early years, had led to significant free riding and under or non-payment in later years, undermining the capacity of LiveCorp to undertake long term RD&E work and planning. In an industry determined to pursue continual improvement of its practices, the uncertainty caused by the voluntary levy impeded, to a certain extent, the research and extension effort.

The level of support within the industry for compulsory levies is such that exporters are now working through the process of moving the voluntary levy on dairy heifer exports to a statutory levy. Currently, exporters of dairy cattle pay a voluntary levy to LiveCorp at a rate of \$3 per head. This however is significantly under-collected (55%) and the current funding level is insufficient to provide the range of activities necessary to support the growing trade in dairy livestock.

The statutory levy on exported livestock is collected as an export charge imposed under the *Primary Industries (Customs) Charges Act 1999* and the *Primary Industries Levies and Charges Collection Act 1991*. Levy is payable on cattle (excluding dairy cattle), sheep (including lambs) and goats at a rate expressed in Table 2.

Table 2: Levy rate for exported cattle, sheep and goats

Levy	Active Rate	Unit	Marketing	Marketing Body	R&D	R&D Body
Cattle Exporters Charge	0.9523	cents/kg	0.7936	LiveCorp	0.1587	LiveCorp
Livestock Exporters - sheep	60	cents/head	50	LiveCorp	10	LiveCorp
Livestock Exporters - goats	50	cents/head	40	LiveCorp	10	LiveCorp

The process of calculation and payment of the levy is by exporters ‘self-assessing’ their liability and make a corresponding payment. There is no responsibility by the Department of Agriculture to invoice exporters. However, the Department conducts a program of random and targeted audits, based on risk profile, to verify that the appropriate amount of levy has been paid.

Under the legislation, the ‘producer’ is responsible for the paying the export charge where the definition of a ‘producer’ is the person who owns the livestock at the point of export. In most cases this is the exporter. However, if the exporter is using an agent, the agent is responsible for paying

the levies on the exporters' behalf. The agent can then recover these costs from the exporter, that is, the 'producer'.

Once an exporter/agent pays levies, they become recognised by the Department as a producer (levy payer). Payments are made monthly and due 28 days after the end of the month that an export shipment occurred and if a levy payer fails to make a payment, an automatic reminder is sent out by the Department.

Levies are collected by the Department of Agriculture's Levies Collection Unit (who deduct a cost recovery charge, estimated to be \$50,000 this fiscal year), who pass these levies onto LiveCorp, as governed by the Statutory Funding Agreement between the Department of Agriculture and LiveCorp. LiveCorp applies levy funding in three ways:

1. industry-specific activities fully funded from exporter levies;
2. activities that benefit both producers and exporters (and usually other supply chain participants and the broader community), funded from producer and exporter levies;
3. R&D activities that benefit both producers and exporters (and usually other supply chain participants and the broader community), funded from producer and exporter levies and matching government funds through MLA.

ALEC notes that, as an 'Industry Owned Company', LiveCorp only receives the funds collected under legislation from the industry. LiveCorp does not receive any 'matching' funds from the Government. The only Government funds received by LiveCorp are through its strong partnership with MLA, for R&D that benefits the broader livestock sector.

ALEC supports the legislative underpinning of the levy collection process, which provides certainty to the process. However, ALEC has concerns in relation to the following:

1. The high transaction cost of the Government levy collection processes. In 2014-15, The Department of Agriculture has estimated the cost of livestock export levies at \$49,226.01. This includes a significant overhead cost relating to the costs of running the Department. ALEC accepts that the Department incurs overhead costs but rejects that industry should be entirely burdened with the full cost.
2. The high cost of compliance and reporting against the Statutory Funding Agreement (SFA) and Government processes because industry spends funds collected by Government from industry. The elaborate reporting against the SFA places a significant 'red tape' burden on a relatively small organisation with limited resources.

(c) competing pressures for finite R&D funds

The livestock export industry has an expansive research agenda based on four strategic themes of:-

- Animal health and welfare
- Supply chain efficiency and regulatory performance
- Market access and trade development
- Industry communications

Investment in RD&E around livestock exporting is not internationally consistent or widespread. Indeed, the Australian livestock export industry has often gone it alone in this space and stood out from the crowd of over 100 other livestock export nations in seeking to increase its knowledge base, particularly around animal welfare, and improving its infrastructure and practices through RD&E. The livestock export industry, unlike other agricultural counterparts, has not had a pool of internationally generated research from which to draw. The reality is, that Australia has had to

identify, generate and harvest the research necessary to make improvements and to meet its commercial and social license objectives.

For a relatively modest industry, the size of the research task and funding base, it has delivered an exceptional range of RD&E and succeeded in supporting exporter objectives. It is ALEC's view that investments across RD&E have been soundly based and the adoption of the R&D outputs have assisted in industry improvements.

ALEC is committed to see ongoing RD&E attuned to dealing with industry risk factors. However, the dilemma is that industry-funded research that is initiated, scoped and overseen by industry on topics industry selects is not trusted by external critics and may be seen to lack the necessary credibility as a demonstration publicly of resolving the risks.

There is likely to be a difference between what the industry thinks is acceptable in animal welfare terms and what the animal welfare community think is acceptable. When coming to a conclusion about where to focus attention, it is valuable to also take into account welfarist and activists views as they have a different perspective which the public and policy makers will pay attention to.

If the industry is to adopt an objective of achieving and demonstrating best practice, and engaging with its stakeholders, welfarist and activist communities, then this agenda must be supported by an aligned and responsive research strategy. The strategy will need to be guided by the issues and questions that populate the debate amongst welfarists and activists, and also the research will need to monitor and track the indicators that the industry will measure progress against. This desired approach has been more actively taken up by ALEC with LiveCorp and the LEP in recent times and is a work in progress.

ALEC also has placed increasing importance on the research program as a fundamental part of industry's capacity to meet community expectations about the trade's commitment to welfare improvement. The reasons for this are similarly outlined above and ALEC's role in achieving the desired outcome is acute.

Within the live trade we are fortunate to have less than 100 licenced exporters, with over 90% of exports being exported by less than ten exporters, making the industry responsive and flexible to the strategic and practical needs of industry. This also allows for efficient consultation processes with exporters, resulting in a high level of engagement with industry in defining priorities and setting directions and ultimately RD&E expenditure. Managing competing pressures for the finite R&D resources is possible in this context.

The total combined LEP expenditure for 2013/14 is \$8.3 million with approximately 60% of funds directed towards animal health and welfare projects. This allocation reflects industry's prioritisation of animal welfare and recognition that its performance in this space requires improvement.

(d) the opportunities levy payers have to influence the investment of the levies

The investment decisions regarding livestock export levies are made annually, as reflected in the LiveCorp Annual Operating Plan (AOP). An exporter meeting is held in October each year to commence planning for investments in the following fiscal year.

A second exporter meeting is held in the following April to review, finalise and endorse plans developed from the previous October meeting and any subsequent engagement. All levy payers are eligible to attend these meetings. Additionally, the LiveCorp and LEP teams are actively engaging with exporters on relevant priorities to ensure that the program remains responsive at all times.

The development of the AOP takes into account the:

- Industry strategic and current needs
- Australian Government Strategic Research Priorities

- Australian Government Research and Development priorities

By way of recent example, the 2014/15 AOP invested additional resources in in-market support in the South East Asia region. This reflected the significant growth in exports to the market and a call from exporters to provide increased welfare training and other technical support to supply chains in this region.

Equally, industry's increased focus on its social license has seen investment in several important R&D projects to develop indicators of animal welfare along the live export supply chain and benchmarking the standards and performance of the trade against our competitors.

LiveCorp and the LEP also address the ALEC Board at each meeting and regularly attend other ad hoc ALEC Member meetings, workshops and forums. This provides further opportunity to engage and exchange exporter views on levy expenditure in real time.

In terms of specific R&D project identification and management, the industry has established two committees. The first is the R&D Management Committee, whose role is to:

- Approve all project Terms of Reference and/or project applications
- Approve contract schedules
- Classify projects as confidential or non-confidential, seek advice from LERDAC and project consultative committee (if applicable) and approve the release of information for confidential projects
- Approve final project reports
- Approve the RD&E budget

The R&D Management Committee is made up of:

- LiveCorp CEO
- MLA Live Export Manager
- MLA Animal Health and Welfare Manager
- MLA R&D Manager
- LiveCorp Industry Capability Manager
- Chairman of the Live Export R&D Advisory Committee

The second committee is the Livestock Export R&D Advisory Committee (LERDAC) who provides advice to the Management Committee on:

- The strategic direction and principal components of the Program
- Project Terms of Reference
- The need for a project consultative committee
- RD&E funding and expenditure
- Project approvals and;
- Communication of results to industry

LERDAC is comprised of the following members:

- Four livestock exporters nominated by ALEC
- Beef producer nominated by Cattle Council of Australia

- Sheep producer nominated by Sheepmeat Council of Australia
- Beef producer nominated by the Northern Beef industry
- LiveShip representative nominated by LiveShip
- LiveCorp nominee
- MLA nominee
- MLA Animal Health and Welfare Manager
- MLA R&D Manager
- Independent technical advisor

Where levies are invested in in-market activities (for example animal welfare training, gap analysis, etc.), there is very direct engagement with exporters and market personnel on an ongoing basis. This is critical to ensuring that any training or advice delivered meets the circumstances and skill levels of participants and/or the needs of the particular facility. In this sense, exporters direct the levy expenditure in real time and can see the benefits of that investment within a short timeframe through improved handling and slaughter practices in feedlots and abattoirs and other critical control points along the supply chain.

(e) the opportunities levy payers have to approve and reapprove the imposition of levies

The levy imposition and rate is agreed by levy payers at a General Meeting of LiveCorp. Once agreed, the levy is endorsed through polling of all levy payers, consistent with legislative requirements. Once the levy rate is set, it continues until it is changed by agreement of the levy payers. A change to the levy can be initiated by any levy payer usually through a LiveCorp General Meeting, as prescribed in the LiveCorp Constitution.

LiveCorp has proved very responsive to exporters on levy expenditure. In more recent times, LiveCorp reduced the size of its Board and streamlined corporate operations to maximise available levy fund for investment in RD&E activities. While this is not directly related to the approval and reapproval of levies, it points to an organisation listening to its levy payers and responding accordingly.

(f) the transformation of R&D and marketing into increased returns at the farm gate, including the effectiveness of extension systems

The contribution and investment of producer levies in the LEP reflects the important economic role played by the livestock export industry in increasing returns to producers at the farm gate.

In 2011, the Centre for International Economics (CIE) completed an independent assessment of the value of Australia's livestock export industry. The CIE analysed the potential changes to market outputs, such as the price and quantity of livestock, should the live trade be closed. The analysis also looked at the impacts of this across Australia's entire livestock industry.

This report found that in the absence of a livestock export trade, Australian producers would be impacted significantly and negatively, stating that 'without live exports farm gate returns would be lower because of the lower demand for livestock and higher transport costs involved in transporting animals to alternative markets'¹. Specifically:

1. On average, the livestock export trade significantly increases livestock prices across the Australian red meat industry and in the absence of the livestock trade;

¹ The Centre for International Economics, *The contribution of the Australian live export industry*, 2011

- the saleyard price of grass fed cattle would be 4% or 7.8 cents per kilogram lower, and
 - the saleyard price for the sheep industry would also be lower, with a drop of 7.6% or 12 cents per kilogram for lambs and 17.6% or 14.6 cents per kilogram for older sheep
2. The live trade contributes significantly on a Gross Value of Production basis to farm level industries and in the absence of the livestock trade,
- Farm level income would drop by \$47 million or 3.1% in the cattle industry and \$64 million or 12% in the sheep industry.

The report noted that while goats contribute significantly to the livestock export industry, as they are harvested from rangeland systems it is unlikely that in the absence of the trade, increased numbers would be diverted into the domestic processing system. A net benefit of the live trade in goats is improved environmental management of rangeland systems.

In March 2014, Australian Wool Innovation Limited (AWI) commissioned the Centre for International Economics to undertake a research report considering the economic contribution of the livestock export industry, this time with a specific focus on Australia’s wool industry. The report was developed to determine the impact of the trade on woolgrowers and was calculated by comparing 2011/12 market outcomes, such as production and price, with the outcomes that would have been realised in the absence of the livestock export trade.

Similarly to the findings of the 2011 report, the report found that:

1. The livestock export trade, significantly impacts the saleyard prices across Australia
 - In the absence of the trade, saleyard prices would decrease by \$4.07 per head or 4.5% for lambs and \$13.20 per head or 24.4% for older sheep i.e. prices for sheep would have been between \$4 - \$13 lower than observed in 2011-12 if the livestock export trade was closed.²

Translating this important economic role is done through a supply chain approach to RD&E and the inclusion of producer representatives on the industry’s important LERDAC Committee. In essence, a strong and viable trade – responsive to and affecting continual improvement in animal welfare, supply chain best practice and developing and/or expanding new markets – helps producers make important on farm investment decisions by providing confidence in the live trade as the main or alternative market opportunity for their livestock.

Assessing the benefits for supply chain participants (including improved health and welfare of the livestock concerned) can be seen through considering example research projects, their objectives and practical outcomes.

Project	Objective	Outcome (Intended or Delivered)
Backgrounding and feedlotting strategies to address inanition in sheep	To provide practical on-farm strategies that help sheep adjust from a pasture diet to a typical export pelletised diet	Reduced on-board mortalities
In-water antibiotic medication for the treatment of pink eye	To reduce rejection rates and improve treatment options	More livestock available for export
Development of in-market	To improve handling and	Minimise poor welfare

² The Centre for International Economics, *Contribution of live exports to the Australian Wool Industry*, 2014

practical training materials for animal welfare officers, trainers and stockpersons Production of instructional DVDs on the management and handling of Australian cattle and sheep	slaughter practices	outcomes for exported livestock Reduce regulatory and political risk Meet community expectations of industry performance
The development of a Salmonella vaccine	To reduce onboard mortality as Salmonella is a major cause of death	Improve the health of exported livestock
Development of HOTSTUFF	To determine appropriate shipboard stocking densities based on a range of factors including species, weather, length of voyage	Improved health and welfare of exported livestock on board vessels
Development of a portable App version of the Veterinary Handbook for Sheep, Cattle and Goats	To make more accessible the existing hard copy version for producers, exporters, on-board stockmen and wider production sector interests	Improved accessibility to important health and welfare information enabling faster response times to managing sick or injured stock
Development of indicators of welfare along the supply chain	To better measure and manage livestock performance from on farm preparation to point of slaughter	Identifying strengths and weaknesses in ensuring the health and welfare of exported livestock to enable better targeting of RD&E and implementation of best practice systems Demonstrate to the government and public at large that exported livestock are being well cared for and needs met

(g) collaboration on research to benefit multiple industry and research sectors

As stated, the livestock export industry collaborates on an ongoing formal basis with livestock producers, through a partnership between LiveCorp and MLA. This is primarily because issues impacting on livestock exporters also impact on livestock producers. Collaboration with MLA also allows livestock export R&D to access matching government funds. This collaboration is reflected in LiveCorp’s Annual Operating Plan.

With the growth in dairy heifer exports, ALEC sees opportunity for stronger engagement with the dairy sector and possible opportunities for closer collaboration on projects of mutual interest.

ALEC also engages with the livestock shipping industry (represented by ‘LiveShip’), the livestock airfreight industry (represented by ‘LiveAir’) as well as registered premise operators and other suppliers to the trade. Through this engagement, opportunities to undertake research that benefit multiple sectors of the livestock export supply chain are identified.

Livestock exports are highly reliant on a relatively small number of researchers with the requisite skills to deliver required research. This can be particularly challenging in terms of animal welfare as sourcing objective researchers can be difficult. Building research capacity is always considered when R&D investment decisions are being made.

A globally unique aspect of the live export industry is the requirement to ensure that the purchasers of livestock within foreign markets manage their livestock in a particular way. From this perspective, Australia's livestock export industry funds, undertakes and implements research, development and other operational activities that actually deliver benefits to those markets, as well as the broader Australian community. Since 2011, levy funds expended through the LEP have supported the training of over 7,500 workers in overseas feedlots and abattoirs in Indonesia, South East Asia and the Middle East (MENA region) to improve their understanding of Australian livestock behaviour and their skills in handling and slaughter practices.

One area of collaboration where the industry has struggled to gain collaborative traction is in working with the animal welfare community. Industry has been criticised for undertaking industry driven RD&E with the work labelled as "biased", yet there is little other relevant RD&E activity from the same critics to draw on in its place. Additionally, labelling of the industry by welfare and activist groups as "cruel", "barbaric", and "inhumane" has often found industry feeling frustrated and angry and unrecognised for its RD&E investments and the improvements that have been made in animal welfare in-market over recent times which is seen as too late and too slow by some. This mutual antagonism has not been a great breeding ground for collaboration.

Many livestock exporters believe that some in the animal welfare and activist community are exploiting the negativity about the industry from past practices and that these activists' interests are not served by acknowledging the changes the industry has made or indeed the ongoing effort to improve the handling and slaughter of exported livestock. A mature debate about the industry has room for recognising home grown RD&E in live export and acknowledging the subsequent improvements made, even if there is still ground between industry performance and the animal welfare and activist communities expectations.

In the past, industry has attempted engagement having first decided and announced its position (often internally and without consultation) and then gone into discussions with welfare and activist groups to defend it. This approach has only reinforced suspicions that the industry is self-serving, secretive and lacks honesty and trustworthiness. Moving to a more inclusive model of engagement could help to show empathy, establish shared values on animal welfare, implementation of initiatives that demonstrate industry's changed behaviours and practices, and taking steps to resolve dilemmas and communicate in different ways.

While industry is still likely to be criticised when there is an incident, if the industry is the first to notify and let the stakeholders and public know about what happened and why in a self-critical way, and can demonstrate a systematic way of addressing and resolving the issues openly, it may well build an increasingly trusted relationship where there is genuine space for collaboration on research and development.

(h) industry governance arrangements, consultation and reporting frameworks

As outlined previously, the livestock export industry undertakes comprehensive consultation with industry in terms of identifying R&D priorities. This is then 'translated' by the R&D Management Committee and the LERDAC into R&D projects. Both of these committees are answerable to the LiveCorp Board. The LiveCorp Board engages with, and reports to, the Government through the SFA.

Strategically, the ALEC Board also engages with the membership to ensure that issues and priorities of members are identified and are carried forward to LiveCorp.

ALEC is concerned that as an 'industry owned company' LiveCorp (as the prescribed R&D organisation for livestock exports) only receives the funds collected from industry, but has the same extensive negotiation and reporting requirements as an organisation that receives Government matching funds. This adds significant cost to the organisation and places an inordinate amount of red tape and bureaucracy on LiveCorp. Corporate governance and accountability of levy funds is

important but in fulfilling reporting requirements to government, should be reasonable, appropriate and not unnecessarily burdensome.

Summary

ALEC appreciates the opportunity to submit this response to the RRATRC's Inquiry into Industry Structures and Systems Governing the Imposition of and Disbursement of Marketing and Research and Development (R&D) Levies in the Agricultural Sector. From ALEC's perspective, the key issues for consideration are:

- The livestock export industry is an integral part of global food value chains, bringing added prosperity to Australian livestock producers.
- ALEC supports the compulsory collection of research, development and marketing levies on livestock exports and has confidence in LiveCorp and MLA to invest those levies wisely. There are numerous factors for this
- Compulsory levies are critical to the livestock export industry's sustainability and capacity to address a variety of challenges including animal welfare and supply chain best practice.
- The industry has comprehensive processes in place to engage with levy payers to determine how levy funds should be applied. These processes also include levy payers being able to reconsider levy rates, as required and direct where the levy dollars should be invested. The livestock export industry exemplifies how strong stakeholder engagement can work regarding industry levies.
- As an 'industry owned company' LiveCorp (as the prescribed R&D organisation for livestock exports) only receives the funds collected from industry, but has the same extensive negotiation and reporting requirements as an organisation that receives Government matching funds.
- The industry has been the subject of numerous reviews, either directly or indirectly, over recent years – all of which have some relevance to the industry levy arrangements. While recognising the benefits stemming from these reviews in terms of greater efficiencies and maintaining acceptance of the industry by the broader community, industry is suffering from 'review fatigue'. This is being compounded by the fact that review outcomes usually add cost to the industry and therefore ALEC would not support far-reaching reform of the levy system, including the removal of compulsory levies on livestock exports