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Indigenous Land Corporation

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11 July 2011

Senator the Hon Bill Heffernan
Chair, Rural Affairs and Transport References Committee
Parliament House
Canberra ACT 2600

Dear Senator

Animal welfare standards in Australia's live export markets

Please accept this letter and attachments as the Indigenous Land Corporation's (ILC) submission to the inquiry by your committee into animal welfare standards in Australia's live export markets announced on 16 June 2011.

Our submission focuses on issues related to the live export cattle market in northern Australia, namely the Pilbara and Kimberley regions in WA, the Northern Territory and Cape York region in Queensland.

The ILC's submission relates specifically to the Terms of Reference (Part 2):

2. Investigate and report on domestic economic impact of the live export trade within Australia including:

- *a) Impact on regional and remote employment especially in northern Australia;*
- *b) Impact and role of the industry on local livestock production and prices:*
- *c) Impact on the processing of live stock within Australia.*

Yours sincerely
SHIRLEY McPHERSON
Chairperson

Australian Government

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SUBMISSION TO:

Rural Affairs and Transport References Committee

Inquiry and Report into Animal Welfare Standards
in Australia's Live Export Markets

About the ILC

The ILC is an independent statutory authority of the Australian Government, established in 1995 to assist Indigenous Australians to *acquire and manage land* to achieve economic, environmental, social and cultural benefits. The ILC is governed by an Indigenous-controlled Board appointed by the Minister for Families, Housing, Community Services and Indigenous Affairs. The ATSI Act 2005 established the ILC with two functions – Land Acquisition and Land Management. The ILC has prioritised achieving sustainable employment, and training that leads to employment, through both of its functions. The ILC believes that employment is fundamental to the ILC achieving its legislated purpose of delivering socio-economic benefits for Indigenous people. The operation of businesses by the ILC is consistent with its legislated purpose: the businesses deliver economic, social, cultural and environmental benefits for Indigenous people through use and improvement of Indigenous-held land. They seek to develop viable and sustainable Indigenous businesses.

Background

In 2009 the ILC committed $9.1 million, and the Australian Government a further $5.7 million, for a three-year Indigenous employment and training strategy for rural and remote Australia. The strategy is providing 530 certificate-level training places and employment for up to 350 Indigenous graduates in the pastoral and tourism sectors. In June 2011 the ILC Board approved a new $8.6 million funding package to extend the Indigenous employment and training strategy to 2014.

The strategy is primarily focussed on Northern Australia. The biggest component is being delivered through training centres based on eight ILC-operated cattle businesses at:

- Roebuck Plains and Myroodah stations and Roebuck Export Depot in the Kimberly;
- Warrigundu (formerly Hodgson Downs) and Gunbalanya stations in the NT;
- Crocodile Welcome, Merepah and Bulimba stations in Far North Queensland.

All eight businesses rely on the live export trade to sustain their business models.

In addition to its Indigenous employment and training strategy, the ILC is also involved in significant, long term collaborations with the WA and NT governments to improve governance, productivity and create jobs on Indigenous-owned pastoral properties in the Kimberley, Pilbara and throughout the Northern Territory. Three major land management collaborations are currently underway. More than $15 million has been invested in this vital work in the last five years. The strategic collaborations are the:

- Kimberley Indigenous Management Support Services **(KIMSS)** in WA;
- Pilbara Indigenous Management Support Services **(PIMSS)** in WA and;
- Indigenous Pastoral Program **(IPP)** in the NT.

Indigenous people used to be the backbone of the pastoral industry in Australia. These collaborative programs are helping to *Close the Gap* in Indigenous economic development and employment across Northern and Central Australia. Over 4 million hectares of Indigenous land is now productive and Indigenous pastoralists are increasingly becoming active participants in the live export cattle trade to Asia. Industry-accredited training is being delivered and jobs have been created for Indigenous people on both Indigenous and mainstream pastoral properties. Significantly these strategic collaborations receive financial backing from Rio Tinto in WA and the Northern Territory Cattlemen's Association, the peak cattle industry body in the NT, in placing and mentoring Indigenous workers and trainees.

In the last financial year, ILC Land Management programs, delivered over 1,400 Indigenous employment outcomes across Australia. Increased income and improved self-esteem from employment was reported by participants, their families and youth who are now positive role models within their communities. Upgraded infrastructure on Indigenous-owned properties has improved access to country for cultural activities, while work such as fencing, weed eradication and erosion control has enabled better protection of culturally and environmentally significant land and reduced the impact of bushfires and feral animals.

Terms of Reference specific responses

Part 2 (a) Impact on regional and remote employment, especially in northern Australia.

Direct employment - There are 96[1] Indigenous-owned pastoral properties across the Pilbara, Kimberley, Northern Territory and Northern Queensland that are in some way connected to the live export cattle trade. (*Please see Attachment A for a full list of Indigenous properties*). The Indigenous run cattle herd totals some 200,000 head with ILC-operated properties accounting for 90,000 head of that total herd figure.

Employment data on an individual station-by-station basis is problematic due to the seasonal nature of the pastoral industry, and because some employment is used to increase the wages of CDEP participants. However, data collected from the WA Department of Agriculture, the Indigenous Pastoral Program in the Northern Territory, from within the ILC and through discussions with industry groups and individual property owners, indicate that approximately 700 people are employed annually on these 96 Indigenous-owned pastoral leases alone.

Taking into account that Indigenous people are also employed on mainstream pastoral properties across Northern Australia and in associated industries, the figure of 700 Indigenous jobs on live export related properties being at risk from disruption to live exports, as quoted by the ILC and other industry commentators, would seem to be conservative.

All Northern Australia Indigenous pastoral leases producing cattle were affected by the initial live export bans. The inability to sell cattle resulted in some direct Indigenous job losses (*See Delta Downs* note following Attachment A as an example*).

Associated employment - Despite being difficult to quantify across all of northern Australia, the ILC received reports of other Indigenous job losses in associated industries during the original export ban. As an example, a private, a non-Indigenous stock mustering contractor in WA was reported to have laid off his entire Indigenous stock mustering team of 16 Indigenous workers

[1] In several instances individual pastoral leases may have been combined into one operation. The figure of 96 represents the total number of individual pastoral leases that are in some way connected to the live export trade.

due to a lack of work stemming from the bans. It was likely that this scenario was repeated across Northern Australia. It is not possible for the ILC to comment on the number of Indigenous people employed in the trucking industry, which moves cattle from stations to the export depots.

Discussion – The domestic economic and employment impact of the live export trade on Indigenous-operated cattle properties can also be seen on the reliance on the trade for generating cash flow to meet operational expenses. Indigenous pastoral stations generally don't have sizeable loans to banks. However, like any other industry operators, Indigenous-operated properties have to pay wages, buy feed, pay statutory fees and costs and meet ongoing operational costs. Payment of statutory fees, rates, taxes and lease payments etc is an example of the cost pressures facing Indigenous-operated and mainstream properties. While it varies greatly from property to property and between States and Territories, all Indigenous properties have to pay rates, taxes and fees and the impact on income arising from the bans will make these payments problematic. As an example, the WA Department of Agriculture estimates these costs alone total some $40,000 for each property each year. These costs cannot be avoided, resulting in the need to cut costs in other areas, such as wages and thereby resulting in Indigenous job losses.

The initial export ban and now the need to meet new export requirements, have severely disrupted the movement of cattle to market resulting in a major loss of cash flow for Indigenous pastoralists. This has created problems in paying wages to Indigenous workers. The flow-on effect to local and regional economies is considerable. Wage subsidies to Indigenous workers under the $30m Federal assistance package will help.

Part 2 (b) Impact and role of the industry on local livestock production and prices.

The majority of the northern Australian cattle industry is set up to supply cattle to the live export trade. This is particularly true of the Kimberley and Top End stations where the complete lack of economically feasible alternative markets makes the live cattle export trade the only viable market for cattle. The main problem is that there are no abattoirs in the region, so all cattle sold must be transported long distances to a market and transport by ship to overseas countries is the best market solution available.

Therefore, any change to live export market conditions has a profound effect on the commercial viability of northern Australian cattle businesses. The weight restriction imposed by the Indonesian Government in mid-2010 is a clear illustration of this point. Prior to the restriction being put in place, cattle over 350kg live weight were regularly sent to Indonesia as "slaughter cattle". These animals, which included cull cows, bigger steers and cull bulls, were held in Indonesian feedlots for short periods before being processed. When the Indonesian Government restricted the maximum live weight for imported cattle to 350kg, alternative markets had to be found for these cattle.

For the ILC's Kimberley stations, cull cows were sent by road over 2,500kms south to the nearest beef abattoir at Harvey, WA at a transport cost of $135/head whereas previously, the transport cost from the station of origin to the live export port at Broome had been between

$15 and $30/head. The price paid at Harvey was similar to the Indonesian export price paid prior to the weight restriction, so the extra cost of transport was borne by the cattle producer.

For the ILC's Northern Territory properties, cull cows had to be transported 3,100kms south to Naracoorte SA at a cost of $168/head. Again the price paid at Naracoorte was similar to the Indonesian export price paid prior to the weight restriction. The extra freight cost meant that these cattle were sold at a loss because the ILC's NT and WA properties make a margin of around $90/head on every beast sold. These costs and margins for the ILC cattle would be similar for other Kimberley and NT cattle producers.

As well as a lack of abattoirs to process cattle in the NT and Kimberley, there are very limited markets for store cattle. By contrast, in Queensland, the type of cattle sold to Indonesia (i.e. store cattle between 250-350 kg live weight) are readily sold into an integrated production system where they are backgrounded and finished in feedlots before being slaughtered in abattoirs located close to the feedlots. However, the huge seasonal variation caused by the annual wet and dry seasonal pattern in northern Australia means that there are neither backgrounding nor cropping farms nor feedlots in the Kimberley or the NT, so this alternative local store cattle market does not exist.

To send Kimberley bred cattle to these markets would mean a 3,600km road trip from Broome to Charters Towers in central Queensland costing around $122/head for a 250kg animal. This extra freight cost paid by the purchaser would mean that the prices paid for Kimberley cattle would be substantially less than the price paid for cattle purchased in Queensland, putting Kimberley producers at a significant disadvantage to their Queensland counterparts.

The Kimberley and Top End cattle producers have built their herds to cater for the live export trade both in terms of herd structure and cattle breed. If the live export trade ceases to exist, it will necessitate a fundamental restructuring of the herds in these regions that will take up to a decade to put in place, during which time the financial viability of individual properties would be under severe duress.

The fundamental issues of lack of local markets and seasonal variability that make the live export trade the only viable market option, also make it extremely difficult to restructure the herds of Kimberley and Top End producers. The massive seasonal variation in pasture growth, the high heat and humidity during the wet season and the constant threat of buffalo fly and cattle tick, mean that Brahman cattle are the best breed for most producers in the Kimberley and Top End. However, this breed is not favoured by domestic feedlot operators and meat processors, and ILC experience with its Queensland properties has been that when sold, pure Brahman cattle incur a 20c/kg live weight discount compared to cross bred cattle.

Because of the distances either south or east to alternative markets, producers in the Kimberley and the Top End would be forced to sell their steers at lower weights to minimise the per head freight cost of sending cattle to these markets. Selling cattle at lower weights will further reduce the already slim profits earned by Kimberley and Top End producers because the main driver of profitability of a beef herd is the total amount of kilograms of beef turned off per hectare.

For example, reducing the average sale weight of steers by 100kg from say 330 kg to 230kg will reduce the total kilograms of beef sold from the ILC's three WA and NT breeding properties by a total 725,000 kgs, which is worth $1.34 million per annum. This forgone income would reduce the combined operating surpluses of these three properties to just above break even. To overcome this reduction in turnoff volume, extra cows would need to be run to breed more calves. However, to retain extra heifers within the herd to build breeder numbers, means that there is a minimum 5 years lead time needed to produce an extra steer for sale. In the meantime, income is forgone due to fewer sales of surplus heifers or aged cows as the breeder numbers are increased. Sales of surplus heifers and cows account for approximately one third of the total number of cattle turned off each year from a pastoral herd, so any reduction in the number of females sold has a big impact on profitability. Over the past nine years the ILC has built its total breeder numbers in northern Australia from 17,400 head to 52,700 head so the ILC clearly understands the costs and difficulties involved with increasing breeder cow numbers in pastoral businesses.

Part 2 (c) Impact on the processing of live stock within Australia.

Some ill-informed commentators have said that the live export trade has "cannibalised" the Australian slaughter industry. Nothing could be further from the truth. The unavailability of cattle during the wet season, plus the distances to any market for meat products, meant that these abattoirs were commercially unviable and they closed down in spite of the live export trade, not because of it.

If all live export markets were closed, the hundreds of thousands of cattle currently exported would need to be slaughtered in Australia and this would cause a huge glut of extra cattle in the local market. Most of the beef processed in Australia is exported and as the two main beef markets of Japan and the USA are currently in the doldrums, chilled and frozen beef is beginning to build up in cold storages in Australia. As a result, abattoirs across the eastern states are cutting back on the number of cattle being processed, so any extra cattle entering this market from northern Australia will drive down prices for all eastern and southern state cattle producers.

CONCLUDING REMARKS

Across Northern Australia, there is no doubt that long term Indigenous employment and training opportunities on Indigenous-operated and mainstream pastoral properties will be impacted as a result of the changed requirements for live export to Indonesia. Any proposal to close the trade completely in coming years would have a catastrophic effect on Indigenous employment and training numbers in the pastoral industry. Income to pay wages, statutory fees and bills and to buy food and fuel etc will also be severely impacted. The cumulative effect of all of the above factors in this submission, leads the ILC to conclude that this would make all Indigenous-operated live export cattle properties economically unsustainable.

QLD Indigenous Stations
Delta Downs
Lawn Hill and Riversleigh
Merepah
Bulimba
Crocodile Welcome
WA Indigenous Stations
Billiluna/Lake Gregory
Bohemia Downs
Carson River
Coonngan/Strelley
Doon Doon (West)
EKC (incorporating Glen Hill, Bow River & Violet Valley)
Fairfield/Leopold
Frazier Downs
Gibb River
Koongie/Elvira
Lamboo
Louisa Downs
Millie Windie
Millijidee
Mowanjum
Mowla Bluff
Mt Anderson
Mt Barnett
Mt Pierre
Mugarinya
Myroodah
Noonkanbah
Peedamulla
Roebuck Plains Station
Tableland
Ullawarra
NT Indigenous Stations
Adelaide River Export Yards
Alawa
Alcoota
Amanbidji
Angas Downs
Atula
Balbirini/ Carpentaria Downs
Banka Banka
Bauhinia Downs
Bishops Bore
Bulman
Central Mount Wedge
Daguragu
Daily River/ Port Keats
Elsey Station
Eva Valley
Fitzroy
Gunbalanya Station
Haasts Bluff
Hatches Creek
Hodgson Downs (now known as Warrigundu)
Hooker Creek
Huckitta
Innesvale Station
King Valley Station
Loves Creek
Mangarlawarru
Mclaren Creek (Mungkarta East)

Mclaren Creek (Mungkarta West)
Mistake Creek
Mookinparla
Mount Allan
Mount Barkly
Muckarty
Murwangi
Murranji
Namul-Namul Station
Narwinbi ALT
Nicholson River
Ooratippra
Palumpa/Perrimenarti/Port Keats
Robinson River
Strangways Block
Tanami Downs
Tempe Downs (Middleton Ponds)
Tempe Downs (Ukaka)
Ti Tree
Top Springs
Twin Hills
Urapunga
Utopia
Wagiman
Waite River
Willowra
Wulbalawun
Yarralin
Yuendumu

***Delta Downs:**

Delta Downs reported that the original suspension of trade had caused immediate changes to their operations. Usually the station employs 20 Indigenous people, including some in training programs. Following the live export ban, the station scaled back to 6 or 7 permanent Indigenous employees and was not looking to run any training programs in the current season. Last season Delta Downs put approximately 4,000 head on live export boats out of Karumba.