

certainly anybody that talks with our bank knows damn well what the returns are like and how strong we are. So we are surprised to see these farmers having difficulty.

Senator EDWARDS: So you are having to underwrite their borrowings with forward contracts?

Mr Millington: Yes, we do. We give the five years with an option of another five. Five to eight years is enough time to pay off the sheds, and there is a business model that is presented to the banks to show that.

Senator EDWARDS: Just to take you back to your comments on AQIS, as we go across this inquiry—across states and across sectors—there is not much flag-waving going on for AQIS and the recent activities of AQIS in going to full cost recovery, compared with other countries which are fully subsidised by government. You have to compete with other countries with quality assurance systems which are fully subsidised, whereas now we are on full cost recovery. Can I open that up for you to have a discussion.

Mr Millington: It is just sheer madness. The fact that AQIS have tried to go to full cost recovery is an impost that most of the companies cannot wear. We are selling a relatively high-value product into the Asian market and the Middle East, but it is only a very small part of our operation. Our operation is really profitable because of the Australian market, not because of export. But if you look at the poultry industry that are trying to sell low-value product, you will see that it does not even cover the costs. The value of that low-value product—let us say that it is the wings and the feet—going to Asia does not cover the cost of AQIS charges.

Senator EDWARDS: So AQIS fees and charges are actually a barrier to export?

Mr Millington: Absolutely.

Senator EDWARDS: That is single-handedly stopping export?

Mr Millington: Certainly with the poultry industry, less so with us because we have got a higher value product. But the higher value just means that the margin is cut. AQIS get the margin, not us. We cannot pass the cost on to the customer in Asia, just as the poultry industry can't.

Senator EDWARDS: I am now talking about marketing organisations. Austrade come under DFAT and AQIS come under DAFF. They both have export marketing promotion divisions. Can you comment on those two?

Mr Millington: Austrade have not been particularly relevant to us, I think, given the size of our operation. Austrade deal more with the bigger companies and they do a good job. Smaller ones like ours seem to slip through the net. AQIS is a different thing. We have to deal with them on every issue. I did not mention New Zealand before. We have been trying to get into New Zealand for five years. We used to trade there. There were some issues with fire blight and so on at a certain stage, maybe five or six years ago. Some difficulties were established that arose out of that between AQIS here in Australia and its equivalent in New Zealand. It has been tit for tat and, if you like, an artificial trade barrier has been created during that time.

We have spent tens of thousands of dollars trying to overcome all of the issues that have arisen regarding New Zealand.

Senator XENOPHON: What is their excuse?

Mr Millington: The excuse is that a disease occurs in poultry in Australia which does not occur in New Zealand. Our argument has been that that disease does not occur in ducks but does occur in chickens. We have been able to demonstrate that it is not in ducks. However, they have found one obscure research document from bloody Chad or somewhere that says that this disease has been found in ducks. It is not Chad; I am being facetious. But it is a nonsense. We have been able to prove it. We have been back and forth. Each time we do the science on it, we have a vet who has worked for us for over 12 years. He was originally the chief veterinary officer in New South Wales. He is very well equipped to be able to handle these issues. Still to this day we have not exported one bloody duck to New Zealand. Something else happens every time.

Senator XENOPHON: In fairness, could you send us some further information on that?

CHAIR: Duck and apple sauce—

Senator XENOPHON: Duck and apple sauce with fire blight!

Mr Millington: That is like a red rag to a bull!

Senator XENOPHON: Mr Millington, could you send me further information on that for the committee?

Mr Millington: We certainly can.

Senator XENOPHON: Thank you.

Mr Millington: It is a history of frustration, particularly with New Zealand. It is not a big market, but we see that it is a springboard to the tourist trade right throughout the Pacific region.

Senator EDWARDS: I will just finish off. Therefore, you do your own marketing; you do not rely on AQIS or Austrade to grow your business, because you do not have confidence in their ability to negotiate?

Mr Millington: We have not used Austrade, because our export market is limited. There are more countries in the world that we cannot export to than there are countries we can. So Austrade has been of limited use to us. We must go through AQIS, even when it concerns the countries that theoretically we can trade to. We are compelled to work with them.

Senator EDWARDS: But you think it is poor value for money?

Mr Millington: I think we could get better value for what we—

CHAIR: I might just finish off. I am interested in the AQIS issue as well. I just want to go to the issue of Indonesia. You said that you have not been able to get any rationale as to why you cannot export into Indonesia.

Mr Millington: That is correct.

CHAIR: You do not know whether it is a disease issue or whether it is just a market access issue. One of the things that you are now paying for as part of your AQIS export fees and charges is a market access component. There is no rationale, as far as you are concerned—

Mr Millington: I have no idea why we cannot trade with Indonesia. We ask the questions and everyone goes away and says, 'Yes' and 'There's a delegation going to Indonesia and they'll get back to us,' and 'Somebody else is having some discussions with their counterpart in Denpasar,' but it never happens.

CHAIR: You say you have customers there, so you have obviously done some market work yourselves in Indonesia.

Mr Millington: Sure.

CHAIR: Can your potential customers tell you why it is a no?

Mr Millington: No, they have not been able to. We have asked the same question. We actually went up there and said to them, 'Let's try to sort it out. What do we need to do?' For whatever reason, it is being stopped at the top level.

CHAIR: The Indonesian government?

Mr Millington: I believe so. We have also spoken at some length with the market access people in the Victorian department of agriculture. They have done some work. The last time they had a go was in November last year and still to no avail.

CHAIR: What about other markets? You have talked about the issue with feathers into Taiwan. Are you aware of anyone having made any representation on your behalf in relation to maintaining access to those markets. Or are you having to do that work yourself?

Mr Millington: We cannot do it. We cannot get through to the level of government that would make that decision. It needs to be done by the likes of AQIS.

CHAIR: So, as far as you are aware, your customers at the other end are still happy to take your product?

Mr Millington: The customers are prepared to take it, but the government will not allow the products to come in. They will not sign off on it. AQIS will not give us an export permit, so before anything can leave Australia it has to have an export permit from AQIS. They have to sign off and say, 'Yes it is okay to go there.'

CHAIR: The basis for them not giving you an export permit has something to do with anything happening at the other end? Or are the issues you talked about in relation to the diseases in Victoria?

Mr Millington: Correct.

CHAIR: So they have not done any work that might provide regional protection or recognition for your product getting out?

Mr Millington: No. As far as I know, the poultry industry may well, given the size of them compared to us, have made representations but, if they have, it has been to no avail because we still cannot get stuff out.

CHAIR: Can you quickly run through where you actually export to?

Mr Millington: Hong Kong, the Middle East. They are the most important two countries. That is it.

Senator STERLE: Whereabouts in the Middle East?



LUV-A-DUCK PTY LTD
ABN 38 048 033 035
ANZ Banking Group Limited
A/C No. 013 395 2607 24195

Head Office
228 Ingles St. Port Melbourne
Victoria 3206 Australia
Telephone 03 8645 1220
Facsimile 03 8645 1272
admin@luvaduck.com

Farm Office
PO Box 205 Nhill
Victoria 3418 Australia
Telephone 03 5391 4901
Facsimile 03 5391 4950
nhilladmin@luvaduck.com

Processing Plant
PO Box 205 Nhill
Victoria 3418 Australia
Telephone 03 5391 4900
Facsimile 03 5391 4950
processing@luvaduck.com

National Sales
Sydney
Adelaide
Perth
Gold Coast
Melbourne
For all enquiries
PO Box 185 Port Melbourne
Victoria 3207 Australia
Telephone 03 8645 1220
Facsimile 03 8645 1272
Freecall 1800 64 9000
www.luvaduck.com

A summary of the tortuous process endured by Luv-A-Duck Pty Ltd in its attempt to meet the New Zealand import standards and gain entry to New Zealand food service market.

- Dr Paul Gilchrist is our consultant veterinarian and widely known and respected throughout Australia.

SUMMARY of duck-meat export process.

It has long been accepted that the only poultry disease risk associated with the import of cooked duck meat into New Zealand from Australia was infectious bursal disease serotype 1 (IBDV 1 or usually, simply IBDV). This disease is present in Australia but absent from NZ. Other duck pathogens present in Australia are either already present in NZ or are inactivated by the normal cooking process. IBDV is not activated by cooking.

Luv-A-Duck (LAD) has long wished to export their product to NZ and, in 2003 (9 years ago) asked me to undertake the process of seeking permission from the NZ government.

IBDV causes disease in chickens but not in ducks. However, there are a few scientific papers showing that ducks can become infected with the virus and can then infect other susceptible birds. NZ authorities regard this as evidence that cooked duck meat is not a negligible risk and thus required evidence that ducks intended for the production of cooked meat to NZ should be tested to demonstrate freedom from IBDV.

No suitable test was available in the published literature so LAD commissioned CSIRO to develop a suitable test in October 1999. In December 2003, CSIRO reported on the development of two tests, a PCR test for viral DNA and an ELISA test for antibodies.

An approach was then made to Biosecurity New Zealand (BNZ) offering to develop an Import Risk Assessment for the importation of cooked duck meat from LAD to NZ.

I conducted the review and submitted it to BNZ

See:

<http://www.biosecurity.govt.nz/files/regs/imports/risk/duck-meat-ra.pdf>

On 15 September 2006 the IRA was submitted to a consultation process with stakeholders.

The risk analysis provided, *inter alia*, that:

“At slaughter, each batch of birds should be sampled and tested, with negative results, by a serological test for IBDV antibodies and by a polymerase chain reaction (PCR) test for IBDV in bursal tissues”.

On 17 & 18 September 2007 Dr Leone Basher of NZ Ministry of Agriculture visited LAD to conduct a feasibility study of the export capability of the organisation to meet the conditions of a draft IHS.

I subsequently prepared and submitted a proposed revision of the draft IHS.

Subsequently an Import Health Standard was prepared and issued in October 2007.

In Jan 2008 CSIRO provided the report of negative results of IBDV tests carried out on ducks from LAD that had been reared and processed under commercial conditions.

During the IRA and the IHS process, there were numerous changes of staff in the NZ organisations and each such change involved delays as the new occupant became familiar with the process.

A draft biosecurity plan for the recognition of LAD as a “compartment” free from IBDV under OIE rules was submitted in July 2009 and a series of modifications were developed in consultation with both NZ and Australian authorities.

In mid 2011, I suggested to NZ that an improvement in the IBDV compartment conditions could be reached by replacing the test of samples of ducks by testing sentinel chickens that are highly susceptible to IBDV, reared in contact with the export batch of ducks for the last 3 weeks of the growing period.

Following acceptance by NZ of the suggestion that this use of sentinel chicks is a sensible option, I proposed a further amendment to the IHS on 4-07-2011.

I also drew the attention of the NZ authorities to a paper by one of their own experts (Stephen Cobb) in an OIE document where he stated -

“The available evidence suggests that IBDV-1 should not be considered as a hazard likely to be associated with turkey or duck meat, although trade in chicken meat should be considered a potential vehicle for the spread of IBDV-1.”

See: <http://web.oie.int/boutique/extrait/12cobb1149164.pdf>

I was advised in July 2011 by Lucy Johnston, the latest NZ contact person, that both the IRA and the IHS are being revised in the light of the proposal that sentinel chickens may offer an improved monitoring mechanism and the view expressed by Dr Cobb that duck meat should not be considered as a hazard.

After a process commenced in 2003, those revisions are still not available.

Paul Gilchrist

18-04-12