

"The social licence to operate"
Hon. Simon Crean - Chairman, Australian Livestock Exporters' Council (ALEC)
Australian Meat Processor Conference (AMPC) - Sydney
Wednesday 30 November 2016

EDITED SPEAKING NOTES ON DAY

Introduction

Thank you Andrew.

- Australia's livestock export industry and its direction relies as much on the right social settings, as it does on its economic drivers.
- This is due to the part industry has played in the reform process over the past five years since events of 2011.
- The economics behind Australian livestock exports and its role within the red meat industry supply chain are strong:
 - Livestock exports form part of total off-farm value of Australia's red meat industry worth almost \$18 billion annually to our economy. (Source: ABARE)
 - Our livestock exports are approaching \$2 billion in annual worth (\$1.782 billion in FY15-16) – a top 10 agricultural export
 - The Red Meat industry is now Australia's largest value-added manufacturing activity.
 - Livestock exports' part of this red meat supply chain includes Australia being the largest beef, sheep and also world's largest exporter of goat-meat.
 - Australia's Consolidated Pastoral Company (CPC) joint venture in Indonesia (JJAA) is Australia-Indonesia's largest private vertically integrated cattle business is a good example:
 - Cattle importing, feeding and fattening
 - 2 Feedlots in Sumatra + breeding projects across Indonesia
 - Flow on employment to 12,000 Indonesians
 - Independent analysis of our industry (by EY) shows the livestock export sector generate employment for up to 10,000 Australians per year (the majority in regional and rural Australia)

Not just economic clout, supply/demand.....

- It is not enough to focus on economic clout, on supply and demand, competitiveness and opening markets.
- Good animal welfare outcomes represents good business
- We've as an industry recognized this. But communities have increasingly demanded we discharge a social licence.

Social Licence

- The breathtaking scale of 2011 events, brought the need for social licence to operate, dramatically home to all participants.
- And it is not just the live trade caught by this.
- For the major banks, the issue of social licence must be seen and incorporated into how it deals with its issues across customer, community, regulator and government interface
- What the greyhound industry has experienced of potential disaster through lack of social licence, is defined through perceived lack of community support translated into political over-reaction.
- These are two examples show how social licence needs to both support and be incorporated into operations.
- Recently highlighted at the Echuca meatworks. This incident required this company – and members of this industry body - to sign up and commit to the standards the community (and regulators) have sought and are setting.
- Social licence isn't just something you instantly create – like anything of value, it's an asset that is built, defended and protected.

No fear, no pain objective

- Australia's livestock export trade seeks to reinforce our commitment to a 'no fear - no pain objective' in the management of animals under our management.
- Our sector is now exporting more than just livestock. We're actually exporting services and capability abroad, not just trading the commodity.
- According to the international welfare body, OIE (World Organisation for Animal Health), Australia has become the world leader in animal welfare practices in the trade.
- We are committed to imbed transparency and systematic accountability into our supply chain systems.
- Our commitment to Exporter Supply Chain Assurance System (ESCAS) and future Livestock Global Assurance Program (LGAP) – both set global leading benchmarks.

Under ESCAS there are many examples:

- Since implementation, the LEP in-market programs have delivered training to 11,000 participants in our core international markets.
- The biggest budgetary commitment from our service-provider, LiveCorp, is to animal welfare programs.

- Our Meat Industry Strategic Plan (or MISP) outlines animal welfare as the biggest risk and impact to industry to year 2020 and beyond, and seeks to address head-on
- In FY16 LEP RD&E program – animal health and welfare improvements made up over ¾ of program expenditure.
- Translated into international markets, rates of stunning in core markets has escalated, such as Indonesia – we've come from under 10 per cent five years ago to around 95 per cent today!
- CCTV is prevalent in controlled supply chains in Vietnam amongst other nations – part of ESCAS

Future commitment to LGAP (Livestock Global Assurance Program)

- Industry and Government are committed to its future implementation in 2017.

Vessels

- Modern fleet of vessels on our core export markets (represent a step-change in operations and improved outcomes) – My recent visit Greyman (Frontier / RuralCo) in Port of Darwin (is a great example.

Way Forward

- Whilst not perfect, in a global trade involving 100 exporting countries, Australia continues to show leadership in animal welfare outcomes.
- Take us out of the equation and standards would drop because there is growing demand for live exports for infrastructure and cultural reasons
- Amongst primary export markets, across Asia and the Middle East, facts are as incomes rise and the demand for protein commensurably increases, there will be a strong demand for livestock exports. (Real Indonesian incomes now rising at 5% p.a.)
- Beyond greater affordability, this is because of cultural and religious drivers and the lack of physical infrastructure.
- Since 2011 we have made huge progress
- That's not to say we have eliminated all incidents
- We recognize there is still significant improvement to be made

- ESCAS has seen significant improvement in Indonesia and the Middle East. We have however experienced leakage issues in Vietnam and Malaysia.

3 Pillars of Trust

- Our modern industry approach has worked to build a new trust with the community.
- We have built it – and incorporated social licence – through three approaches:

1 CERTAINTY: A commitment to identifying measurable risk ranges and strengthened supply chain transparency & traceability. (E.g. Future Vietnam commitments and ESCAS, LGAP)

2 INTEGRITY: We report breaches and act on them through corrective actions and sanctions. (EG Vietnam and Malaysia)

And;

3 ENGAGEMENT: We are doing this with key stakeholders and activists/NGO's

Importantly our industry is actively engaged beyond our membership and like-minded stakeholders – and includes NGOs, activists and its critics.

Conclusion

None of this has been an easy path for the industry given commercial sensitivities and past relationship experiences, but it is a path we are committed to.

And rather than allowing only critics to tell our story, we also need to be better communicators. This includes:

- Being transparent about our dilemmas or failings.
- Proud of our efforts to transform international welfare standards and practices, and our commitment to continuous improvement.
- Having faith in the framework we have developed and engaging extensively in continuous improvement

We are committed to see it fully implemented!