

22 January 2020  
Animal Welfare Policy  
**Ministry of Primary Industries, New Zealand**  
PO Box 2526  
WELLINGTON, NEW ZEALAND

**Ministry of Primary Industries Livestock Export Review – Submission by AUSTREX New Zealand**

AUSTREX New Zealand (“AXNZ”) is pleased to respond to the New Zealand Department of Primary Industries’ discussion paper No. 2019/10 (the “Discussion Paper”).

**Structure of this submission**

We divide this submission into three parts, being:

1. **Part One: Contribution to New Zealand at risk:** AXNZ’s direct economic, social, reputational and animal welfare contributions to New Zealand;
2. **Part Two: Selected pertinent issues:** Specific comment on several topics important to the Discussion Paper; and
3. **Part Three: AXNZ’s view as to the optimal way to achieve all of New Zealand’s regulatory objectives:** AXNZ observes New Zealand’s regulatory regime for breeder livestock exports is already generally in line with global best practice benchmarks. However, AXNZ does hold views, based on many years of practical experience, as to how the regime could be enhanced so as to be even more effective in assuring outstanding animal welfare, economic, trade and reputational outcomes for New Zealand.

At this point, we feel it is appropriate to make one important threshold comment – that we, as a responsible, proactive and innovative member of the global livestock export community, are concerned by the ill-informed nature of some of the public discourse surrounding the sector.

Of key concern are characterisations from some quarters that the matters being considered by MPI are, in some way, a binary choice between international livestock trade on the one hand or animal welfare on the other. This binary “either/or” characterisation is both false and highly misleading to the New Zealand public.

As a livestock company, we care deeply about animal welfare. It is at the core of our fundamental values and everything we do, in addition to being vital to the sustainability of our business. Animal welfare is also at the very heart of the minimum NZ\$35 million per annum worth of international trade which AXNZ will deliver for New Zealand this financial year (over \$450 million over the past 14 years) and to the livelihoods of the approximately 2600 New Zealand primary producers who depend on the sea and air-transport based export markets and supply chains we have developed and continue to sustain and grow.

In short, it is both possible and desirable to have robust international trade and great animal welfare outcomes concurrently. The two are most certainly not mutually exclusive and, in fact, are deeply interdependent when viewed through the lens of global animal welfare leadership.

## 1. Part One: AXNZ’s Economic, Social and Animal Welfare Contribution

### 1.1 Overview

**Our mission:** AXNZ is a leading New Zealand exporter of breeder beef and dairy cattle. Our core business is the building of sustainable and high-value export cattle markets for New Zealand primary producers. We do this with selected global trade partners including proven high-performing customers in the world’s largest market for breeder and dairy livestock, China.

**Our team and experience:** AXNZ and its predecessor companies have been operating continuously in New Zealand for over four decades. Our team includes New Zealand primary producers with many years of animal welfare and husbandry experience, plus highly-trained and experienced veterinarians, and stockpersons with globally-recognised skills and training.

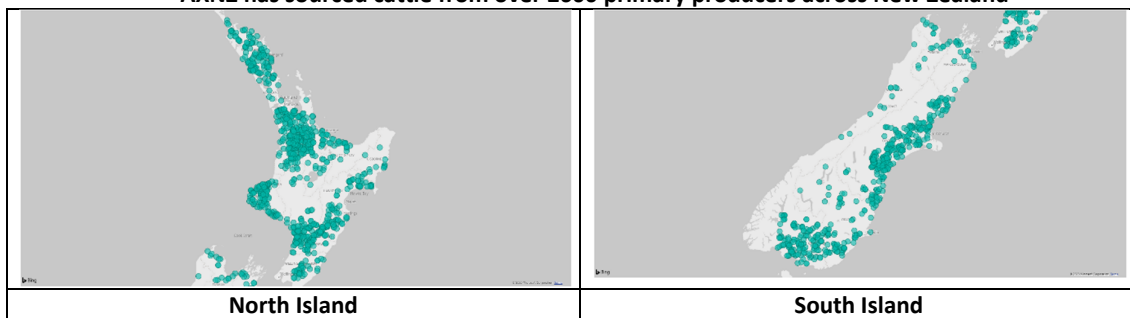
### 1.2 Economic contribution and significance to New Zealand

In the past five years, AXNZ has exported some 70,000 head of cattle successfully by sea and, in so doing, has earned and paid to primary producers and rural New Zealand businesses over **NZ\$100 million** in export income. In the current financial year, AXNZ expects to purchase some **NZ\$35 million** worth of livestock from New Zealand primary producers for breeder and dairy customers internationally <sup>(Note 1)</sup>. We also export dairy goats by air to selected customers in China.

This trade creates important on-farm and rural community income which New Zealand would not otherwise earn, and is consistent with AXNZ’s corporate mission of building rural prosperity and resilience by “growing livestock communities”.

As noted above, AXNZ sources cattle from over 2600 individual primary producers distributed across both the North and South Islands. This geographic spread of primary producers for whom we create export revenue is illustrated graphically below. We foresee future growth in this export revenue opportunity for New Zealand primary producers, particularly from China and other selected markets, as discussed in Part Two of this submission.

**Figure One**  
**AXNZ has sourced cattle from over 2600 primary producers across New Zealand**



<sup>1</sup> Data available for audit verification on request.

There will obviously be significant economic multiplier and social multiplier benefits from providing farmers and rural communities with access to profitable export markets for their livestock – in the interest of brevity we do not include multiplier analysis for immediate purposes but could facilitate this if useful. For present purposes, it may be valuable to note two key points:

- a) Were New Zealand cattle exports to be discontinued, the abovementioned export income would be lost to New Zealand primary producers prospectively. In our assessment, this revenue would instead be diverted to primary producers in other nations who share a strong reputation for biosecurity and animal welfare in key trading nations such as China. Please note, as a result of perceived uncertainty, AXNZ is already receiving enquires from international customers of New Zealand for referrals to other competitor nation's supply chains.
- b) If, for example, China breeder/dairy customers move to other nations for their livestock supply needs (as possible examples, Canada and the US) because of actual or perceived unreliability of New Zealand as a trusted supplier there is no doubt export revenue would be lost, potentially irreplaceably, to New Zealand primary producers. Many of our New Zealand suppliers advise us that the small size of the nation's market means that there will often be no viable alternative substitute in-country for their surplus livestock production.

### **1.3 Animal welfare and reputational contribution**

AXNZ notes the focuses within the Discussion Paper on animal welfare, New Zealand's reputation and international trade. We are wholeheartedly aligned on the importance of these issues and welcome all opportunities for transparent, factually-accurate communication.

### **1.4 Reporting**

AXNZ welcomes transparent reporting of each shipment outcome and has plans in place to commence annual externally verified assurance reporting for the year ended 30 June 2020. This provides a practical step towards sharing with stakeholders our interest in and commitment to great animal welfare outcomes and transparency. We believe this will be an important and measurable way to address some of the current misinformation and misconception surrounding key issues faced by both us as a company and the sector more broadly. We discuss a number of these issues more specifically in Parts Two and Three of this submission.

### **1.5 New Zealand trade achievements with OIE nations**

AXNZ's business is to major large- scale and reputable Chinese customers on whom we conducted extensive due diligence before establishing long-term trading relationships – as they, in turn, have undertaken with AXNZ. It is noteworthy that China, together with New Zealand, is a signatory to World Organisation for Animal Health ("OIE") commitments. We discuss this further in Part Two (2.1) of this submission.

### **1.6 The smallholder OIE project issue**

As a governance-based observation borne of many years practical experience, we have made a series of carefully weighed commercial decisions to not supply potential customers where we consider the animal welfare risk unsatisfactory. We would be prepared to discuss this internal assessment process and approach further if useful – our experience is that smallholder farmer (<25 head of cattle) projects in Third World involve risks not applicable with major global agribusinesses with OIE and other reputational obligations. As a practical matter, AXNZ has avoided some smallholder aid projects on animal welfare risk grounds. We discuss this issue further in Part Two (2.6) of this submission.

Animal welfare and stress-free handling are at the very essence of the breeder cattle industry. Good physical and mental health in animals, including freedom from stress and good nutrition are not only an ethical priority of our business but are also inextricably linked to fertility and positive business performance. AXNZ is pleased to have regularly achieved animal welfare outcomes on its sea and air shipments which, contrary to some generic misconceptions, are consistently superior to comparable in-country supply chain outcomes in first-world countries considered to be at the forefront of global animal welfare best practice. For example, in sea-borne shipments, we have achieved an average mortality rate of just 5.29 per 10,000 head, since 2014

### **1.7 How does AXNZ compare to the world’s best in-country supply chains?**

As a point of reference, the above mortality performance is materially better than many in-country domestic supply chains in first-world nations often regarded as being at or close to global best practice<sup>2</sup>. Any notion that international trade supply chains produce inferior animal welfare outcomes to in-country domestic supply chains in even the highest-performing first-world nations is incorrect and we would be pleased to work further with MPI on benchmarking performance empirically against global best practice if that were useful. We are presently investing in data collation to forensically verify a number of first-world economies as out-performing the best in-country domestic supply chains in the world. These auditable and appropriate animal welfare metrics are a priority of AXNZ.

AXNZ notes the question posed by the MPI: *“Do you think that existing controls on the export of livestock – cattle, deer, goats and sheep – are about right, too strict, or not strict enough?”*

Our comments will relate to cattle and goats, reflective of AXNZ’s business. We propose in Part Three what we consider would be an optimal regulatory regime.

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<sup>2</sup> Data available to MPI on request

## 2 Part Two: Comment on selected topics pertinent to the Discussion Paper

We note many other submissions and comments. In the interests of brevity, we have selected seven topics for discussion which may be valuable to this review process but are happy to expand further on these, or any other matters, should that be of use to MPI.

### 2.1 Reputation: Trading partner trust

#### *Risk of undoing past hard-won New Zealand success in China as a trading provenance of choice*

In this section, AXNZ uses the example of China as that has been the market in which AXNZ has had the most extensive recent practical experience. None of these principles are unique to China and we expect that they would also apply generically for Japan, Europe and many other trading partners of New Zealand.

It is appropriate to note and celebrate the considerable trade achievement of NZ primary producers (and companies such as AXNZ) in reaching an outcome whereby New Zealand has become one of just four nations, along with Australia, Chile and Uruguay, which have to date been approved on biosecurity and animal welfare grounds by China for breeder and dairy cattle imports. This is a considerable achievement as Chinese import protocols are exacting. As noted in Part One, China is a signatory to World Organisation for Animal Health (“OIE”) commitments as is New Zealand. These are an established set of international standards already in place to address animal welfare commitments in a globally integrated manner.

Our best professional judgment, based on many years’ practical experience, is that it would be counter-productive and damaging to New Zealand’s trade reputation to undo this considerable trade achievement by making laws which signalled to China, or to any other major trading nation, that New Zealand may not be a secure and trustworthy livestock trade partner in future.

In AXNZ’s estimation, that would have the practical effect of encouraging China to focus instead on supply from the other three China-approved competitor export nations (Australia, Chile and Uruguay, plus potentially the US and Canada) to the detriment of NZ primary producers and the benefit of competitor primary producers elsewhere in the world. China, with its population of almost 1.4 billion has enormously large-scale food security and biosecurity decisions to make on an ongoing basis – and those decisions extend to the maintenance of a substantial national cattle herd supplemented by breeding stock from nations with strong biosecurity credentials.

We do not see any trade, animal welfare or other benefit in New Zealand relinquishing its present achievements and trade relationships to other supplier nations with similarly strong biosecurity, animal welfare and supply credentials.

#### *Related customer feedback*

We have received unsolicited international customer feedback that there would be broader reputational damage to New Zealand’s status as a trustworthy trade partner if a hard-won, professional and long-term trade relationship was blocked to accommodate extreme lobby group pressure. In particular, we are advised by customers that it would be reputationally harmful to New Zealand to, in effect, say to China, Japan or any other nation through trade prohibition that New Zealand did not trust a fellow OIE signatory nation to meet existing OIE commitments on animal welfare, or that New Zealand would impose regulatory restrictions or requirements that New Zealand does not impose on its own primary producers in-country.

On the matter of public information/political esteem issues more generally, we note sustained misinformation campaigns by some groups which we will need to address separate to this submission. We have already mentioned above our intent to published audited welfare reporting for FY2020 as part of transparent sustainability reporting. If useful, we would be pleased to share in more detail the factual and auditable metrics (as examples, mortality and weight performance) which are working with professional veterinarian and assurance firms to report against in our forthcoming FY2020 sustainability report.

With respect to parallel media and political discourse matters, we have three further comments.

- **Media issues:** One of the challenges of the internet age is that it is possible to create false or misleading impressions very easily (through dissemination of internet materials for example) and it is not always easy for the public to separate fact from fiction. The nature of politics also is that there will always be incentives for some to generate personal publicity through cheap emotive headlines - and in some cases, livestock exports have become a “soft” or “cheap” target for those with such motivations. We acknowledge primary producers and exporters do need prospectively to adequately counter this far more pro-actively in terms of alternative well-presented information in a non-technical and accessible form for the New Zealand public.
- **Stakeholder caution and vulnerability issues:** Our practical experience also is that those best informed and most knowledgeable on animal welfare (as examples, primary producers themselves and veterinarians with extensive direct practical experience in the export sector) tend to be busy people without the time or natural inclination to take part in social or traditional media, particularly when they feel they may risk becoming cheap targets themselves of activist bullying should they do so.
- **Past international practical example of the above concerns:** The “noise” and the true underlying community opinion are often not the same thing. As an example from another country, Australia, this was borne out politically in 2011 when the then Gillard Labor Government suspended Australia’s slaughter cattle exports in totality thinking, based on limited consultation, that would prove politically popular and expedient, but then reversed the ban six weeks later (moving, correctly, to dealing with the individual offending parties rather blocking an entire industry) once the social and community impacts were understood, together with better animal welfare information from those working with livestock husbandry businesses, many of whom were delivering outstanding performance results.

## 2.2 Export of genetics – various issues

- a) **Can or should export of genetics replace export of breeder livestock?:** The discussion paper (page 7) addresses the issue of to what extent trade in animal genetics could replace trade in livestock.

The simple, practical answer is no. Export of animal genetics would not be a substitute for livestock exports in key New Zealand customer nations such as China given the core market demand is for livestock breeding and backgrounding. To further elaborate:

- **Driver:** A fundamental social and economic basis for the export opportunity for New Zealand provided by breeder livestock export is that nations such as China do not have sufficient pasture and grazing land upon which to breed the number of cattle required to feed their populations. They do, however, require fresh products produced in-country and have a strong desire to maintain a national cattle herd for food security, biosecurity and other social reasons. This is where the import of livestock which have been bred in other nations provides an effective and safe solution.

- **NZ opportunity:** Against this background, the export opportunity for New Zealand arises most fundamentally because, in contrast to China, it has a substantial endowment of pasture land relative to its population that is highly suitable for breeding and backgrounding cattle and, therefore, produces a surplus of livestock relative to its own needs. In summary, the international need is for livestock bred and backgrounded on pastures external to China to supplement their own land resources. As land is the commodity in short supply from China's perspective, export of genetic material for breeding and backgrounding of cattle within China is not a substitute. Please also note, genetic material is widely available globally from many cattle breeder nations – New Zealand has good genetics but so do the US, Canada, Europe, Australia, Chile, Uruguay and many other nations.

It is pertinent to note that a key reason why primary producers in Asia seek breeding stock from, say, New Zealand, rather than purchasing the breeding stock in-country is superior biosecurity credentials compared to in-country alternatives. Closely related to this, an additional key practical reason for seeking breeding stock rather than, for example, imported semen, is the availability of suitable recipient livestock for wholly in-country breeding.

To foreclose opportunities for disease-free, major dairies and cattle producers in China or elsewhere to enhance herd biosecurity would seem, quite apart from any adverse trade implications for New Zealand, entirely contrary to advancing animal welfare and contributing responsibly to sustainable global food security.

Genetic material, whether from New Zealand or anywhere else, is not a substitute for reasons outlined above. We are aware of major customers who are genuinely concerned that some lobby groups purporting to advocate the cause of animal welfare are, perversely, advocating policy 'solutions' (with the apparent motive of prompting genetics trade) which would actually cause harmful animal welfare outcomes globally by fettering the most biologically-secure and responsible livestock movements.

- **NZ competitors:** We have noted previously that competitor nations with strong animal welfare credentials will, in our estimation, step in to take global livestock trade opportunities previously accessed by New Zealand primary producers, were New Zealand to block the future access of its own primary producers to these opportunities.
- **Other ethical considerations:** Secondly, in our professional judgement, it would be seen by New Zealand's international customers and trading partners as incongruous for New Zealand to make an (ethically odd) distinction between, on the one hand, livestock conceived with New Zealand semen and/or ova on New Zealand soil and those same genetic livestock conceived with New Zealand semen or ova on foreign soil. We are aware of customers who take the view that no nation can credibly say to another nation with any ethical consistency or credibility: *'We won't allow export of animals to you because we don't trust you to meet and enforce your international OIE obligations in the treatment of animals, but we will then counter-intuitively still sell you our semen, ova or embryos so you can arrange your own in-country births'*. We know of no advantage that would accrue to New Zealand or the cause of animal welfare from such an approach, whereas we see loss of trade and reputational disadvantages on which we have already commented above.



**b) Is there an issue of New Zealand exporting its “best genetics”?:** We are aware of apparent arguments that the New Zealand livestock export trade should be discontinued on the grounds that New Zealand is, somehow, “exporting its best genetics overseas”.

This is not the case.

- New Zealand represents 1-2 per cent of the global cattle herd and would have no assertible or practical global monopoly on genetics. The nation’s genetic pool of livestock is the result of ongoing free trade in and import of genetics from the US, and many other cattle-producing nations. Good genetics are available from many countries.
- Concurrently, it has been our observation that any suggestion that New Zealand producers are somehow “exporting their best genetics” is factually contrary to our direct experience with and observations of over 2600 New Zealand suppliers. Producers, as consistent with almost universal breeder business practice worldwide, tend to maintain premium breeding stock on-farm for their own needs while exporting livestock that meet customer requirements.
- **Other international competition assertions:** Finally, we are aware of comments made that if New Zealand supports the dairy and farming capacity of overseas nations, it may lose markets for our animal products. This is both false and dangerous. The global population is 7 billion people with China (AXNZ major customer nation) accounting for nearly 1.4 billion and Japan (as an example) around 128 million – extremely large populations which require large quantities of primary produce to meet food security requirements. These requirements far outstrip any self-sufficiency gains which may be made through the relatively small numbers of livestock imported from New Zealand. There will always be demand for in-country fresh dairy products as well as imported products, and if New Zealand declines to supply livestock herd supplementation, other nations such as China and Japan will source livestock from countries other than New Zealand.

Further, given the strong demand for fresh milk and dairy products, it is improbable that China (or any nation in China’s position) would find it acceptable to be told by New Zealand (or any nation) that they should not have fresh dairy products but should have to rely only imported products.

The sheer scale of the market and market opportunities in China means that there will be very substantial demand for both New Zealand exports of dairy products, beef and breeder livestock – they are not competitors in any practical sense. Were New Zealand to advise China, for example, that it will not be providing the dairy and breeder livestock which China requires in future, China would source those livestock from elsewhere as outlined above. Neither China, nor any other nation, is going to give up aspirations for fresh in-country dairy produce and cattle herd security at the behest of a pressure group in New Zealand or other nations.

#### **Genetics - Customer Case Study**

AXNZ has been advised by representative New Zealand dairy farmers that they are focused on milk production, however sales of heifers for export is an important complimentary business that supports more efficient and cost-efficient businesses. Generally, if a dairy farmer is not expanding their herd (and currently the majority of the industry is contracting) a farmer may only need approximately 30% of their heifer calves as replacements per year.

A dairy farmer must have pregnancies to provide milk every year, this ensures replacement heifer calves, the surplus balance is normally sold. The best market is to export to China or other breeding cattle markets. Farmers will use LIC (Livestock Improvement Cooperative) herd recording and other techniques to assess and manage the process of retaining only their best genetics for their herd and the balance will be sold to the best market which for many years has been Livestock Exports.



If the farmer uses sexed semen or other breeding technologies this dynamic can be further enhanced where the strong market in Livestock Export finances tailored breeding programmes to achieve specific genetic gains.

For many New Zealand dairy farmers, breeding is typically focused on increased milk solids (not litres) and efficient production that facilitates an approximate 270 grass and lactation cycle, much of which has been achieved through cross breeding. Many export markets want a more pure animal due to their prioritisation of different traits. This is a significant opportunity for dairy farmers to maximise the utilisation of their existing dairy farm assets. Again, this opportunity is very complementary to the New Zealand farmer controlling and retaining their most suited and best genetics and progeny.

Ultimately the sheer scale of the China and global markets means that export beef, breeder and dairy livestock by New Zealand and agricultural exports from New Zealand are complementary trade opportunities – they do not compete with one another.

Nurturing and building upon New Zealand’s status as a selected and trusted exporter of livestock to China is most likely to build relationships which can support broader New Zealand trade development. In contrast, were New Zealand to prohibit export of livestock sought by China, that is inherently unlikely to enhance any other New Zealand trade relationship.

### 2.3 Smallholder projects

AXNZ has chosen not to supply a number of requests to smallholder aid projects in various countries after internal governance reviews, due to animal welfare risk.

While AXNZ has no involvement nor direct knowledge of the project referred to below and is, therefore, relying on public domain information in order to make comment, we are of course aware of poor animal welfare outcomes reported last year from several foreign government-sponsored smallholder aid projects, for example in Sri Lanka. We share all sections of the community’s abhorrence of the reported outcomes in certain smallholder aid projects in recent times.

However, it is no more rational or reasonable for some activists to “tar with the same brush” some of the world’s largest professional agribusinesses acquiring livestock in different nations such as China and Japan (as examples) than it would be to assert, for example, that because an animal welfare incident has happened on a New Zealand farm, then all New Zealand livestock farming should be prohibited. We have received considerable feedback from respected major international customers of New Zealand expressing deep concern at this apparent trend on some social media and by some minority party politicians. Any perception of Government pandering to what are, in effect, ill-informed, false reputational smears of long-term New Zealand agribusiness trading partners would, based on the international feedback we are receiving, be bad for New Zealand’s reputation as a preferred trading partner. We have three main comments related to this issue:

- We would encourage and support greater MPI regulatory oversight of these types of projects, for example a regulatory requirement for a detailed project due diligence report and implementation plan for any project involving supply to smallholder farmers (<25 head economic units) prior to any export approval or to export licence authorisation for such projects. We believe this could provide a practical and positive step towards materially better outcomes. Additionally, post arrival reporting and an on-farm support framework should be provided for the first 6-12 months for the livestock in their new home.

- Where appropriate, a risk-based assessment of small-holder destination markets needs to be undertaken to understand key risks prior to exporting. This could be done as an extension of the Government and industry working group ATAC. We would be glad to assist you in determining a framework.
- New Zealand primary producers and the New Zealand public deserve better than the misleading or false tarring of unrelated businesses and nations with the same brush. We recognise that in the internet age the capacity of individuals or groups to create misleading impressions without accountability on social media is an issue our company, our New Zealand primary producer clients and our broader industry must confront professionally and effectively.

### 3 Part Three: Regulatory improvement opportunities

#### 3.1 General comments

In terms of the adequacy of current regulation, we know of no serious suggestion that the current regime has not worked well over time and we certainly know of no serious suggestion from any meaningful trading partner of New Zealand that there are reputational issues for New Zealand associated with keeping the current regime in place.

Against this general comment, we note that some submissions have preferred option two “Conditional Ban” to option three “New Regulations” to enhance the export system. AXNZ disagrees for reasons we articulate below. We strongly believe that, conceptually, “New Regulations” will serve New Zealand far better.

- From the perspective of actual practical regulatory controls and outcomes, we expect that both could be structured to achieve exactly the same desired outcome. In practice, any regime where a licence is required before an activity is permissible is already, by definition, a “conditional ban”. In ultimate practical effect, the key difference between the two are choices as to who issues licences or permissions to conduct an otherwise prohibited activity, what conditions apply to those licences, and who sets those licence conditions.
- With the above in mind, we think there is an international reputational consideration which we submit would favour measured adoption of Option Three “New Regulation”. We make three observations in this regard:
  - Trade reputations and preferred supplier status (which New Zealand enjoys in key markets at present) are hard-won and easily compromised.
  - Based on our experience, the language of “Conditional Ban” is more likely to convey in China and other markets an impression of sovereign risk and perceptions that New Zealand may soon shut down livestock market access - leading to the potential loss of customers by New Zealand primary producers to those in the US, Canada, Australia or other supplier nations.
  - Conversely, “New Regulation”, as an alternative to “Conditional Ban” can achieve exactly the same objectives.
- Based on unsolicited customer feedback received, we respectfully submit that in addition to the practical issues of regulatory optimisation, reputational issues with relevant trading partner nations can and will be impacted also by the manner and tone in which the New Zealand Government presents, advocates and informs trading partners with respect to any future changes:
  - Sensible commitments to animal welfare and free trade will, in our estimation, be respected.

- Conversely, the complicating of international trade by any Government with language that supports absolutist or ill-informed “virtue-signalling” or “policy by sound-bites” without regard to the legitimate food security and biosecurity aspirations of importing livestock nations is unlikely to advance any international reputations with the well-informed. We would encourage MPI to seek to avert with New Zealand’s trading partners, inadvertent creation of the latter perception with its export customers and expert customer nations.
- Conversely, the complicating of international trade through use of overtly strong or alarmist language without regard for legitimate food security and biosecurity requirements may incite concern within key trade partners.

d) Finally, we note one suggestion for a breeder cattle equivalent of the Australian ESCAS system. AXNZ would note that works for export slaughter cattle where they can be monitored in-country for periods of, typically, no more than 150 days. It would not work for breeder cattle which may live in the country of arrival for more than a decade. The cost and sheer impracticality of such of a requirement would, most likely, shut down New Zealand’s breeder cattle industry by default immediately given it would be seen as a total ban enforced through indirect means. It is likely this would yield even worse reputational and trade implications in the long term. New Zealand is part of the world trade community and systems such as OIE already exist precisely to manage globally agreed commitments to animal welfare. Sensible due diligence requirement on importing countries and/or customers may be practical depending on MPI’s policy preferences – we would be pleased to further discuss as relevant.

### 3.2 Specific AXNZ Regulatory Views

This final section of AXNZ’s submission is directed specifically at delivering real, tangible and continuous improvement, and global best practice in animal welfare. This section sets out AXNZ’s suggested best policy which we hope will be of assistance to MPI.

AXNZ strongly supports a combined regulation strategy to effectively and efficiently ensure the welfare of livestock being exported from New Zealand, thereby protecting New Zealand’s domestic and international reputation. Invoking both option three (New Regulation), and option four (Continuous Improvement) through a Performance-Based Exporter Registration is the most sustainable way forward.

#### Performance-Based Exporter Registration

A performance-based exporter registration scheme is the most effective and efficient way to enhance the export system with regulation while driving continuous improvement across the industry.

#### System design

A performance-based system would require all exporters to be registered by MPI, and then ranked according to past experience, track record and ongoing consignment success:

*Tier 1: High performers*

*Tier 2: Medium performers*

*Tier 3: Low performers and new exporters*

The tiered registration system would then govern the consignment metrics (stock number, species and class, vessel type and size, time of year, destination, importer) each tier is eligible to complete. Only high performing exporters would be eligible to complete consignments that require rigorous operational management to successfully execute (for example increasing stock numbers, pregnant livestock, climatic extremes, new markets and discharge ports, new importers).

This system recognises that no two consignments are 'risk equal' in order to appropriately control risk in this unique operating environment. It also addresses the recognised risk of one-off, opportunistic exporters or repeat poor outcome offenders and limits their engagement in the industry, while simultaneously encouraging high performing exporters to continue to build long-term partnerships through the supply chain to the benefit of livestock welfare both during the voyage process and at their final destination. In this way, a performance-based system would be successful because it incentivises continuous improvement and proactive risk management.

#### **Measuring high performance**

A sound metric of performance indices is required at the base of this system. This metric also directly embodies the two MPI directives of measuring animal welfare and increasing industry transparency. Measuring performance should involve:

#### **Consignment monitoring & reporting**

- a. NEW Daily reporting of all sea voyages to MPI
  - ✓ Involves a daily electronic report completed by the vessel chief and stockman detailing environmental (temperature, humidity, pad score), feed/water (consumption) and animal parameters (morbidity, mortality, percentage of pen at rest scores).
  - ✓ Allows real-time feedback on voyage conditions and animal welfare
  - ✓ Gives voyage transparency and independent monitoring
  - ✓ Quick and cost-effective to immediately implement
  - ✓ Creates a comprehensive incoming data stream, giving MPI power to monitor, analyse and further control industry performance
- b. Post voyage reporting on all voyages
  - ✓ As per previous requirements but in combination with daily reports increases measure of animal welfare and culture of transparency
- c. Post arrival reports on all consignments
  - ✓ As per previous requirements but assumes greater weight in a performance-based registration system that encourages sound long-term exporter-importer partnerships
  - ✓ Improving country of destination partnerships to ensure minimum OIE animal welfare standards throughout the supply chain will also require NZ Government support in engaging with importing governments.

#### **Ongoing exporter performance analysis**

- ✓ Involves annually updated analysis of consignment welfare parameters that contribute to an exporter's ongoing performance status and therefore consignment eligibility. This incentivises a culture for excellence and re-investment into continuous improvement.
- ✓ An exporter's performance tier would be publicly available. This incites a culture of transparency that is based on direct measurement of welfare parameters.
- ✓ Suggested welfare indices are measurable and representative of holistic consignment success, they include:
  - Pre-shipment
    - Pre-loading reject rate (number of unfit livestock removed from the proposed consignment by the Recognised Agency veterinarian (percentage of total presented)
  - Shipment
    - Average mortality (percentage per shipment)
    - Average mortality as Days At Sea - DAS (shipment mortality/DAS)
    - Average weight gain (kg/head)
  - Post-shipment
    - Adherence to OIE guidelines for animal management
    - Provision for euthanasia and/or veterinary treatment of sick animals

While AXNZ is supportive of and keen to work with the New Zealand Government to develop a robust and transparent traceability framework to ensure optimal welfare outcomes it is simply not practicable to enforce lifetime, individual traceability and reporting as a means to monitor animal wellbeing. It is also valuable to note no other country in the world, including New Zealand and Australia, makes this requirement – not even within domestically-held herds.

AXNZ would keenly welcome the opportunity to work collaboratively and proactively with the New Zealand Government to design a monitoring solution that is both workable and effective, and which integrates OIE guidelines. This prioritisation of transparency and traceability is in-line with our company values and critical to the sustainable future of the broader sector.

#### Evaluating the performance-based exporter registration option

MPI will evaluate options based on effectiveness and efficiency criteria. The below table provides a summary.

**Table 1. Assessment of performance-based exporter registration against evaluation criteria.**

Parameters	Evaluation
<b>Criteria: Effectiveness</b>	
Increases industry transparency	Daily reporting embodies transparency; it also ensures accuracy in post voyage reporting. Making performance tiers public holds exporters accountable to their performance.
Protects NZ reputation	Performance based registration limits unreliable engagement in industry and celebrates and rewards the reliable stakeholders that are critical to this key NZ agricultural and export sector.
Operates within international obligations	Performance registering exporters in NZ encourages them to pursue reliable long-term supply chain partners and ensure animal welfare outcomes, while still operating within NZ jurisdiction. By remaining involved in the international live export industry, NZ also has the opportunity to continue to support global food security and enhance global animal welfare standards. Conversely, withdrawing from the supply of breeding stock to partner countries risks damaging trade relationships and market access for other NZ agricultural products.
Ensures sustainability of NZ rural communities	Performance-based regulation is the most sustainable way for the livestock export industry to move forward. Continuation of this industry is a vital economic factor in sustainment of rural, agricultural-based communities in NZ.
Success is measurable	The welfare indices and performance tiers utilised in this system will allow direct evaluation of the ongoing success in animal welfare for the industry. This system creates a platform to measure data and provides simple benchmarks and information to further support continuous improvement. If these benchmarks continue to improve as expected, this will show a direct causal link of improving welfare outcomes by incentivising continuous performance improvement.
<b>Criteria: Efficiency</b>	
Minimum control necessary	By measuring the outcome, rather than governing and policing the specific details of operation, the MPI minimises resource demand while very effectively ensuring that exports complete adequate due diligence throughout the supply chain, and execute thorough operational procedure in livestock management.
Proportionate to the risks being managed	Given the unique animal welfare and NZ reputational risks of the live export industry, the performance-based registration system proposed is ideal. Any hindrance to new operators entering the market is justified, given the historically recognised risk of one-off and inexperienced operators achieving poor outcomes.
Quickly implementable	Daily voyage reporting could be immediately implemented. Tier-based performance status utilises data that exporters and the MPI should already hold, so could be quickly implemented.
Easy to understand	A three-tier system of consignment eligibility is simple and clear. Governing outcome rather than policing the supreme volume of operational detail will be easy to understand for all entities involved.
Cost efficient	Cost recovery from exporter license fees will aid MPI in managing the system, however there is no extra in-field obligations on MPI for this system, and it does not rely on increasing independent or government-based observers. The Australian experience has shown that ongoing sourcing of these individuals is challenging and costly. AXNZ suggests that given a veterinarian is already onboard all voyages from New Zealand this veterinarian should also serve as an independent and highly-credentialed observer. A performance-based system also allows MPI to focus resources towards lower performing/inexperienced exporters where greater risk exists.



Thank you for the opportunity to make this submission.

AXNZ will be pleased to provide more detail on the above, or any other relevant topics, should that be of assistance to MPI at any time. We would also welcome the opportunity to discuss our submission and associated industry issues in-person should the opportunity arise so as to ensure open lines of communication throughout the review process.

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*Kindly direct any enquires which MPI may have of AXNZ regarding this submission to our Mr Tom Slaughter or Mr Michael Ball (contact details provided).*