

30 January 2024

Budget Policy Division
Department of the Treasury
Langton Crescent
Parkes ACT 2600



Via email: prebudgetsubs@treasury.gov.au

To the Budget Policy Division,

Re: Sheep Producers Australia 2024 - 2025 Pre-Budget Submission

In advance of the delivery of the Federal Budget, Sheep Producers Australia provides this submission to highlight the way in which the Australian lamb and sheepmeat industry can work with the Government to continue to improve the sheep industry's contribution to the economy, and assist agriculture to become a \$100 billion industry by 2030.

Sheep Producers Australia is the collective national voice on issues that affect Australian sheep production, representing close to 18,000 sheep farming businesses¹. As the successor entity to Sheepmeat Council of Australia which formed in 1978, Sheep Producers Australia is the peak industry organisation representing the sheepmeat sector. The Australian sheepmeat industry has a long history of producing safe, quality lamb for customers around the world. The industry continues to strive through strategic planning and collaboration to be the leading supplier of lamb and sheepmeat to global customers to meet growing demand for our premium product. Sheep Producers Australia works daily to enhance the industry's productivity, profitability, and sustainability by representing all producers to industry decision-makers and stakeholders.

Sheep Producers Australia wishes to acknowledge and thank the Federal Government's ongoing commitment to the Australian sheepmeat industry with funding provided in 2023/24 for several initiatives, including funding for activities delivered under the Sheep and Goat Traceability Task Force.

Sheep Producers Australia supports the submissions made by the National Farmers Federation and the Red Meat Advisory Council and will be working with both organisations in implementing any commitments that are agreed to by your government.

Additionally, Sheep Producers Australia has identified the major priorities that will benefit the sheepmeat industry specifically.

Sheep Producers Australia asks that your government consider commitments to these policy priorities as follows:

¹ [MLA, State of the Industry Report: 2023](#)



Recommendation 1: National Traceability

- A. The Federal Government to work in collaboration with industry and jurisdictional governments to develop and implement additional eID transitional support packages for Australian sheep producers which:**
- equitably reflects the regulatory costs incurred by producers which have been identified by Federal Government eID regulatory cost modelling
 - supports efficient adoption of new eID regulation which has been universally supported by all Australian Agriculture Ministers
 - ensures good outcomes for biosecurity, food safety, market access and food security for the sheep industry, and Australians more broadly.
- B. The Federal Government review, develop and agree on national livestock traceability co-funding mechanisms to ensure they are sustainable, comprehensive, and equitable across the supply chain.**

Enhanced transitional support for new sheep and goat eID regulation

Enhanced national traceability across the Australian sheep supply chain has been a priority focus for Sheep Producers Australia (SPA) over recent years. Specifically, the implementation of individual electronic identification (eID) for sheep in conjunction with broader whole-of-system reform to strengthen national traceability for biosecurity, food safety, emergency response, and to support market access claims.

SPA has advocated for this policy reform due to the increasing biosecurity threats faced by producers when operating their businesses on a daily basis. For example, an outbreak of a disease such as foot-and-mouth disease is likely to have an immediate and unprecedented impact, for the economy, industry, and the entire supply chain. Recent updates to ABARES modelling estimates losses would be \$80 billion over 10 years, and over \$12 billion in lost revenue for the sheep industry².

SPA welcomed all Agriculture Ministers reaffirming their commitment to work collaboratively with industry to enhance Australia's livestock traceability systems, including the introduction of national mandatory eID for sheep and goats in September 2022. The Sheep and Goat eID National Implementation Plan, developed by the Sheep and Goat Traceability Task Force (SGTTF) and endorsed by Agriculture Ministers, was released on 6 April 2023 and outlined a general commitment to transition by 1 January 2025.

The main cost to producers of an eID system for sheep and goats is associated with the purchase of electronic tags. As outlined in recent correspondence from SPA members to the Federal Minister for Agriculture:

"Federal government modelling estimated the total cost to transition to eID for sheep and goats will cost \$810 million to \$831 million (depending on the scenario). Tag costs are the greatest proportion of these costs accounting for 82 percent, or \$683 million..."

² [Direct economic impacts of a foot-and-mouth \(FMD\) disease incursion in Australia, An update of ABARES 2013 estimate - DAFF \(agriculture.gov.au\)](#)

Following the initial implementation, producers are expected to shoulder ongoing tag costs, estimated to amount to \$53 million in 2027 and \$63.3 million in 2032 as per Federal Government modelling. While these additional costs may result in benefits and opportunities for producers, it is crucial to emphasise their integral role in supporting government regulatory responsibilities. Producers will bear the expenses associated with this new regulation during the transition period and afterward, recognising them as inherent costs of doing business that will yield varying levels of benefit. It is reasonable that producers call for fair and equitable government transitional support as it acknowledges the shared responsibility for traceability and ensures a balanced approach to navigating the financial implications of government driven regulatory changes for producers.

This sentiment is shared by many participants engaged across the sheep supply chain. In 2023, SPA undertook a national consultation process to gain a greater understanding of the requirements for a national sheep industry tag tender process and online procurement system to determine if this was a viable option for alleviating tag costs incurred by producers. The report found that implementation of a national tag tender and procurement system by SPA would present a high risk to the organisation and, as such, was not pursued. Importantly, however, the report also found that the majority of participants from all sectors (industry, government and commercial) agreed that provision of government financial support to producers and across the supply chain during the transitional phase of implementing eID regulation was critical to support efficient adoption of new regulation.

SPA acknowledges that the Federal Government and three jurisdictional governments have provided initial transitional support packages across the sheep industry supply chain. However, not only have these packages represented only a small fraction of the transitional costs identified by modelling outlined above, they have all been inconsistently applied creating inequality for producers competing in a national supply chain.

Given the significance of this policy reform, SPA calls for the following:

Recommendation 1.a. The Federal Government to work in collaboration with industry and jurisdictional governments to develop and implement additional eID transitional support packages for Australian sheep producers which:

- **equitably reflects the regulatory costs incurred by producers which have been identified by Federal Government eID regulatory cost modelling.**
- **supports efficient adoption of new eID regulation which has been universally supported by all Australian Agriculture Ministers.**
- **ensures good outcomes for biosecurity, food safety, market access and food security for the sheep industry, and Australians more broadly.**

This recommendation is increasingly critical given the rapid decline in market and environmental conditions experienced by producers during 2023, coupled with structural changes in pivotal markets because of the Federal Government's live sheep export by sea policy phase out. Sheep producers continue to face significant volatility that threatens the viability of their businesses.

Sustainable National Traceability System Funding

Substantial improvements to our country's biosecurity and traceability systems have consistently been recommended by various government and industry investigations and reports spanning the last two decades. The most recent of these was the Rural and Regional Affairs and Transport References Committee (RRAT) *Adequacy of Australia's biosecurity measures and response preparedness, in particular with respect to foot-and-mouth disease and varroa mite* inquiry, which found:

Committee view 5.86 Given the rise in biosecurity threats, and the wide range of benefits offered by a national traceability system, the committee supports the extension of the NLIS to

include individual sheep and goats. It notes that there will be challenges in implementation and additional costs, including for producers, and welcomes the government's announcement of additional funding, while also recognising the need for a review of current funding arrangements.³

SPA acknowledges the work undertaken by Government to implement the *National Agricultural Traceability Strategy 2023 to 2033*⁴, along with the grant funding made available, however calls on Government to implement the following recommendation made by the RRAT inquiry:

Recommendation 13 5.89 The committee recommends that the Australian Government conduct a review of national livestock traceability funding and co-funding mechanisms, to ensure they are sustainable, comprehensive, and equitable.⁵

Adopting this recommendation would facilitate a comprehensive funding approach for the system, eliminating the necessity for fragmented grant arrangements and addressing concerns related to new regulations, such as eID for sheep and goats. This approach not only strengthens the traceability system but also enhances financial efficiency for funders while promoting greater equity for those experiencing regulatory burdens.

Recommendation 1.b. The Federal Government review, develop and agree on national livestock traceability co-funding mechanisms to ensure they are sustainable, comprehensive, and equitable across the supply chain.

Recommendation 2: Enhanced biosecurity to support market access

A. The Federal Government undertakes further work, in collaboration with industry and all levels of government, to explore, identify and adopt sustainable biosecurity funding options that ensures strategic, equitable, and effective biosecurity outcomes.

The success of Australia's sheep industry is underpinned by global demand from our export markets, which directly influence prices for sheepmeat in Australia. The value of Australia's sheepmeat is inextricably linked to Australia's capacity to export; therefore, we are both reliant on and protected by our national biosecurity systems and the market access that they afford.

As a key priority, SPA invests producer levies into critical biosecurity programs including the National Sheep Industry Biosecurity Strategy, the Sheep Health Project and various activities emerging from the Emergency Animal Disease Response Agreement. Aside from these major commitments, Sheep Producers Australia has been leading the reform agenda for national traceability of livestock with other livestock peak bodies, as well as through the Red Meat Advisory Council and SAFEMEAT.

SPA acknowledges the shared responsibility for biosecurity, a principle also enshrined in the Biosecurity Act and the Intergovernmental Agreement on Biosecurity (IGAB). Consequently, all stakeholders bear a financial obligation to contribute to the biosecurity system. Given the overall cost of the system, it is imperative that each stakeholder directs their investment towards areas that promise the most substantial return on investment and, consequently, optimal biosecurity outcomes.

³ [Adequacy of Australia's biosecurity measures and response preparedness, in particular with respect to foot-and-mouth disease and varroa mite – Parliament of Australia \(aph.gov.au\)](#)

⁴ [National traceability - DAFF \(agriculture.gov.au\)](#)

⁵ [Adequacy of Australia's biosecurity measures and response preparedness, in particular with respect to foot-and-mouth disease and varroa mite – Parliament of Australia \(aph.gov.au\)](#)

For producers, the most effective avenue for biosecurity investment is on the farm, shaping the investment decisions of SPA and other industry entities. SPA makes these decisions, and implements subsequent initiatives, collaboratively with other industries and government through various biosecurity platforms. This collaborative approach ensures a comprehensive and coordinated effort in enhancing biosecurity measures for the benefit of all stakeholders involved.

SPA acknowledges the considerable biosecurity investments made by the Federal Government, particularly pre-border and at the border, in the past three years as the threats of Foot and Mouth Disease (FMD) and Lumpy Skin Disease (LSD) have increased. SPA holds concerns regarding the decision-making process of the current Federal Government in funding the biosecurity system, which has occurred without adequate consultation and engagement with industry. SPA urges the Federal Government to undertake a more inclusive approach by collaborating with industry and all levels of government. Specifically, SPA calls for a thorough exploration and investigation of sustainable biosecurity funding options, particularly focusing on pre-border and at the border measures. This collaborative effort is crucial to ensure strategic, equitable, and effective biosecurity outcomes that align with the shared interests of the government and industry stakeholders.

Recommendation 2.a: The Federal Government undertakes further work, in collaboration with industry and all levels of government, to explore, identify and adopt sustainable biosecurity funding options that ensure strategic, equitable, and effective biosecurity outcomes.

Recommendation 3: Investment into climate and carbon initiatives for the sheep industry

A. The Federal Government works in collaboration with the sheep industry, and broader red meat industry, to:

- **co-design agriculture specific climate and carbon investment strategies, which should be incorporated into the Agricultural and Land Sector Plan, and overarching Net Zero 2025 initiative**
- **ensure funding and coordination is available to implement the Agricultural and Land Sector Plan in full**
- **support funding of extension and adoption strategies aimed at ongoing uptake of emission reduction technology that may be cost prohibitive and of low productivity value to agricultural businesses**

The Australian sheep industry is an integral part of Australian agriculture. Australian sheep farmers contribute not only to the provision of high quality and nutritious protein for both domestic and international markets but provide substantial employment opportunities and investments that bolster rural and regional communities. Beyond these essential contributions, sheep farmers play a pivotal role in environmental stewardship across extensive areas of our country, a responsibility they approach earnestly, as their farms often serve as homes for themselves and their families.

This commitment to environmental responsibility is demonstrated by our industry's dedicated efforts toward emissions reduction and abatement. Analysis suggests that the sheep industry will likely achieve the government's 43% emission reduction target by 2030 - largely due to improved flock productivity, improved land management and historical declines in sheep numbers. Our industry has and will persist in substantial investments for research and development aimed at reducing greenhouse gases (GHGs).

Despite the commitment to addressing these challenges, significant hurdles exist in aligning with ambitious targets set by both government⁶ and industry⁷ alike. Perhaps the most critical concern for the sheep industry, and broader livestock industry, is methane, which accounts for 80% of GHG emissions produced by the livestock sector. Critically, there is currently no singular solution to reduce methane emissions, particularly in the extensive grazing production systems predominantly employed by the sheep industry. Achieving further emissions reductions beyond 2030 will not be possible without technological breakthroughs, reduced barriers to implementation and cost.

Current research indicates that supplements aimed at reducing enteric methane will be relatively expensive and offer less effective methane emission reduction for the sheep industry as the technology is less effective in extensive grazing, operated by most Australian sheep producers. Coupled with price and environmental volatility, and a shifting regulatory environment that has placed pressure on key markets, sustainable funding of extension and adoption activities will be required to ensure ongoing uptake of emission reduction technology that may be cost prohibitive and of low productivity value to agricultural businesses.

Our industry has initiated preliminary conversations with the Federal Government regarding the necessary approach to address this considerable issue. What is evident from these discussions within both the industry and the government is the apparent lack of available solutions. Without substantial investment and decisive leadership from the government, overcoming this challenge seems improbable. Notably, considering the intricate and pivotal role that agriculture will play in climate and carbon initiatives, it is imperative that government funding at all levels be made available at rates comparable to those currently enjoyed by other sectors. This approach must be co-designed and captured in the Agricultural and Land Sector Plan, and overarching Net Zero 2025 initiative.

The final Agricultural and Land Plan must provide detail on an implementation strategy that supports monitoring, evaluation, and public reporting, underpinned by Key Performance Indicators (KPIs). The Plan must be monitored using an annual review cycle overseen by the coordinated platform identified above. It is critical that the plan is supported by a coordinated platform that incorporates government at all levels across relevant portfolios, industry representatives, researchers, and other relevant stakeholders to support greater progress on a range of climate and carbon issues, including research and development, policy and regulation, accounting and incentives programs, extension, adoption and communication. The platform should support greater harmonisation across state, territory and federal government regulations, and research, development, and investment programs, and communicate at an international level to leverage opportunities identified across other countries. To ensure it is effective, the platform will require the following:

- a dedicated and appropriately resourced secretariat, preferably maintained within the Department of Agriculture, Fisheries and Forestry (DAFF).
- clear requirements for monitoring, evaluation, and public reporting, underpinned by Key Performance Indicators (KPIs).
- annual review cycle overseen by a Steering Committee that comprises of representatives of the stakeholders.
- direction to respond to seminal scientific reviews and their relevant recommendations.

⁶ [Australia Legislates Emissions Reduction Targets | Prime Minister of Australia \(pm.gov.au\)](#), [Australia joins Global Methane Pledge | Ministers \(dcceew.gov.au\)](#)

⁷ [Carbon neutral 2030 R&D | Meat & Livestock Australia \(mla.com.au\)](#)

Recommendation 3.a: The Federal government works in collaboration with the sheep industry, and broader red meat industry, to:

- **co-design agriculture specific climate and carbon investment strategies, which should be incorporated into the Agricultural and Land Sector Plan, and overarching Net Zero 2025 initiative**
- **ensure funding and coordination is available to implement the Agricultural and Land Sector Plan in full**
- **support funding of extension and adoption strategies aimed at ongoing uptake of emission reduction technology that may be cost prohibitive and of low productivity value to agricultural businesses**

Should you wish to discuss this submission further please do not hesitate to contact me ceo@sheepproducers.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bonnie Skinner', with a stylized, cursive script.

Bonnie Skinner
Chief Executive Officer
Sheep Producers Australia