

**LIVE SHEEP TRADE
BY SEA POLICY**

**IMPACT ON THE
UPPER GREAT SOUTHERN
ECONOMY**



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Prepared for:

Upper Great Southern Region

On behalf of the Western Australian shires of;

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EXECUTIVE SUMMARY

Introduction

- The Minister for Agriculture, Fisheries and Forestry, Senator the Hon Murray Watt appointed an independent panel to consult with stakeholders and provide advice on how and when the government will phase out live sheep exports by sea.
- The 30 September 2023 timeline has been extended and the panel will provide its report to the Minister for Agriculture, Fisheries and Forestry by 25 October 2023. This report has now been released to the public.
- Coinciding with this release was the announcement by the Australian Government of the planned cessation of live sheep export from Australia by May 2028 and a \$107m industry support package for the sheep industry.
- Econisis was engaged to prepare an economic impact assessment for the Upper Great Southern of the Federal Government's planned phasing out of live sheep exports by sea.

Policy Overview

- Analysis was undertaken by Acil Allen in June 2023 on the performance and Value of Live Sheep Export Trade in Australia. Using a point in time model, Acil Allen confirmed that if the live sheep export trade ceased there is an estimated 19.19% reduction in the per head value of sheep in Western Australia. The report also confirmed that the removal of live sheep export flows to Middle East countries (namely Israel, Jordan, Kuwait, Oman, and the UAE) is unlikely to result in any substantive replacement of this trade by increase imports of Australian boxed or chilled sheepmeat and instead would see Australia's place in that market wholly replaced by other live sheep export providers to the detriment of local industry and global animal welfare.
- The Independent Panel on the Phasing Out of Live Sheep Exports provided a copy of their report to the Minister in October 2023. This was subsequently released in May 2024, with the announcement by the Minister of the phasing out of sheep export by May 2028 and the proposed provision. Key issues with the report include:
 - the report appears to be primarily based on 2021/22 flock, production and export figures, which have already experienced a rapid decline in part due to COVID-19 and since the announcement of the Government's intentions independent panel and is not representative of medium term attributes of the industry.
 - the Panel did not undertake their own independent modelling of the economic impact, and instead relied upon narrower impact modelling from Acil Allen and the WA Government.
 - the rate of transition in key supply chains (i.e. abattoirs) and the extent of the secondary impacts on wool industry and farming communities appear to be highly bullish and counter to prevailing evidence.
- A \$107 million Federal transition support package for the Australian sheep industry will support the phase out of live sheep exports by sea. While the headline figure appears to be a substantial transitional package, only \$65 million is targeted directly at sheep produces and associated supply chains. The remaining \$52m represents funding primarily from Government to Government departments, agencies and programs with at best indirect tangential benefit for the industry. These include:
 - Several of the programs seek to develop the global market for boxed and chilled sheepmeat acknowledging the reality that Australia sets to lose access to major Middle East markets due to cultural preferences for Australia live sheep exports and constraints

in end-market supply chain capacity and capability to receive, store and distribute chilled and boxed meats.

- Efforts to reinforce international sheep welfare standards is tacit admission that the cessation of live sheep exports from Australia will result in a precipitous decline in global live sheep welfare.
- No allowance is made for the billions of dollars in abattoir and supporting transport and cold storage infrastructure investment required to facilitate the transition. Abattoirs within Western Australia currently operate at low margins, high regulatory costs and increasingly inconsistent supply (due to policy uncertainty and COVID-19 induced flock reductions) and have been impacted by recent partial and full closures.

Upper Great Southern Industry Profile

- Data from the 2020/21 Value of Agricultural Businesses found that Broomehill-Tambellup and Kojonup LGAs were home to over 600,000 sheep, with Woodanilling LGA accounting for the smallest number at 148,687. In total, the Upper Great Southern LGAs account for over 20% or 1 in 5 sheep and lambs in the Western Australian flock in 2020/21.
- This represents approximately 5.3% of the total economic output of the Upper Great Southern region, based on comparison of economic output from REMPLAN. This share of economic output is higher than WA (approximately 4.5%) and Australia (3.9%) in 2020/21.

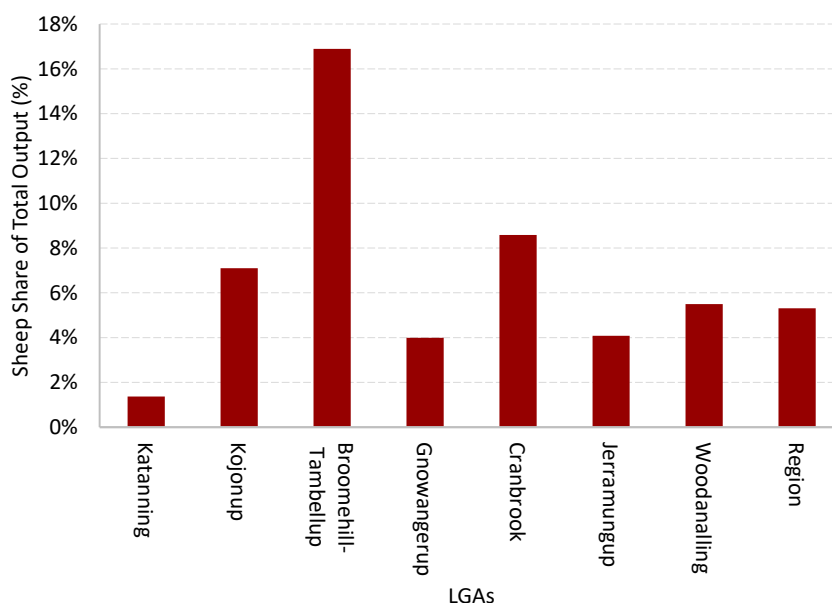


Figure 1 Sheep Disposal share Total Economic Output, by LGAs, 2020/21

Economic Impacts of Live Sheep Exports Ban

- There are a number of different ways in which the impact of major policy decisions on critical and central economic industries within a region can be assessed. This reflects the fact that there are different ways in which the industry dynamics of sheep production may respond (and may already be responding) to the withdrawal of a major market from producers. The three potential impacts being considered are illustrated below.



Figure 2 Price, Flock Size and Household and Community Expenditure Impacts

- In terms of value only impacts, it is estimated that the Upper Great Southern region will experience a net reduction in the gross value of sheep disposals of approximately \$24.75 per year. This equates to \$262.2m or more than a quarter of a billion dollars to the Upper Great Southern economic output over 20 years (at 7% discount rate). However, a value only impact is regarded as highly unlikely, as the industry has already experienced flock reduction impacts from the Government’s previous announcements.
- Instead, looking at the direct and supply chain impact of flock reductions due to the ban, Econisis estimates that the value of the impacts to the Upper Great Southern economy will range from \$474.9m to \$791.5m in present value terms over 20 years. The reason for the range is whether the impact is isolated only to sheep meat production or whether it does, as expected, also impact wool production due to integrated flock management.
- The direct impact on sheep farmers and their supply chains are also expected to have a secondary impact on the households and communities in which these businesses operate. This includes through reduced incomes, earnings and expenditure into the wider economy. These impacts have the effect of adding a further \$126.1m to \$215.8m of impacts to the local Upper Great Southern economy in present value terms over 20 years.

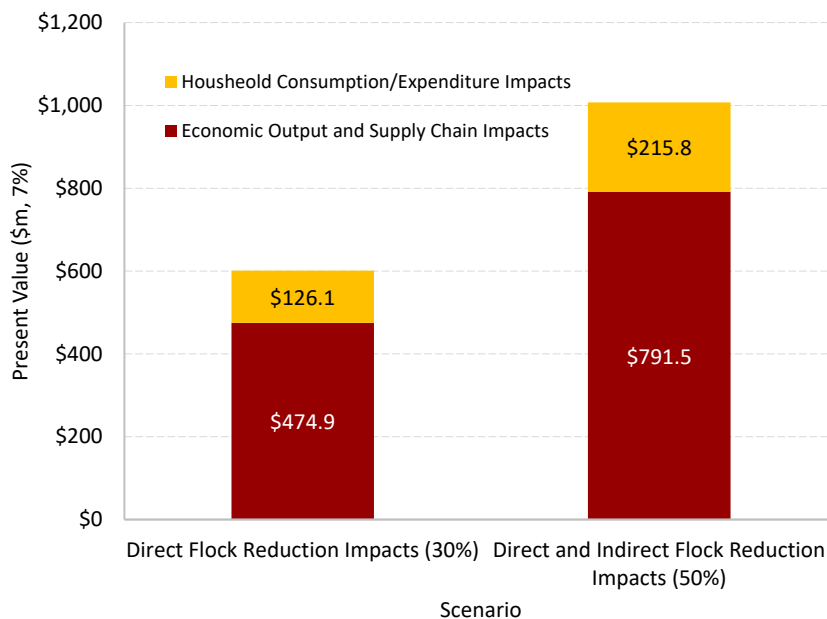


Figure 3 Upper Great Southern Economic Output, Supply Chain and Household Consumption Impacts, by Scenario, Present Value over 20 Years at 7%

Conclusions

- This means that the announced cessation of live sheep export from Australia has the potential to see the Upper Great Southern forgo economic output, (through direct and indirect flock reduction impacts and consequential household and community impacts) of up to \$1b in present value terms over the next 20 years.

"Up to \$1b in impacts to Upper Great Southern economic output over 20 years"

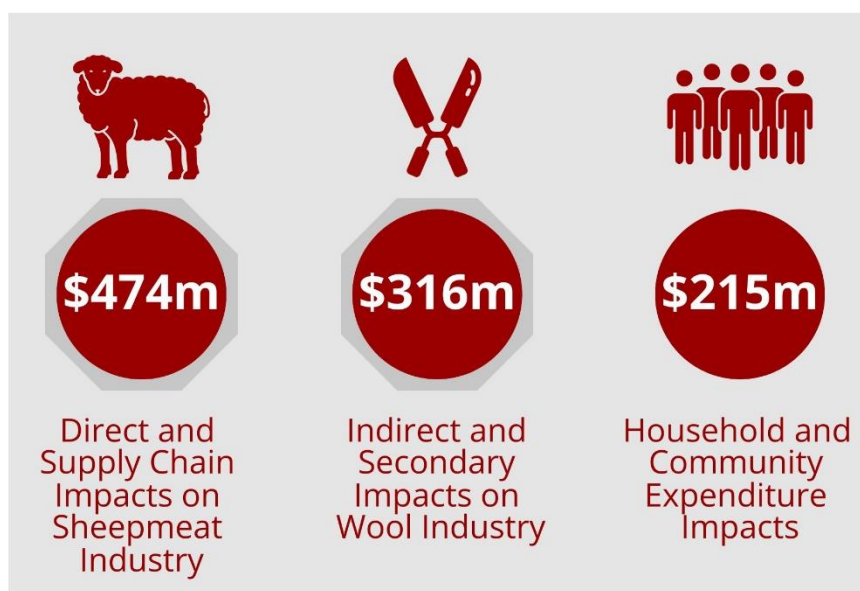


Figure 4 Direct, Supply Chain, Wool Industry and Household/Community Impacts on Upper Great Southern Economic Output over 20 Years (Discounted)

- And it is likely that this impact is already being experienced, as the impending loss of a critical competitive market for sheep production in Western Australia is being factored into to flock management decisions.
- Currently, the size and composition of the Federal Transition Support Package is inadequate for the scale of the negative economic, business, industry and community impacts on the Upper Great Southern estimated in this report. The funding lacks a critical mass of direct support for impacted farmers and supply chains, is overly focused on funding the Government's own actions to address global animal welfare deterioration resulting from the announcement as well as the lack of end market cold storage and transport distribution infrastructure investment.
- Similarly, the package fails to provide any support for critical abattoir capacity investment in Western Australia that would be necessary to onshore processing, even if significant market transitions to chilled and boxed meat consumption were possible within the next 5 years. This would likely require the Australian Government unwriting of billions of dollars in new abattoir

capacity as well as reforms to the sector to reduce regulatory burdens that already impact feasibility and have seen abattoirs recent close across the State.

- And the impact estimated in this report only represents the effect on the 7 regional local government areas in the Upper Great Southern. The scale of the impact across the State's wider sheep farming industry is likely to be much greater and will require more significant investment and compensation and support by the Australian Government for the introduction of the market-limiting policy than currently announced.

1 INTRODUCTION

This section provides an overview of the background, purpose and scope of the report.

1.1 Background and Context

The Minister for Agriculture, Fisheries and Forestry, Senator the Hon Murray Watt appointed an independent panel to consult with stakeholders and provide advice on how and when the government will phase out live sheep exports by sea.

In conducting the consultation, the panel will consider:

- potential mechanisms to phase out live sheep exports by sea
- a suggested timeframe and options for implementation
- potential ways to support the transition, including but not limited to consideration of markets, processing facilities and other opportunities
- other matters as appropriate¹.

The panel has examined matters including but not limited to, the economic impact of the phase out on; agricultural production systems and on-farm management; supply chain arrangements; trade and market access; and lessons learned from other countries that have phased out live sheep exports by sea and states and territories that no longer export live sheep by sea.

The 30 September 2023 timeline has been extended and the panel will provide its report to the Minister for Agriculture, Fisheries and Forestry by 25 October 2023. This report has now been released to the public.

Coinciding with this release was the announcement by the Australian Government of the planned cessation of live sheep export from Australia by May 2028 and a \$107m industry support package for the sheep industry.

1.2 Report Purpose and Structure

Econisis was engaged to prepare an economic impact assessment for the Upper Great Southern of the Federal Government's planned phasing out of live sheep exports by sea.

This report is comprised of the following key sections:

- **Introduction** – This Section provides an overview of the Report, its purpose and structure.
- **Project Context** – Outlining the key attributes and drivers of the region and the project.
- **Policy Overview**– this section provides an overview of the proposed policy of phasing out of live sheep exporting.
- **The Sheep Industry of Western Australia** – This section profiles key attributes of the sheep industry in Western Australia.
- **Regional Industry Profile** – this section reviews key data sets and indicators relating to the sheep industry in the Upper Great Southern economy and the role of live export.
- **Economic Impact of Live Sheep Export Ban** – this section outlines three different approaches to quantifying the economic impact from the proposed live sheep export ban on Upper Great Southern, its Local Government Areas, farmers and communities.
- **Conclusions**

¹ DAFF (2023) Phase Out of Live Sheep Exports by Sea Term of Reference for Consultation Process accessed <https://www.agriculture.gov.au/sites/default/files/documents/terms-of-references-lspo-consultation.pdf>

1.3 Statistical Geography

Upper Great Southern region of Western Australia includes seven Local Governments:

- Shire of Katanning
- Shire of Kojonup
- Shire of Broomehill-Tambellup
- Shire of Gnowangerup
- Shire of Cranbrook
- Shire of Jerramugup
- Shire of Woodanalling

1.4 Glossary and Abbreviations

The following terms and abbreviations are referenced in this report.

Table 1 Glossary and Abbreviations

Term/Abbreviation	Definition
ABS	Australian Bureau of Statistics
EIA	Economic Impact Assessment
Externalities	External Costs or Benefits not captured in market prices
FTE	Full time equivalent
GVA	Gross Value Added
IO	Input-output
LGA	Local Government Area
NPV	Net Present Value
OIA	Office of Impact Analysis

2 POLICY OVERVIEW

This section provides an overview of the planned policy of phasing out of live sheep exporting.

2.1 Independent Panel on the Phasing Out of Live Sheep Export by Sea

The Minister for Agriculture, Fisheries and Forestry, Senator the Hon Murray Watt appointed an independent panel to consult with stakeholders and provide advice on how and when the government will phase out live sheep exports by sea.

The independent panel appointed to consult with stakeholders on the phase-out of live sheep exports by sea completed its public consultations on 27 June 2023.

An update from the independent panel provides an overview of what was said during the consultation. It included information on stakeholder engagement, what the panel heard, information on market trends, as well as stakeholder suggestions and the panel's next steps. Since March 2023, the panel has received more than 4,100 submissions including more than 800 written submissions and more than 3,300 survey responses.

The 30 September 2023 timeline was extended, and the panel provided its report to the Minister for Agriculture, Fisheries and Forestry on 25 October 2023. The government released this report in May 2024 to coincide with their announcement of the phasing out of live sheep export by sea by May 2028. This included announcement of a \$107m industry support package.

2.2 National and State Live Export Impact

2.2.1 Acil Allen Report 2023

Analysis was undertaken by Acil Allen in June 2023 on the performance and Value of Live Sheep Export Trade in Australia. This report included a point in time analysis of the potential impact of the phasing out of live sheep exports².

The analysis found that live sheep export industry (live sheep and the associated wool clip) has, using an average of the last five financial years (2017-18 to 2021-22), directly contributed \$52 million of value-added annually.

It also confirmed that the lion's share of this value is in Western Australia, with live sheep export industry directly contributed \$45 million of value-added annually.

Using a point in time model, Acil Allen confirmed that if the live sheep export trade ceased there is an estimated 19.19% reduction in the per head value of a male sheep in Western Australia. At the time of the report this represented a decline of \$21.84 per male sheep with a price response. This price impact would apply to all sheep – not just that of live export sheep.

The report also confirmed that the removal of live sheep export flows to Middle East countries (namely Israel, Jordan, Kuwait, Oman, and the UAE) is unlikely to result in any substantive replacement of this trade by increase imports of Australian boxed or chilled sheepmeat and instead would see Australia's place in that market wholly replaced by other live sheep export providers.

This reflects the critical nature of live sheep imports to the food security of several Middle East countries, many of whom Australia has been a provider of trust, support and dependence for over 60 years.

² Acil Allen (2023) Performance and Value of the Live Sheep Export Trade accessed at https://assets.ctfassets.net/8fjsq0xyf4sy/705NQ22p0xPADU62VHBCMH/c5c923e32db8e310ee923ca486b68c35/Value_of_the_live_sheep_export_trade_FINAL_REPORT.pdf

This will likely result in a significant deterioration in overall animal welfare globally as supply to Middle East countries shifts from Australia’s high quality animal welfare regulations to less regulated countries. This undermines the fundamental rationale of the policy.

2.2.2 Independent Panel Report 2023

The Independent Panel on the Phasing Out of Live Sheep Exports provided a copy of their report to the Minister in October 2023. This was subsequently released in May 2024, with the announcement by the Minister of the phasing out of sheep export by May 2028 and the proposed provision

The report found that:

“Live sheep exports by sea have been a part of the Australian sheep industry for generations. The trade was valued at \$76.9 million in 2022–23. Australia has historically supplied a large volume of live sheep to the Middle East, which peaked in 2002–03. Western Australia (WA) has been Australia’s only source of live sheep exports by sea since 2019–20. The overall volume of live sheep exports by sea has been decreasing over the last 2 decades, dropping 27% between 2018–19 and 2022–23. Although live exports accounted for only 12% of WA turn-off in 2022–23, many WA producers spoke in consultations of their reliance on the live sheep trade as an option for turning off large numbers of stock or to manage risks when feed or water is scarce. For many in sheep-producing communities, maintaining a viable sheep flock is a source of income that supports employment and a critical mass of people to sustain services and social fabric of communities.”

While the panel claims the WA sheep industry can be profitable and sustainable during the transition period and beyond the end of live sheep export by sea, early action from the government will be required to moderate economic and social consequences of the transition. Four action areas were identified by the Panel.

Figure 1 Action areas



Figure 5 Focus Action Areas

Overall the report makes several assumptions that fundamentally impact the integrity of the analysis and findings. Firstly, the report appears to be primarily based on 2021/22 flock, production and export figures, which have already experienced a rapid decline in part due to COVID-19 and since the

announcement of the Government's intentions independent panel and is not representative of medium term attributes of the industry. This contributed to sovereign risk issues for Australia among overseas buyers.

Secondly, the Panel did not undertake their own independent modelling of the economic impact, and instead relied upon narrower impact modelling from Acil Allen and the WA Government.

Thirdly, the rate of transition in key supply chains (i.e. abattoirs) and the extent of the secondary impacts on wool industry and farming communities appear to be highly bullish and counter to prevailing evidence.

Overall the Independent Panel report appears principally to collate feedback and input from consultation and does not represent an independent source of economic and industry analysis and evidence. This raises concerns regarding the legitimacy of the findings and conclusions reached, the weight placed on ideological opinions and less on comprehensive economic analysis.

2.2.3 Federal Transition Supply Package

A \$107 million Federal transition support package for the Australian sheep industry will support the phase out of live sheep exports by sea. This is proposed to include:

- \$64.6 million to assist sheep producers and the supply chain, particularly in Western Australia, to capitalise on existing and emerging opportunities so that they are well positioned when the trade ends. Funding will assist businesses to plan and implement transition actions and to expand domestic sheep processing capacity. It will also support community wellbeing activities and rural financial counsellors.
- \$27.0 million to enhance demand within Australia and internationally for sheep products to maintain and develop market opportunities. With a range of delivery partners, including Austrade, this will fund activities such as market analyses, consumer studies, product promotions and building business relationships. Agricultural counsellors and Austrade will also work to support diverse trade to and relationships in the Middle East and North Africa region.
- \$2.6 million to continue to improve sheep welfare standards so that they are practical and meet community expectations and for Australia to enhance its engagement in the World Organisation for Animal Health.
- \$1.7 million to appoint a Transition Advocate to facilitate two-way communication between industry and government, provide information to industry about the transition plan and support, and provide advice to government on how the transition is progressing.
- \$11.1 million for the implementation of the phase out, including a stocktake of transition progress in 2026-27 and to facilitate ongoing engagement with industry, communities, trading partners and other stakeholders³.

While the headline \$107m appears to be a substantial transitional package, **only \$65 million is targeted directly at sheep produces and associated supply chains**. The remaining \$52m represents funding primarily from Government to Government departments, agencies and programs with at best indirect tangential benefit for the industry.

Several of the programs seek to develop the global market for boxed and chilled sheepmeat. This is despite the central of the Australian Government that such products are in high demand. Instead this element of the transition package acknowledges the reality that Australia sets to lose access to major Middle East markets due to **cultural preferences for Australia live sheep exports and constraints in end-market supply chain capacity and capability to receive, store and distribute chilled and boxed meats**. This is reinforced by previous temporary pauses in live sheep from

³ Minister for Agriculture, Fisheries and Forestry (2024) \$107 million to support phase out of live sheep exports by sea accessed at <https://minister.agriculture.gov.au/watt/media-releases/support-phase-out-live-sheep-exports-sea#:~:text=The%20export%20of%20live%20sheep,live%20sheep%20exports%20by%20sea.>

Australia saw demand for live sheep from key Middle Eastern markets shift to other live sheep exporters rather than transition across to boxed and chilled meat products.

Similarly, efforts within the transition plan to reinforce international sheep welfare standards is tacit admission that the ***cessation of live sheep exports from Australia will result in a precipitous decline in global live sheep welfare***. Australia has, in recent decades, implemented one of the highest standards of live sheep welfare in the world and our withdrawal from the market and the expected shift of demand to other less animal welfare focused suppliers will ultimately undermine the fundamental objective of the ban – to improve animal welfare.

Finally, the transition package makes no allowance for the billions of dollars in abattoir and supporting transport and cold storage infrastructure investment required to facilitate the transition. Abattoirs within Western Australia currently operate at low margins, high regulatory costs and increasingly inconsistent supply (due to policy uncertainty and COVID-19 induced flock reductions) and have been impacted by recent partial and full closures. The lack of consideration of downstream infrastructure capacity investment reflects the same lack of consideration on constraints in end-market cold store and distribution capacity – the need for substantial multi-billion dollar Federal Government underwritten investment in the onshoring of processing capacity.

3 SHEEP INDUSTRY OF WESTERN AUSTRALIA

This section provides a summary of key data trends and information related to sheep industry and exports from Western Australia.

3.1 Western Australian Sheep industry Profile

As of July 2022, the Western Australian (WA) sheep flock consisted of 12.4m sheep and lambs⁴. Following a period of relative stability between 2010/11 and 2018/19 where the flock hovered between 13.7 and 15.2m, the flock has started to decline falling to its lowest point since 1952 when the flock numbered 12.2m. These flock size movements were heavily influenced by both Government imposed and self-imposed halts to live exports due to animal welfare issues in 2017/18 and 2019/20 (highlighted below).

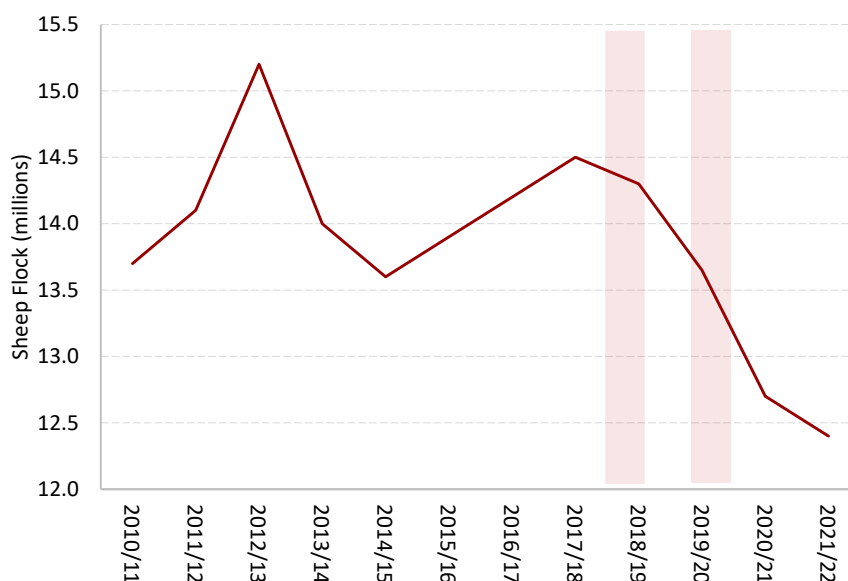


Figure 6 Sheep Flock, Western Australia, 2010/11 to 2021/22 (including highlighted periods of live sheep export halts)⁵

In 2021/22, the industry accounted for 43% of the value of all livestock industries in WA⁶. The combined sheepmeat and wool industries contributed a gross value of production of \$1.35b to the WA economy, up from \$1.18b the previous year.

⁴ DPIRD (2023) The Western Australian sheep and wool industries accessed at <https://www.agric.wa.gov.au/sheep/western-australian-sheep-and-wool-industries>

⁵ As above

⁶ ABS (2023) Value of Agricultural Commodities Produced, Australia accessed at <https://www.abs.gov.au/statistics/industry/agriculture/value-agricultural-commodities-produced-australia/latest-release>

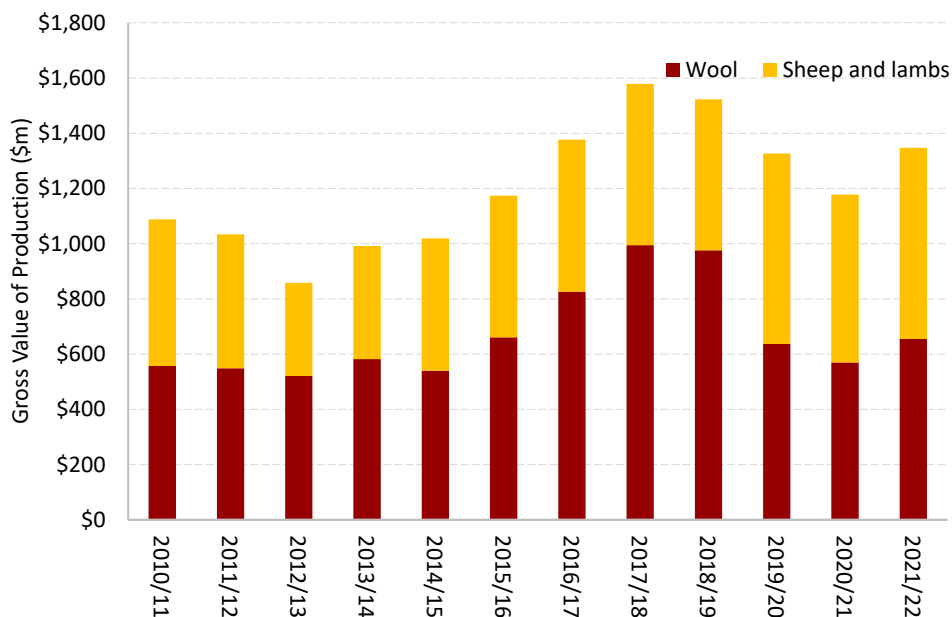


Figure 7 Gross Value of Production, Wool and Sheep and Lambs, 2010/11 to 2021/22

The wool and sheep and lamb segments of the industry are highly interrelated due to the mutual dependence on overall flock size and profile.

3.2 Turnoff Trends

The largest component of WA sheep turn-off is currently lamb slaughter, which in 2021/22 made up 57% of the total sheep turn-off. This segment has increased in prominence to the Western Australian sheep industry in recent years, increasing as a proportion of turn-off from 30% in 2010/11 to 57% last year⁷.

This increase in lamb slaughter turn-off proportions is partly due to the structural decline in live export volumes in recent years. Between 2013/14 and 2017/18, live export accounted for 29.5% of turn-off in Western Australia. However, sharp decline between 2017 and 2018 was largely due to the mid-year trade suspension and reduced stocking rates on ships imposed following the Awassi Express incident of 2017.

⁷ DPIRD (2023) The Western Australian sheep and wool industries accessed at <https://www.agric.wa.gov.au/sheep/western-australian-sheep-and-wool-industries>

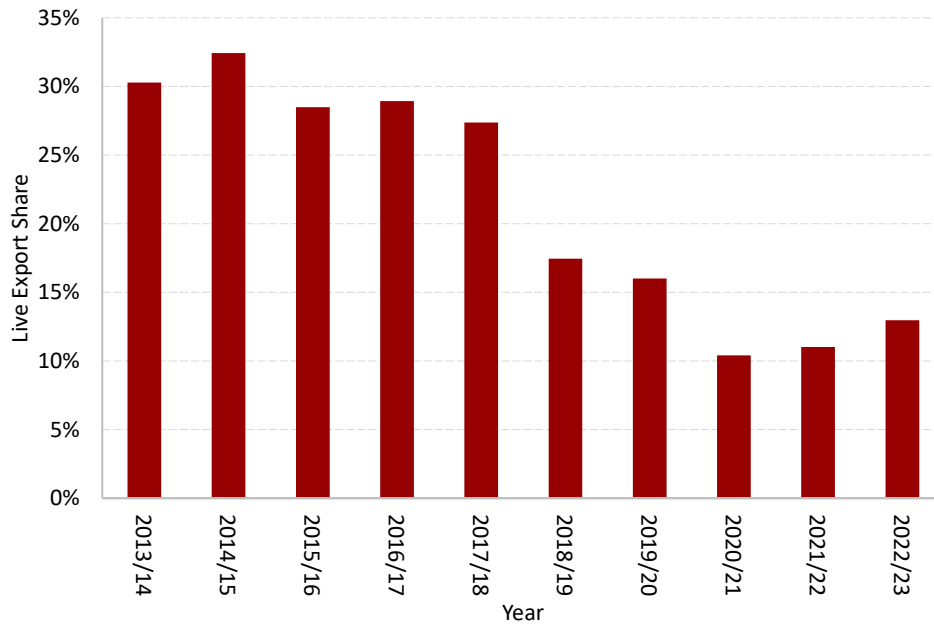


Figure 8 Live Sheep Export Share of Sheep and Lamb Turn-Off, 2013/14 to 2022/23

This created a sovereign risk issue for Australia as a live sheep export provider, due to global perceptions of the somewhat “knee jerk” reaction by the Australian Government at the time. This is believed to have raised concerns in key Asian and Middle Eastern markets as to the degree to which Australia could be regarded as a reasonable and reliable food security partner in sheepmeat and is said to have directly contributed to the decision by the Qatar Government to remove subsidies on Australian sheep.

This, coupled with climate, supply and restocking has contributed to a substantial decline in prices of sheepmeats in late 2023 in which prices fell to multi-decade lows. Despite recovery in mutton prices at the end of 2023, prices remains 35-45% lower than 12 months ago.

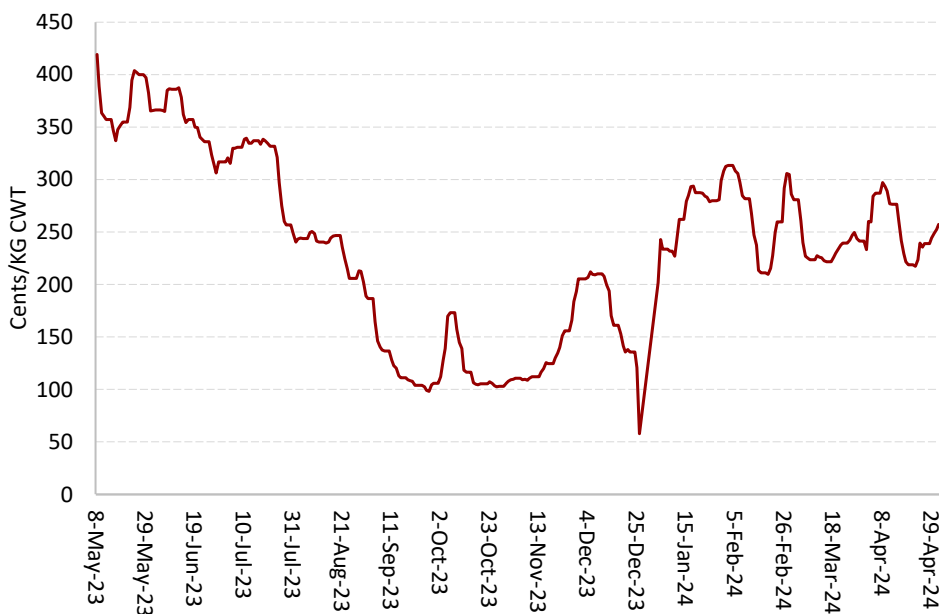


Figure 9 Price Movements, Mutton Indicators, Australia, Year to May 2024⁸

⁸ MLA (2024) Industry Daily Summary accessed at <https://www.mla.com.au/prices-markets/dailysummary/?species=Sheep>

4 REGIONAL INDUSTRY PROFILE

This section reviews key data sets and indicators relating to the sheep industry in the Upper Great Southern economy and the role of live export.

4.1 General Economic Structure

4.1.1 Census Profile

Upper Great Southern LGAs have a significantly older median age, than the WA and Australian median of 38. This indicates an older age profile in the region, confirmed by the high share of the population which is 65+.

Gnowangerup and Kojonup LGAs had higher than average Personal weekly incomes while other LGAs except Jerramungup have below average incomes across, personal, family and household. Most households are lone person households or couple families with children.

A high percent of dwellings are unoccupied, while a higher than average share of homes are owned outright.

Table 2 Census Socioeconomic Profile, Upper Great Southern, WA and Australia, 2021⁹

Indicators	Katanning	Kojonup	Broomehill-Tambellup	Gnowangerup	Cranbrook	Woodanilling	Jerramungup	Western Australia	Australia
Headline									
Population	4,057	1,901	1,046	1,215	505	448	1,160	2,660,026	25,422,788
Median Age	39	45	41	39	44	45	40	38	38
Average Household Size	2.5	2.3	2.5	2.5	2.3	2.5	2.4	2.5	2.5
Share of Population 0-14 (%)	19.4%	19.6%	21.9%	21.5%	22.3%	21.4%	21.5%	19.0%	18.2%
Share of Population 65+ (%)	18.8%	22.4%	16.6%	15.0%	22.0%	21.6%	16.4%	16.1%	17.2%
Born in Australia	67.7%	77.7%	78.2%	75.9%	74.1%	77%	78.4%	62.0%	66.9%
Share of People Attending Educational Institutions									
Pre-School	54	40	13	19	5	8	24	45,452	484,185
Primary	318	185	111	100	46	34	100	222,555	2,075,224
Primary - Government	21.7%	24.9%	29.1%	27.9%	23.9%	24.6%	32.2%	19.3%	18.5%
Primary - Catholic	4.6%	11.2%	2.0%	0.0%	3.2%	3.0%	0.0%	4.5%	5.2%
Primary - other non-Government	0.8%	0.0%	0.9%	3.5%	0.0%	0.0%	1.3%	3.6%	2.2%
Secondary	221	70	50	50	35	27	43	175,841	1,629,624
Secondary - Government	16.3%	10.4%	10.1%	8.7%	15.5%	15.7%	10.0%	12.7%	12.2%
Secondary - Catholic	0.4%	0.0%	0.0%	0.0%	3.9%	0.0%	1.3%	4.5%	4.8%
Secondary - other non-Government	2.0%	3.5%	3.7%	7.7%	6.5%	0.0%	2.9%	4.6%	4.2%
Tertiary	130	50	26	28	10	12	25	172,239	1,789,994
Tertiary - Vocational education (including TAFE and private training providers)	8.1%	4.3%	6.3%	5.1%	4.5%	7.5%	4.5%	7.4%	7.8%

⁹ ABS (2022) Census of Population and Housing 2021, accessed at abs.gov.au

Indicators	Katanning	Kojoonup	Broomehill-Tambellup	Gnowangerup	Cranbrook	Woodamilling	Jerramungup	Western Australia	Australia
Tertiary - University of other higher education	3.1%	5.1%	1.4%	4.5%	1.9%	4.5%	2.6%	13.9%	15.4%
Weekly Incomes									
Personal	\$712	\$882	\$793	\$911	\$705	\$741	\$870	\$848	\$805
Family	\$1,646	\$2,004	\$1,836	\$2,034	\$1,518	\$1,663	\$1,798	\$2,214	\$2,120
Household	\$1,343	\$1,446	\$1,366	\$1,482	\$1,166	\$1,385	\$1,421	\$1,815	\$1,746
Share of Household									
Couple family without children	45.5%	46.5%	42.2%	42.9%	52.9%	43.0%	49.1%	28.0%	27.6%
Couple family with children	36.9%	43.4%	38.6%	45.5%	31.1%	46.5%	42.9%	32.0%	31.1%
One parent family	15.7%	9.9%	15.9%	7.8%	15.1%	11.4%	7.0%	11.0%	11.3%
Other family	1.7%	0.0%	1.4%	0.9%	0.0%	0.0%	0.0%	1.0%	1.2%
Lone Person Households	28.8%	34.1%	25.9%	26.4%	30.9%	25.9%	32.9%	25.0%	25.1%
Group Households	4.0%	2.3%	1.6%	1.8%	2.8%	4.1%	0.7%	3.0%	3.8%
Dwelling Occupancy									
Occupied	86.6%	77.3%	70.7%	71.4%	76.0%	77.4%	51.5%	89.1%	89.9%
Unoccupied	13.4%	23.1%	29.5%	29.2%	25.2%	22.6%	48.3%	10.9%	10.1%
Dwelling Type									
Separate house	90.2%	94.4%	97.3%	97.3%	94.0%	100.0%	92.2%	79.7%	72.3%
Semi-detached, row or terrace house, townhouse etc	8.7%	4.1%	0.8%	0.9%	0.0%	0.0%	3.3%	13.0%	12.6%
Flat or apartment	0.3%	0.0%	0.0%	0.0%	1.6%	0.0%	0.0%	6.5%	14.2%
Other dwelling	0.3%	0.7%	0.8%	0.0%	1.6%	0.0%	4.5%	0.6%	0.6%
Tenure									
Owned outright	33.0%	41.4%	51.7%	42.6%	42.4%	49.1%	38.7%	29.2%	31.0%
Owned with a mortgage	30.6%	21.2%	20.2%	21.1%	16.8%	21.7%	23.3%	40.0%	35.0%
Rented	30.0%	26.1%	16.2%	22.2%	30.4%	14.9%	25.0%	27.3%	30.6%
Other tenure type	3.2%	7.7%	9.5%	12.1%	8.2%	11.8%	12.5%	2.1%	2.0%
Tenure type not stated	2.7%	3.7%	2.9%	2.1%	2.2%	0.0%	0.0%	1.4%	1.5%

4.1.2 Unemployment Rates

A review of unemployment rates data from the Jobs and Skills Australia since September 2020, confirms that the Upper Great Southern has had a weighted average unemployment rate that has consistently fallen from 5.5% to a low of 2.6% in June 2023, before increasing to 3.2% in September 2023¹⁰.

¹⁰ JSA (2023) Small Area Labour Market smoothed data accessed at <https://www.jobsandskills.gov.au/data/small-area-labour-markets>

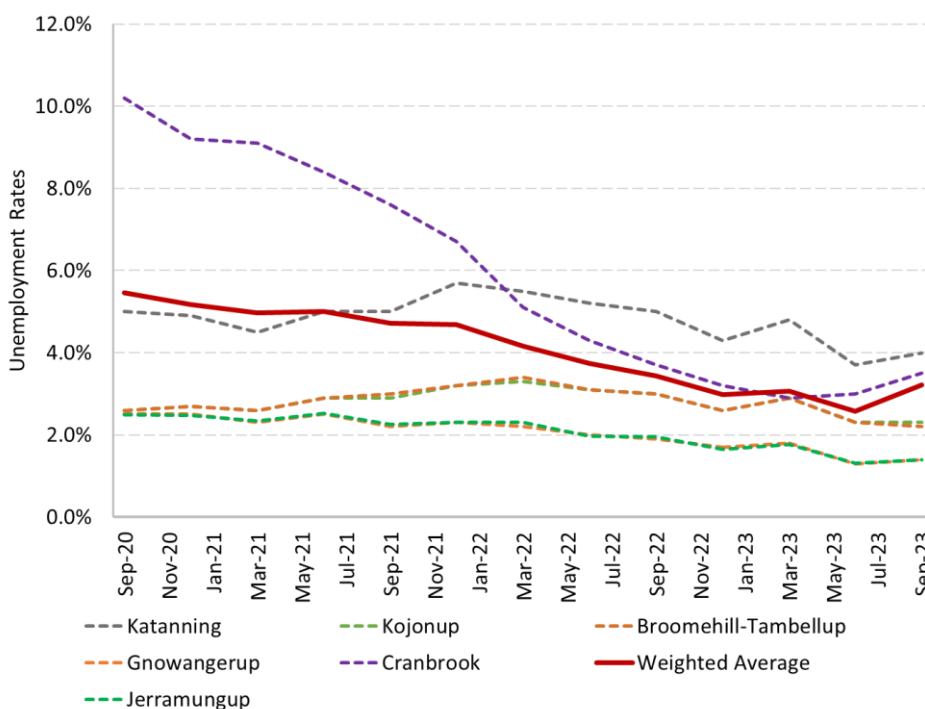


Figure 10 Unemployment Rate, Upper Great Southern and LGAs, 2020 to 2023

It is important to note that Woodanilling LGA is not included in the unemployment rate analysis due to insufficient sample sizes.

This unemployment rate profile reflects the labour force constrained nature of the local area, due to a smaller population base and ageing demographic.

4.1.3 Business Registrations

Kojonup LGA has the most registered businesses in Upper Great Southern with 522 followed by Katanning LGA with 354. Broomehill-Tambellup, Cranbrook, Gnowangerup, and Jerramungup all had over 200 businesses in 2022¹¹. Woodanilling had the lowest number of registered businesses at 94 in 2022.

¹¹ ABS (2023) Count of Businesses accessed at abs.gov.au

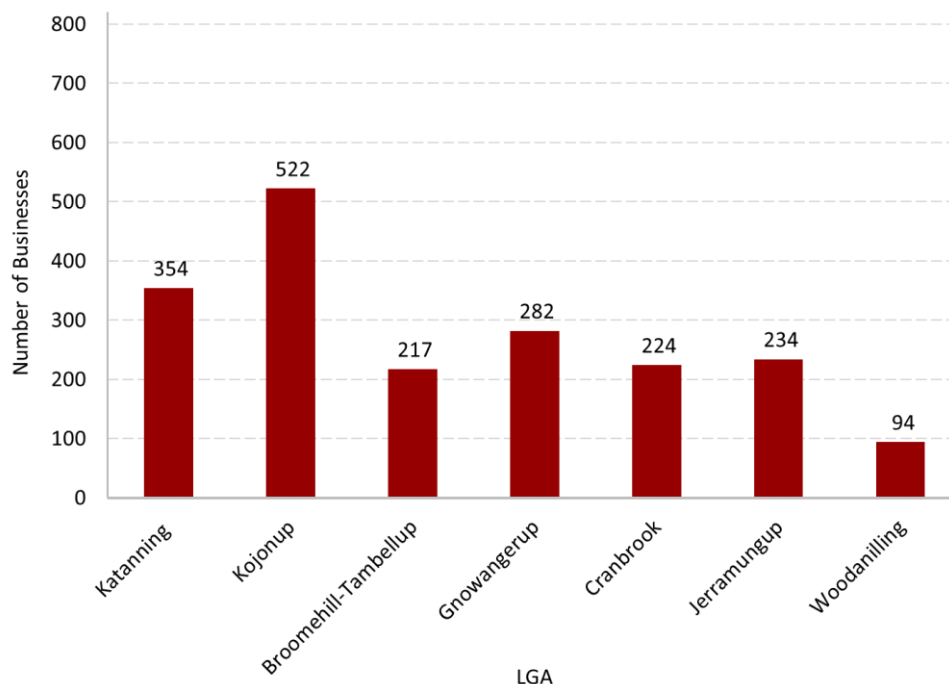


Figure 11 Business Registrations, Upper Great Southern LGAs, 2022

4.2 Upper Great Southern Sheep Flock and Output Value

In total, the Upper Great Southern LGAs account for over 20% or 1 in 5 sheep and lambs in the Western Australian flock in 2020/21.

Data from the 2020/21 Value of Agricultural Businesses found that Broomehill-Tambellup and Kojonup LGAs were home to over 600,000 sheep, with Woodanilling LGA accounting for the smallest number at 148,687¹².

Table 3 Sheep Flock Estimates, Business Numbers and Gross Value of Disposals, 2020/21

Locations	Estimates	No. of Businesses	Gross value (\$)
Katanning	211,896	58	\$10,384,100
Kojonup	605,071	125	\$29,116,205
Broomehill-Tambellup	622,184	128	\$29,939,645
Gnowangerup	243,047	72	\$11,727,154
Cranbrook	502,302	104	\$24,170,886
Jerramungup	249,790	74	\$11,938,102
Woodanilling	148,687	40	\$7,106,131
Region	2,582,977	601	\$124,382,222
WA	12,714,684	4,305	\$607,667,201
Australia	68,047,402	31,839	\$4,332,328,417

¹² ABS (2022) Value of Agricultural Commodities accessed at <https://www.abs.gov.au/statistics/industry/agriculture/value-agricultural-commodities-produced-australia/latest-release>

This flock supports 601 local businesses with a gross value (at the time of the data capture) of over \$124.3m in output.

This represents approximately 5.3% of the total economic output of the Upper Great Southern region, based on comparison of economic output from REMPLAN. This share of economic output is higher than WA (approximately 4.5%) and Australia (3.9%) in 2020/21.

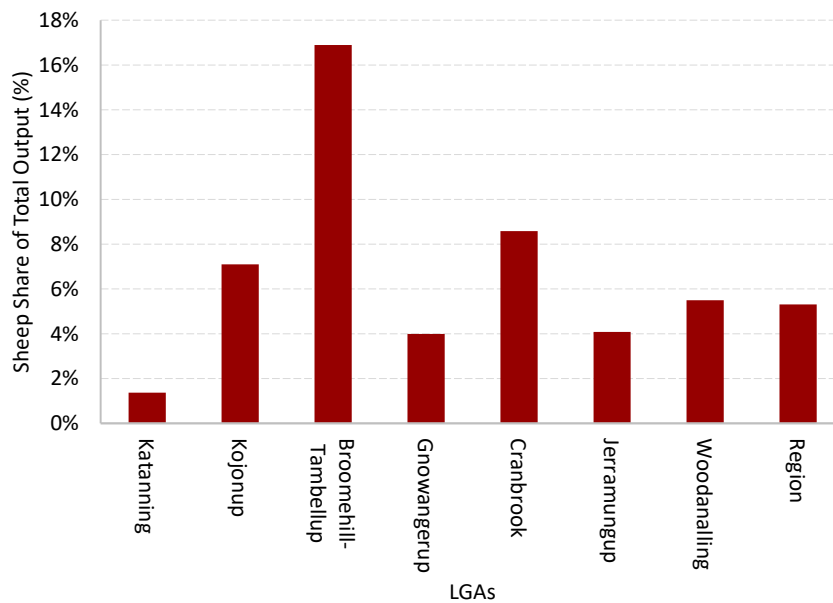


Figure 12 Sheep Disposal share Total Economic Output, by LGAs, 2020/21

It is however lower than the share of economic output in Broomehill-Tambellup with flock gross value representing approximately 16.9% of economic output. Cranbrook and Kojonup also had above average flock shares of total economic output.

5 ECONOMIC IMPACTS OF LIVE SHEEP EXPORT BAN

This section outlines three different approaches to quantifying the economic impact from the proposed live sheep export ban on Upper Great Southern, its Local Government Areas, farmers and communities.

5.1 Types of Potential Impacts

There are a number of different ways in which the impact of major policy decisions on critical and central economic industries within a region can be assessed. This reflects the fact that there are different ways in which the industry dynamics of sheep production may respond (and may already be responding) to the withdrawal of a major market from producers.

The three potential impacts being considered are illustrated below.



Figure 13 Price, Flock Size and Household and Community Expenditure Impacts

Specifically, Econisis has assessed the impact based on the following two primary approaches:

- **Unit Value Impacts** – applying the proportional reduction of sheep value estimated by Acil Allen to the Upper Great Southern flock Gross Value in 2020/21.
- **Economic Multipliers** – using regionalised economic multipliers for the Upper Great Southern economy to estimate direct and indirect economic output, supply chain and household consumption and expenditure impacts.

The results of this analysis are outlined below.

5.2 Value Impacts

The Acil Allen point in time analysis found a 19% fall in the value of male sheep in the market in response to the banning of live sheep exports by sea. Applying this percentage to the gross value of sheep and lambs in the Upper Great Southern region in 2020/21, this would represent a gross value reduction of \$24.75m.

Table 4 Value Impacts, Upper Great Southern Sheep Flock Gross Value¹³

Locations	Estimate	Gross value (\$)	Value Impact (\$)
Katanning	211,896	\$10,384,100	\$2,066,436
Kojonup	605,071	\$29,116,205	\$5,794,125

¹³ Note when the dollar price impact estimates from Acil Allen are applied to flock numbers instead, this increases the impact across the region to \$28.2m. While larger, this approach is more volatile (due to market based price changes) and therefore has been used primarily to validate value impacts.

Locations	Estimate	Gross value (\$)	Value Impact (\$)
Broomehill-Tambellup	622,184	\$29,939,645	\$5,957,989
Gnowangerup	243,047	\$11,727,154	\$2,333,704
Cranbrook	502,302	\$24,170,886	\$4,810,006
Jerramungup	249,790	\$11,938,102	\$2,375,682
Woodanilling	148,687	\$7,106,131	\$1,414,120
Region	2,582,977	\$124,382,222	\$24,752,062

It is also important to note that this impact is not just a one off and instead applies to the flock, year on year for the foreseeable future. Based on a 20 year assessment with a 7% discount rate (to adjust for present value in line with WA and Australian Government economic evaluation guidelines¹⁴), the unit price impact is estimated at \$262.2m or more than a quarter of a billion dollars to the Upper Great Southern economic output over 20 years.



Figure 14 Present Value of Price and Value Change Impact from the Phasing Out of Live Sheep Export by Sea, 20 years at 7% Discount

This value impact is expected to place considerable pressures on the operational viability on sheep-related agribusinesses in the Upper Great Southern region. This means that value reductions may actually result in wholesale loss of flock capacity if agribusinesses fail as a results of the live sheep export police change.

5.3 Economic Multipliers

5.3.1 Approach to Calculating Multipliers

At the core of an Economic Multiplier based impact assessment is Input–Output (IO) tables. IO tables are part of the national accounts by the ABS and provide detailed information about the supply and use of products in the Australian economy, and the structure of and inter–relationships between Australian industries.

¹⁴ Based on WA Treasury Business Case and Australian Government Office of Impact Analysis discount rate mid points. Note discount rates of 4% and 10% are also commonly used as a form of sensitivity test.

IO tables are converted, through statistical analysis, into a series of Economic Multipliers. These Multipliers represent the relationship between the direct activity (expenditure or production) associated with an industry and the wider economy.

The results of an EIA are generally presented as both direct effects, which is effects from the direct activity of the Project or event, and indirect effects, which are additional effects from further rounds of spending in the supply chain. A third or consumption effect, resulting from rounds of consumer spending generated by the additional income in the region can also be calculated.

There are two broad levels of Multipliers that can be utilised for Impact Assessments:

1. **Simple Multipliers** – including the Direct or Initial Effect, First Round and Industry Supply Chain effects.
2. **Total Multipliers** – including the Simple Multipliers plus subsequent Induced Production and Household Consumptions effects.

Impact Assessments can assess:

- **Output** - the actual dollar amount spent on the Project in the Region.
- **Income** - the number of wages and salaries paid to labour.
- **Employment** - the full-time equivalent (FTE) per annum employment generated by the Project; and
- **Value Added** - the value added to materials and labour expended on the Project.

Econisis has undertaken an Impact Assessment for the Upper Great Southern economy, focused providing separate analysis of **Simple and Total Multipliers**.

For the Upper Great Southern economic impacts, this entailed the following tasks:

1. Transaction tables were developed from National IO tables for the Upper Great Southern economy. For the regional economy, the Regional Transaction Table was calculated by applying employment-based location quotients for the Region, based on the results of the 2016/2021 Census of Population and Housing. This has the effect of excluding spending on imports to the Region since they generate no local economic activity.
2. Economic Multipliers were then generated for WA economy across 119 industry categories defined by the ABS.
3. Construction and operational expenditure and production associated with the development were allocated across 119 industry categories.
4. Economic impacts associated with the Project are calculated.

Economic Impact Assessments based on IO-tables and Economic Multipliers have been criticised by Government and academia. Econisis recognises Economic Multipliers are based on limited assumptions that can result in multipliers being a biased estimator of the benefits or costs of a Project.

Shortcomings and limitations of multipliers for economic impact analysis include:

- **Lack of supply**—side constraints: The most significant limitation of economic impact analysis using multipliers is the implicit assumption that the economy has no supply—side constraints. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or if it is near capacity.
- **Fixed prices**: Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using multipliers, where factors of production are assumed

to be limitless, this rationing response is assumed not to occur. Prices are assumed to be unaffected by policy and any crowding out effects are not captured.

- **Fixed ratios for intermediate inputs and production:** Economic impact analysis using multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. As such, impact analysis using multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount.
- **No allowance for purchasers' marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.
- **Not applicable for small regions:** Multipliers that have been calculated from the national IO table are not appropriate for use in economic impact analysis of Projects in small regions. For small regions multipliers tend to be smaller than national multipliers since the inter-industry linkages are normally relatively shallow. Inter-industry linkages tend to be shallow in small regions as they usually do not have the capacity to produce the wide range of goods used for inputs and consumption, instead importing a large proportion of these goods from other regions.

Despite this, IO tables and Economic Multipliers remain popular due to their ease of use and communication of results. Econisis has undertaken a number of steps and made appropriate adjustments to the EIA methodology to address and mitigate these concerns.

Econisis has presented **Simple and Total Multipliers** separately in the Assessment. This has the effect of isolating and separating Household Consumption impacts from the core economic supply chain and industry related impacts. By doing so, only those industries with a first round or supply chain connection are considered first.

Additionally, Econisis has developed economic multipliers for the **Upper Great Southern economy only**. This has the effect of internalising and limiting the extent of the economic impact outside of the State.

Econisis regards the use of Economic Multipliers as part of this Assessment as appropriate and reliable. The results of the assessment are conservative, defensible and suitable for informing decision making.

5.3.2 Impact Scenarios

In addition to examining both economic output/supply chain impacts and household consumption/expenditure impacts, Econisis has undertaken two different scenarios of the scale of the impact on flock value and numbers.

As such, this analysis has focused on two potential scenarios:

- The direct impact on the size of the flock that would otherwise be turned-off via live export. This uses the pre-COVID 5 year average share of 30% in line with the midpoint in WA Government expectations of between 15% and 45%¹⁵

¹⁵ Based on WA Government estimates provided as part of the submission to the Independent Panel.

- The direct and indirect impact on the size of the flock due to the high degree of interrelationship between live export and other sheep-related industries such as wool. This reflects the expectation in the market of a first and secondary round downgrading effect of the overall flock size in Western Australia with the cessation of live exports. This uses an average value reduction of 50%.

Values have been assessed annually and then estimated over a 20 year period, converted into present value at a 7% discount rate.

5.3.3 Economic Output and Supply Chain Impacts

Overall, Econisis estimates that the economic output and supply chain impacts (i.e. simple multipliers) to the Upper Great Southern economy will range from \$474.9m to \$791.5m in present value terms over 20 years from the cessation of live sheep exports.

This variation reflects the extent to which second round flock size and value impacts eventuate. Such impacts are regarded as likely due to the constraints on transfer of sheep from live export to other turn-off methods (both domestically and internationally) and the strong interrelationship in over flock size between live export, sheepmeat and wool production. This means the difference between the two figures (approximately \$316m) represents the direct and supply chain impacts on the wool industry over 20 years.

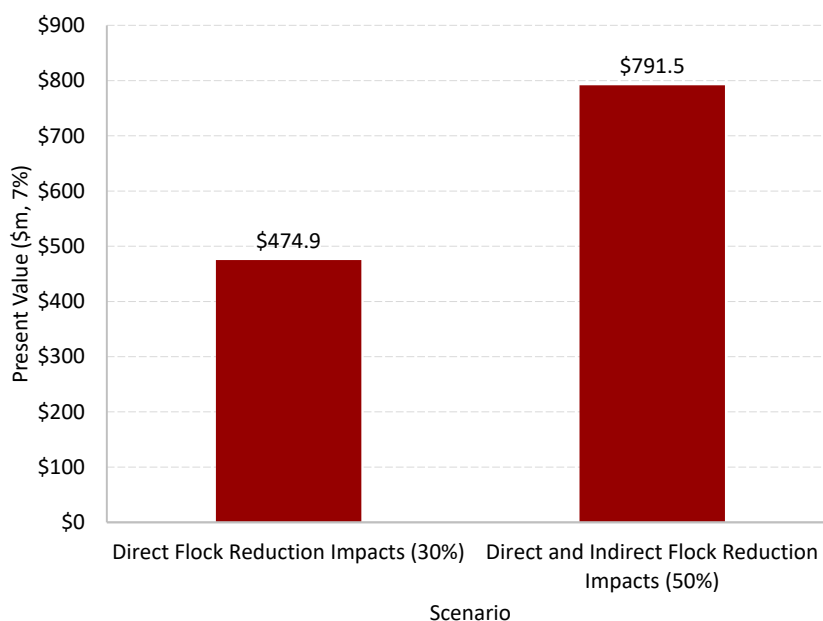


Figure 15 Upper Great Southern Economic Output and Supply Chain Impacts, by Scenario, Present Value over 20 Years at 7%

5.3.4 Household Consumption and Expenditure Impacts

The direct impact on sheep farmers and their supply chains are also expected to have a secondary impact on the households and communities in which these businesses operate. This includes through reduced incomes, earnings and expenditure into the wider economy.

Econisis has estimated this impact through the application of indirect economic multipliers relating to household consumption and expenditure impacts.

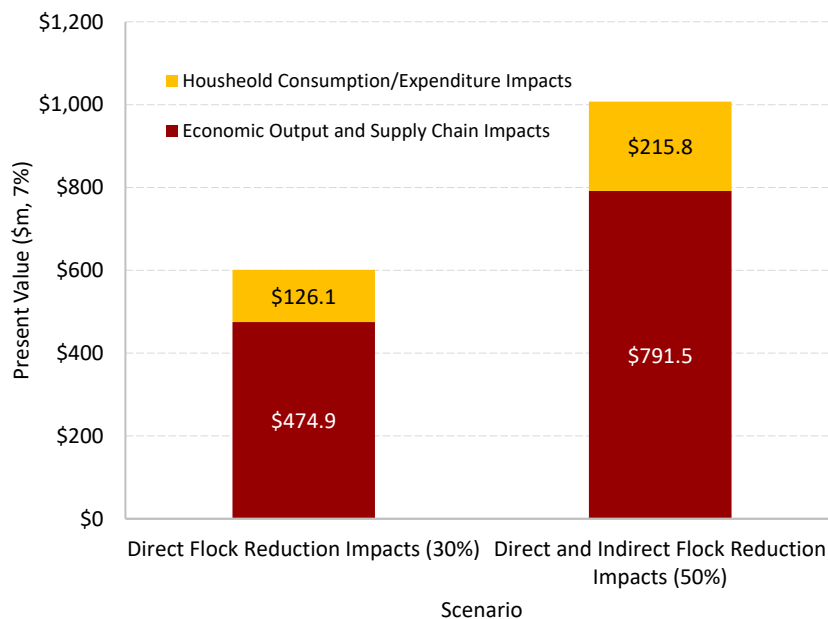


Figure 16 Upper Great Southern Economic Output, Supply Chain and Household Consumption Impacts, by Scenario, Present Value over 20 Years at 7%

These impacts have the effect of adding a further \$126.1m to \$215.8m of impacts to the local Upper Great Southern economy in present value terms over 20 years, through decreased household consumption and expenditure depending on the impact scenario.

5.4 Summary of Impacts

These methods of calculation highlight the scale of potential impacts on the Upper Great Southern economy of the phasing out of live sheep exports.

Direct price and value related impacts (i.e. with no flock size adjustments) would likely see impacts to the Upper Great Southern economy ranging from \$262m-\$298m in present value terms over the next two decades.

When flock size and scale related impacts (both direct and indirect) are also considered, then the scale of this impact increases to \$474m to \$791m over 20 years.

This is further exacerbated when the centrality of sheep farm expenditure, employment and incomes to the functioning of local and regional communities is also considered, which adds a further \$126m to \$216m in economic impact.

This means that the announced cessation of live sheep export from Australia has the potential to see the Upper Great Southern forgo, through **direct and indirect flock reduction impacts and consequential household and community impacts of over \$1b in present value terms over the next 20 years.**

And this impact has likely already started being accrued by the region, reflecting the policy environment created by the Federal Government’s announcement of the panel, resulting in cyclical lows in flock sized due to COVID becoming entrenched and structural.

6 CONCLUSIONS

The planned phasing out of live sheep export policy is expected to have significant economic implications for the Upper Great Southern farmers, communities and local economies. The Upper Great Southern region accounts for approximately 20% or 1 in 5 of the sheep and lamb flock of Western Australia. Additionally, the sheep industry accounts for a larger share of Upper Great Southern economic activity than Western Australia and Australia and live export is its principally a Western Australian turn-off market (due to proximity to key Middle East destinations).

Estimates by Econisis using unit price/value and economic multiplier approaches indicate the potential impact on the regional Upper Great Southern economy at between \$262m and \$791m in economic output over 20 years (at a 7%) discount rate. This is dependent on the degree to which the loss of live export markets impacts just price or overall flock size as well and excludes the further impact to local communities and households from the loss of consumption and expenditure (representing a further \$126m-\$216m) in impacts.

This means that the total size of the economic output impact on the Upper Great Southern economy could be in excess of \$1b in present value terms over the next two decades. This would represent a substantial direct and indirect impact on the Upper Great Southern economy, with wide spread and lasting demographic, socio-economic and business impacts across major towns and communities in the region.

And it is likely that this impact is already being experienced, as the impending loss of a critical competitive market for sheep production in Western Australia is being factored into to flock management decisions.

Currently, the size and composition of the Federal Transition Support Package is inadequate for the scale of the negative economic, business, industry and community impacts on the Upper Great Southern estimated in this report. The funding lacks a critical mass of direct support for impacted farmers and supply chains, is overly focused on funding the Government's own actions to address global animal welfare deterioration resulting from the announcement as well as the lack of end market cold storage and transport distribution infrastructure investment.

Similarly, the package fails to provide any support for critical abattoir capacity investment in Western Australia that would be necessary to onshore processing, even if significant market transitions to chilled and boxed meat consumption were possible within the next 5 years. This would likely require the Australian Government unwriting of billions of dollars in new abattoir capacity as well as reforms to the sector to reduce regulatory burdens that already impact feasibility and have seen abattoirs recent close across the State.

And the impact estimated in this report only represents the effect on the 7 regional local government areas in the Upper Great Southern. The scale of the impact across the State's wider sheep farming industry is likely to be much greater and will require more significant investment and compensation and support by the Australian Government for the introduction of the market-limiting policy than currently announced.

ECONISIS

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