



Australian Government

**Department of Agriculture
and Water Resources**

Exporter Supply Chain Assurance System Regulatory Performance Report

1 December 2017 to 28 February 2018

TABLE OF CONTENTS

1	OVERVIEW	1
2	Period summary: 1 DECEMBER 2017 – 28 FEBRUARY 2018	2
3	ESCAS non-compliance reviews.....	3
3.1	Overview of findings.....	3
3.2	Actions taken in response to ESCAS non-compliance reports	3
4	ESCAS REGULATORY PERFORMANCE REVIEWS	5
4.3	ISRAEL	6
	Background	6
	Report #137: Cattle exported to Israel – Major non-compliance	6
4.4	MALAYSIA	10
	Background	10
	Report #142: Cattle and sheep exported to Malaysia – Major non-compliance	10
	Report #142(a): Sheep exported to Malaysia – Major non-compliance	17
4.4	VIETNAM.....	21
	Background	21
	Report #145: Cattle exported to Vietnam – Major/critical non-compliance	21
5	ESCAS ISSUES IDENTIFIED AND ADDRESSED BY EXPORTERS.....	25
6	Summary of reviews in progress as at 28 February 2018	27

1 OVERVIEW

The Exporter Supply Chain Assurance System (ESCAS) requires exporters' to have commercial arrangements with supply chain partners (i.e. importers, feedlots, abattoirs) in importing countries to provide humane treatment and handling of livestock from arrival in the importing country up to the point of slaughter. ESCAS is underpinned by the following key principles – animal welfare, control and traceability – whereby the exporter must demonstrate, through a system of reporting and independent auditing:

- animal handling and slaughter meets World Organisation for Animal Health (OIE) animal welfare standards (animal welfare)
- the exporter has control of all supply chain arrangements (including having agreements in place with supply chain partners) for the transport, management and slaughter of livestock, and that all livestock remain in the supply chain (control)
- the exporter can trace or account for all livestock through the supply chain (traceability).

If issues arise, ESCAS provides a mechanism to require exporters to address any non-compliance matters within their supply chains. This may be managed by undertaking additional steps or corrective actions at facilities (for example delivering training, upgrading infrastructure), by removing non-compliant facilities from a supply chain, or by not exporting any further livestock to a non-compliant supply chain.

Additionally, the ESCAS regulatory framework enables the Department of Agriculture and Water Resources to review and investigate reported non-compliance with ESCAS requirements and take regulatory action where appropriate. Reports are generally received through one of four pathways: third parties (for example, Animals Australia or private citizens in an importing country), industry, directly from exporters, or identified by the department itself. Reports are reviewed by the department using the *Guideline for the management of non-compliance* (<http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/non-compliance>).

In response to an ESCAS non-compliance, the department may apply regulatory actions to an ESCAS supply chain or, in more serious instances, to an exporter or an entire market. This may include cancelling an ESCAS, varying an ESCAS to remove facilities or apply additional conditions (see section 3.2), cancelling or suspending an export licence, or reprimanding an exporter. Regulatory action is applied based on the nature of the non-compliance and level of associated risk, with any corrective actions implemented by the exporter to mitigate risks taken into consideration.

2 PERIOD SUMMARY: 1 DECEMBER 2017 – 28 FEBRUARY 2018

From 1 December 2017 to 28 February 2018, nearly 680,000 livestock (buffalo, cattle, goats and sheep) were exported in 94 consignments approved under ESCAS requirements from Australia to 14 markets (Table 1) by 20 exporters.

Table 1 - Markets for Australian Livestock exported under ESCAS - 1 December 2017 to 28 February 2018

Brunei Darussalam	China	Indonesia
Israel	Japan	Jordan
Kuwait	Malaysia	Oman
Qatar	Russia	Turkey
United Arab Emirates	Vietnam	

During this period, the department received two reports of non-compliance with ESCAS requirements involving supply chains in Vietnam.

Six non-compliance investigations were completed and published by the department with eight findings of non-compliance (Table 2). During this period, the department recorded six findings of major non-compliance and two findings of critical non-compliance against ESCAS supply chains, facilities or importers.

Table 2 Summary of findings of ESCAS non-compliance - reviews completed 1 December 2017 to 28 February 2018

Market	Reviews	Finding				
		Critical	Major	Minor	No confirmed	No non-compliance
Israel	1		1			
Malaysia	2		4			
Vietnam	3	2	1			2*
Total	6	2	6			2

**A summary of these reviews is provided in Section 5 of this report.*

3 ESCAS NON-COMPLIANCE REVIEWS

3.1 Overview of findings

An overview of findings for reviews completed in the period 1 December 2017 to 28 February 2018 is provided in Table 3. A detailed summary for each review is provided in Section 4 of this report.

Table 3 ESCAS regulatory performance reviews completed 1 December 2017 to 28 February 2018

#	Date	Type	Market	Species	Animals involved	Exporter	Non-compliance finding
137	April 2017	Animals Australia	Israel	Cattle	112	LSS	Major
142	September 2017	Animals Australia	Malaysia	Cattle and Sheep	80	P&D	Major
142(a)	September 2017	Self-report by exporter	Malaysia	Sheep	1	ALL ILS	Major Major Major*
145	November 2017	Self-report by exporter	Vietnam	Cattle	321	SEALS	Major Critical* Critical*

**Non-compliance was recorded against a facility or importer. The department will consider the findings of this report when assessing any future applications to add the facility or importer to an exporter's supply chain.*

3.2 Actions taken in response to ESCAS non-compliance reports

The department and exporters have implemented a range of regulatory, corrective and preventative actions in response to confirmed non-compliance.

Regulatory action applied by the department this period included:

- suspending supply of livestock to facilities while investigations were completed
- removing a non-compliant facility and importer once confirmation was received no livestock remained at the facilities
- requiring exporters to implement market-based Supply Chain Management Plans (SCMPs) (including Korban-specific plans) prior to Korban 2018
- requiring increased exporter in-market oversight, presence and verification processes of supply chain control and traceability systems as part of their SCMPs
- auditing exporter supply chains prior to Korban 2018, and planning ongoing audits of exporter compliance with their SCMPs (once implemented)
- reviewing and raising the risk rating of facilities.

Corrective actions implemented by exporters this period included:

- appointing a third party company to address the control issues identified, enhance security and manage traceability

- reviewing and amending the SCMPs
- intention to conduct an audit of transport and incident reporting requirements to improve communication
- engaging the Live Export Program to expand, optimise and constantly improve training, processes and infrastructure
- reiterating ESCAS control and traceability requirements with facility owners
- increasing monitoring and oversight of the importer's supply chain
- suspending supply to an importer and facility
- removing a non-compliant importer and facility
- placing an employee permanently at suspended facilities to monitor livestock movements, welfare, feedlot management, nutrition and perform daily physical reconciliations.

4 ESCAS REGULATORY PERFORMANCE REVIEWS

Markets

- Israel – Report 137
- Malaysia – Reports 142, 142(a)
- Vietnam – Report 145

Exporters

ALL	Australian Livestock Logistics	FIN	Frontier International Northern Pty Ltd
ILE	International Livestock Exports Pty Ltd	ILS	Independent Livestock Services Pty Ltd
LSS	Livestock Shipping Services Pty Ltd	NACC	North Australian Cattle Company Pty Ltd
P&D	P&D Exports Pty Ltd	SEALS	South East Asian Livestock Services Pty Ltd

Acronyms and abbreviations

AWO	Animal Welfare Officer	AAV	Australian Government Accredited Veterinarian
BRD	Bovine Respiratory Disease	CCTV	Closed Circuit Television
ESCAS	Exporter Supply Chain Assurance System	MLA	Meat and Livestock Australia
NLIS	National Livestock Identification System	RFID	Radio Frequency Identification Device
SCMP	Supply Chain Management Plan	SOP	Standard Operating Procedures

Description of Supply Chain Elements

Depot	A facility where livestock is rested between journey(s) or holding facilities in a particular region where livestock are delivered from farms for assembly before a journey.
Feedlot	A facility where livestock are gathered to be fattened for market.
Abattoir	A facility used for the slaughter of livestock and production of meat or meat products.

4.3 ISRAEL

Background

The Exporter Supply Chain Assurance System (ESCAS) was implemented in Israel on 1 September 2012.

As at 28 February 2018, a total of two consignments of livestock have been exported under ESCAS arrangements to Israel in 2018, including 6,802 cattle making it the second largest market for cattle in 2018 to date. There are currently three Australian exporters with approved supply chains to export livestock to Israel.

The department has previously published reviews of 16 reports relating to non-compliance in Israel. From these reports, seven findings of non-compliance have been recorded against exporter supply chains and facilities. The reviews can be found at:

<http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-regulatory-compliance>.

As at 28 February 2018, there is one report of non-compliance under investigation for Israel.

Report #137: Cattle exported to Israel – Major non-compliance

Incident report

On 28 April 2017 Animals Australia reported suspected non-compliance with Exporter Supply Chain Assurance System (ESCAS) requirements in a stock transit facility in Israel. The report advised:

- There may be systemic animal welfare issues at the facility.
- Dead cattle, lame cattle and an animal appearing blind and distressed were observed at the facility.

Three videos totalling 10 minute 22 seconds taken on 7 and 27 April 2017 were provided with the report.

Department assessment

The department's assessment of the video confirmed there was one severely lame animal, others showing signs of lameness and approximately six carcasses in pens with live cattle. The video quality is poor and it is not possible to accurately count stock or diagnose other underlying health issues.

The video contained images of discernible ear tag numbers and these were collated by the department.

Videos, ear tag numbers and information from the Animals Australia report was provided to Livestock Shipping Services Pty Ltd (LSS) on 4 May 2017.

The department required LSS to:

- assess the video and complaint from Animals Australia
- reconcile the ear tag numbers discernible from the video
- provide information on the facility where the video was taken
- provide information on the handling of lame, injured or sick animals and carcass disposal.

The exporter confirmed the video taken at the facility was of Australian cattle from a consignment exported by LSS that discharged at Eilat on 9 and 10 March 2017.

The department reviewed the voyage records for this consignment. There were 9,782 cattle in the consignment. The Australian Government Accredited Veterinarian (AAV) accompanying this consignment reported the cattle travelled well during the voyage. Treatments were administered for 176 cases of Bovine Respiratory Disease (BRD), 73 cattle were hospitalised for lameness and four were treated for bloat. The total cattle mortalities on this voyage was 17 (0.174 per cent).

The exporter provided details of movements and treatment of the cattle identified in the report post arrival in Israel:

- Following arrival in Israel the cattle were held in a quarantine facility.
 - Cattle mortalities in the facility totalled 32 and were attributed to lameness and resulting infections.
 - The cattle identified in the report were held in a hospital pen.
- The last 112 cattle in the quarantine facility, including the cattle identified in the report, were loaded for transport to the approved feedlot on 22 March 2017.
- This movement was approved by the Israel Ministry of Agriculture.
- During the journey it was noted the cattle were not travelling well and, in the interest of animal welfare, a decision was made to unload the cattle at the transit facility for rest and treatment.
 - The transit facility was not approved as part of the LSS supply chain.
 - The cattle were under the control and care of the approved importer at the transit facility.
 - Veterinarians engaged by the Israel Ministry of Agriculture monitored and treated the cattle at the transit facility.
 - The veterinarians euthanised 26 animals that did not respond to treatment. No natural deaths were recorded.
 - At the transit facility carcass removal is undertaken by contractors the day following euthanasia or natural mortality.
- The remaining 86 cattle were transported to the approved feedlot on 28 April 2017 after the Israel Ministry of Agriculture veterinarians assessed them as fit to travel.

The department acknowledges it was necessary to offload the cattle at the transit facility on animal welfare grounds. However the cattle were outside of the approved ESCAS supply

chain from 22 March 2017 until the remaining 86 arrived in the approved feedlot on 28 April 2017. This was not identified or reported by LSS.

The LSS Cattle Supply Chain Management Strategy for the State of Israel was reviewed by the department.

Previously, LSS were issued with a minor non-compliance for the period ending June 2017 for delayed response for requested information regarding this supply chain. That non-compliance did not relate to control or traceability.

Exporter actions

LSS confirmed the transit facility was not an ESCAS approved facility and they were unaware of the loss of control of the cattle identified in the Animals Australia report.

LSS has appointed a third party company to address the control issues identified, enhance security and manage traceability within their Israel supply chain. LSS is amending its Israel Supply Chain Management Plan to include:

- An independent third party to attend loading of livestock from quarantine facilities to monitor and confirm livestock movements. This will incorporate reporting to LSS of any non-compliant livestock movements.
- Additional unscheduled visits to facilities by an independent third party auditor.
- Ongoing review of ESCAS requirements and reporting of non-compliance with importers and facilities.

LSS will conduct an audit of transport and incident reporting requirements in Israel with a view to improve communication pathways with the importer and to ensure incident reporting is compliant with ESCAS requirements.

LSS has also engaged the Live Export Program (joint MLA and LiveCorp initiative) as part of the Livestock Collaborative Funding Program to expand, optimise and constantly improve training, processes and infrastructure to support ESCAS requirements.

Department actions and conclusions

Based on the information provided by Animals Australia and LSS, the department determined:

- 112 cattle were outside the approved supply chain.
- LSS was not aware these cattle were outside their approved supply chain indicating loss of control.
- The animals were under control of the approved importer and were receiving treatment for lameness evident in the report.

The department determined the actions taken by LSS were appropriate to address the loss of control. The department intends to audit LSS against their amended SCMP in the coming year.

In assessing this matter against the guidelines for management of non-compliance (<http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/non-compliance>) a *major* non-compliance with ESCAS control and traceability requirements was recorded against LSS's Israel cattle supply chain.

4.4 MALAYSIA

Background

The Exporter Supply Chain Assurance System (ESCAS) was implemented in Malaysia on 1 September 2012.

As at 28 February 2018, a total of 10 consignments of livestock have been exported under ESCAS arrangements to Malaysia in 2018, including 9,511 sheep making it the largest market for sheep and the smallest market for cattle in 2018 to date. There are currently nine Australian exporters with approved supply chains to export livestock to Malaysia.

The department has previously published reviews of 15 reports relating to non-compliance in Malaysia. From these reports, 13 findings of non-compliance have been recorded against exporter supply chains. The reviews can be found at:

<http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-regulatory-compliance>.

As at 28 February 2018, there is one sub-report of non-compliance under investigation for Malaysia.

Report #142: Cattle and sheep exported to Malaysia – Major non-compliance

Incident report

On 2 September 2017, the Department of Agriculture and Water Resources received notification from Animals Australia of non-compliance in Malaysia during the Korban festival (29 August to 4 September 2017).

The formal complaint was submitted on 8 September 2017, with an addendum report provided on 18 September 2017.

Animals Australia reported:

- loss of control and traceability with Australian sheep (many with ear tags removed) and one bull identified in non-approved facilities
- on-selling from unapproved facilities to private buyers for home slaughter
- non-compliant handling and slaughter at unapproved facilities
- an ESCAS approved feedlot and abattoir willing to on-sell or slaughter Australian animals outside approved facilities
- an ESCAS approved importer supplying sheep to unapproved facilities.

Supporting information was contained in a video (compilation), 21 photographs, and the details for nine ear tags.

Department assessment

All information from Animals Australia was provided to all exporters to Malaysia for their review.

A. Videos:

The videos were taken on 31 August and 1 September 2017 at unapproved facilities. Table 1 summarises the main findings from the videos provided by Animals Australia. The videos showed at least 80 sheep and one bull in unapproved facilities. The facilities are not approved in any ESCAS supply chains demonstrating loss of control and traceability from approved supply chains resulting in the handling, restraint, slaughter and transport of animals in a manner non-compliant with ESCAS animal welfare requirements.

All the facilities shown in the video were also included in the Animals Australia report to the department from [Korban 2016](#). The repeated presence of Australian cattle and sheep at unapproved facilities and exporters' inability to identify this demonstrates a failure of exporters' ESCAS control and traceability systems.

Table 1 – Department assessment of Animals Australia videos.

Facility Reference Number:	Number of Australian animals:	Video assessment:	ESCAS non-compliance findings:
Facility 1	60 (reported by Animals Australia) 17 (confirmed)	<ul style="list-style-type: none"> • Approximately 16 sheep in pens. • One sheep trussed in yard. • Ear tags removed. • Tag holes and ear notching visible. 	<ul style="list-style-type: none"> • Loss of control with sheep outside of approved supply chains. • Loss of traceability with ear tags removed. • Animal welfare: Non-compliant restraint methods.
Facility 2	1	<ul style="list-style-type: none"> • One bull with ear tag present. 	<ul style="list-style-type: none"> • Loss of control with cattle outside of approved supply chains.
Facility 3	1	<ul style="list-style-type: none"> • One sheep being dragged by neck rope. • The sheep is placed in back seat of private vehicle. • Ear tags removed. • Ear notching visible. • The sheep is dragged upstairs by neck rope and slaughtered on the floor of private residence. 	<ul style="list-style-type: none"> • Loss of control with sheep outside of approved supply chains. • Loss of traceability with ear tags removed. • Animal welfare: Non-compliant handling and restraint.

Facility 4	16 - 20	<ul style="list-style-type: none"> • Approximately 16-20 sheep in truck. • Two sheep dragged off truck by leg/s. • One sheep tossed into truck by legs. • Four sheep trussed on the ground. • Three sheep being slaughtered with use of a sawing motion. • One body of a previously slaughtered animal visible. 	<ul style="list-style-type: none"> • Loss of control with sheep outside of approved supply chains. • Loss of traceability with ear tag removed. • Animal welfare: Non-compliant handling, restraint and slaughter.
Facility 5	40 - 45	<ul style="list-style-type: none"> • Approximately 40 sheep shown in holding pen. • Ear tags and notching visible on many. • Ear tags removed on other. • Two sheep are shown being trussed and lifted into a tray of a private vehicle by legs and wool. • One sheep trussed on ground. The head and legs of a previously butchered sheep are visible. • One sheep being restrained on the ground by two people. This sheep is then shown post-slaughter. • One carcase being butchered. 	<ul style="list-style-type: none"> • Loss of control with sheep outside of approved supply chains. • Loss of traceability with ear tags removed. • Animal welfare: Non-compliant handling and restraint methods.

B. Photographs:

Twenty one photographs (including one still from the videos) were included in the report. The photographs provided supporting evidence to the video and the non-compliances reported (Australian sheep and one bull in unapproved facilities and subsequent non-compliance with ESCAS animal welfare requirements). The photographs also provided close up images of ear tags.

C. Ear tags:

It was not possible to determine who exported the majority of the animals from the videos provided due to the removal of ear tags. This process is further complicated by the lack of individual ear tag identification used for sheep i.e. only the Property Identification Code (PIC) is listed on the ear tag.

However, included in the photographs provided by Animals Australia were images of nine NLIS ear tags—eight from sheep and one from the bull.

Of these:

- One of the PICs identified on the ear tags was linked to a P & D Exports consignment exported in July 2017. However, the facility the animals were on-sold from could not be identified by the exporter due to lack of individual animal ear tag identification.
- The ear tag from the bull was not able to be linked to a given consignment as the individual Radio Frequency Identification Device (RFID) number could not be identified—only the source property in Australia. International Livestock Exports (ILE) reported they had sourced two cattle from the source property, however both were reported as slaughtered in April 2017. Review of property of origin lists for cattle consignments exported in the six months prior to Korban 2017 did not identify the source property. Considering this, it is less likely this animal was exported in a consignment in the lead up to Korban.
- The remaining NLIS ear tags for sheep were not able to be linked to property of origin lists provided by exporters for consignments which departed in the six months prior to Korban 2017.

Numerous non-NLIS tags were identifiable in the video, however these were consistent with those used on properties in Australia to differentiate animals (e.g. sex or age) and have no unique identifiers which enable them to be linked to a given exporter or source property.

D. Other information reported by Animals Australia:

Approved facility involvement:

Animals Australia reported that in conversation with the owner of unapproved facility 2 (see table 1) about purchasing the Australian bull observed at facility 2 for slaughter, the owner telephoned an ESCAS approved abattoir and spoke to the abattoir manager (who was also referred to as the owner). It was reported they agreed to deliver the Australian bull to a location of the Animals Australia investigator's choosing and slaughter the bull using the abattoir's staff.

The department requested further information from Animals Australia to enable further investigation. Animals Australia subsequently provided the name and telephone number of the abattoir manager/owner.

The department sought information from exporters and consulted with both industry and departmental officers in Malaysia. It was identified the 'abattoir owner' was in fact the owner of an ESCAS approved feedlot who supplied livestock to the abattoir, however it was confirmed they had no management or ownership connection to the abattoir and therefore abattoir involvement was not able to be demonstrated. No supporting evidence of the reported willingness to slaughter animals outside the approved supply chain was provided. The Animals Australia investigator negotiations for the bull were not completed—the bull was not slaughtered and remained at the facility.

The feedlot was approved for two exporters at the time of the reported incident— International Livestock Exports (ILE) and North Australian Cattle Company (NACC). Both exporters stated no cattle remained at the facility at the time of the Animals Australia report. The department suspended supply of livestock to both the feedlot and abattoir while investigations were completed.

No loss of control or traceability of cattle was identified in exporter supply chains using the abattoir or feedlot and therefore the department could not confirm involvement. The suspension on the feedlot and abattoir was subsequently lifted, however, this report will be considered when assessing future applications to supply these facilities.

Importer involvement:

Animals Australia reported in conversation with the owners of facilities 1 and 4 (see table 1) it was stated Australian sheep were received from an ESCAS approved importer (who was named) who delivered them direct from the airport to both facilities and more Australian sheep would be arriving at facility 1 that evening.

The department reviewed consignments arriving in Malaysia in the days around the Animals Australia visits. No consignments were arriving to enable animals to be delivered as stated, and they were consigned to other importers.

The importer concerned had been suspended by the department following confirmed non-compliance during [Korban 2016](#) but was subsequently reapproved following the implementation of corrective actions.

Independent Livestock Services (ILS) was the last exporter to supply the importer concerned and they provided movement and processing records which showed all sheep were slaughtered prior to Korban 2017 and no animals from previous consignments remained in the supply chain. ILS stated that due to the issues encountered by the importer in 2016, the importer had elected to not receive animals for Korban 2017.

No information was provided for the department to investigate the matter further. No loss of control or traceability was identified by exporters supplying the importer concerned and therefore the department could not confirm involvement.

Department assessment

There were 15 approved supply chains in Malaysia at the time of Korban 2017—one for buffalo, seven for cattle, and seven for sheep and/or goats. All exporters to the market were provided the information from Animals Australia for their own internal investigation.

The department temporarily suspended supply of livestock to the ESCAS approved feedlot and abattoir while investigations were completed. As the facilities shown in the Animals Australia video were all unapproved, no action was taken against them.

In response to findings from [Korban 2016](#), the department audited all exporters with approved supply chains in Malaysia between March and August 2017. All audits returned satisfactory results, some with observations made but no non-compliances identified. Follow up audits will be performed during 2018 with particular focus on control and traceability for the supply chains which supplied livestock for Korban 2017.

Prior to Korban 2017, the department required exporters to advise how many animals they would have in Malaysia over Korban. Those with animals' in-market were required to develop and provide the department with a Korban Management Plan detailing additional actions exporters were implementing to mitigate the increased risk of non-compliance associated with the festival period:

- Three exporters had cattle in market for Korban—ILE, NACC and South East Asian Livestock Services (SEALS). ILE and NACC did not sell cattle over Korban, and no issues were identified in the SEALS supply chains.
- Three exporters had sheep and/or goats in market for Korban—Australian Livestock Logistics (ALL), ILS and P&D Exports. The level of oversight varied greatly between the three exporters and none of the exporters identified loss of control in their respective supply chains during the Korban period. (NB: In response to a departmental request to investigate confirmed non-compliance in [Report #142\(a\)](#), ALL were able to confirm loss of control however did not identify the issue themselves).

Current industry requirements to mark all sheep and goats with paint prior to export to Malaysia to enable identification of the supply chain responsible for animals are being reviewed by the department. No animals in the video showed paint markings even though wool length and consignment records indicate recent export. This demonstrates the paint markings are either wearing off—and is therefore ineffective at determining supply chain origin—or the requirement is not being met by exporters.

All exporters to Malaysia will be required to develop and implement a supply chain management plan (SCMP) prior to Korban 2018 following assessment by the department.

The SCMPs must include a detailed and specific Korban Management Plan to be assessed by the department. This must demonstrate a more intensive and strict version of the elements covered in their 2017 Korban management plan should they wish to export to Malaysia for the Korban festival in 2018. Korban Management plans must provide assurance that processes are in place to manage the high risk festival period and sufficient action has been taken to address issues identified in 2016 and 2017 before consignments are approved for export for Korban 2018.

Exporters will be audited for compliance with their SCMPs.

Exporter actions

No corrective actions were implemented by exporters in response to the information provided by Animals Australia as no exporters took responsibility for the animals in the video and photographs.

Of the four exporters with livestock in market over Korban, three had representatives in Malaysia during Korban—ALL, ILS and SEALS—as did Meat & Livestock Australia (MLA).

Representatives visited approved facilities to monitor and oversee compliance with ESCAS requirements. Exporters reported non-compliance at facilities visited by representatives. Specific actions taken by individual exporters in response to these sub-reports are detailed in [Reports 142\(a\)](#) and 142(b)¹.

Department actions

The department has taken the following actions:

- Suspended supply of livestock to one approved feedlot and one approved abattoir while investigations were completed.
- required exporters to develop, review and implement market-based SCMPs (including Korban-specific plans) to be assessed by the department and implemented prior to Korban 2018.
- required increased exporter in-market oversight, presence and verification processes of supply chain control and traceability systems as part of their SCMPs.
- raised the risk-rating of all sheep and goat facilities to medium requiring them to be audited twice a year.

The department will undertake ESCAS audits prior to Korban 2018 and ongoing audits of exporter compliance with their SCMPs once implemented.

Department conclusions

The department determined the animals shown in the video and photographs were exported from Australia due to physical breed characteristics, ear notching consistent with that used in Australia and the presence of NLIS ear tags. The information provided by Animals Australia demonstrated non-compliance with ESCAS control, traceability and animal

¹ Report #142B is still under assessment and will be published in the next Regulatory Performance Report release.

welfare requirements. However, the specific ESCAS approved facilities the animals had moved from could not be identified.

Approximately 80 Australian sheep and one bull were observed in the videos and photographs provided by Animals Australia, however they reported larger numbers observed. Numerous examples of non-compliant handling, restraint, slaughter and transport practices were documented in the information provided by Animals Australia. The department considers it likely more animals were outside approved supply chains resulting in adverse animal welfare outcomes.

All facilities involved in this report were also included in the [Animals Australia report provided to the department in 2016](#), indicating repeated and systemic non-compliance. Departmental audits of exporter control and traceability systems performed between April and August 2017 revealed significant variation in the levels of oversight, verification and reconciliation individual exporters performed within their supply chains, however no audit was found to be non-compliant.

When looking at the issues in Malaysia as a whole, this raised concerns for the department that exporter control and traceability systems were ineffective and as such, the department is implementing stricter/increased management and oversight requirements for all exporters who wish to export to Malaysia, and particularly for those supplying livestock for the Korban festival. The department now requires a detailed SCMP for all supply chains in Malaysia. Korban management plans will be required for all exporters supplying animals for the 2018 Korban festival.

In assessing this matter against the guidelines for management of non-compliance (<http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/non-compliance>), the department has recorded:

- a *major* non-compliance with ESCAS control requirements recorded against the P&D Exports supply chain for the confirmed loss of control of one sheep resulting in adverse animal welfare outcomes.

Ongoing measures and corrective actions implemented by exporters and the department will continue to be monitored and audited for effectiveness.

Report #142(a): Sheep exported to Malaysia – Major non-compliance

Incident report

On 4 September 2017, the Department of Agriculture and Water Resources received two exporter reports of non-compliance with Exporter Supply Chain Assurance System (ESCAS) requirements in Malaysia during the Korban festival 2017 (celebrated between 29 August and 4 September). The reports related to the same issue at a facility (combined abattoir and feedlot), and therefore have been combined into one review.

Independent Livestock Services (ILS) reported their Animal Welfare Officer (AWO) witnessed and videoed an incident at an approved facility on 1 September 2017 where one sheep was sold to a private buyer, trussed and removed from the premises in a private vehicle.

ILS reported the incident to an MLA representative in-market who contacted Australian Livestock Logistics (ALL), who was also approved for the same facility. ALL then reported the same incident to the department.

Exporter review and actions

At the time of the report the facility was approved for two exporters—ALL and ILS. Both had animals at the facility for Korban.

ILS:

ILS reported that, on the afternoon 1 September 2018, their AWO advised he had witnessed and videoed one sheep being trussed and placed into the boot of a private car. The AWO did not take action to stop the exchange from happening as he felt it would cause tension with the facility owner.

ILS contacted an MLA representative in-market and requested he visit the facility on their behalf as ILS were overseeing processing at other facilities in-market and had been unable to get in contact with the facility owner. ILS also contacted the relevant importer and notified them of the non-compliance.

The MLA representative attended and addressed the matter with the facility owner, reiterating ESCAS control and traceability requirements. He remained on site for the rest of the days processing. Both the ILS AWO and MLA representative oversaw operations the following day, and an ILS AWO remained on-site until all ILS animals had been slaughtered. No further non-compliance was observed.

ILS advised they discussed the failure to intervene with the AWO concerned and reinforced they were to act on any observed non-compliance immediately.

ILS reviewed sales records and advised their control and traceability system records did not identify any loss of control within their supply chain, and notified the department all sheep exported to their Malaysian supply chain had been slaughtered by 4 September 2017.

ALL:

An ALL in-market representative or AWO was not on-site at the time of the non-compliance. Both arrived after being notified of the incident by the MLA representative. They reported no further issues were identified following their arrival.

ALL stated the facility had employed six security guards to manage the public buyers for the festival period and reported the incident was due to an out of control crowd event and the safety of staff.

ALL and MLA representatives oversaw operations for the following two days and reported no further non-compliance was observed. Security was positioned at entry points to avoid a recurrence.

ALL advised that following review of their control and traceability system records, two sheep could not be accounted for. ALL stated they believe this was due to either loss of control or a miscount and reported the issue may have been due to the actions of individual staff members as opposed to the facility management.

Department assessment

The facility was first approved in August 2015 and had a risk rating of *low* for both exporters. No non-compliance with animal welfare requirements or control and traceability systems was identified during any previous performance audits of the facility. The most recent audit was completed in June 2017.

The video provided by ILS shows one sheep trussed on the ground then lifted into the boot of a private vehicle. A security guard stands next to the car observing the incident and talking to the three men placing the sheep in the car.

Both exporters reported the police had been called on the morning of 1 September to assist with crowd control due to large volumes of people arriving to purchase animals. There is no crowd of people observed in the video of the non-compliance.

Department actions and conclusions

The department immediately required both exporters to suspend supply to the facility while investigations were conducted. At the time of publication of this report, the facility had been removed from both supply chains.

The department determined at least one sheep was sold outside the approved supply chain by the approved facility. The sheep was removed from the facility using non-compliant handling, restraint and transportation methods. It is likely the animal was slaughtered in a manner non-compliant with ESCAS requirements.

As ALL identified two sheep which could not be accounted for, it is likely the sheep witnessed being removed from the facility is from the ALL approved supply chain.

Prior to Korban, the department required all exporters with animals in Malaysia over Korban to develop and provide the department with a Korban Management Plan. Neither the ILS

AWO or security guards on-site to assist with managing Korban intervened to prevent the non-compliance, and ALL did not have a representative present. While crowd control may have been an issue earlier in the day, the video indicated this was not an issue at the time of the incident. The additional oversight processes implemented for the Korban festival as part of exporter management plans were determined to be ineffective.

Broader market-based actions taken by the department are included in Report #142.

In assessing this matter against the guidelines for management of non-compliance (<http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/non-compliance>), the department determined a *major* non-compliance with ESCAS control, traceability and animal welfare requirements had occurred, and has been recorded against both the ALL and ILS supply chain in Malaysia. A *major* non-compliance has also been recorded against the facility.

Findings from this report will be considered when assessing all future applications to supply the facility and corrective actions required.

4.4 VIETNAM

Background

The Exporter Supply Chain Assurance System (ESCAS) was implemented in Vietnam on 31 December 2012.

As at 28 February 2018, a total of nine consignments of livestock have been exported under ESCAS arrangements to Vietnam in 2018, including 23,521 cattle making it the largest market for cattle in 2018 to date. There are currently nine Australian exporters with approved supply chains to export livestock to Vietnam.

The department has previously published reviews of 41 reports (including seven sub-reports) relating to non-compliance in Vietnam. From these reports, 40 findings of non-compliance have been recorded against exporter supply chains. The reviews can be found at: <http://www.agriculture.gov.au/export/controlled-goods/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-regulatory-compliance>.

As at 28 February 2018, there are two reports of non-compliance under investigation for Vietnam.

Report #145: Cattle exported to Vietnam – Major/critical non-compliance

Incident Report

On 7 November 2017, South East Asian Livestock Services Pty Ltd (SEALS) notified the Department of Agriculture and Water Resources of non-compliance with Exporter Supply Chain Assurance System (ESCAS) control and traceability requirements in Vietnam.

The notification advised that on 3 November 2017 SEALS staff had identified non-compliance as 12 head of cattle were unaccounted for when physically reconciling livestock in an approved feedlot against overnight sales records.

Subsequent to this, SEALS notified the department of a second non-compliance reporting a staff member on-site at the feedlot on 14 December 2017 observed a significant number of cattle being transported out of the facility. Feedlot management on-site refused to provide details of the cattle's destination to the SEALS staff member, so SEALS sought information about the cattle's destination from a junior staff member present who eventually stated the cattle were going to China.

Both reports related to non-compliances identified at the same feedlot, and therefore have been combined into one review.

Exporter actions and findings

SEALS reported 1,054 cattle and 103 buffalo remained in the feedlot at the time the first non-compliance was identified (3 November 2017).

Prior to identifying the non-compliance, SEALS staff were visiting the feedlot daily to monitor livestock numbers and assist the feedlot meet ESCAS requirements. This level of oversight was implemented after SEALS identified processes were not followed for the emergency slaughter of 10 head of cattle in August 2017 (see [ESCAS Issues Identified and Addressed by Exporters - Review 1](#)).

In response to the initial non-compliance identified in November, SEALS:

- suspended supply to the importer and associated facilities
- advised the department they did not intend to re-supply the importer
- increased monitoring and oversight of the importer's supply chain
- placed Vietnam and Australian-based staff at the feedlot to implement and oversee corrective actions and management plans, and to monitor livestock movements, welfare, feedlot management and nutrition
- performed daily physical reconciliations of livestock remaining in the feedlot
- provided support and proposed management plans to the importer to assist in identifying alternate buyers for the cattle and buffalo due to difficulties selling to regular approved ESCAS supply chain partners
- provided management options to the department for assessment
- maintained regular contact with importer and feedlot management (in person and by phone) to:
 - keep lines of communication open
 - reinforce the consequences of failure to comply with ESCAS requirements in an attempt to stem further non-compliance
 - gain information of where the unaccounted cattle were transported to.

These actions assisted SEALS to identify the second non-compliance in December by having staff on-site at all times, and were maintained until it was confirmed all livestock had been removed from the feedlot on 13 January 2018.

SEALS staff met with the importer on 16 and 17 November 2017 following the initial non-compliance. The importer admitted on-selling the 12 cattle identified by SEALS outside the approved supply chain and advised:

- the cattle had been sold to an unapproved abattoir in the village of Bai Do
- the importer's staff were on-site in Bai Do to assist with the slaughter of the cattle on 2 and 3 November 2017 to ensure ESCAS animal welfare requirements were met
- they would not sell any further cattle outside the approved supply chain.

Following the observation of cattle being transported out of the feedlot on 14 December 2017, SEALS met with the importer on 17 December 2017 to address the non-compliance. The importer advised this movement consisted of 309 cattle and confirmed they were sold to an unapproved facility in China as stated by the junior staff member. The importer

reported the cattle were stunned prior to slaughter and monitored by a veterinary officer. They also provided SEALS with ear tag numbers of the cattle sold into China for SEALS traceability records. The importer stated they had sold the animals outside the approved supply chain due to commercial constraints in the local market.

SEALS reached an agreement with the importer to process the remaining livestock through an ESCAS approved abattoir outside the importer's supply chain, but approved in SEALS' Vietnam cattle supply chain. SEALS requested to add the abattoir to their Vietnam buffalo supply chain to consolidate the processing of the cattle and buffalo to a single abattoir to further reduce the risk of loss of control and traceability. The department approved the abattoir on the same day to enable the movement of the buffalo.

SEALS notified the department that all livestock had been removed from the feedlot by 15 January 2018 and no further issues had been identified with the handling, feeding or condition of the animals while they were in the feedlot.

On 8 February 2018, SEALS also reported their third-party control and traceability provider had provided information to SEALS that the importer was also deliberately interfering with control and traceability systems at the feedlot by covering closed circuit television (CCTV) cameras at the loading ramp at the feedlot to avoid identification of the unapproved movement of cattle.

SEALS final reconciliations determined that, of the 1197 head exported to the importer in October 2017, all could be traced as processed within the approved supply chain except for the 321 reported as on-sold to Bai Do and China.

Department assessment

The importer and feedlot were not approved in any other exporters' supply chain at the time of the non-compliance being reported to the department.

The importer and associated facilities were previously suspended in June 2015 in response to reports 53/54/55. They were reapproved in November 2015 after corrective actions had been implemented to address the issues identified at the time.

No non-compliance with ESCAS control, traceability or animal welfare requirements had been identified during previous performance audits of the feedlot. The most recent audit was completed in September 2017. Prior to its suspension in response to this report, the feedlot had a risk rating of low.

Department actions and conclusions

The department suspended the importer and associated facilities (one feedlot and two abattoirs) from the SEALS supply chain on 20 November 2017 following the confirmed non-compliance. The department removed the importer and associated facilities from the supply chain following confirmation no livestock remained at the feedlot.

Animal welfare outcomes for all cattle slaughtered outside the approved supply chain could not be confirmed.

SEALS remained in regular contact with the department and were forthcoming about actions taken, along with the limitations of those actions when considering risks to staff.

In assessing this matter against the [guidelines for management of non-compliance](#), a *critical* non-compliance with ESCAS control and traceability requirements was initially identified. Though the number of animals involved and the importer's disregard of ESCAS requirements is classified as *critical*, when considering the exporter's identification of the non-compliance and subsequent actions taken to address the matter, a *major* non-compliance has been recorded against the SEALS supply chain. A *critical* non-compliance has also been recorded against both the facility and importer for deliberate non-compliance with ESCAS requirements.

This incident will be taken into account when considering any applications for the importer or facilities to be reapproved.

5 ESCAS ISSUES IDENTIFIED AND ADDRESSED BY EXPORTERS

These reports were received from exporters and complied with the department’s ESCAS self-report requirements. The reports were received within the required time frame, appropriate corrective action was implemented by the exporter and no regulatory action was taken by the department.

The department reviewed the information provided and did not investigate any further, the reports are recorded here for information purposes only.

Review	Market	Exporter	Details
1	Vietnam	SEALS	<p>Ten cattle were not accounted for following physical reconciliation at an approved feedlot in Vietnam. Feedlot staff advised SEALS the cattle were emergency slaughtered in a stable at the feedlot and the carcasses sold to butchers.</p> <p>The importer provided SEALS with sales dockets for the carcasses and photographs of the emergency slaughter. Control and traceability was maintained and all cattle were able to be reconciled.</p> <p>In response, SEALS implemented daily visits to the feedlot to oversee operations and perform daily reconciliations.</p> <p>SEALS control and traceability systems identified the issue and no regulatory action was taken by the department.</p>
2	Vietnam	Frontier International Northern Pty Ltd and SEALS	<p>In December 2017, one buffalo was slaughtered unstunned in the restraint box following an ineffective stun. This is not in accordance with the abattoir’s ESCAS approval—which requires all livestock to be stunned prior to slaughter—nor ESCAS animal welfare requirements which require a re-stun to be performed without delay.</p> <p>The buffalo was not able to be secured in the head restraint of the restraint box, however a stun was attempted as the buffalo was quite agitated. The animal then turned over in the restraint box placing it in a position that did not make a re-stun possible. The slaughterman then</p>

			<p>slaughtered the animal in position in the restraint box.</p> <p>Exporter control and traceability systems identified the issue and the exporter implemented a training and risk assessment schedule to prevent recurrence. This was completed in late February 2018. The importer placed a second Animal Welfare Officer at the facility during all slaughtering. No regulatory action was taken by the department.</p>
--	--	--	--

6 SUMMARY OF REVIEWS IN PROGRESS AS AT 28 FEBRUARY 2018

Table 7 provides an overview of all regulatory performance reviews in progress as at 28 February 2018. The status of all reviews can be found on the department's website www.agriculture.gov.au/export/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-regulatory-compliance.

Table 7 Summary of ESCAS regulatory performance reviews in progress as at 28 February 2018

Web #	Market	Species	Report	Date	Received from
142(b)	Malaysia	Sheep	Loss of control and traceability	September 2017	Self-reported by exporter
144	Israel	Sheep	Animal welfare concerns	October 2017	Animals Australia
146	Vietnam	Cattle	Loss of control	January 2018	Self-reported by exporter
147	Vietnam	Cattle	Loss of control and traceability	February 2018	Self-reported by exporter