



Australian Government
Department of Agriculture

Compliance Investigation Report 8

Sheep Exported to Kuwait

January 2014



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Summary

On 30 January 2013, the Department of Agriculture received a complaint from Animals Australia that Australian sheep exported under Exporter Supply Chain Assurance System (ESCAS) arrangements had been offered for sale and slaughter at locations not included in an approved ESCAS. Photographs that Animals Australia advised had been taken on 17 and 18 January 2013 at two livestock markets in Kuwait were provided.

The findings of this investigation follow on from those of an earlier investigation into a similar complaint from Animals Australia about sheep being moved to locations outside approved supply chains in Kuwait in August 2012. That report is available at www.daff.gov.au/biosecurity/export/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-regulatory-compliance/report-into-complaint-from-animals-australia-kuwait.

The department's investigation included assessment of information provided by Animals Australia, departmental records of export consignments, information from the National Livestock Identification System (NLIS) database and information collected independently by the department.

Three licensed Australian exporters, Emanuel Exports Pty Ltd (Emanuel), EMS Rural Exports Pty Ltd (EMS) and International Livestock Export Pty Ltd (ILE) had received approval to export consignments of sheep to Kuwait under ESCAS arrangements. Those exporters and consignments are the subject of this investigation.

The investigation found that one sheep shown in the photographs was exported from Australia to Kuwait under ESCAS requirements by Emanuel and that it was highly likely many of the other sheep shown in the photographs were also exported from Australia to Kuwait under ESCAS arrangements.

As a result of the investigation and in addition to existing ESCAS requirements, exporters of sheep to Kuwait are required to undertake additional activities designed to strengthen control and traceability within the exporter's supply chain.

1. The Complaint

On 30 January 2013, the Department of Agriculture received a complaint from Animals Australia alleging non-compliance with Exporter Supply Chain Assurance System (ESCAS) arrangements in Kuwait. The complaint alleged that Australian sheep exported under ESCAS arrangements had been offered for sale and slaughter at locations not included in the approved ESCAS. The complaint included photographs of sheep that Animals Australia advised were taken on 17 and 18 January 2013 at two livestock markets in Kuwait.

This complaint follows on from a similar complaint made by Animals Australia to the department in August 2012. An investigation into that complaint is complete and the report is available at www.daff.gov.au/biosecurity/export/live-animals/livestock/regulatory-framework/compliance-investigations/investigations-regulatory-compliance/report-into-complaint-from-animals-australia-kuwait.

ESCAS requirements for feeder and slaughter livestock exported to Kuwait took effect from 1 March 2012.¹

2. Conduct of the Investigation

On receipt of the complaint from Animals Australia, the department assessed the information and commenced a formal investigation.

The focus of the investigation was to determine:

1. If the photographs were taken in the locations on the dates alleged by Animals Australia.
2. If any sheep shown in the photographs were exported under ESCAS arrangements (that is, after 1 March 2012), and if so, can the exporter be identified.
3. If there was non-compliance with any other aspect of ESCAS requirements.

3. Investigation Findings

The investigation concluded that the sheep in the photographs were present in the Al Rai Market and Friday Local Market on the dates alleged by Animals Australia. The Al Rai Market and the Friday Local Market are not part of any approved ESCAS in Kuwait.

The photographs show sheep of various breeds including Merino, Awassi and crossbreed sheep at two markets in Kuwait. Many of the sheep in the photographs had ear tags and ear notches consistent with Australian identification systems. Sheep exported from Australia are all required to have a visual National Livestock Identification System (NLIS) ear tag that identifies the Property Identification Code (PIC) of the property the sheep originated from; the tags do not individually identify animals. The PIC is an eight digit alphanumeric code that is registered to the property of origin. Western Australian producers may also use sheep NLIS tags imprinted with the producer's brand, a three digit alphanumeric code registered to the property. The sheep in the photographs

¹ Further information on the ESCAS framework is available on the department's website at www.daff.gov.au/biosecurity/export/live-animals/livestock/information-exporters-industry/escas.

appeared to have Australian NLIS ear tags and one photograph showed a sheep with a clearly readable NLIS tag.

For each consignment of sheep exported, the department receives a list of the properties that the sheep originate from. The investigation reviewed property of origin lists to determine if any of the ear tags that were visible in the photographs provided by Animals Australia were included on the lists.

The investigation concluded that one sheep in the photographs was definitely exported from Australia to Kuwait. This conclusion was based on the year of birth of the animal identified in the picture, property of origin records, and sales records. The department concluded that it is highly likely that many of the other sheep in the photographs were also exported from Australia to Kuwait but was unable to link them to their property of origin due to the quality of the photographs. This conclusion was based on the department's assessment of the sheep shown in the photographs including the breed of sheep and the presence of ear tags and ear notches.

The department reviewed records of all slaughter sheep exported to Kuwait since ESCAS requirements took effect for that country on 1 March 2012. The records showed that 13 consignments of sheep had been exported to Kuwait on eight voyages and discharged between 1 March 2012 and 18 January 2013 and that two exporter supply chains had been approved in relation to Kuwait.

The records showed that three exporters, Emanuel Exports Pty Ltd (Emanuel), EMS Rural Exports Pty Ltd (EMS) and International Livestock Export Pty Ltd (ILE), had received approval to export sheep to Kuwait under ESCAS requirements. A summary of the consignments and supply chains is shown below in Table 1.

Emanuel and EMS export sheep into a common supply chain in Kuwait (supply chain 1) - on arrival the sheep from the two exporters are mixed in the supply chain facilities.

ILE exports sheep to a separate supply chain (supply chain 2). The two supply chains share some common facilities.

Table 1. Summary of consignments of slaughter sheep exported to Kuwait and discharged between 1 March 2012 and 18 January 2013 showing exporter, coded voyage identifier, load port, number of sheep, completion of discharge date and coded supply chain.

Exporter	Voyage	Load Port	Sheep	Completion of Discharge Date	Supply Chain
Emanuel	1	Fremantle	63,638	23/04/2012	1
ILE	2	Fremantle	4,947	28/05/2012	2
Emanuel		Fremantle	55,585	30/05/2012	1
Emanuel	3	Fremantle	71,103	15/07/2012	1
ILE		Fremantle	5,761	12/07/2012	2
EMS	4	Port Adelaide	37,999	21/07/2012	1
Emanuel	5	Fremantle	67,862	2/09/2012	1
Emanuel	6	Fremantle	70,969	24/10/2012	1
ILE		Fremantle	7,375	21/10/2012	2
ILE	7	Fremantle	11,928	04/12/2012	2
Emanuel		Fremantle	69,244	04/12/2012	1
Emanuel	8	Fremantle	51,747	05/01/2013	1
ILE		Fremantle	6,089	05/01/2013	2

Having regard to all the information, the department's investigators concluded that, on balance there were sheep present in the photographs at both livestock markets in Kuwait that were most likely exported under ESCAS arrangements.

The recently shorn sheep were most likely shorn close to the time of export in order to meet standard 1.19 of the ASEL and exported on a consignment that arrived in Kuwait shortly before the photographs were taken.

The PIC on the ear tag of one sheep in the photographs was able to be traced to the tag list for a consignment exported on either voyage 2 or 5 under ESCAS arrangements.

The investigation demonstrated that Emanuel exported one of the sheep shown in the photographs on either voyage 2 or 5 in Table 1.

It was not clear which exporter exported the remaining sheep in the photographs. It was also not clear which supply chain facility (or facilities) was associated with the sheep that left the supply chain(s). In accordance with the regulatory framework for sheep and goats, all exporters supplying animals to a supply chain are accountable for non-compliances in that supply chain. The supply chains in Kuwait share common facilities and all three exporters supplying sheep to these are accountable for the non-compliance. As such, the regulatory action was taken against the three exporters: Emanuel, EMS and ILE.

The photographs provided by Animals Australia were reviewed to determine if there was non-compliance with any other aspect of ESCAS requirements. The complainant alleged that there were vendor locations at the markets that had no food or water visible and present with Australian

sheep. It was also alleged that there were some poorly lit holding areas, with animals kept in the dark to avoid photographic evidence of Australian sheep. The investigation found that the photographs did not provide substantial evidence to confirm these allegations.

The complainant alleged that some vendors offered on-site slaughter options. The investigation found that it is likely Australian sheep were being offered for on-site slaughter, as that was the practice, however there was no substantial evidence presented with the complaint to confirm this or to confirm whether any Australian sheep had recently been slaughtered on-site at the markets.

4. Investigation Conclusions

The investigation established that one sheep was of Australian origin and was exported under ESCAS arrangements by Emanuel. The investigation concludes it is highly likely many other sheep in the photographs were also of Australian origin and were most likely exported under ESCAS arrangements.

The investigation therefore concluded that there was a loss of control leading to unauthorised movement of sheep outside the exporter supply chains approved under ESCAS. The investigation found that non-compliance with ESCAS requirements occurred and that this non-compliance was likely to result in animal welfare outcomes not consistent with World Organisation for Animal Health (OIE) recommendations. A major non-compliance was recorded against Emanuel.

5. Actions Taken by the Exporter

In February 2013, the exporters provided a detailed submission to the department that suggested that the only plausible explanation for the movement of sheep to locations outside the approved supply chain in Kuwait was sheep being taken from the supply chain by fraud and/or theft. The submission also identified the abattoirs as the most likely point for fraud and/or theft to occur. This submission re-confirmed an earlier commitment made by Emanuel that a private security firm had been contracted to monitor all of the abattoirs in supply chain 1, 24 hours a day, 7 days a week. Supply chain 1 and supply chain 2 have the same abattoirs.

6. Regulatory Actions

In accordance with the regulatory framework for sheep and goats, all exporters supplying animals to a supply chain are accountable for non-compliances in that supply chain. Although non-compliance was only recorded against one exporter (Emanuel) the supply chains share common abattoirs and the investigation was unable to establish which supply chain facilities were associated with the sheep that left the supply chain. Regulatory actions were applied to all exporters supplying sheep to the supply chains in Kuwait.

In addition to the normal ESCAS requirements, exporters to Kuwait have been required to undertake additional activities to strengthen control and traceability of their supply chains. Additional requirements have been progressively applied since September 2012.

From September 2012 exporters were required to undertake the following additional activities:

- A supply chain officer (SCO) must be in place in the two supply chains in Kuwait to undertake regular reconciliation of the animals and ensure that animals remain within the approved supply chains
- The independent auditor must assess whether or not the SCO conducted regular reconciliation of the animals and assess the effectiveness of the SCO

From November 2012 exporters were required to undertake the following additional activities:

- Monthly reports and declarations must be provided to the department on the reconciliation activities conducted by the SCO.

From January 2013, exporters to Kuwait voluntarily arranged for additional security to be in place at the abattoirs in the supply chain to address the risk of unauthorised movement of sheep from the abattoirs.

From October 2013 exporters were required to undertake the following additional activities:

- The exporter must ensure that all animals in the supply chain are marked with an exporter specific identification upon entry into and before departure from each feedlot in the supply chain, to allow identification of animals throughout the remainder of the supply chain
- A monthly declaration must be provided stating appropriate 24 hour security is in place at each facility where sheep are held in the supply chain to ensure only ESCAS approved movement of animals occurs within the supply chain
- A consolidated monthly report on daily reconciliations completed by the SCO at each facility must be provided in PDF and excel format.

During the course of the investigation, the exporters provided monthly reports along with independent audit reports for both supply chains. These reports monitor whether sheep are remaining in approved facilities particularly when transported from the feedlot to the abattoir. The numbers arriving at the abattoir are reconciled with the number slaughtered and the number that left the feedlot. The reports have not shown loss of animals.

7. Observations

In its final report released in August 2011², the Industry Government Working Group (IGWG) on live sheep and goat exports believed that the ESCAS auditing system would provide a level of accounting for sheep that would reduce the risk of leakage of animals from approved supply chains as well as identifying leakage that occurs. As noted in the IGWG report, page 19:

‘Private sales of live animals to unknown sources remain the biggest risk in terms of animal welfare outcomes. These sales to numerous individuals reflect long-standing cultural and religious practices. The difficulty in addressing this issue, by changing behavioural practices, cannot be underestimated.’

As evident from this and other reports, the accounting system for sheep is unlikely to detect small numbers of animals leaving approved supply chains. The system relies on manual counts of animals entering and leaving approved facilities, records of animals that die and records of the number of

² Industry Government Working Group – Final Report to Australian Government Minister for Agriculture, Fisheries and Forestry – 26 August 2011

animals slaughtered at each facility over a period of time. The monthly reporting from the SCO combined with the independent audit reports for the Kuwait supply chains provide the department with assurance that exporters' ESCAS accounting arrangements are being complied with. This reduces, but cannot eliminate, the risk of animals being removed from approved facilities.