



Australian Government

**Department of Agriculture
and Water Resources**

Exporter Supply Chain Assurance System Regulatory Performance Report

1 June to 31 August 2018

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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 through to 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 of their supply chains:

- 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 requires 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 require information about reported non-compliance with ESCAS requirements taking regulatory action where appropriate. Reports are generally received through one of four pathways: directly from exporters, third parties (for example, Animals Australia or private citizens in an importing country), industry, 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 applying additional conditions (see section 3.2), through to suspending or cancelling an exporter's licence. Regulatory action is applied based on the nature of the non-compliance, with any corrective actions implemented by the exporter taken into consideration.

2 PERIOD SUMMARY: 1 JUNE – 31 AUGUST 2018

From 1 June to 31 August 2018, over 331 715 livestock (buffalo, cattle, goats and sheep) were exported by sea and air in 100 consignments approved under ESCAS requirements (feeder and slaughter) from Australia to 12 markets (Table 1) by 18 exporters.

Table 1 - Markets for Australian Livestock exported under ESCAS - 1 June to 31 August 2018

Brunei Darussalam	China	Indonesia
Israel	Japan	Kuwait
Malaysia	Philippines	Qatar
Singapore	United Arab Emirates	Vietnam

During this period, the department received 11 reports of non-compliance with ESCAS requirements involving supply chains in Indonesia, Israel, Japan, Jordan, Kuwait, Malaysia United Arab Emirates and Vietnam:

- Seven reports of ESCAS non-compliance required investigation by the department.
- Four self-reports required no regulatory action.

During this period, the department completed reviews of six reports of non-compliance with ESCAS requirements:

- The department completed investigations into two reports of non-compliance resulting in one finding of non-compliance (Table 2).
- The department reviewed four reports from exporters which complied with the department's ESCAS self-reporting 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. A summary of these reviews is provided in Section 5 of this report.

Table 1 Summary of findings of ESCAS non-compliance - reviews completed 1 June to 31 August 2018

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

**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 June to 31 August 2018 is provided in Table 3. A detailed summary for each review is provided in Section 4 of this report.

Table 2 ESCAS regulatory performance reviews completed 1 June to 31 August 2018

#	Date	Type	Market	Species	Animals involved	Exporter	Non-compliance finding
142B	September 2017	Self report	Malaysia	Sheep	208	ALL	Major
157	June 2018	Self report	Vietnam	Cattle	1	FIN	Minor

3.2 Actions taken in response to ESCAS non-compliance reports

A range of regulatory, corrective and preventative actions are taken in response to confirmed non-compliance.

Regulatory action applied by the department this period included:

- Suspending exporter supply chains until control and traceability systems audited
- Requiring departmental control and traceability audits
- Applying additional monitoring, oversight and reporting conditions on upcoming consignments
- Requiring the development and implementation of a Supply Chain Management Plan
- Suspending supply to approved facilities while investigations were undertaken
- Requiring corrective actions to be undertaken.

Corrective actions implemented by exporters this period included:

- Updated contractual arrangements with supply chain partners
- Requiring an abattoir to cease slaughter while approval of a second slaughter line was undertaken
- Providing additional training to supply chain staff
- Scheduling additional independent audits
- Ceasing supply of livestock to abattoirs and feedlots until issues were rectified
- Reinforcing ESCAS control and traceability requirements with importers.

4 ESCAS REGULATORY PERFORMANCE REVIEWS

Markets

- Malaysia – Report #142B
- Vietnam – Report #157

Exporters

ALL	Australian Livestock Exports Pty Ltd	Austrex	Australian Rural Exports Pty Ltd
FIN	Frontier International Northern Pty Ltd		

Acronyms and abbreviations

AWO	Animal Welfare Officer	CCTV	Closed Circuit Television
ESCAS	Exporter Supply Chain Assurance System	IPAR	Independent Performance Audit Report
MLA	Meat & Livestock Australia	SCMP	Supply Chain Management Plan

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.

4.1 MALAYSIA

Background

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

As at 31 August 2018, a total of 33 consignments of livestock have been exported by sea and air under ESCAS arrangements to Malaysia in 2018, including 19 530 sheep, 13 194 cattle, 7197 goats, and 1169 buffalo. Malaysia is the largest market for goats, the seventh largest market for cattle, and the second smallest for sheep and buffalo in 2018.

There are currently ten Australian exporters with approved supply chains to export livestock to Malaysia.

The department has previously published reviews of 16 reports relating to non-compliance in Malaysia. From these reports, 16 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 31 August 2018, there is one report of non-compliance under investigation for Malaysia.

Report #142B: Sheep exported to Malaysia – Major non-compliance

Incident report:

On 4 September 2017, the Department of Agriculture and Water Resources received email notification from Australian Livestock Logistics (ALL) of possible non-compliance with Exporter Supply Chain Assurance System (ESCAS) requirements in Malaysia.

The report followed a visit on 31 August 2017 by a Meat and Livestock Australia (MLA) representative visit to an ALL approved ESCAS facility, a combined abattoir and feedlot. Following the visit, MLA informed ALL the slaughter area appeared not to have been used despite reportedly slaughtering some 200 animals in the weeks prior, and management appeared unfamiliar with ESCAS requirements.

In their notification email, ALL stated the slaughter area was under renovation at the time of the visit and reported their Animal Welfare Officer (AWO) had visited the facility with the MLA representative on 31 August 2017. Based on ALL's report, the department immediately suspended supply of animals to the facility until ALL completed its investigation into the matter.

Exporter findings:

On 8 March 2018, ALL reported management of the facility had changed, and receiving further requested information would not be possible. ALL provided its investigation report to the department on 14 March 2018 in which they stated the facility manager was not available to attend the site visit on 31 August 2017, and the representative present was a new share holder in the facility. ALL reported the representative had no experience with the facility's operation and very little understanding of ESCAS leading to MLA's impression facility operators were not familiar with ESCAS requirements.

ALL stated in their 14 March 2018 report that the slaughter facilities and lairage were newly renovated and still under renovations in preparation for Korban at the time of the MLA site visit, and that the facility had not received 200 animals as understood by the MLA representative. ALL stated a portion of the animals consigned to the facility were also traded to other approved farms in the ALL supply chain, thereby reducing the number of animals slaughtered on site. In July 2018, ALL provided photographs (collected on 17 September 2017 by an ALL manager during a visit to the facility) to the department to support their claims of modifications being made to the facility.

Department assessment:

The department contacted MLA to confirm details in the report as provided by ALL. By 4 September 2017, no animals remained alive at the facility as they were slaughtered out over Korban. The facility was only approved in the ALL ESCAS supply chain.

Both the abattoir and feedlot were approved for ALL in April 2016. Independent performance audits (IPARs) were conducted as per the required schedule with no non-compliance reported.

After suspending the facility upon receiving the report, the department requested further information from ALL on several occasions—including ALL's internal investigation findings, post-export movement and slaughter records, and AWO reports—to support their claim that ESCAS requirements were being met. No response or supporting evidence was received from ALL and on 15 February 2018 the department removed the facility from the ALL supply chain.

Final post-export movement and slaughter records requested relating to the facility were provided by ALL in July 2018. These showed that 208 sheep and goats had in fact been received by the facility in the weeks prior to Korban. Of these, 119 were reported slaughtered prior to the MLA visit on 31 August 2017, 45 were on-sold to another approved abattoir, with the remaining being slaughtered over the Korban festival in the days following the visit.

Department actions and conclusions:

Based on the information provided by MLA and ALL, the department concluded ESCAS outcomes for control and traceability were not being met at the facility by the exporter.

The department suspended ALL's two supply chains (one cattle, and one sheep and goats, covering 27 facilities) on 7 March 2018. ALL had not provided its report into the issues with this facility six months after it first notified the department, and the department was not confident that ALL had effective control and traceability arrangements in place for its other facilities. In order to lift the suspension on its other ESCAS facilities, ALL was required to have a control and traceability system audit by the department.

An audit took place in April 2018, and ALL was able to demonstrate its systems for managing control and traceability in its other facilities. The suspension of the supply chains was lifted in May with additional conditions applied, including the development and implementation of a Supply Chain Management Plan (SCMP) clearly documenting the means by which ALL ensures its control and traceability arrangements are effective, and additional monitoring, oversight and reporting required for their next consignment. ALL's compliance with their SCMP will be reviewed at the next departmental audit of ALL supply chains to be completed after three consignments from the suspension being lifted.

The department has recorded a *major* non-compliance with ESCAS control and traceability requirements. ALL was unable to demonstrate it had sufficient oversight of this facility, and could not provide required reports on the whereabouts of animals in a timely manner.

The facility is not part of ALLs current supply chain and this report will be considered if other exporters apply to add this facility to their supply chain.

4.2 VIETNAM

Background

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

As at 31 August 2018, a total of 56 consignments of livestock have been exported under ESCAS arrangements to Vietnam in 2018, including 132 401 cattle and 1841 buffalo. Vietnam is the second largest market for both cattle and buffalo in 2018.

There are currently eleven Australian exporters with approved supply chains to export livestock to Vietnam.

The department has previously published reviews of 52 reports relating to non-compliance in Vietnam. From these reports, 43 findings of non-compliance have been recorded against exporter supply chains or 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 31 August 2018, there are seven reports of non-compliance under investigation for Vietnam.

Report #157: Cattle exported to Vietnam – Minor non-compliance

On 12 June 2018, Frontier International Northern Pty Ltd (FIN), reported non-compliance with Exporter Supply Chain Assurance System (ESCAS) animal welfare requirements. FIN reported that on 7 June 2018, an importer-employed Animal Welfare Officer (AWO) broke the tail of an Australian animal in an attempt to make it move into the restraint box at an approved abattoir in their ESCAS supply chain. It was reported the AWO was 'encouraged' to break the animal's tail by two other importers' AWOs who were also on-site overseeing slaughter. FIN's traceability system did not record the tail breaking as it happened outside the position of their cameras, however FIN reviewed the closed circuit television (CCTV) footage taken on the night and did not identify any further non-compliance with handling or slaughter.

FIN confirmed the AWO who broke the tail was fired and will no longer be allowed to work at any of the importer's facilities. The importer immediately assigned another experienced AWO to the abattoir.

On 8 June 2018, two other exporters informed the department they would remove an abattoir from their supply chains due to concerns around animal handling. The department requested further information and clarification of the concerns. On 13 June 2018, one of the exporters provided CCTV footage (taken by another traceability system) of the incident reported by FIN at the approved abattoir.

On 15 June 2018, the department required all exporters to cease supply to the abattoir and provide details of corrective actions to be implemented to address the issue and ensure all livestock are handled and slaughtered in accordance with ESCAS requirements.

FIN provided a signed agreement between the abattoir and importer stating:

- Only one importer would supply the abattoir
- The abattoir would only use one control and traceability system
- No other importer AWOs will be allowed on the premises
- The abattoir reaffirmed their agreement to comply with ESCAS standards

Following assessment of each exporter's response, the department determined that the corrective actions taken at the abattoir addressed the non-compliance. The department allowed exporters to resume supply to the abattoir on 21 June 2018. All exporters conducted additional site visits to the abattoir, and no further non-compliances have been identified.

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 *minor* non-compliance with ESCAS animal welfare requirements was recorded against FIN's Vietnam cattle supply chain.

5 ESCAS ISSUES IDENTIFIED AND ADDRESSED BY EXPORTERS

These reports were received from exporters and complied with the department's ESCAS self-reporting 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 reviews are recorded here for information purposes only.

Review	Market	Exporter	Details
1	Indonesia	Australian Rural Exports Pty Ltd (Austrex)	<p>On 18 June 2018, Australian Rural Exports Pty Ltd (Austrex) notified the department that their staff had observed excessive use of a prodder by a stevedore during discharge of a cattle shipment in Indonesia.</p> <p>Austrex staff immediately stopped this and conducted on the spot training with the stevedore. Additional verification checks by Austrex staff during discharge were completed to ensure ongoing correct use of the prodder. No further issues were identified. The importer's representative who was onsite during the discharge was notified of the incident and instructed that further training would be undertaken with importer staff and stevedores prior to the next discharge.</p> <p>As part of Austrex's corrective action, they required an independent auditor to assess the discharge of their next shipment to Indonesia. The audit report confirmed corrective actions had been undertaken by the exporter and no further issues were identified.</p>
2	Indonesia	Australian Rural Exports Pty Ltd (Austrex)	<p>On 26 April 2018, Australian Rural Exports Pty Ltd (Austrex) notified the department of non-compliance identified in their Indonesia cattle supply chain.</p>

			<p>Austrex completed an in-market visit on 24 April 2018 as the importer had not provided traceability data to Austrex in a timely manner.</p> <p>The following was identified during the visit:</p> <ul style="list-style-type: none"> • Movement of 1013 cattle to an unapproved feedlot • Discrepancy between physical reconciliation counts and the traceability data received from the importer regarding 11 facilities • Issues at two feedlots, including sick pen mismanagement, damage to handling yard infrastructure, and slippery discharge ramp flooring. • Austrex ceased immediate supply to the importer until issues had been addressed <p>Austrex instructed the importer to cease movement to the unapproved facility until it was an approved ESCAS facility. In the interim Austrex confirmed no animal welfare issues were identified. The feedlot was audited on 27 April 2018, which confirmed compliance with ESCAS requirements. Subsequently an application was submitted by Austrex to include the unapproved feedlot in their supply chain, which was subsequently assessed and approved.</p> <p>Austrex confirmed all traceability reports were updated and received, and no loss of traceability had occurred within the 11 approved facilities. No further non-compliances were identified.</p> <p>The feedlots rectified the issues identified and Austrex organised both feedlots to be independently audited on the 13 and 27 July to assess the corrective actions. The audits confirmed the following actions had been taken and the feedlots are compliant with ESCAS requirements:</p> <ul style="list-style-type: none"> • The feedlot yards and loading ramps were upgraded to non-slip surfaces and sharp corners within the feedlot were rounded off
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			<ul style="list-style-type: none"> • Sick pens were roofed and healthy cattle were removed and penned in the normal yards • Rubber matting was placed on sharp protruding edges in the handling yards to reduce risk of injury
3	Japan	Australian Rural Exports Pty Ltd (Austrex)	<p>On 27 July 2018, Australian Rural Exports Pty Ltd (Austrex) notified the department of non-compliance with Exporter Supply Chain Assurance System (ESCAS) control requirements in their Japan cattle supply chain.</p> <p>When reviewing traceability records with an importer Austrex staff identified that 32 cattle were processed at an abattoir not approved in their supply chain. The abattoir was however approved in another exporter's supply chain and animal welfare issues were not identified. The cattle were slaughtered in accordance with ESCAS requirements and traceability was maintained.</p> <p>Austrex reported the importer and customer believed that the abattoir was approved for all cattle received by the importer, regardless of the exporter. The importer reconfirmed approved supply chains with the customer. Austrex did not identify the movement immediately as the traceability data available displayed only the prefecture (name) of the area in which the abattoir is located and not the abattoir name.</p> <p>To prevent further non-compliance, Austrex has requested that the traceability data include the name of the abattoir, rather than the prefecture name. In the interim, Austrex has instructed their Supply Chain Support Officer provide additional weekly oversight on the traceability checks undertaken.</p> <p>Additionally, Austrex conducted an initial audit of the abattoir and submitted an ESCAS variation</p>

			<p>application to add the abattoir to their Japan supply chain. The application was subsequently assessed and the abattoir approved in their supply chain.</p> <p>Austrex conducted a video conference between the importer, another exporter and themselves on 5 September 2018 to discuss control and traceability requirements within the supply chain, supply chain compliance, auditing and ensuring conformance.</p>
4	Vietnam	Frontier International Northern Pty Ltd (FIN)	<p>On 27 August 2018, Frontier International Northern Pty Ltd (FIN) notified the department of non-compliance with Exporter Supply Chain Assurance System (ESCAS) control requirements in their Vietnam cattle supply chain.</p> <p>FIN reported that on 24 August 2018, one animal was emergency slaughtered due to lameness, in an unapproved slaughter box at an abattoir approved within their supply chain. The animal was slaughtered in accordance with ESCAS requirements and no animal welfare issues were identified. A compliant initial audit of the unapproved slaughter box was completed on 31 August 2018.</p> <p>On 4 September 2018, FIN notified the department that during control and traceability verification it was identified that a second animal was slaughtered prior to FIN submitting the compliant audit report to the department. FIN contacted the abattoir owner to seek clarification as to why the unapproved slaughter box had been used again. The abattoir owner explained that he believed the second slaughter box was approved because of the compliant audit being undertaken. FIN instructed the abattoir to immediately cease processing in the unapproved slaughter box until formal approval had been given by the department.</p> <p>On 4 September 2018, FIN submitted an ESCAS variation application to add the unapproved slaughter box at the abattoir to their supply chain. The application was assessed and the second</p>

			slaughter box approved. No further non-compliances have been identified at the abattoir.
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6 SUMMARY OF REVIEWS IN PROGRESS AS AT 31 AUGUST 2018

Table 7 provides an overview of all regulatory performance reviews in progress as at 31 August 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 31 August 2018

Web #	Market	Species	Report	Date	Received from
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
149	Kuwait	Sheep	Loss of control	March 2018	Animals Australia
150	Japan	Cattle	Loss of control	March 2018	Self-reported by exporter
153	UAE	Sheep	Loss of control and traceability, animal welfare concerns	April 2018	Animals Australia
154	Oman	Sheep	Loss of control and traceability, animal welfare concerns	April 2018	Animals Australia
155	Vietnam	Cattle	Loss of control and traceability, animal welfare concerns	May 2018	Department identified
156	UAE	Sheep	Loss of control	June 2018	Emanuel
158	Kuwait	Sheep	Animal welfare concerns	August 2018	Self-reported by exporter
159	Kuwait	Sheep	Animal welfare concerns	August 2018	Animals Australia
160	Jordan	Sheep	Loss of control and traceability, animal welfare concerns	August 2018	Animals Australia
161	Malaysia	Sheep and goats	Loss of control and traceability, animal welfare concerns	August 2018	Animals Australia
162	Israel	Cattle	Loss of control and traceability, animal welfare concerns	August 2018	Animals Australia