



Australian Government
**Department of Agriculture
and Water Resources**

Exporter Supply Chain Assurance System Regulatory Performance Report

1 March 2017 to 31 May 2017

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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 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 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 MARCH 2017 – 31 MAY 2017

From 1 March 2017 to 31 May 2017, more than 670 900 livestock (buffalo, cattle, goats and sheep) were exported in 137 consignments approved under ESCAS requirements from Australia to nine markets (Table 1) by 16 exporters.

Table 1 - Markets for Australian Livestock exported under ESCAS - 1 March to 31 May 2017

Brunei Darussalam	Indonesia	Japan
Kuwait	Malaysia	Oman
Qatar	United Arab Emirates	Vietnam

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

Four non-compliance investigations were completed and published by the department with three findings of non-compliance (Table 2). During this period, the department recorded one major and two minor findings of non-compliance against ESCAS supply chains.

Table 2 Summary of findings of ESCAS non-compliance - reviews completed 1 March 2017 to 31 May 2017

Market	Reviews	Finding				
		Critical	Major	Minor	No confirmed	No non-compliance
Vietnam	4	0	1	2	1	0
Total	4	0	1	2	1	0

3 ESCAS NON-COMPLIANCE REVIEWS

3.1 Overview of findings

An overview of findings for reviews completed in the period 1 March to 31 May 2017 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 March to 31 May 2017

#	Date	Type	Market	Species	Animals reportedly involved	Exporter	Non-compliance finding
121	September 2016	Self-report	Vietnam	Cattle	1	NACC	Minor
123	October 2016	Self-report	Vietnam	Cattle	500	NACC	Major
126	November 2016	Self-report	Vietnam	Cattle	867	Wellard	Minor
132	January 2017	Third Party	Vietnam	Cattle	1	Could not be determined	No confirmed non-compliance

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 and/or removing non-compliant facilities from ESCAS supply chains
- requiring exporters to provide management plans for animals in suspended facilities
- requiring exporters to perform physical reconciliations of animals remaining in suspended facilities.

Corrective actions implemented by exporters this period included:

- suspending supply of livestock to facilities under the industry six point plan
- placing employees or Animal Welfare Officers (AWOs) to oversee animal welfare and control and traceability requirements at facilities
- implementing additional oversight of control and traceability systems
- conducting visits and inspections in order to ensure the cattle remaining in suspended facilities were managed in accordance with ESCAS requirements
- removing all cattle remaining in suspended facilities to other approved importer supply chains or approved abattoirs.

4 ESCAS REGULATORY PERFORMANCE REVIEWS

Markets

- Vietnam – Reports 121, 123, 126 and 132.

Exporters

Austrex	Australian Rural Exports Pty Ltd	FIN	Frontier International Northern Pty Ltd
ILE	International Livestock Exports Pty Ltd	LSS	Livestock Shipping Services Pty Ltd
NACC	North Australian Cattle Company Pty Ltd	SEALS	South East Asian Livestock Services Pty Ltd
Wellard	Wellard Rural Exports Pty Ltd		

Acronyms and abbreviations

AWO	Animal Welfare Officer	ESCAS	Exporter Supply Chain Assurance System
RFID	Radio Frequency Identification Device	OIE	World Organisation for Animal Health
CCTV	Closed Circuit Television		

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 VIETNAM

Background

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

As at 31 May 2017, a total of 27 consignments of livestock have been exported under ESCAS arrangements to Vietnam in 2017, including 794 buffalo and 74 777 cattle making it the second largest market for both cattle and buffalo to date. There are currently nine Australian exporters with approved supply chains to export livestock to Vietnam.

The department has previously published reviews of 36 reports (including seven sub-reports) relating to non-compliance in Vietnam. From these reports, 36 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 31 May 2017, there is one report of non-compliance under investigation for Vietnam.

Report # 121: Cattle exported to Vietnam – Minor non-compliance

Incident Report

On 26 September 2016, the Department of Agriculture and Water Resources received a self-report from North Australian Cattle Company Pty Ltd (NACC) detailing non-compliance with Exporter Supply Chain Assurance System (ESCAS) animal welfare requirements in Vietnam. NACC reported the practice of flooding animals prior to slaughter was occurring in two ESCAS approved abattoirs. Flooding is the use of a pipe or hose to force large amounts of water into an animal's stomach prior to slaughter.

NACC reported that on 22 September 2016, exporter representatives observed water and a plastic hose on the floor of a raceway at one abattoir. At the other abattoir, two staff members were observed forcing a plastic hose down a steer's throat. Cattle in the lairage of both abattoirs were observed with extended flanks evident of flooding.

Exporter actions

After identifying the non-compliance, NACC implemented the following corrective actions:

- On 26 September 2016, NACC suspended the importer, the two abattoirs and three associated feedlots under the Industry Six Point Plan.
- Consolidated their remaining animals in the supply chain into one feedlot and required them to be slaughtered at one abattoir under direct NACC supervision.

- Placed NACC staff in the facilities to oversee the slaughter of the remaining animals.
- Requested their control and traceability provider to provide additional oversight of Closed Circuit Television (CCTV) and scanning data.

Department assessment

Both abattoirs were approved in three exporters' supply chains— Frontier International Northern Pty Ltd (FIN), Livestock Shipping Services Pty Ltd (LSS) and NACC. South East Asian Livestock Services Pty Ltd (SEALS) had only one of the abattoirs in their supply chain. Both the abattoirs had a risk rating of *low* and no other reports of non-compliance have been received in relation to the facilities.

The department reviewed past independent performance audit reports for the abattoirs, all of which identified no non-compliance. The facilities were last audited in June 2016.

No further reports of flooding or non-compliance were received while the remaining Australian animals were being slaughtered.

The department reviewed findings of exporters' control and traceability systems audits conducted in October and November 2016.

Department actions and conclusions

The department suspended supply of Australian cattle to the relevant importer and associated facilities from all exporter supply chains upon receipt of the self-report. At the time of the report, NACC had 339 and LSS had 150 cattle remaining in the suspended facilities. The department required NACC and LSS to provide and implement management plans for the processing of the animals.

Once it was confirmed that no animals remained in the facilities, the department then removed the importer and facilities from all supply chains.

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 animal welfare requirements was identified. Though the nature of the non-compliance was classified as *major*, when considering the exporters identification of the non-compliance and subsequent actions taken to address the matter, a *minor* non-compliance has been recorded against the NACC supply chain. This incident will be taken into account when considering any application for the importer or facilities to be reapproved.

Report # 123: Cattle exported to Vietnam – Major non-compliance

Incident Report

On 4 October 2016, NACC notified the Department of Agriculture and Water Resources they were investigating suspected non-compliance with Exporter Supply Chain Assurance System (ESCAS) control and traceability requirements in Vietnam relating to one importer and three feedlots in their approved supply chain.

Between 13 and 18 October 2016, NACC reported that loss of control and traceability had been confirmed and advised the issue was identified by NACC in-market staff and members of their third-party control and traceability system provider when inconsistencies in slaughter records provided by the importer were identified, and interruptions to Closed Circuit Television (CCTV) feeds from the feedlots due to power outages were being increasingly reported, and evidence of ear tag removal at feedlots was found. Around 500 animals had been affected by non-compliance in the two weeks prior and the importer had admitted to on-selling cattle to abattoirs outside of the approved supply chain.

NACC has remained in contact with the department since reporting the non-compliance discussing management options and providing weekly updates relating to cattle movements, locations of slaughter and animal welfare assessments.

Exporter actions and findings

During the course of this investigation, NACC implemented the following corrective and/or management actions:

- suspended the importer and associated facilities under the industry 6 Point Plan.
- consolidated the remaining livestock at one feedlot to enable increased oversight.
- stationed an employee permanently at the main feedlot to monitor animal welfare and cattle movements.
- performed periodic physical reconciliations of cattle remaining in the feedlot.
- implemented additional oversight of control and traceability systems.
- proposed management plans, directives and options to the importer for the removal/managing of the remaining cattle out of the supply chain.
- had in-market and Australian-based staff present to implement and oversee corrective actions and management plans.
- assessed unapproved facilities' processes for compliance with animal welfare outcomes for those remaining in the supply chain.
- conducted regular visits to the unapproved facilities and provided ongoing maintenance and supplies to ensure ESCAS compliant slaughter.

NACC investigations determined that the importer was deliberately interfering with control and traceability systems at the feedlots by turning off cameras and tampering with tracking

antennas. They were then using this time to remove ear tags and truck cattle out of the feedlot to unapproved abattoirs making tracing the animals' final locations very difficult.

Due to internal changes and conflict within the management structure of the importer parent company, the board rejected agreements made between NACC with the importer feedlot manager to sell to approved facilities and comply with management plans. NACC's influence was increasingly diminished and the importer continued to disregard ESCAS requirements.

Due to this, NACC shifted their focus to ensuring the remaining cattle would be slaughtered in accordance with a minimum of World Animal Health Organisation (OIE) standards. The department acknowledged the efforts taken by NACC to get the importer to engage and recommit to ESCAS and their effective loss of control within the supply chain.

NACC estimate that approximately 4375 cattle were affected by the non-compliance and slaughtered outside of the approved supply chain. Information provided by the importer along with NACC staff investigations indicate that the majority (over 3000) of these animals were slaughtered at the three facilities which NACC were able to assess as compliant with OIE standards and periodically visit.

As at 7 June 2016, 110 cattle remain at the suspended feedlot waiting to be processed. NACC's oversight will remain in place until the last animal is slaughtered.

Department assessment

Approved facility assessment:

The department reviewed past independent performance audit reports (IPARS) for the feedlots, all of which identified no non-compliance. The feedlots were last audited in June and September 2016.

The importer and feedlots were not approved in any other exporters supply chain at the time of the report, but had been previously approved for two other exporters.

NACC reported that at no point were any issues identified with the handling, feeding or condition of the animals remaining in the feedlots while the issue has been managed out.

Unapproved facility assessment:

On 21 November 2016, NACC submitted details of the three unapproved abattoirs to the department which the importer confirmed they were selling cattle to without approval—two in Bai Do Village and one located outside Hanoi. NACC in-market staff visit assessments were provided as evidence of ESCAS compliance and consideration was requested to approve their use to slaughter out the remaining cattle.

The department reviewed the GPS coordinates and photographs provided by NACC for Bai Do village. These were cross-checked against existing records and the facilities were confirmed to not have been previously approved in ESCAS supply chains, nor had they been involved in non-compliance reports.

The Bai Do abattoirs had been previously independently audited for compliance with ESCAS with no non-compliance observed, but were not approved in exporter supply chains due to the ongoing access and animal welfare issues related to the village ([see report #104](#)); the third abattoir near Hanoi had previously been placed under departmental suspension and subsequently removed for non-compliance involving on-selling of cattle outside of the approved supply chain ([see Report #76](#)).

Although the reports provided by NACC in-market staff for all three facilities demonstrated the infrastructure and slaughter practices met both OIE and ESCAS requirements, the department did not approve the use of the facilities for the reasons stated above.

Department exporter control and traceability system audits:

The department reviewed findings of exporters' control and traceability systems audits conducted in November 2016.

Department actions and conclusions

Though animal welfare outcomes for all cattle could not be confirmed, additional actions and oversight were taken by NACC to achieve compliant animal welfare outcomes for the significant number of animals involved. From time of notification, NACC were active in notifying the department of any developments, and discussing management options and limitations including risks to staff.

Through ongoing communication with the importer, parent company board and in-market staff monitoring of cattle movements, NACC were able to identify with some degree of certainty the final locations and slaughter conditions of their cattle.

The department will remove the importer and facilities from the NACC supply chain once it has been confirmed all cattle have been processed.

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 *critical* non-compliance with ESCAS control and traceability requirements was confirmed. Though the number of animals involved and the importer's blatant 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 NACC supply chain. This incident will be taken into account when considering any application for the importer or facilities to be reapproved.

Report # 126: Cattle exported to Vietnam – Minor non-compliance

Incident Report

On 24 November 2016, the Department of Agriculture and Water Resources received a self-report from Wellard Rural Exports Pty Ltd (Wellard) detailing non-compliance with Exporter Supply Chain Assurance System (ESCAS) control and traceability requirements in Vietnam. Wellard reported that during routine feedlot visits, in-market staff identified that 867 Wellard cattle were unable to be accounted for, and that 726 cattle were unidentifiable i.e. ear tags providing individual animal identification had been removed.

The non-compliance was identified in two feedlots and one depot run by two importers who were managed by the same parent company. Wellard reported that the importers refused their request to halt all cattle movements until a physical reconciliation could be completed and were hindering or deterring Wellard staff access to facilities to be able to perform the reconciliation.

Exporter actions and findings

After identifying the non-compliance, Wellard took the following actions:

- completed a physical reconciliation of cattle remaining in the supply chain,
- removed all remaining cattle to other approved importer supply chains or approved abattoirs,
- conducted visits and inspections in order to ensure the remaining Wellard cattle were managed in accordance with ESCAS requirements, and
- removed the importers and facilities from their approved supply chain once all cattle had been removed.

On 5 December 2016, Wellard advised they were negotiating the removal of any remaining cattle to another of their approved importer supply chains, and that the importers were now cooperating with the request to cease cattle movements and access was being gained to the facilities.

Wellard notified the department that physical reconciliations and the removal of the remaining Wellard cattle from the feedlots and depot had been completed on 24 December 2016.

Following analysis of the reconciliations, on 14 February 2017 Wellard reported that the importers had provided them with traceability records for 698 of the 867 Wellard cattle initially reported as unaccounted for. The remaining 169 were found to have lost traceability. The importers stated these animals were emergency slaughters or mortalities which occurred in feedlots that have not been accurately recorded at the time of mortality.

The importers, feedlots and depot were approved in three other exporters' supply chains at the time of Wellard's report—Australian Rural Exports Pty Ltd (Austrex), Frontier International Northern Pty Ltd (FIN), and International Livestock Exports Pty Ltd (ILE). Following a departmental requirement to perform physical reconciliations of animals remaining in the relevant facilities and supply chains, no non-compliance was identified in these exporters' supply chains.

Department assessment

The department reviewed past independent performance audit reports for the feedlots and depot, all of which reported no observed non-compliance at the time of audit. The facilities were last audited in June 2016.

One of the importers had received a *minor* non-compliance in a previous report for loss of control ([see Report #97](#)).

The feedlots both had a *medium* risk rating of and have not been indicated in any other reports of non-compliance. The depot was under departmental suspension at the time of the report ([see Report #104F](#)).

The department reviewed findings of exporters' control and traceability systems audits conducted in October and November 2016.

Department actions and conclusions

On 30 November 2016, the department notified all exporters with the importers and relevant facilities in their approved supply chains to cease supply of all Australian livestock whilst investigations were completed. The exporters were also required to perform a complete physical reconciliation of remaining animals to compare to control and traceability system database reconciliations in order to determine if their supply chain had also been affected by non-compliance.

All exporters were also required to provide the department with additional actions to be implemented to ensure that all cattle which remained under the ownership of the importers or being held at the facilities remained within the approved supply chain, and were managed in accordance with ESCAS requirements.

Wellard's physical reconciliations—along with the traceability information provided by the importers—indicate that the 726 unidentifiable cattle were in fact part of the 867 Wellard cattle originally reported as unaccounted for. All other exporters with the importers and facilities in their approved supply chains were able to reconcile their cattle to point of slaughter.

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 *minor* non-compliance with ESCAS control and traceability requirements against the Wellard supply chain. This incident will be taken into account when considering any application for the importers or facilities to be reapproved.

Report # 132: Cattle exported to Vietnam – No confirmed non-compliance

Incident report:

On 20 January 2017, the Department of Agriculture and Water Resources received a third party report of non-compliance with Exporter Supply Chain Assurance System (ESCAS) animal welfare requirements at an abattoir in Vietnam. It was reported that on 17 January 2017, one animal was not slaughtered within the recommended time after being stunned and processing had begun without checking for consciousness. A short video was provided with the report.

Department assessment:

At the time of the report, the abattoir was approved for four exporters — Australian Rural Exports (Austrex), International Livestock Export (ILE), Frontier International Northern (FIN) and Wellard Rural Exports Pty Ltd (Wellard).

On 24 January 2017, the department suspended the abattoir while investigations were undertaken. The department notified exporters of the report and requested they investigate the report and determine whether the animal was exported under their ESCAS. All exporters reported that their control and traceability systems showed no animals exported under their ESCAS were slaughtered in the abattoir at the time the video was taken.

The department reviewed the video and determined that from the video provided, it could not be confirmed whether the animal was handled and slaughtered in accordance with ESCAS requirements. The video showed that the animal was Australian, however as the Radio Frequency Identification Device (RFID) or ear tag number was not able to be identified from the video, the exporter of the animal could not be determined.

Prior to the departmental suspension, the abattoir had a risk rating of *low* and all previous Independent Performance Audits reported compliance with ESCAS Animal Welfare requirements. The abattoir was last audited in December 2016.

Exporter actions:

Austrex had 14 cattle remaining at the facility at the time of the report and implemented additional oversight until the cattle were slaughtered.

Austrex, FIN, ILE and Wellard all stated that the animal shown in the footage was not exported under their ESCAS, and have not requested the abattoir be reinstated to their supply chain. As such, no ongoing corrective actions were taken.

Department actions and conclusions:

Once it was confirmed no animals remained at the abattoir, the department removed the facility from all exporters' supply chains.

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>), no confirmed non-compliance was identified. This incident will be taken into account when considering any application for this abattoir to be reapproved.

5 SUMMARY OF REVIEWS IN PROGRESS AS AT 31 MAY 2017

Table 7 provides an overview of all regulatory performance reviews in progress as at 31 May 2017. 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 May 2017

Web #	Market	Species	Report	Date	Received from
133	Israel	Cattle	Animal welfare concerns	February 2017	Animals Australia
134	Vietnam	Cattle	Loss of traceability	March 2017	Self-reported by exporter
135	Turkey	Cattle	Loss of control	April 2017	IPAR
136	Israel	Sheep	Animal welfare concerns	April 2017	Animals Australia
137	Israel	Cattle	Animal welfare concerns	April 2017	Animals Australia