



Australian Export Meat Inspection System Review

An overview for the 2019 MINTRAC Meat Inspectors and QA Conference

24 October 2019

Palladium is an Australian company and global leader in the development and delivery socio-economic development programs that create a positive impact in society.

Our experience in agriculture spans our 50 year history and today we are the lead partner of the Commonwealth of Australia and HM Government, for management and delivery of agricultural transformation programs globally.

We work with governments, corporations, and non-profits to deliver solutions that transform lives and create enduring value for businesses, communities, societies and economies.



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Terms of
reference and
review approach

01

The independent review of AEMIS will deliver on commitments that implementation of the system would be regularly reviewed

Reviewing the design and implementation

The review is commissioned by AMPC and overseen by a Steering Group, chaired by AMIC and including representatives of the Department of Agriculture, AMIC, APL and MLA.

- The Commonwealth Government introduced AEMIS in October 2011, as part of the Export Certification Reform Package.
- AEMIS is “an integrated set of controls specified and verified by Government that ensure the safety, suitability and integrity of Australian meat and meat products”.
- It includes the models for delivering these services, particularly inspections and food safety verification, to provide certainty to trading partners. This included the introduction of Australian Government Authorised Officers (AAOs).
- When it was introduced, the Department of Agriculture and industry agreed there would be regular reviews of AEMIS.
- In December 2016, the Export Meat Industry Advisory Committee agreed to an industry proposal to engage a consultant to undertake an independent review. Palladium was appointed by AMPC in late 2018.

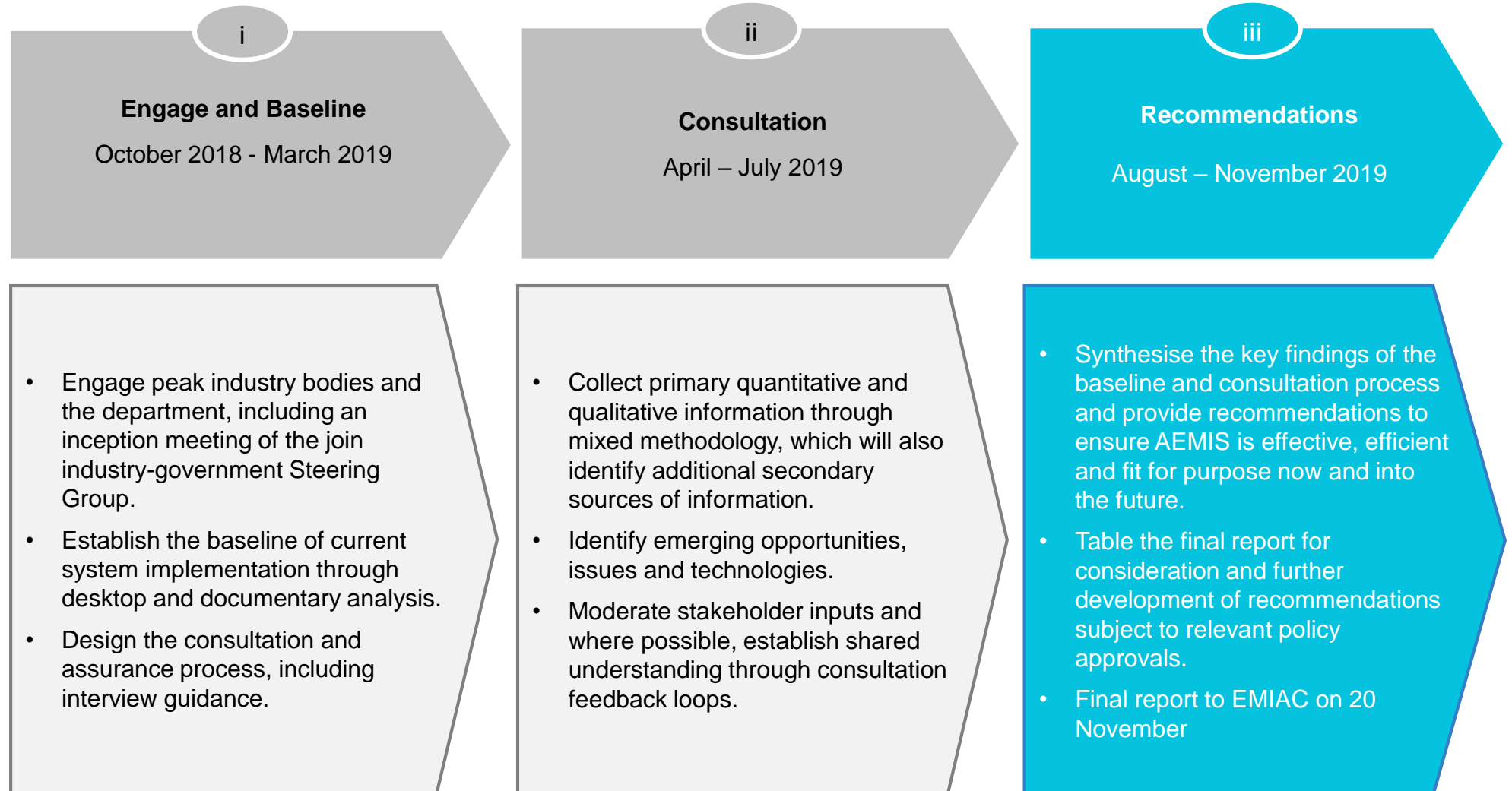
The Review will determine the effectiveness, efficiency and fitness for purpose of AEMIS and address future needs

Terms of reference for the AEMIS Review

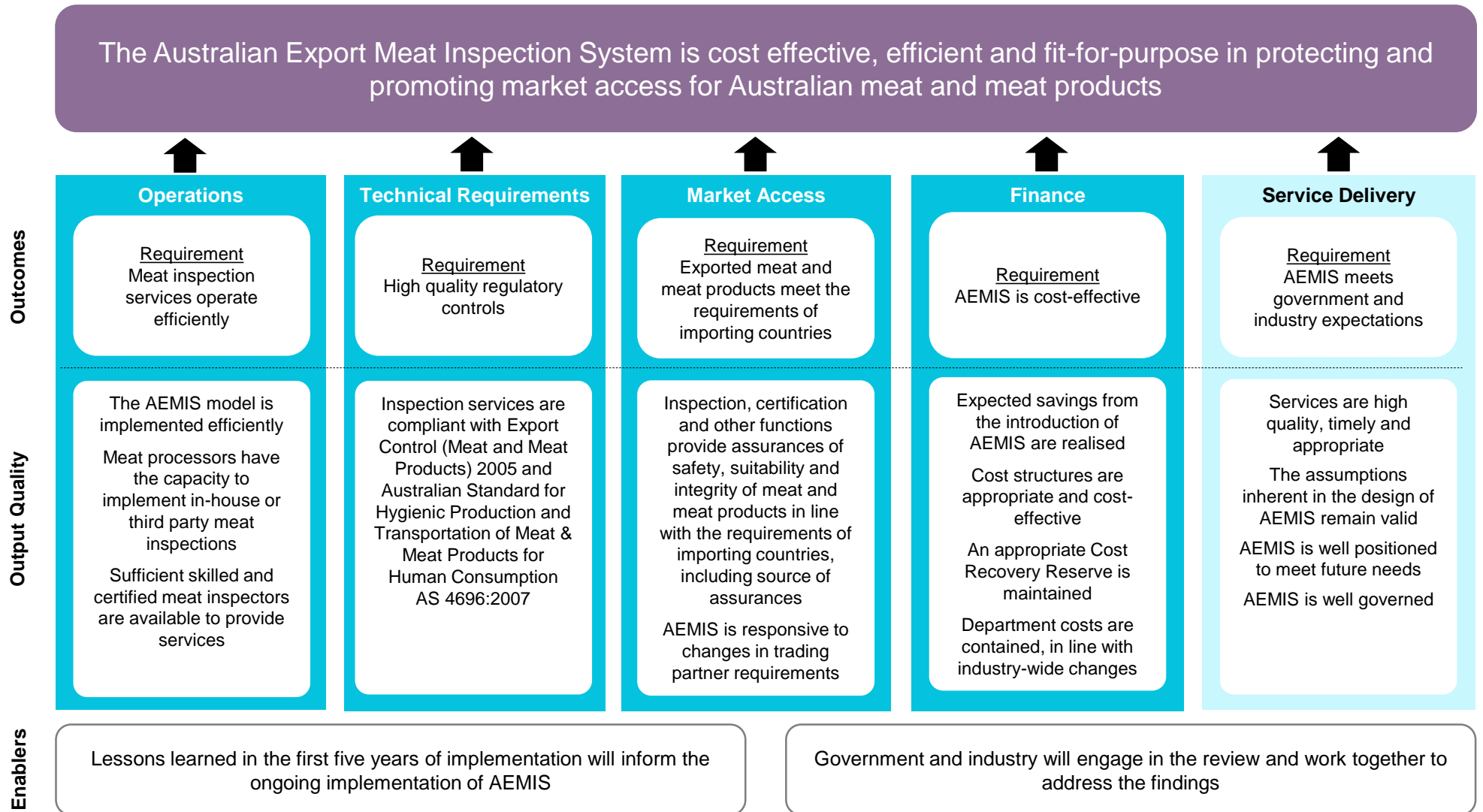
- Determine the current effectiveness, efficiency and fitness for purpose
- Make recommendations about the future needs to the Government and Industry around the export inspection and certification system, taking into account the:
 - outcomes/undertakings of previous reviews and reforms including the Export Certification Reform Package (ECRP)
 - market access risk and opportunities
 - the efficiency and cost effectiveness of the system
 - any other issue deemed significant
 - current reforms underway or being considered including product hygiene indicators, post-mortem inspection and halal certification
 - the future needs for/delivery of export certification services, for example with the introduction of new technology.

The review approach has been iterative, using consultations to develop a holistic, detailed and independent view of AEMIS

Three Phases of the AEMIS Review



Palladium is reviewing AEMIS against five pillars to ask if and how well it is meeting its requirements



Quantitative

Qualitative

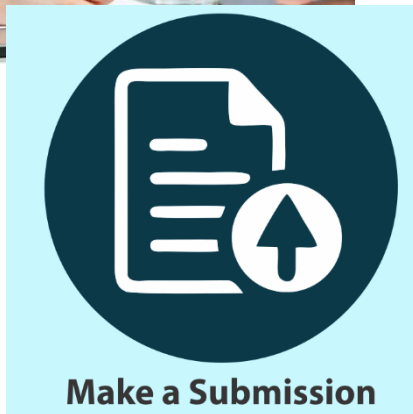


Consultation framework

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The AEMIS Review consultation process ran for 15 weeks and was promoted and conducted through multiple channels

Open to all stakeholders



- The consultation period ran from 1 April 2019 to 11 July 2019
- The primary engagement channels were face-to-face consultations and site visits, and telephone consultations
- Processor and non-processor exporters were invited through EOIs issued by AMPC and AMIC; 14 EOIs were received
- Other stakeholders were invited to participate through direct outreach by Palladium
- An invitation for submissions was launched on the Palladium-hosted website, www.aemisreview.com.au

Palladium thanks all those who contributed their knowledge, experience and time to provide insights to the review

Overview of the consultation process

- Palladium held individual consultations with:
 - 18 processors, with multi-site visits held for larger processor groups
 - Seven divisions of the Department of Agriculture and the Department of Foreign Affairs and Trade
 - Five peak bodies: AMIC, APL, MLA, RMAC, ARA
 - Four of the six third party providers participated, including the two largest
 - MINTRAC, RTOs, a union, a non-processor exporter, and independent consultants
- A focus group was held with five pork exporters at an APL organised industry event
- One written submission was received.

The findings and recommendations are being finalised and demonstrate a commitment to continuous improvement

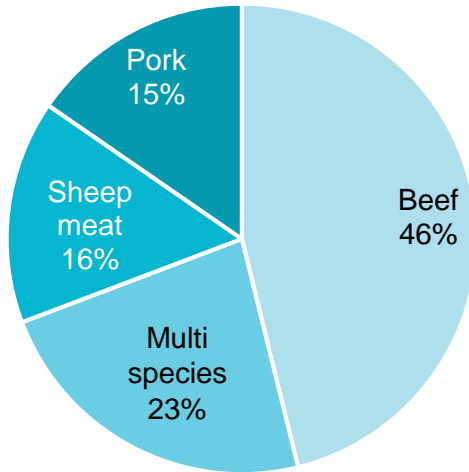
Observations of the consultation and reporting process

- The consultations demonstrated a commitment by industry and government to continuous improvement of the sector and benefits from stakeholders' decades of experience in the sector and knowledge of reform history
- There are multiple concurrent processes underway – from the Cost Recovery Implementation Statement Review to post-mortem inspection reforms – and Palladium has sought to align consultations with those processes, which will have an impact on the recommendations

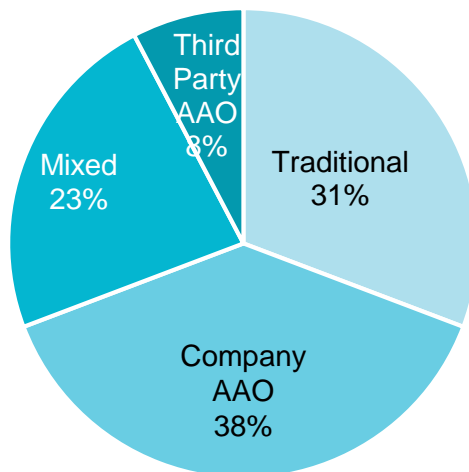
Consultations with processors were diversified in operations to reflect the diversity of the sector

Summary statistics on processors consulted

Meat type



Inspection model



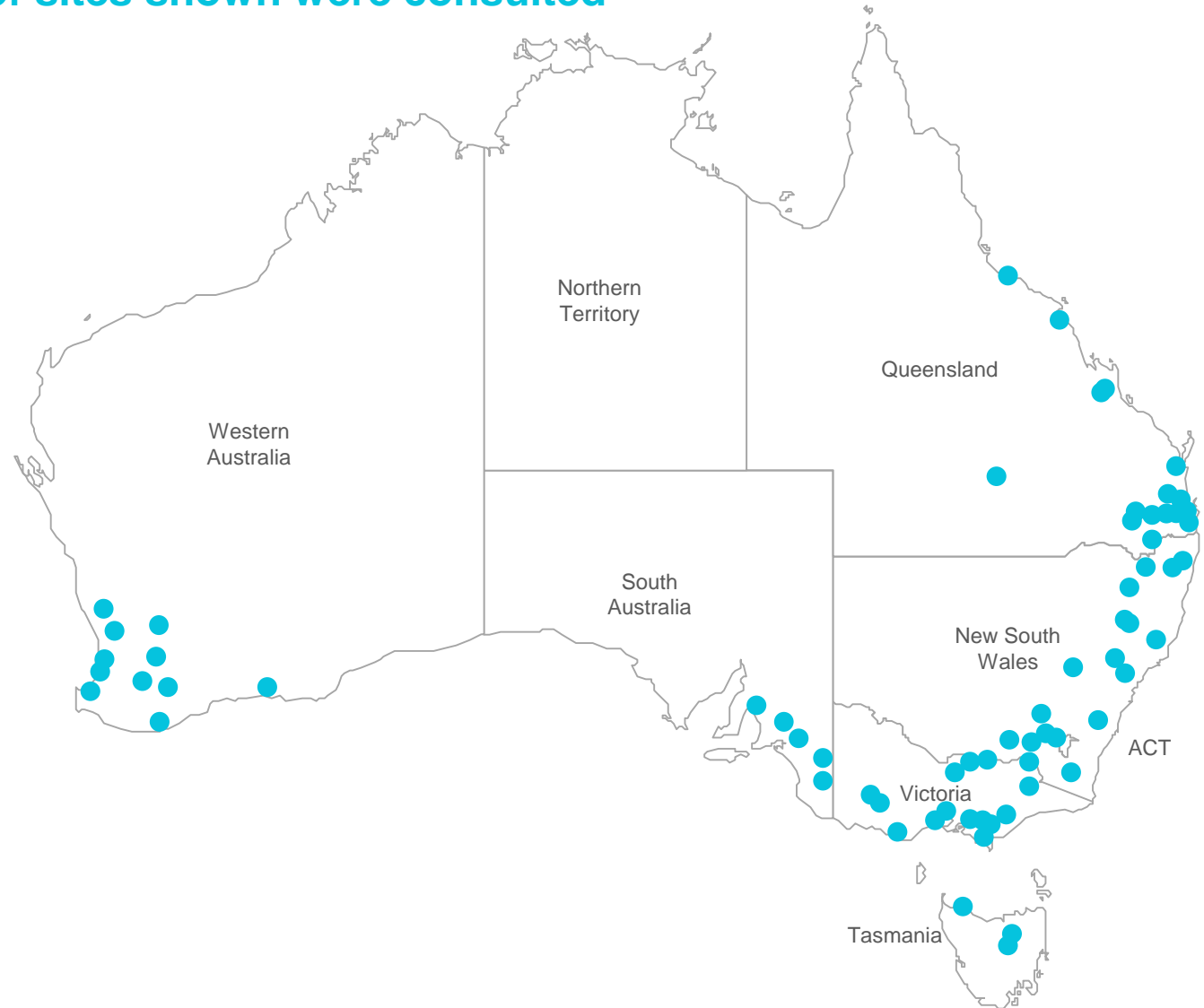
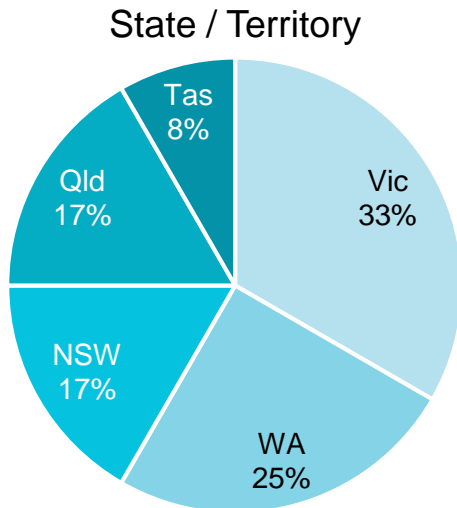
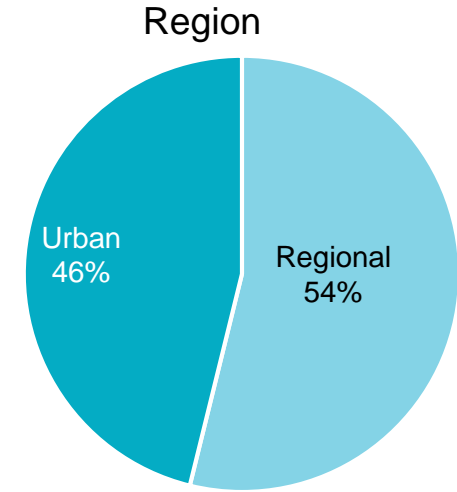
Palladium sought engagement with a range of processors to reflect the diversity in the sector, with consideration for:

- AEMIS operating model
- Mixed meat vs single meat
- Geography
- Market
- Size.

Consultations included site visits and meetings with plant management, quality assurance teams.

The review team visited and interviewed a representative sample of processor and non-processor exporters across the country

Representative sample of sites shown were consulted





Preliminary observations

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Operations

Preliminary observations

1. Approximately **half of red meat establishments have implemented the AAO model** while the rest have remained with traditional government inspection. The **pork sector** has moved to the AAO model as it doesn't currently serve the US market.
2. **Only half of plants have moved from monthly audits to six monthly audits** under the Export Meat Systems Audit Program, despite industry requests for less frequent auditing where it can demonstrate compliance.
3. All stakeholders face **challenges in recruiting inspectors**, with government a beneficiary of inspector movement due to more attractive conditions.
4. More than half **of the government inspector workforce is over the age of 55.**

Technical Requirements

Preliminary observations

1. **AEMIS has been found** through the department's regulatory responsibilities and in audits by key trading partners **to meet the technical requirements of importing countries.**
2. **AAOs have delivered equivalent food safety and hygiene outcomes** in post-mortem inspections as FSMAs.
3. **Significant effort is underway to improve inspection and verification approaches** to meet food safety, integrity and importing country requirements, as well as commercial outcomes, based on science, risk assessment and stakeholder engagement.
4. **Increasing consumer expectations** of animal welfare, food safety, quality and traceability, may increase technical requirements.
5. **Science-based evidence of the food safety and integrity standards** of Australia's meat exports will remain critical, and provides a **comparative advantage** in market access, particularly for **niche and premium markets.**

Market Access

Preliminary observations

1. **Market access has been protected since AEMIS was introduced**, with no whole of market closures and **no inspection-related point of entry rejections** of export consignments. However, there has been a limited number of rejections for other technical barriers to trade.
2. **New free trade agreements and technical market access protocols**, including with many of Australia's top 10 markets for meat and meat products, have expanded market access.
3. **Geopolitics and anti-globalisation** are increasingly influencing trade, with growing frequency and unpredictability of non-tariff measures.
4. Consumer demand for premium product is growing, while competition for Australia's traditional markets is also on the rise.
5. This will require a **collaborative, strategic and agile approach** by industry and government.

Finance

Preliminary observations

1. A key focus for industry has been on the cost-efficiency of the system, particularly in the face of growing international competition, and whether the savings forecast to be achieved from AEMIS have been realised.
2. The review of this component is significantly affected by concurrent processes.
3. An Auditor-General Report in 2019 identified an **over-recovery of levies and under-recovery of fees** by the department under its cost recovery model and recommended regular benchmarking of costs.
4. The department has just released its **2019-2022 Cost Recovery Implementation Statement (CRIS)** and has proposed three options to industry for consultation, which closes on 10 December.
5. The department has also commissioned **EY to undertake an independent review** of the costs of export certification by late November, which will inform the finalisation of the CRIS.

Service Delivery

Preliminary observations

1. The culture of **engagement between industry and government** on-plant and in governance and consultative processes was a major factor influencing service delivery satisfaction.
2. This includes consideration of the **regulatory culture of the department**, as well as the **food safety culture of export meat processors**.
3. **Potential changes in Australian agriculture governance** may affect the governance of AEMIS.



Next Steps

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Next steps

1

Finalisation of review

November

Submission of the final AEMIS Review report to the Steering Group and AMPC; submission to EMIAC on 20 November 2019

2

Communication Strategy

November onward

The report recommendations will be communicated to industry

3

Implementation

2020

Recommendations that are endorsed by government and industry will be progressively implemented from 2020

THANK YOU

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