

AUSTRALIAN EXPORT MEAT INSPECTION SYSTEM (AEMIS) REVIEW

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Project Description

The Australian Export Meat Inspection System (AEMIS) is “an integrated set of controls specified and verified by (the Australian) Government that ensures the safety, suitability and integrity of Australian meat and meat products destined for domestic and export markets”¹. The Australian Government introduced AEMIS in October 2011, in consultation with the Australian meat industry. It includes registration and approved arrangements for export establishments; ante-mortem and post-mortem inspections; verification of food safety, integrity and compliance with importing country requirements; export certification; and performance-based audits. AEMIS included a range of reforms, the most significant of which was the introduction of company and third party Australian Government Authorised Officers (AAOs) to conduct post-mortem inspections, with an expectation that all of industry would transition from traditional government inspection to AAOs. This was anticipated to provide industry with greater flexibility and achieve costs savings following the reintroduction of full cost recovery of export certification activities.

Project Content

When AEMIS was introduced, government and industry agreed that the system would be regularly reviewed. Palladium was commissioned to undertake an independent review in October 2018 and delivered its recommendations in November 2019. The AEMIS Review undertook consultations with government and the export meat sector to determine if AEMIS is effective, efficient and fit for purpose against five pillars: operations, technical requirements, market access, finance and service delivery. The review makes recommendations about the future needs of the export inspection and certification system.

¹ Department of Agriculture, 2017, Australian Export Meat Inspection System Information Package

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Project Outcome

AEMIS has been fit-for-purpose in fulfilling its most important objective – providing assurance to trading partners in order to maintain and promote market access. There have been no whole-of-market closures since 2011 and a small number of point-of-entry rejections of export consignments, for varying reasons ranging from labelling to in-transit refrigeration issues. AAOs have delivered equivalent food safety and hygiene outcomes in post-mortem inspections.

The objective of AEMIS to “better align regulatory and commercial resources and systems in delivering export certification services” has only been partially met. In response to industry requests, it has been a policy position of the Australian Government to continue to offer meat inspection, even though only the United States (US) requires a minimum of one government inspector assessing every carcase on each slaughter chain. As a result, only half of red meat establishments (accounting for about half of processing throughput) are using AAOs, while the rest continues to use the traditional government inspection model. All pork processors have adopted the AAO model as they do not currently export to markets that require government inspection. Likewise, only about 50 per cent of export processors have moved from monthly to six-monthly audits, which were introduced as part of a risk-based approach to regulation.

The decisions made by export establishments have been influenced by the deficient price signal inherent in the Department of Agriculture’s cost recovery model. As the Auditor General found in 2019² the department has been under-recovering on fees and over-recovering on levies. This has partially shifted inspection costs to the broader industry rather than to the direct user and disincentivised industry to take up the AAO model, which has also affected the viability of third party providers. However, new models proposed for the Cost Recovery Implementation Statement (CRIS) 2019–2022 address this issue. Industry-wide consultations on the CRIS were still underway at the time of submission of this report. However, Palladium expects this to prompt establishments to reconsider the transition to AAOs, with a number advising the review that they had been keeping this option on the table.

Lower than projected uptake of the AAO model has limited cost-effectiveness and the cost savings realised since the introduction of AEMIS, compounded by the inclusion of additional expenses in the cost recovery model. The Auditor General’s report also identified a lack of evidence that the department is recovering efficient costs for its activities, a concern industry also voiced.

² The Australian National Audit Office, Auditor-General Report No.38 of 2018–19 *Performance Audit Report*

The department has responded by commissioning an independent review of the cost of its export certification activities, which will report in late November 2019 and inform the CRIS 2019-2022.

Despite this, AEMIS has led to increased efficiency and effectiveness, with room for improvement.

- / Inspection functions are considered by government and industry to be more efficient and contributing to improved on-plant operations.
- / Further inspection improvements are being made through risk-informed research and development that will be reflected in forthcoming updates to the Australian Meat Standard and equivalence requests to markets.
- / Data collection (including on-chain electronic capture) for carcass condemnations and product hygiene indicators has improved, but it is not yet systematic or integrated. Online databases for importing country requirements and export legislation resources have improved information sharing with establishments.
- / Verification processes have been strengthened, although consistency in approach is an issue. Certification has been streamlined, including through remote printing and electronic certificates for relevant importing countries.
- / Reforms underway to streamline and modernise the Export Control legislation seek to enable government and industry to be more responsive to markets and technological advances within a more agile legislative framework.

This is reflective of a genuine commitment from both government and industry to continuous improvement to ensure a positive future for Australia's meat and meat product export sector. AEMIS will need to be agile to assist the sector to face growing competition from countries with lower costs and increasingly high-quality product, in an increasingly complex and unpredictable global market.

Recommendations

Operations

1. That the department only deliver inspection services required to fulfil its regulatory responsibilities under importing country requirements, except where those FSMAs are not fully utilised and have capacity to provide additional inspection and non-regulatory services under cost-efficiency arrangements or where AAO delivery is not viable for small export processors. All other inspection duties which can be undertaken by a company or third party AAO should be transitioned.

2. That the department and industry develop a workforce strategy to support continuity of supply of inspectors and veterinarians, and that the department leverages the broader recruitment options under the Meat Inspectors Enterprise Agreement 2019–22.
3. That the department cease monthly audits and conduct six-monthly Export Meat Systems Audit Program (EMSAP) audits of all compliant establishments and annual audits of high-performing establishments. Establishments which are not compliant may be required to undergo more frequent audits as part of corrective actions.

Technical recommendations

4. That industry and government increase collaboration to improve data collection, integration, analysis and communication to monitor trends on audit and inspection outcomes and market access issues, to improve system performance and compliance and support risk-based approaches that reduce regulatory burden. Data captured can also contribute to whole-of-supply chain improvements and transparency, including on- and off-plant process efficiencies, evidence-based market access, and improved livestock production practices and national herd health.
5. That industry and government continue to prioritise research and development into inspection processes which contribute to market access, product integrity, food safety, and animal welfare outcomes, with consideration given to new technologies and automation.
6. That the department engages third party providers in governance mechanisms and provides direct feedback on performance during the Meat Export Verification System (MEVS) weekly meeting between the On-Plant Veterinarian (OPV) and the establishment management.

Market access recommendations

7. That government and industry, through the Export Meat Industry Advisory Committee (EMIAC), develop rolling annual workplans which define shared priorities for market maintenance and expansion. These annual workplans should be used to inform market access resourcing requirements, particularly for technical negotiations by government.
8. That the department and industry collaborate to monitor trends in point-of-entry rejections for product from Australian meat and meat product exporters, in support of Recommendation 4.

Finance recommendations

9. That government and industry consider the following recommendations during consultations on the Cost Recovery Implementation Statement: Meat export certification 2019-20 and the independent review of export certification costs:
 - a. That pricing Option 3 of the Cost Recovery Implementation Statement: Meat export certification 2019-20 consultation draft presents the most appropriate model, in which levy prices are rebased and a harmonised fee-for-service structure is in place, with all corporate overhead expenses associated with FSMA and OPVs recovered through fees charged to the user
 - b. That the department undertakes more regular, transparent benchmarking exercises to ensure its charges are recovering the efficient costs of operations.
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Service delivery recommendations

11. That the department clearly defines and consistently implements its regulatory culture for AEMIS.
12. That industry encourages and supports export meat establishments to continue to mature their food safety culture.
13. That the department ensures its lines of accountability and performance management are clear to industry to facilitate greater transparency and timely resolution of on-plant issues.

Benefit for Industry

The recommendations are intended to position AEMIS to continue to ensure market access for Australia's meat and meat products, provide trading partners with assurance and certainty, and contribute to the profitability, competitiveness and efficiency of the export meat sector.