

WOOL 2030 – A STRATEGIC PLAN FOR AUSTRALIAN WOOLGROWERS

DISCUSSION PAPER 3:
SOCIAL LICENCE ISSUES

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1. INTRODUCTION

This is the third in a series of papers created to stimulate discussion among Australian woolgrowers in preparation for their input to the development of Wool 2030 – A strategic plan for Australian woolgrowers.

This paper briefly discusses issues relating to 'social licence'. Increasingly, society expects food and fibre production to meet its ethical standards, not just those adopted to meet the supply chain's requirements. Societal attitudes to issues such as the environment, chemical use and animal welfare have evolved significantly in recent decades, in Australia and around the world.

These attitudinal changes have in turn influenced customer behaviours, including those of retailers and other intermediaries, and also the political / regulatory environment. The industry has already experienced the debate on mulesing, to give one example.

This paper is by no means a definitive thesis on social licence, but rather a discussion of some of the more prominent challenges or opportunities facing the wool industry in this area. A series of questions is provided at the end of the paper. The reader is encouraged to consider these and also to develop their own questions about how social licence will impact the industry over the next decade, and what might be the implications for Wool 2030.

2. SOCIAL LICENCE AS A CONCEPT

'Social licence' and the related question of 'right to farm' are hotly debated topics among farmers globally. The Australian Farm Institute (AFI) has explored these concepts in some depth. The summer 2018 edition of the Farm Policy Journal presents a number of essays on the topic 'Should society determine the right to farm?'. A theme common to all the papers, as summed up by the lead essay, is that 'Farmers may believe they have the right to farm, but equally the market has a right not to buy their products'¹.

Social licence or – put another way, society's inclination to punish breaches of the fictitious 'licence' it grants to producers – certainly appears to be growing, at least in developed countries. This is probably due to multiple factors, including the increasing disconnect between urban and farming communities, as well as growing affluence, the power of the consumer and the ability of interest groups to mobilise through social media.

Social licence can be thought of as arising from four distinct sources:

- Domestic, where (for example) animal welfare or environmental legislation is determined;
- International, where countries may decide to use trade restrictions so their own farmers are not unfairly affected by standards imposed upon them;
- Customer, where immediate buyers (such as spinners or clothing brands, in the case of wool) set ethical standards that they believe will provide them with a marketing edge; and
- Consumer, the final buyer, whose purchasing decision may be influenced by their values, perceptions of the ethics associated with a particular good or service and other factors.

Richard Heath, the Executive Director of the AFI, noted that there are three ways to approach social licence-induced change:

- *It can be fought: this approach requires an intimate understanding of how to communicate effectively to justify current practice. Facts alone will not be enough, as studies have shown.*
- *It can be guided: industries that anticipate social licence issues have the ability to position themselves as drivers of change for good rather than clinging to practices which have lost public support.*
- *It can be embraced: change always provides opportunity and successfully anticipating new markets enabled by social licence induced change will provide opportunities for those willing to seek it out².*

This is not to say that social licence is not a complex arena. We now have more information about goods and services from more sources than ever before, and we demand more information, transparency and traceability. Yet, distinguishing high- from low-quality information from which to make such judgements about an industry's practices is not always easy.

A challenge for agricultural industries is to understand which signals of social licence-induced change are from the mainstream and which reflect the extremes of public opinion. It can be expensive to undertake activities to maintain social licence, but much more expensive and even prohibitive to regain it once it has been lost.

¹Lush, D 2018, 'The right to farm versus the right to choose: society is having the final say', Farm Policy Journal 15:4, pp 4-11

²Heath, R 2018, Are you confident of your social licence? AFI Ag Forum, <https://farminstitute.worldsecuresystems.com/ag-forum/are-you-confident-of-your-social-licence>

3. ANIMAL WELFARE

The way people think about animal welfare is changing. Whereas animals have historically been regarded as the property of humans, they are increasingly being regarded as sentient beings with the right to a life well-lived and a humane death.

Examples of how the growing international concern for animal welfare is being manifested are:

- The growing involvement of the World Organisation for Animal Health (OIE) in developing and promoting international animal welfare standards;
- The increasingly stringent animal welfare standards of European countries in particular, for example the requirement in Switzerland and other countries that castration of lambs or calves must be carried out using anaesthetic, at any age;
- Increasing recognition of animal sentience in legislation (such recognition is currently being proposed for Victoria); and
- The rapid rise in offering of animal law subjects in law schools around the world (there are 15 universities currently teaching animal law in Australia alone³).

Animal welfare regulations are becoming more based upon welfare science than 'accepted industry practice'. In Australia, a framework of Animal Welfare Standards & Guidelines (S&G) has progressively replaced Codes of Practice (CoP) for the Welfare of Animals, with the aim of providing:

- *Scientific underpinning of welfare standards;*
- *Greater clarity of acceptable standards;*
- *Greater legal certainty; and*
- *Harmonisation between jurisdictions.*

In 2016, after a protracted process, the Australian Animal Welfare S&G for Sheep were endorsed by the Standing Council on Primary Industries (part of the Council of Australian Governments (COAG) Framework). The Sheep S&G have been adopted to differing extents by each State and Territory. In South Australia, for example, the Standards have been mandated. In New South Wales, the Standards are not mandatory, but can be used as evidence in proceedings under the *Prevention of Cruelty to Animals Act 1979* or its Regulation.

³Voiceless 2020 (www.voiceless.org.au/animal-law/study-animal-law)

⁴Animal Health Australia (AHA) 2014, Australian Animal Welfare Standards and Guidelines – Sheep, edition 1, version: 1.0, January 2016 endorsed

Animal welfare beliefs are transmitted to producers through the market as well as through regulation. Retailers market to the consumer's desire for ethical animal production and may impose production standards on producers with little consultation. There have been several examples of food retailers unilaterally adopting particular animal welfare standards as part of their promise to consumers – for example, the HGP-free beef and sow-stall-free pork policies of Coles.

It is not immune, though. The campaign against mulesing by People for the Ethical Treatment of Animals (PETA) during the early 2000s caused considerable consternation for the industry, as some apparel brands and retailers expressed concern about mulesing even if they did not directly support the PETA campaign. This concern continues, with KMart, Target, Country Road Group and David Jones committing to phasing out their use of mulesed wool over the next decade⁵. As noted in paper 1, there are significant price premiums for wool from sheep that have not been mulesed.

The export of livestock is another emotive issue with a number of groups actively campaigning for its closure. Any such ban would likely impact on the sheep industry nationally.

Other potential welfare 'vulnerabilities' (in terms of public perception) for the sheep industry might include:

- Other aversive animal management procedures;
- Sheep mortality rates;
- Shearing;
- Land transport; and
- Slaughterhouse practices.

⁵See for example <https://www.countryroad.com.au/our-world/land/responsible-wool-strategy>.

4. ENVIRONMENT

Wool enjoys the advantage, as a textile fibre, of being a natural, biodegradable product. This stands wool in stark contrast to many competitor fibres, especially synthetics such as polyester, microfibre or Lycra® that are produced from petrochemicals. This point of difference presents a significant marketing opportunity that is leveraged by AWI and others in promotional activities.

Comparing the eco-friendliness of different textile fibres is not simple, requiring complex tools such as life cycle assessment (LCA) that attempt to quantify various environmental impacts through production, usage and disposal. These impacts may include water and energy use, pollution, effects on biodiversity and others.

LCAs are not perfectly objective, though, due in large part to the problem of defining the boundaries of the analysis. For example, an LCA for wool may 'count' the water consumption of a sheep, when in fact the sheep is drinking water from rain falling on land that would not be used for any other purpose. Also, the outputs of LCAs are only as good as the data used to generate them, and reliable data can be difficult to obtain. The European Commission is currently attempting to standardise the evidence base for environmental claims through the adoption of Product Environmental Footprint and Organisation Environmental Footprint methods. These may become part of European Union policy and even legislation⁶.

The International Wool Textile Organisation (IWTO) has a web page providing a good explanation of LCAs as they apply to wool⁷. AWI has supported the recent publication of a peer-reviewed paper describing an LCA of a woollen garment as part of its strategy to be proactive in this sphere. This is thought to be the first peer-reviewed, cradle-to-grave LCA for a textile fibre⁸.

Critics of wool (such as animal rights groups) argue that downstream processing involves significant water use and the production of pollution such as pesticide residues. They also say that sheep production is responsible for land clearing and has a high carbon footprint. The IWTO makes available a fact sheet on wool and its place in the carbon cycle⁹.

Sheep and other ruminant-based industries could be affected by government attempts to reduce carbon emissions in coming years, such as through the introduction of an emissions trading scheme or carbon tax. Australia currently has a 2030 target to reduce greenhouse gas (GHG) emissions to 26-28% below those of 2005¹⁰. That target could become more ambitious if the political climate changed. Perhaps more significantly, the Australian red meat industry has set a target to achieve carbon neutrality by 2030.

⁶<https://ec.europa.eu/environment/eussd/smgp/index.htm>

⁷<https://iwto.org/sustainability/tbc-environmental-impacts-of-wool-textiles/>

⁸Wiedemann et al 2020, 'Environmental impacts associated with the production, use, and end-of-life of a woollen garment', International Journal of Life Cycle Assessment, online version <https://doi.org/10.1007/s11367-020-01766-0>

⁹https://iwto.org/wp-content/uploads/2020/04/IWTO_Wool-Carbon-Cycle.pdf

¹⁰<https://publications.industry.gov.au/publications/climate-change/climate-change/publications/factsheet-australias-2030-climate-change-target.html>

On the other hand, there may be opportunities for sheep producers to earn credits for carbon abatement activities under the government's Emissions Reduction Fund, a core part of its climate change policy¹¹. Abatement activities involve either sequestration (storing carbon in soil or plants) or emissions reductions (for example, reducing livestock emissions). Eligible activities earn Australian Carbon Credit Units, some of which can be claimed nationally as part of Australia's progress towards its targets under the Kyoto Protocol, while the rest are not recognised internationally.

Currently there are very few methodologies (formally-described ways to implement and monitor specific abatement activities and generate carbon credits) available to broadacre producers. An AWI project aims to fill this knowledge gap by July 2021. This study will assess and identify the technical feasibility, cost-benefits and barriers to achieving lower emission wool, including plausible mitigation strategies that capitalise on previous research. Around six mitigation pathways are expected to be assessed.

More generally, there is a debate about the management of 'natural capital', the 'world's stock of natural resources which includes geology, soils, air, water and all living organisms...(many of which)...provide people with free goods and services, often called ecosystems services'¹². Society will continue to demand such services, such as biodiversity protection and rehabilitation of degraded land, from farmers. The broader community may have to contribute to the cost of these. An article for the AFI newsletter in 2014¹³ noted that despite legislation of increasing stringency over the last 20 years, and the locking up of large blocks of land, a number of indicators of Australian environmental health continue to worsen.

In future, the wool industry may require a QA system that vouches for the industry's environmental stewardship. Different models of funding the environmental services provided by farmers – in which there is a contribution by taxpayers to recognise the public good delivered – will need to be examined, however, as the current regulation-based approach is neither equitable nor effective.

¹¹<http://www.cleanenergyregulator.gov.au/ERF/About-the-Emissions-Reduction-Fund>

¹²National Farmers' Federation 2019, 'Natural capital' (policy summary), https://nff.org.au/wp-content/uploads/2020/01/2019.05.15_Policy-Summary_NRM_Natural-Capital.pdf

¹³Keogh, M 2014, 'Time to rethink farmland environmental policies', Farm Institute Insights, 11:4, November <http://www.farminstitute.org.au/LiteratureRetrieve.aspx?ID=140815>

5. CHEMICAL USE

Chemicals are important inputs to control worms, flies and lice, as well for the management of pastures, weeds and pasture pests. However, there are pressures on chemical use in all industries, arising from:

- **Human health and safety threats.** The numerous recent legal cases concerning glyphosate are the clearest example. The use of organophosphates, such as those in lice and fly products, has already been restricted.
- **Environmental impacts.** Chemicals to control lice and flies on sheep, for example, may have adverse impacts on other insect populations. In recent years, concerns have been raised over the impact of imidacloprid (a pour-on lice treatment) on bee populations. EPA regulations concerning the disposal of spent wash from plunge and shower dips have tightened considerably and require the observation of minimum distances from waterways, bunding and periods of nil grazing of disposal sites, among other measures.

- **Market access restrictions.** Over the last three decades, the wool industry has prepared itself for potential market access constraints due to chemical residues in exported fleece, especially into Europe. As a result wool chemicals now carry 'wool harvesting intervals', minimum periods that must be observed between treatment and shearing.

In addition, whilst not concerned with social licence, the usefulness of some chemicals is being eroded by the development of resistance by targets. For example, there is extensive resistance in gastrointestinal worms to drench actives and in lice and flies to some of the ectoparasiticides.

6. WORKPLACE HEALTH AND SAFETY

Workplace health and safety can be considered a social licence issue. Agriculture has the highest rate of work-related injury fatalities by industry (11.2 per 100,000 workers in 2019, almost double that of the next industry), and the highest rate of serious injury and disease claims by industry (8.6 serious claims per 1,000,000 hours worked in 2017-18)¹⁴.

The sheep and wool industry is among the worst-performing sectors within agriculture¹⁵. The highest rates of injury occur in shearers, who suffer musculoskeletal and impact injuries. Other hazards associated with sheep and wool arise from mustering with dogs and motorbikes/quadbikes, charging and crushing, dust, zoonoses (such as Q fever), trips and falls, crushing and foot injuries, noise exposure, chemical exposure and self-vaccination¹⁶.

¹⁴Safe Work Australia 2019, Key WHS statistics Australia 2019, https://www.safeworkaustralia.gov.au/system/files/documents/2002/key_whs_statistics_australia_2019.pdf

¹⁵Safe Work Australia 2016, Work health and safety in the agricultural industry, <https://www.safeworkaustralia.gov.au/system/files/documents/1702/whs-in-the-agricultural-industry.pdf>

¹⁶National Centre for Farm Health 2014, <https://www.farmerhealth.org.au/page/animals/sheep-and-shearing>

7. LOOKING FORWARD

Every industry, when examined closely enough, has its challenges in respect to social licence. Many would envy wool's intrinsic attributes of naturalness, renewability and biodegradability. Wool is not produced in a factory; woolgrowers are committed people who continue a heritage spanning thousands of years. Wool is an authentic fibre in an age when people are seeking authenticity.

Managed appropriately, the existence of the 'social licence' confers a potentially significant advantage on wool. The Australian wool industry understands this well and already has supporting R&D, marketing and operational initiatives in place.

7. QUESTIONS FOR CONSIDERATION

- Who defines 'ethical production'? Can the wool industry influence the definition, or is it determined by others?
- Is it too late for wool to influence this definition?
- Is there a difference between 'sustainable' and 'ethical' production? If so, how could these be defined?
- Will the influence of social licence issues on farming practices continue to grow?
- In what ways is the industry most vulnerable on social licence? In what ways does it have a good story to tell?
- How well is the wool industry placed to respond to social licence risks or opportunities?
- To what extent should the industry fight / guide / embrace social licence-induced change?
- What mix of RD&E, marketing and advocacy on social licence issues is needed over the next decade?
- Should the industry set targets for various social licence issues for 2030 (e.g. emissions, animal health and management practices?) What are the implications for wool of the red meat industry's target to be carbon neutral by 2030?



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