

# SPECIAL REPORT

A S P I

## ‘High rollers’

A study of criminal profits along Australia’s heroin and methamphetamine supply chains



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March 2021

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First published March 2021

Published in Australia by the Australian Strategic Policy Institute

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# THE PROBLEM

Despite Australian law enforcement agencies' successes, most illicit drugs remain easy to obtain, their purity remains unaffected, domestic retail prices are stable and regional wholesale prices are decreasing.

Our law enforcement agencies continue to disrupt transnational organised crime groups involved in the manufacture, movement and sale of illicit drugs. The focus of their efforts is on removing senior criminal figures and key facilitators from the market and seizing increasingly large quantities of illicit drugs.

The most innovative organised crime groups continue to use their amorphous business models to adapt and innovate in order to operate. Less capable criminal actors quickly fall by the wayside, but low barriers to market entry ensure their rapid replacement. All the while, law enforcement agencies, at home and abroad, are being congratulated for their arrests and seizures.

Law enforcement seeks to remove criminal leaders and key facilitators to disrupt illicit drug supply chains. The limited success of that measure (termed 'decapitation') over the past three decades is either a testament to the low economic barriers to market entry—a new actor quickly replaces one taken out of action—or an indicator that the key criminals aren't being arrested. Either way, the implication is clear: with our current strategies, success is fleeting, at best.

Two assumptions underpin the focus on the seizure of larger quantities of illicit drugs. First, that increasingly larger seizures will increase the cost of production and distribution, reducing the market's profitability. Second, that by seizing large quantities of drugs supply in the domestic market will be reduced. Neither assumption has proven to work.

Over the past two decades, Australian illicit drug users' preferences have followed global patterns in moving from plant-based to synthetic drugs. That's made the task of disrupting illegal drug production even more complicated.



# INTRODUCTION

The 2014 rap song 'Move that dope', by Future, Pharrell Williams, Pusha T and Casino, talks about the push to sell drugs, including crack cocaine, and enjoy the spoils of the trade. Its underlying message is to move on from lower level sales of drugs to individual addicts to higher level pursuits.

Future's song subscribes to the tried and tested assumption of a vertically integrated organised crime network, in which the closer you get to the source, the more profit there is to be made. But is that a fair representation of today's transnational illicit drug supply chains? And, if it is, why haven't three decades of decapitation efforts—think US law enforcement's removal of crime bosses such as Gotti, Escobar and El Chapo—not ended the rise of transnational organised crime groups?

Australian governments' efforts to reduce the supply of illicit drugs into our communities has become a battle of attrition between government and criminal organisations. Worse still, criminal innovation appears to be driving policy changes, rather than the other way round.

Of course, law enforcement agencies are continuously evolving their techniques and have become increasingly more efficient in their search for illicit drugs, especially at our borders. Australia's federal law enforcers have, until recently, continued to dramatically increase the quantity of illicit drugs seized at our borders year on year.<sup>1</sup> Yet, those efforts appear to have had only limited, and at times fleeting, impacts on illicit drug availability,<sup>2</sup> and even less impact on drug use.<sup>3</sup>

Contrary to medical advice, Australians continue to consume large quantities of illicit drugs and do so more often.<sup>4</sup> Despite seizures of drugs, arrests of offenders and their successful prosecution, the drug supply isn't being reduced. Arguably, because of the resilience of the illicit drug supply chain and business model, law enforcers' efforts aren't even placing upward pressure on street prices.

There's a great deal of variance in the capability of the organised crime actors on the other side of the illicit drug supply equation. The most challenging and capable of them are increasingly technically proficient at various stages of the global supply chain: manufacturing, smuggling and money laundering. Some have become proficient at bringing together and coordinating the illicit drug value chain, from sourcing precursor chemicals to developing segmented supply chains for different commodities and markets.

It's easy to declare the need for a new strategy, but that would imply that there are clear-cut alternatives, and there aren't any.

Criminal markets are, by their nature, dark markets. Their scope and reach are opaque, as are their global supply and value chains. More information is needed if we're to develop a new or adapted strategy to disrupt illicit drug supply.

One way of understanding Australia's illicit drug supply challenge and the transnational serious and organised crime groups involved is by analysing likely profits at each layer of vertically integrated networks producing, transporting and selling drugs.

This report uses existing quantitative and qualitative data to better understand the segmentation of Australia's heroin and methamphetamine markets and the markets' transnational connections. We examine the profits made by criminal actors at each level of Australia's vertically integrated illicit drug supply chains. This applied research supports law enforcement's emerging strategies for disrupting transnational serious and organised crime, in part by analysing supply chains and profit points.

We approach the problem by segmenting the market using business supply-chain methodologies and publicly available reporting on illicit drugs. We set out a broad picture of profits at each of the significant levels of the global supply chains for heroin and methamphetamine. A better understanding of profit taking across the illicit drug sector is also needed in order to quantify illegal money laundering within and outside of Australia's economy. A focus on profit taking in the different parts of the supply chain can also be helpful in designing disruption activities.



# METHODOLOGY

Qualitative analysis of Australia's illicit drug supply chains has significant utility. However, with the increasing availability of quantitative datasets, such as the Australian Criminal Intelligence Commission's *Illicit drug data report* and National Wastewater Monitoring Program, much more can be done to understand the dynamics of the illicit drug market and apply that understanding to disruption efforts.

The key question underpinning this research is how much profit is made at each of the following illicit drug market levels for methamphetamine and heroin (see figures 1 and 2):

- domestic retail sales: the quantity of heroin and methamphetamine consumed in Australia
- domestic wholesale to retail: sales to retailers after illicit drugs are imported
- international wholesale to domestic wholesale: sales of illicit drugs consumed in Australia plus drugs seized by Australian law enforcement agencies
- international manufacturing/refining to international wholesale: the difference between the global wholesale value of total Australian illicit drug imports and their value in Australia.

In this report, we refer to supply chains and value chains. A supply chain is all the steps needed to get heroin or methamphetamine onto Australia's streets. In contrast, a value chain is the process by which organised crime groups receive raw materials (methamphetamine precursors or opium) and add value to produce methamphetamine or heroin.

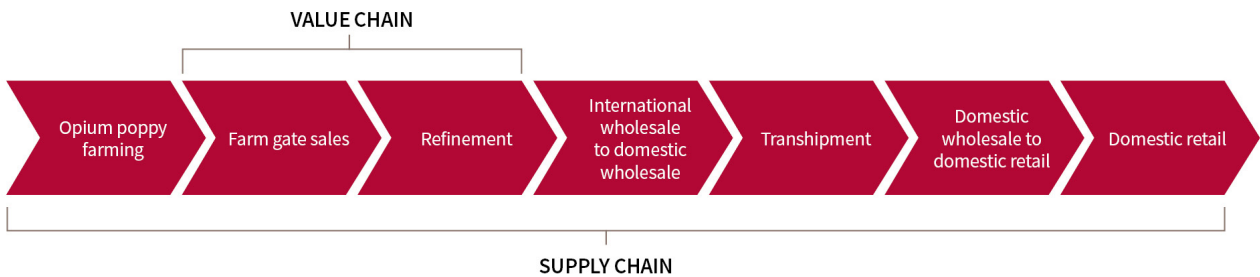
In practice, the vertically integrated levels of Australia's heroin and methamphetamine markets aren't rigid or even clearly defined. In some cases, larger transnational organised crime groups are seeking to segment their business models:

- Organised crime groups in Myanmar are segmenting their value chains by producing highly refined crystal methamphetamine for one market and yaba (a low-purity tablet form of methamphetamine mixed with caffeine) for another.
- Some groups are segmenting their production to focus on supplying high-volume sales / low-profit margin regional markets (Thailand, Indonesia and the Philippines) and low-volume sales / high-profit margin markets (Australia and New Zealand).
- There are also signs of vertical integration in which criminal groups are increasingly using business models familiar to the legitimate corporate world, such as those used by Dell Computers Inc. to sell computers. In that model, they sell wholesale to wholesale and wholesale to retail using micro-imports.

Figure 1: Australia's methamphetamine supply chain



Figure 2: Australia's heroin supply chain



This report focuses on heroin and methamphetamine because those drugs make up two of the most important and high-profit illicit drug markets in Australia, and there's robust qualitative and quantitative data relating to their supply chains.

Our methodology has some limitations. For example, the accuracy of data on drug prices at the international level varies significantly, and the time series for various data points differ, as many of the figures are reliant on countries' self-reporting on their domestic markets. To counter that problem, we've sought to provide high and low estimates of medians for markets and profits in order to give the most accurate picture of market size and shifts in the markets.

Although some of the relevant datasets are incomplete, they include enough datapoints to indicate the market size and trends over time in Australia and in Southeast Asia, allowing us to draw conclusions and develop policy recommendations.

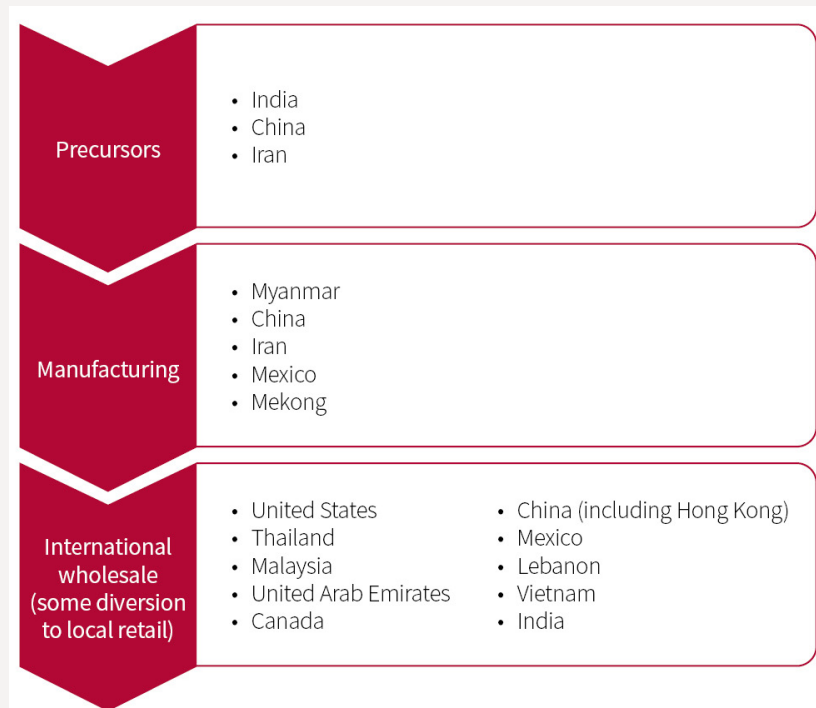


# ICE SKATING: THE AUSTRALIAN METHAMPHETAMINE MARKET

Figure 3 highlights the global supply-chain links to Australia's methamphetamine market. In FY 2018, 50 countries were identified as embarkation points for the methamphetamine detected at the Australian border. By weight, the US continued to be the primary embarkation point for methamphetamine detected in FY 2018. Other key embarkation points at that time included Thailand, Malaysia, the United Arab Emirates, Canada, China (including Hong Kong), Mexico, Lebanon, Vietnam and India. However, since then, production of methamphetamine in the Mekong region has increased dramatically. Admittedly, there's no sure way to conclude whether seizures are representative of the overall supply chain.

Reporting indicates that methamphetamine production in Myanmar and Laos has increased significantly over the past several years. As a result, it seems likely that an increasing percentage of methamphetamine consumed in Australia or shipped from Malaysia, Thailand, Cambodia and Vietnam has been manufactured in Myanmar.

Figure 3: Global supply-chain links to Australia's methamphetamine market



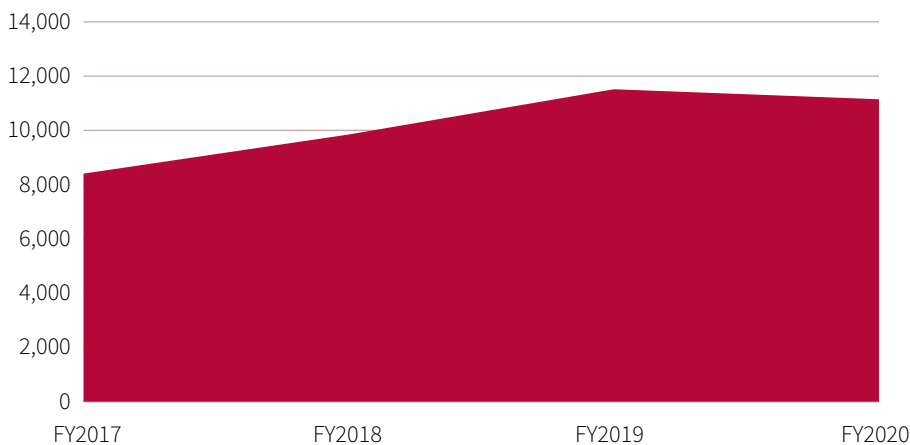
## Methamphetamine consumption in Australia

Now in its 13th quarterly cycle of testing, the groundbreaking National Wastewater Drug Monitoring Program, which is run by the Australian Criminal Intelligence Commission (ACIC), tests for traces of illicit substances in the wastewater produced by Australian homes and businesses. In August 2020, the program covered around 56% of Australia's population, or about 13.2 million people.<sup>5</sup>

Data from the program suggests that, while illicit drug consumption in Australia has fluctuated since 2016, it has consistently trended upwards, and there have been substantial increases in the consumption of the 'four major illicit drugs with available dose data (methamphetamine, cocaine, MDMA and heroin)'. There was a minor decrease in the consumption of methamphetamine in FY 2020 due to the impact of Covid-19 on supply chains (Figure 4).

By FY 2020, more than 78% of Australians' combined estimated expenditure on illicit drugs was on methamphetamine. That was despite the 3.2% Covid-19 reduction in methamphetamine use between FY 2019 and FY 2020, which took the combined estimated street value of the four major illicit drugs down by \$2.4 billion for FY 2020 alone.<sup>6</sup>

Figure 4: Estimates of Australia's total methamphetamine consumption, 2017 to 2020 (kg)



Source: ACIC, *Media snapshot: Report 12 of the National Wastewater Drug Monitoring Program, 2020, 3*, [online](#).

National Wastewater Drug Monitoring Program reporting suggests that the estimated quantity of methamphetamine consumed in Australia in FY 2017 was 8,405 kilograms; in FY 2018 it was 9,847 kilograms; in FY 2019 it was 11,516 kilograms; and in FY 2020 it was 11,147 kilograms. This indicates a steady 17% increase year on year, except for the impact of Covid-19 on the FY 2020 rate.<sup>7</sup>

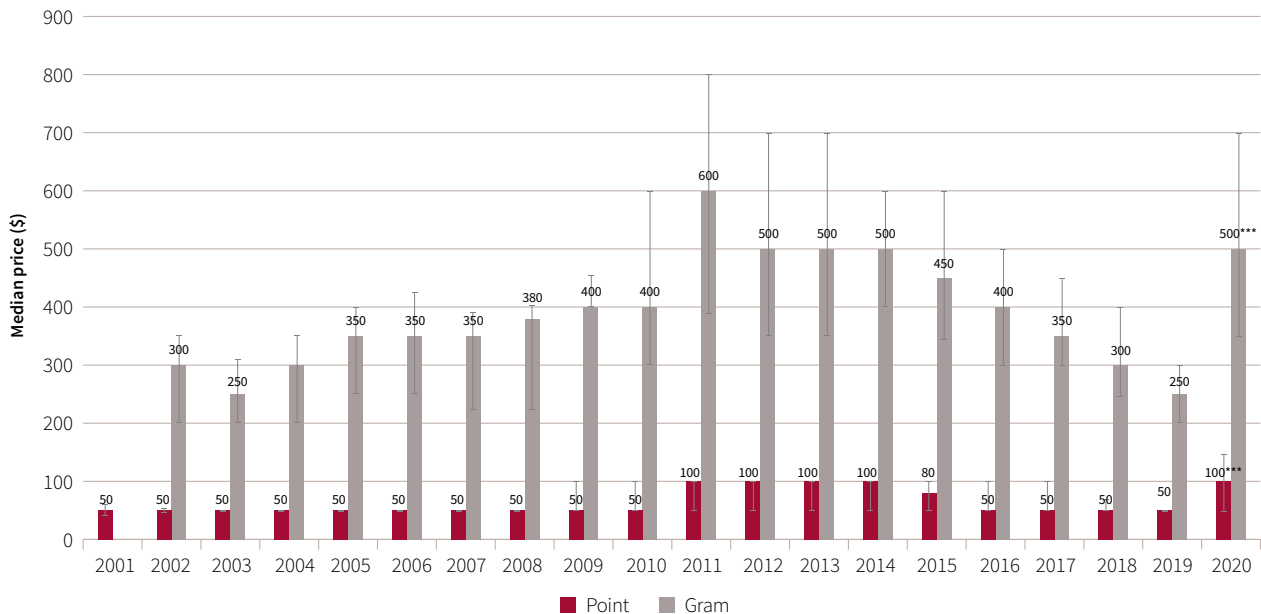
*These consumption estimates indicate that both the demand for, and supply of, methamphetamine at retail and wholesale levels in Australia's market have increased significantly since FY 2017.*<sup>8</sup>

## Methamphetamine prices in Australia

The operators of the Illicit Drug Reporting System at the National Drug and Alcohol Research Centre of the University of NSW have undertaken extensive research and interviews to establish the most accurate estimates of the national median price for street-level purchases of ‘points’ of methamphetamine (equivalent to 0.1 grams).<sup>9</sup> That research has shown that the median price of a point was stable at A\$50 for a decade until 2011, after which it doubled, then halved and then doubled again in the next decade.

In contrast, at the retail level, the price of 1 gram (10 or more street-level hits) doubled over the decade to 2011, declined steadily over the next decade to 2019, and then rose to 2011 levels due to the impact of Covid-19 (Figure 5). This assessment doesn’t take into consideration the possibility that retailers reduced the purity of their product.<sup>10</sup> The data suggests that street-level drug dealers’ profit margins fluctuated from 40% in FY 2002 and FY 2011 to 50% in FY 2019.

Figure 5: Median price of methamphetamine in Australia, per point and per gram, 2001 to 2020



\*\*\*  $p < 0.001$  for 2019 versus 2020.

Notes: No data available for per gram price in 2001. The error bars represent the interquartile range.

Source: A Peacock, J Uporova, A Karlsson, D Gibbs, R Swanton, G Kelly, O Price, R Bruno, P Dietze, S Lenton, C Salom, L Degenhardt, M Farrell, *Australian drug trends 2019: key findings from the national Illicit Drug Reporting System (IDRS) interviews*, National Drug and Alcohol Research Centre, UNSW Sydney, 2019, 45, [online](#).

Estimating wholesale price variations for 1 kilogram of methamphetamine within Australia is challenging. Sales of 1 kilogram or more are in the realm of higher level organised crime figures, whose business activities are far less transparent than those of street dealers. The ACIC’s *Illicit drug data report* reveals that Queensland, the only jurisdiction with data on the price of 1 kilogram in FY 2018, reported wholesale prices as ranging from \$70,000 to \$120,000.<sup>11</sup> The ACIC estimates that price to be similar for many of the eastern Australian states (NSW, Victoria and Tasmania), with a median price for 1 kilogram pegged at \$105,000 in FY 2018, having decreased by 61% since FY 2011.<sup>12</sup> So, while street-level profit margins grew from 40% in FY 2002 to 50% in FY 2019, wholesale-level profit margins remained steady at 55% in 2011 and 58% in 2019.

## Methamphetamine seizures in Australia and at our borders

To estimate the total value of Australia's methamphetamine, it's crucial to factor in the drugs seized by officials in Australia. Those seizures historically represent a significant portion of the total weight of heroin and methamphetamine smuggled into Australia. Seizures are also a financial liability for transnational serious and organised crime groups.

The ACIC reports that in FY 2019 a total 5,148 kilograms of amphetamine-type drugs (excluding MDMA) were seized at the Australian border.<sup>13</sup> If the estimate of Australian consumption for FY 2019 (11,516 kilograms)<sup>14</sup> is added to that figure, the total weight of all methamphetamine in the country for that year was approximately 16,664 kilograms. Given that the consumption estimation data is based on wastewater testing for 56% of the population, it's possible that the total weight was even higher.

*This data indicates that the domestic market, while still well supplied, can remain profitable even when at least 31% of the total quantity of methamphetamine smuggled into the country is seized.*

Admittedly, that figure doesn't consider changes in purity between levels in the Australian illicit drug market. However, law enforcement reporting appears to indicate little change in methamphetamines domestic purity levels. That suggests two possible alternative conclusions:

- The profits from the illegal market are so significant that even confiscating 31% of total goods doesn't put dealers out of business, but is accommodated as part of their business models.
- Confiscations do put dealers out of business, leading to a high turnover rate as new dealers fill the void left behind by previous dealers. The fact that supply in Australia is rarely meaningfully affected for long suggests that a number of dealers continue to thrive.

Both conclusions are highly plausible.

In this report, we factor in the costs of seizures at Australia's border as loss in the revenue of Asia–Australia smugglers when calculating the total profits of the methamphetamine market.

## Methamphetamine prices in Southeast Asia

Much of the methamphetamine consumed in Australia originates in, or transits through, Southeast Asia. The Golden Triangle, infamous for its production of heroin, has quickly been established as a global hotspot for the production of methamphetamine (Figure 6).<sup>15</sup>

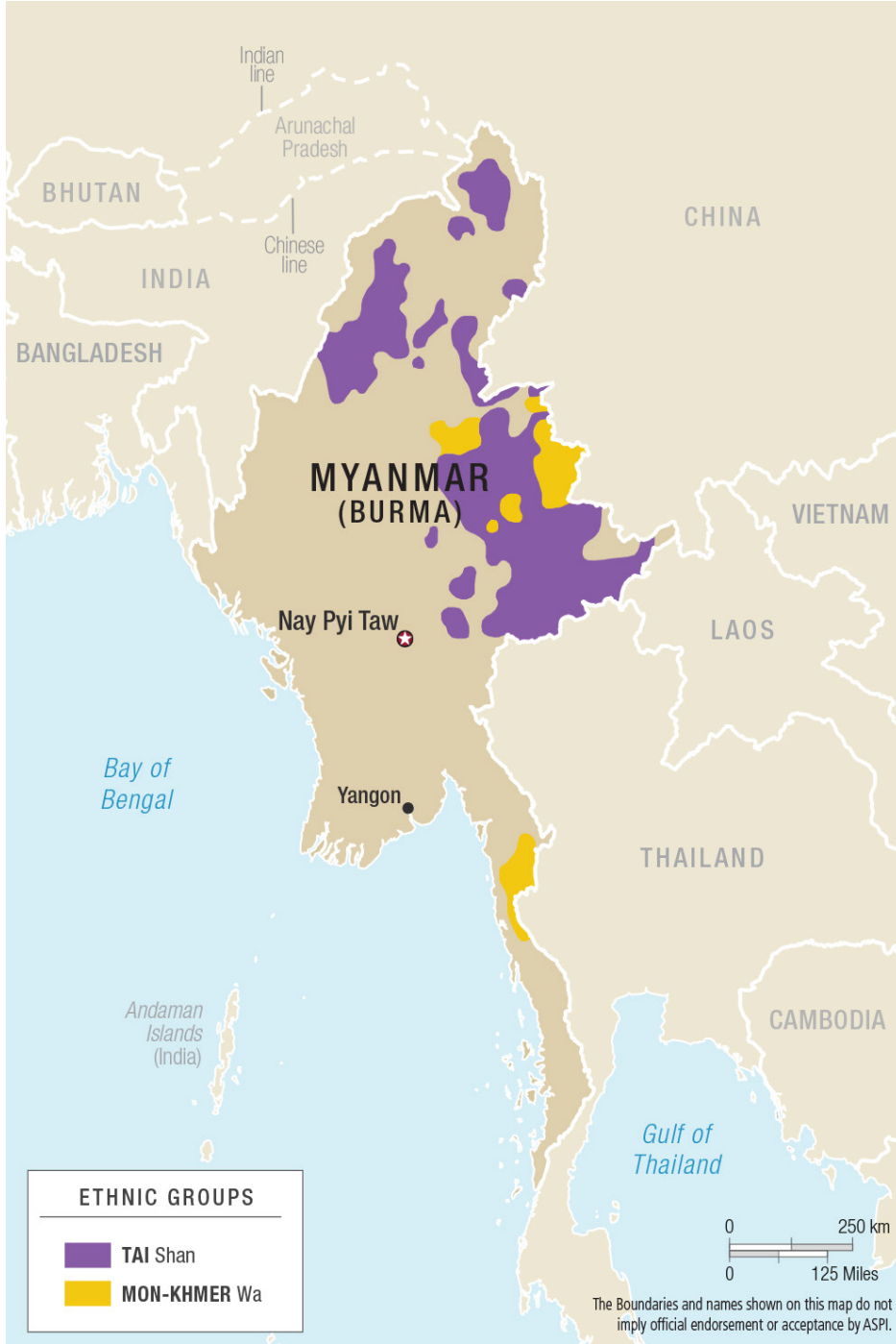
Figure 6: The Golden Triangle



Myanmar has experienced ethnic conflict and civil war since its independence in 1948. The establishment of autonomous self-administered zones in 2008 formalised armed ethnic groups' control of otherwise lawless regions (Figure 7), aided in no small part by remote geography and long porous land borders with neighbouring countries. Since then, despite ongoing conflicts, elements of the Myanmar military have also taken advantage of the autonomous zones to profit from illicit markets.



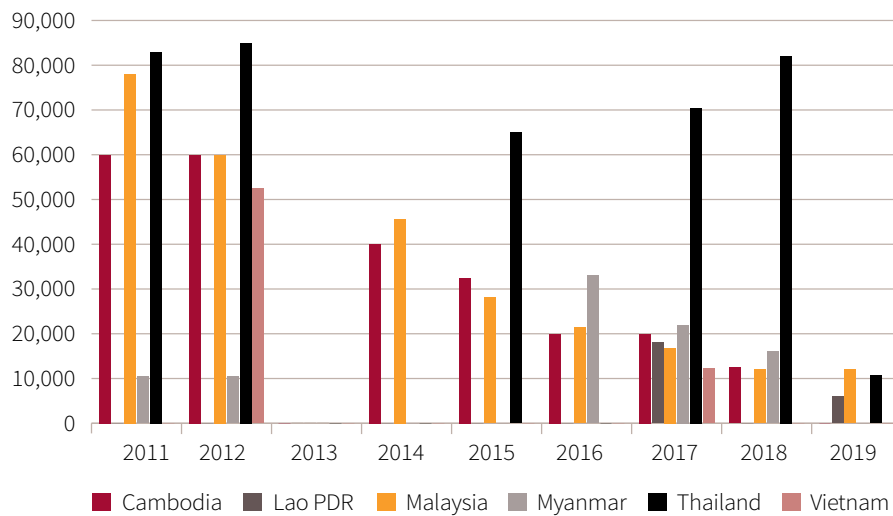
Figure 7: Myanmar and its ethnic states



The autonomous zones, which were already playing critical roles in growing opium poppy and refining heroin destined for Australia, have become the home of super labs producing industrial quantities of methamphetamine destined for markets across the region. As production has grown, and with nearly uninterrupted precursor supplies from China, India and Bangladesh, the labs produce both high-purity crystal methamphetamine and yaba. That's been made possible by elements of the Myanmar military permitting the inward flow of precursors and the outward flow of finished product by acts of omission or commission. Moreover, the scale of production has driven down regional wholesale and retail prices for methamphetamine.

Calculating the wholesale prices of methamphetamine and heroin in Southeast Asia is difficult, as it relies heavily on countries self-reporting prices. That said, the UN Office of Drugs and Crime (UNODC) has done substantial qualitative and quantitative research that can help to inform an estimate of prices in the region (Figure 8). Data for this period is incomplete, although sufficient to map a consistent downward price trend for methamphetamine in the region over the 2011–2019 period.

**Figure 8: Estimates of wholesale prices of 1 kilogram of crystal methamphetamine in Southeast Asia, 2011 to 2019 (US\$)**



Notes: Where price ranges were listed, the median was used. Where the total number of values in the dataset were not known, the median was calculated as the mid-point between the high and low values. Currency and quantity adjusted to US\$/kilogram where necessary.

Sources:

For 2011–12 data: UNODC, *Patterns and trends of amphetamine-type stimulants and other drugs: challenges for Asia and the Pacific*, 2013, [online](#). See p. 56 for Cambodia, p. 90 for Malaysia, p. 99 for Myanmar, p. 132 for Thailand, p. 137 for Vietnam.

For 2013–17 data: UNODC, *The challenge of synthetic drugs in East and South-East Asia: trends and patterns of amphetamine-type stimulants and new psychoactive substances*, 2017, [online](#). See p. 14 for Cambodia (2015), p. 32 for Malaysia (2015), p. 36 for Myanmar (2017), p. 48 for Thailand (2017).

For 2014–18 data: UNODC, *Synthetic drugs in East and South-East Asia: trends and patterns of amphetamine-type stimulants and new psychoactive substances*, 2019, [online](#). See p. 24 for Cambodia (2014, 2017–18), p. 40 for Laos (2017), p. 46 for Malaysia (2014–18), p. 50 for Myanmar (2016–18), p. 74 for Thailand (2017).

For 2015–19 data: UNODC, *Synthetic drugs in East and Southeast Asia: latest developments and challenges—2020*, 2020, [online](#). See p. 38 for Cambodia (2018), p. 59 for Laos (2019), p. 64 for Malaysia (2019), p. 88 for Thailand (2019).

*The UNODC reports paint a picture of a region with fluctuating prices, but also a definite trend towards significantly lower wholesale prices over the decade.*

While there are certainly some gaps in the information provided by countries in the region, there's enough data to draw some conclusions about the market.

Cambodia has one of the more robust methamphetamine reporting track records of the region. Its reports in 2013, 2017, 2019 and 2020 (there are no similar reports from UNODC for the 2014–2016 period) show a distinct downward trend in the price for 1 kilogram of methamphetamine. The reported price in 2012 of US\$60,000/kilogram was close to those in Malaysia (US\$60,000) and Vietnam (US\$52,500); there were outliers on both sides of the spectrum in Thailand (US\$85,000) and Myanmar (US\$10,500).

*Despite variation between countries in the region, all have significantly trended downward in the cost of 1 kilogram of methamphetamine over the decade ending in 2019.<sup>16</sup>*

Laos mirrors the downward trend in Cambodia, but also reports the lowest price anywhere in the region: US\$6,000. Those low prices could be attributed to northwestern Laos's status as a centre, albeit smaller than Myanmar, for methamphetamine production. The situation could also be due in no small part to endemic corruption and a low law enforcement capability base in Laos. Domestic consumption in Laos is likely to be high, but high levels of poverty have matched low street prices.

Like Cambodia, Malaysia has consistent reporting and shows a similar downward trend in wholesale methamphetamine prices that mirrors that of Cambodia.

Myanmar is an interesting case study, as it's home to a significant portion of Golden Triangle methamphetamine production and yet is the only country in Southeast Asia where prices trended upwards, although that was only until 2016, after which prices trended downwards to a similar range as the rest of the region by 2019. The rising prices until 2016 might have been the result of a change in drug enforcement policies; however, it's more likely either to be related to gaps in the available data or indicate that much of the methamphetamine, excluding yaba, in Myanmar is not distributed locally. Instead, the methamphetamine is destined for foreign markets through a vertical supply chain between Myanmar and markets or transshipment points operated by a single or a small number of entities.

It's more than likely that Myanmar's increased status as a regional industrial methamphetamine production centre has contributed to price changes. It also appears that producers are willing to pursue multiple markets simultaneously: high-profit, low-volume (such as Australia) and low-profit, high-volume (Myanmar).

While the lack of a reported price in 2018 makes it difficult to confirm this trend, Thailand's prices are following the overall regional trend of falling wholesale prices.

Vietnam has only twice reported wholesale methamphetamine prices to the UNODC, which makes drawing any conclusions difficult. However, the two prices that Vietnam has conveyed closely align with those in neighbouring countries over the same period. This data suggests that regional prices for methamphetamine might not differ too widely between transshipment countries.

Taking all this data into consideration, the best estimate for the wholesale price of methamphetamine in the region, when purchased by international traffickers to be shipped to Australia, is between US\$10,656 (the price reported by Thailand in FY 2019) and US\$12,000 (the price reported by Malaysia in 2019). Laos wasn't considered in this case (US\$6,000), as it lacks port access, and any drugs would need to be transported through Thailand or Cambodia to reach Australia.

It's important to again note that there are some inconsistencies in the data. For example, if Myanmar is indeed the main production source for crystal methamphetamine, it's logical that the wholesale price there would be lower than in any of the transshipment countries—US\$16,000/kilogram in FY 2018. But at that time the price in Thailand was US\$82,049, in Malaysia was US\$12,000 and in Cambodia was US\$12,500. That's been the case generally, except for an unexplained hike in prices in 2016, before they equalised with the region on a downward price trend.

The profit margin differentials along the crystal methamphetamine supply chains were relatively consistent by FY 2019. For example, 1 kilogram of methamphetamine bought in:

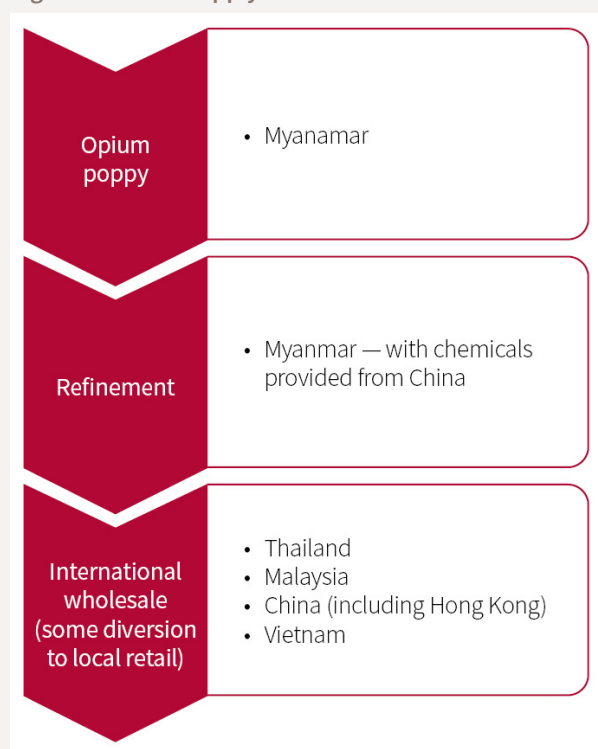
- Cambodia in FY 2018 had a profit margin of 85%
- Laos in FY 2019 had a profit margin of 93%
- Malaysia in FY 2019 had a profit margin of 85%
- Myanmar in FY 2018 and Thailand in FY 2019 had a profit margin of 80%.

If the kilogram was sold in Australia at the FY 2018 Australian wholesale price of A\$105,000, that would make the Australian wholesale-to-street-cap profit margin 96%.

# CHASING THE DRAGON: THE AUSTRALIAN HEROIN MARKET

Figure 9 highlights the global supply-chain links to Australia's heroin market. In FY 2018, 24 countries were identified as embarkation points for heroin detected at the Australian border, compared to 18 countries in FY 2017. Reporting indicates that most of the heroin detected at Australia's border and consumed within the nation originates from the Golden Triangle.<sup>17</sup> Worldwide, approximately 90% of the world's opium originates in Afghanistan, while most of the remaining 10% originates in the Golden Triangle. For Australia, however, most of it comes from the Golden Triangle.

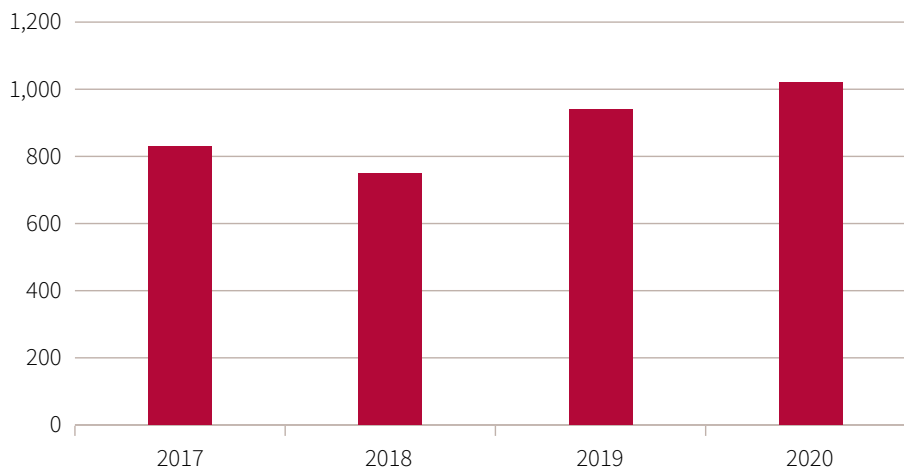
Figure 9: Global supply-chain links to Australia's heroin market



## Heroin consumption in Australia

The National Wastewater Drug Monitoring Program tests for heroin traces and estimates consumption based on the results. The program's 2020 report estimates that annual consumption in Australia trended upward overall during the past four years, from 830 kilograms in FY 2017 to 750 kilograms in FY 2018, 941 kilograms in FY 2019 and 1,021 kilograms in FY 2020 (Figure 10).<sup>18</sup> This is a less consistent increase than that of methamphetamine (steady at 17% per year), but overall an increase by 23%.

**Figure 10: Estimated total Australian heroin consumption (kg)**



ACIC, *Media snapshot: Report 12 of the National Wastewater Drug Monitoring Program, 2020*, 2020, 3, [online](#).

These numbers suggest that both heroin and methamphetamine consumption levels have trended consistently upwards. That said, heroin consumption is substantially less than methamphetamine consumption, by a factor of 10.

## Australia's domestic retail heroin market

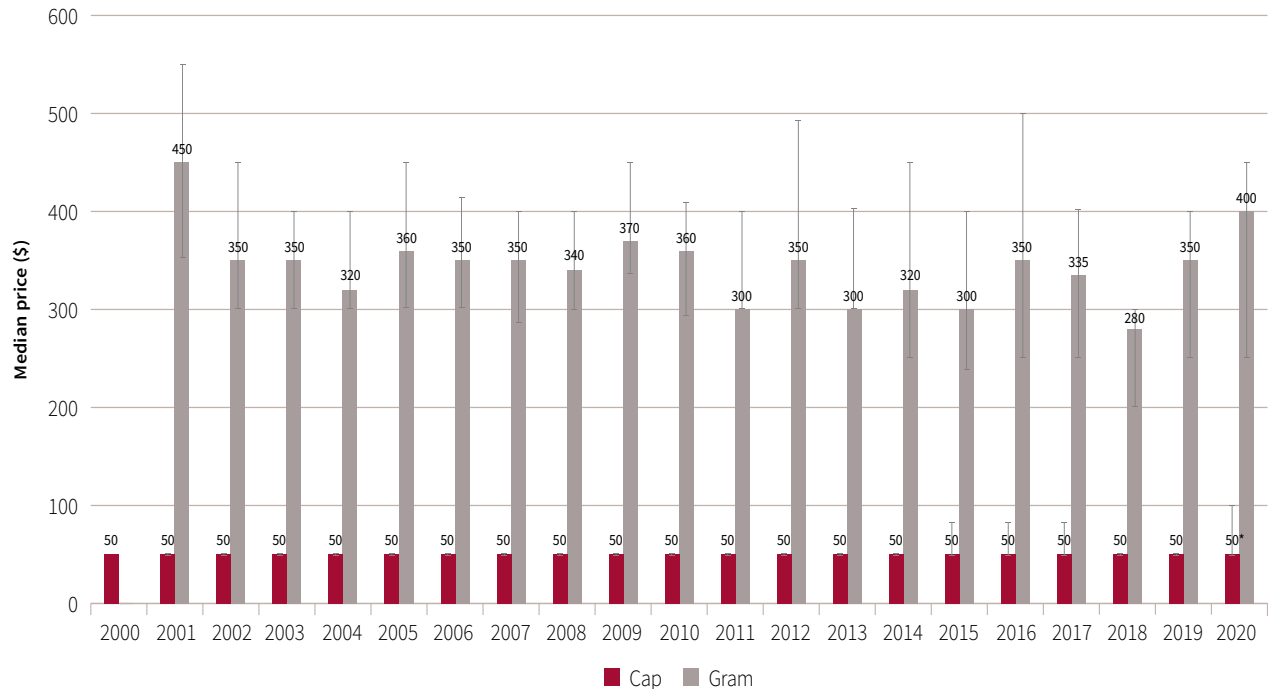
The Illicit Drug Reporting System has recorded the median retail price for a cap of heroin (0.1 grams) as stable at A\$50 over the period from 2000 to 2020. Unlike methamphetamine prices, the per cap price has been completely stable for that period, while the per gram price has fluctuated around the A\$350 mark.<sup>19</sup> In contrast, the per gram price of methamphetamine trended up from around A\$350 in the decade before 2011, when it reached A\$600, before trending back down to below the cost of heroin at A\$250 in 2019.

Those price fluctuations most likely relate to supply constriction and changes in drug users' preferences.

Taking all this data into consideration, despite slight variations over time, the street price of a cap of heroin is approximately \$50, and the cost of a gram is roughly \$350, with a low of \$280 and a high of \$450 (Figure 11). This data supports the assessment that a lack in point price fluctuation indicates that street-level dealers absorb the impacts of market price variances.



Figure 11: Estimated median heroin street prices, 2000 to 2020



\*  $p < 0.050$ .

Notes: Price for a gram of heroin was not collected in 2000. The error bars represent the interquartile range.

Source: Peacock et al., *Australian drug trends 2020: key findings from the national Illicit Drug Reporting System (IDRS) interviews*.

The wholesale price of 1 kilogram of heroin in Australia is, much like the wholesale price of methamphetamine, much more challenging to estimate. The ACIC's *Illicit drug data report 2018–19* stated that NSW and Victoria reported the price for 1 kilogram of heroin as ranging from \$160,000 to \$195,000 in FY 2018,<sup>20</sup> and that the price fell significantly to \$90,000–170,000 in FY 2019.<sup>21</sup> That makes the median price of 1 kilogram of heroin \$130,000. Profit margins for heroin wholesalers remain attractive at 74%, but are lower than for methamphetamine (96%).

## Seizures of heroin in Australia

To understand the overall scale of the nation's heroin market, it's crucial to factor in the volume of heroin seized by officials in Australia. Heroin seizures are a significant portion of the total heroin supply.

The ACIC reports that, in FY 2019, 283 kilograms of heroin was seized at the border, up from 190 kilograms in FY 2018 and 118 kilograms in FY 2010.<sup>22</sup> The heroin market is substantially smaller than the market for amphetamine-type substances, but heroin seizures account for just 23% of total imports (the volume seized plus the volume consumed equals 1,224 kilograms). That's a lower percentage than the seizure of an estimated 31% of amphetamine imports. Arguably, lower heroin seizures could offset the lower profit margins from heroin pricing, supporting the overall profitability of the supply chain.

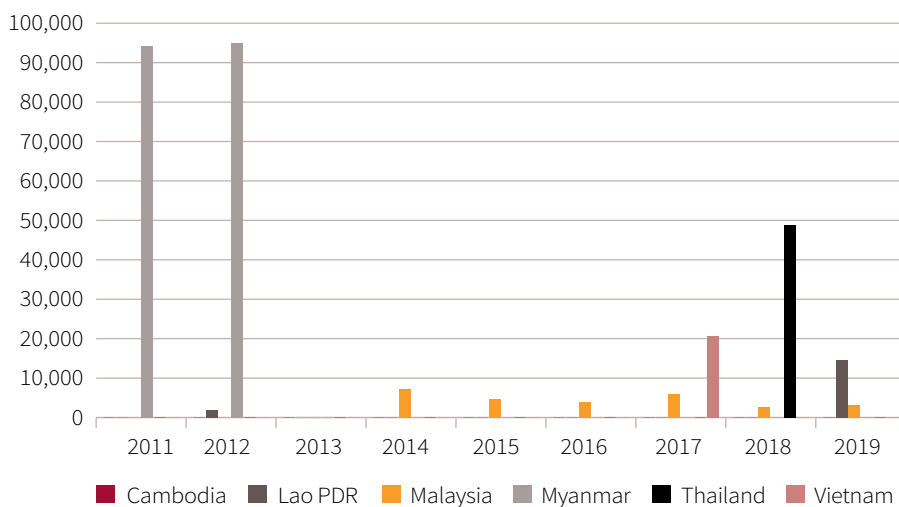
The cost impacts of heroin seizures to transnational serious and organised crime groups are factored into estimates of the total profits of the methamphetamine and heroin trades in this report.

## Heroin prices in Southeast Asia

Much of the heroin consumed in Australia originates from opium that's been grown and then refined in Myanmar's northeastern Shan state and the northwest of Laos.

While data on heroin in the UNODC's reports from 2013, 2017, 2019 and 2020 varies in its comprehensiveness, it does suggest that wholesale prices have fallen (Figure 12). However, those price drops have been smaller and less consistent than price drops in the wholesale methamphetamine market.

Figure 12: Wholesale prices for 1 kilogram of heroin in Southeast Asia, 2011 to 2019 (US\$)



Note: Where price ranges were listed, the median was used. Where the total numbers of values in the dataset were not known, the median was calculated as the mid-point between the high and low values. Currency and quantity adjusted to US\$/kilogram where necessary

Sources:

For 2011–13 data: UNODC, *Patterns and trends of amphetamine-type stimulants and other drugs: challenges for Asia and the Pacific*, 2013, [online](#). See p. 85 for Laos (2013), p. 99 for Myanmar (2011, 2012).

For 2014–18 data: UNODC, *Synthetic drugs in East and South-East Asia: trends and patterns of amphetamine-type stimulants and new psychoactive substances*, 2019, [online](#). See p. 46 for Malaysia (2014–18), p. 69 for Thailand (2018), p. 74 for Vietnam (2017).

For 2015–19 data: UNODC, *Synthetic drugs in East and Southeast Asia: latest developments and challenges—2020*, 2020, [online](#). See p. 59 for Laos (2019), p. 64 for Malaysia (2019).

The price for 1 kilogram of heroin has dropped over the past decade; the highest price recorded in Myanmar in FY 2011 was US\$94,120, and the lowest in Malaysia in FY 2019 was US\$3,240. Prices haven't been as comprehensively recorded as for wholesale methamphetamine prices in the region, but enough data points have been reported to show that both drugs wholesaled for between US\$50,000 and US\$100,000 around 2011 and declined to less than US\$50,000 (for heroin) and less than US\$20,000 (for methamphetamine) by FY 2019.

One important outlier in the UNODC reporting is Myanmar, which has reported wholesale prices only for 2011 (US\$94,120/kilogram) and 2012 (US\$95,000/kilogram)—or about A\$121,430 and A\$122,565, respectively, in today's money. Those figures didn't match the other reported figures, especially since northeastern Myanmar is the site of a significant proportion of opium poppy cultivation.

The UNODC's 2019 Myanmar Opium Survey assessed the farm-gate price of opium at US\$145/kilogram for fresh opium and US\$160/kilogram for dry opium. Those figures were up from US\$136 for fresh and US\$154 for dry in 2018.<sup>23</sup> They were equivalent to A\$175 (fresh) and A\$198 (dry) today. The rising farm-gate prices could well be the result of less poppy cultivation or poorer yields.

The same report also estimated the net value of the opiate economy in Myanmar as between US\$588 million and US\$1.3 billion. It suggested that much of Southeast Asia's poppy cultivation occurs in Myanmar, before the opiates pass through intermediary countries, such as Thailand, on their way to Australia.

The wholesale price for heroin outside of Myanmar varies greatly, but the most recent data suggests a low of US\$3,240/kilogram in Malaysia and a high of US\$48,930/kilogram in Thailand.<sup>24</sup> Myanmar has the highest prices but the oldest data, reporting US\$94,120 in 2011 and US\$95,000 in 2012. Malaysian prices trended downwards from US\$7,200 in 2014 to the cheapest recorded anywhere (US\$3,240) in 2019. This creates two possibilities. The first is that much of the heroin sold in Malaysia is sourced from outside the region (most likely Afghanistan). Alternatively, the Malaysian reporting on wholesale prices is inaccurate.

# COSTS OF HEROIN AND METHAMPHETAMINE ALONG THE ASIA–AUSTRALIA SUPPLY CHAINS

The price of heroin and methamphetamine substantially increases as the drugs move along their global supply chains from the Mekong region to Australian streets, and the maximum profit is made in the move from wholesale purchases in Southeast Asia to wholesale sales in Australia. Profit levels, and, of course, returns on investment for criminal actors along the vertical supply chain are affected by the costs of production and transport and losses of drugs due to seizures. Despite those costs, there are big profits to be made, but the most significant gains aren't made by manufacturers or street-level dealers but by wholesalers.

## Methamphetamine

Estimating an average for methamphetamine production costs is problematic. For example, prices vary widely based on the availability of precursor chemicals and the scale of production.

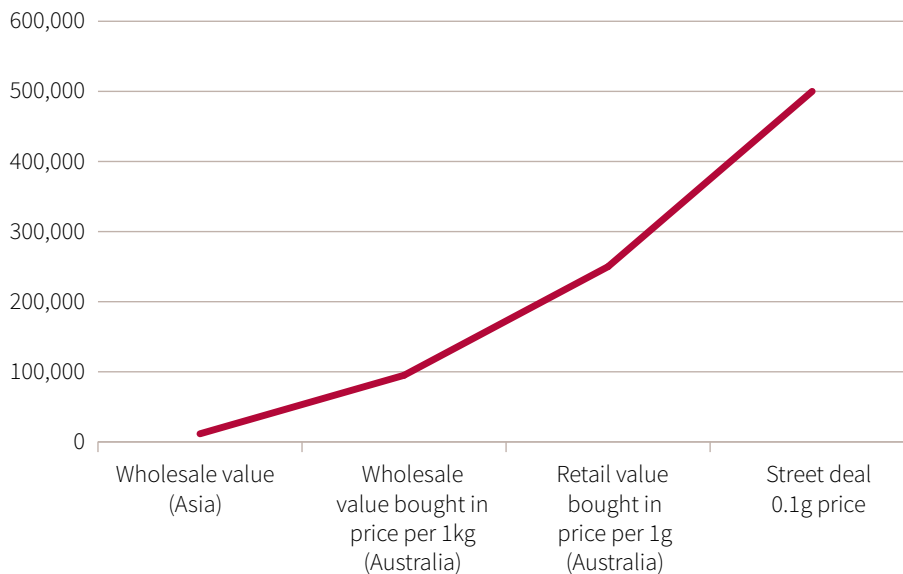
The precursor chemicals used in Southeast Asia are primarily pseudoephedrine and ephedrine, which are diverted from China's large chemical and pharmaceutical industry and then trafficked across its southern border. The wholesale prices for those chemicals vary widely, depending on their availability. Arguably, as the number of nation-states regulating precursor chemicals increases, their availability should decrease and their prices should increase. Unfortunately, there's no evidence to suggest that that has occurred. Current qualitative data, and regional seizure data, indicate that precursors remain readily available at low prices.

The most recent median wholesale price for methamphetamine (1 or more kilograms) in Asia is US\$12,000/kilogram.<sup>25</sup> Even at the lowest reported wholesale value (US\$6,000/kilogram in Laos), the profit margins at transshipment points are reduced by the costs of transport and disruption by law enforcers.

Profit margins increase exponentially when 1 kilogram of methamphetamine is shipped to Australia, where it could sell wholesale for from A\$50,000 to \$140,000 (a median value of A\$95,000 in FY 2019); that is, its value multiplies by almost 10 at importation, for a profit margin of 88%. Again, the profit margins for transactions between overseas wholesalers and Australian wholesalers are affected by the cost of transport and the loss of products due to disruption by law enforcement.

In FY 2019 (before the Covid-19-induced price hike in 2020), Australian dealers could sell from a median-price wholesale kilogram and make A\$50 per 0.1 gram street dose (an 81% profit margin) if they sold directly to users, which is less likely than selling to middlemen or A\$250 per gram (a 62% profit margin) if they sold to smaller dealers who then on-sold to street users. A smaller dealer on-selling to users would then have a 50% profit margin from buying grams and selling 0.1 grams. In the restricted market in 2020, those margins were 81%, 50% and 50%, respectively. Profits are highest at the point of sale from wholesale kilograms to smaller dealers in grams, given that it's unlikely that wholesale kilogram buyers are then selling points to users on the street.

Figure 13 provides an analysis of prices, based on high and low estimates, for the sale of 1 kilogram of methamphetamine along the Asia–Australia supply chain in FY 2019. The chart shows that the value of 1 kilogram of methamphetamine increases exponentially once the drug reaches the Australian market. Note that the profits inside Australia aren't being made by street dealers, but by those selling to street dealers.

**Figure 13: Prices for 1 kilogram of methamphetamine along the Asia–Australia supply chain, FY 2019 (A\$)**

Note: Wholesale values for Southeast Asia are calculated as the median value of the available data reported by countries in the region. Sources:

For wholesale values in Asia: UNODC, *Synthetic drugs in East and Southeast Asia: latest developments and challenges—2020*, 2020, 59, 64, 88, [online](#).

For wholesale and street-deal values in Australia: ACIC, *Illicit drug data report 2017–2018*, 2019, 37, [online](#).

## Heroin

The cost of farming 1 kilogram of opium, and processing it into heroin, in the Mekong region is astonishingly low. Dry opium costs US\$160 at the farm gate<sup>26</sup> and has a median wholesale price of US\$8,870/kilogram of heroin in Southeast Asia.<sup>27</sup> Because 10 kilograms of dry opium makes 1 kilogram of heroin,<sup>28</sup> heroin producers (not opium farmers) are making a profit of US\$7,270 per kilogram of heroin sold wholesale in the region—a profit margin of 82%, although the costs of smuggling, including police seizures, would have to be recouped from that profit.

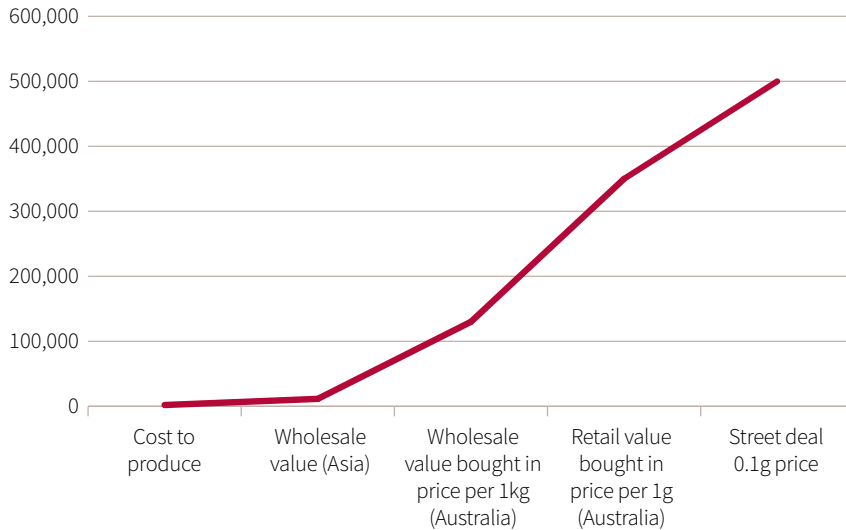
Profit margins increase dramatically further along the supply chain from the Mekong to Australian streets. In FY 2019, reported prices in Australia<sup>29</sup> ranged from A\$90,000/kilogram to A\$170,000/kilogram (median A\$130,000/kilogram).

In FY 2019 (before the Covid-19 price hike in 2020), Australian dealers could sell from a median-price wholesale kilogram and make A\$50 per 0.1 gram street dose (a 74% profit margin) if they sold directly to users, which is less likely than selling to middlemen, or A\$350 per gram (a 62% profit margin) if they sold to smaller dealers who then on-sold to street users). A smaller dealer on-selling to users would then have a 30% profit margin from buying grams and selling 0.1 gram deals. As for methamphetamine, profits are highest at the point of sale from wholesale kilogram to smaller dealers in grams, given that it's unlikely that wholesale kilogram buyers are then selling points to users on the street.



Figure 14 provides further analysis of these figures.

**Figure 14: Prices for 1 kilogram of heroin along the Asia–Australia supply chain, FY 2019 (A\$)**



Sources:

Farm-gate dry opium: UNODC, *Myanmar Opium Survey 2019*, 2020, v, 16, [online](#).

Wholesale value in Asia (median): UNODC, *Synthetic drugs in East and Southeast Asia: latest developments and challenges—2020*, 2020, [online](#). See p. 59 for Laos (2019), p. 64 for Malaysia (2019).

Wholesale value in Australia: ACIC, *Illicit drug data report 2018–2019*, 2020, 69, [online](#)

Retail street price in Australia (0.1 gram deal): Peacock et al., *Australian drug trends 2020: key findings from the national Illicit Drug Reporting System (IDRS) interviews*, National Drug and Alcohol Research Centre, UNSW Sydney, 2021, 36, [online](#).

As this chart shows, *the value of heroin balloons once the drug reaches Australia's shores*. While methamphetamine and heroin dealers buying wholesale kilograms and selling grams have equal profit margins, heroin dealers buying grams and selling points make significantly less than methamphetamine dealers. That might be because heroin consumption in Australia is about 10% the size of methamphetamine consumption, suggesting that lower demand is keeping street-level prices down.

# A HYPOTHETICAL PROFIT DISTRIBUTION ALONG THE ASIA–AUSTRALIA HEROIN AND METHAMPHETAMINE SUPPLY CHAINS

Estimating the total profits from heroin and methamphetamine trading involves not only factoring in the total quantity shipped to Australia, but also how much is spent on production and transportation, and losses from seizures.

## Methamphetamine

The first step in the methamphetamine supply chain consists of producers. They mostly operate labs in Myanmar and Laos, using precursor chemicals, such as ephedrine and pseudoephedrine, imported from southern China.

After methamphetamine is produced, it can be sold to traffickers at a price between US\$6,000/kilogram (the FY 2019 price reported by Laos) and US\$16,000/kilogram (the FY 2018 price reported by Myanmar). For a volume of 16,664 kilograms (the estimated total weight of the drug in Australia in FY 2019), that equates to between US\$99,984,000 and US\$266,624,000 in wholesale transactions.

*The total profit made by primary methamphetamine manufacturers, at the quantities consumed by Australians, is likely to be between just shy of US\$100 million and US\$267 million (A\$129 million and A\$344 million).*

The wholesale level in the methamphetamine supply chain involves traffickers who buy the drug in Southeast Asia at local wholesale prices and smuggle it into Australia. Based on median prices, those wholesalers spend A\$192,658,832 (US\$149,329,873) to purchase sufficient methamphetamine to meet Australia's demand. They would be likely to spend US\$5–10 million to transport the drug by road to ports (median: US\$7 million).

Of the 16,664 kilograms imported into Australia in FY 2019, 5,148 kilograms was seized by authorities at the border, at which point the wholesalers had spent US\$156,329,873, including losses. The remaining 11,516 kilograms was sold to Australian distributors for a median price of A\$95,000/kilogram (US\$73,635), earning A\$1,094,476,017 (US\$847,980,660). By that calculation, those traffickers made a profit of A\$892,337,413 (US\$691,650,787) in FY 2019 in Australia, with a profit margin of 82%.

*The total FY 2019 profit made from trafficking methamphetamine to Australia, factoring in transport costs and the quantity of drugs seized by the authorities, was approximately A\$892.3 million.*

Based on a median wholesale price for 1 kilogram in Australia, Australian distributors spent around A\$1,094,020,000 to purchase the 11,516 kilograms of methamphetamine known to have been consumed in Australia in FY 2019 (not including the 5,148 kilograms seized at the border, and assuming that the Asia–Australia dealers were paid after import and wore that loss). The 11,516 kilograms was then sold to smaller dealers in Australia at a per 1 gram price equalling A\$250,000/kilogram (total cost A\$2,879,000,000), making a profit of A\$1,784,980,000 with a margin of 62%. Assuming that those smaller dealers then on-sold to users at a per 0.1 gram price equalling A\$500,000/kilogram, they paid A\$2,879,000,000, earned A\$5,758,000,000 and made a profit of A\$2,879,000,000, with a margin of 50%. That margin probably increases as the methamphetamine is adulterated all along the supply chain.

The total profit made from distributing methamphetamine within Australia in 2019 was A\$5,556,317,413. This calculation factors in associated costs and quantities of drugs seized by the authorities, is based on median prices, and includes all three tiers of profit from Southeast Asia to Australia traffickers down to users on Australian streets.

Profit margins are significant at each transaction point but are highest for the Asia–Australia smugglers, then decrease steadily down to the gram-to-point Australian dealers. Given the scale possible at higher quantities, any one dealer at the gram-to-point transaction can make much less money, again due to the quantities that they’re able to move.

The amount of profit that remained in the Australian economy was approximately A\$4,663,980,000.

Figures 15 and 16 provide a visual analysis of this hypothetical.

Figure 15: Profits from Australia’s methamphetamine market (A\$)

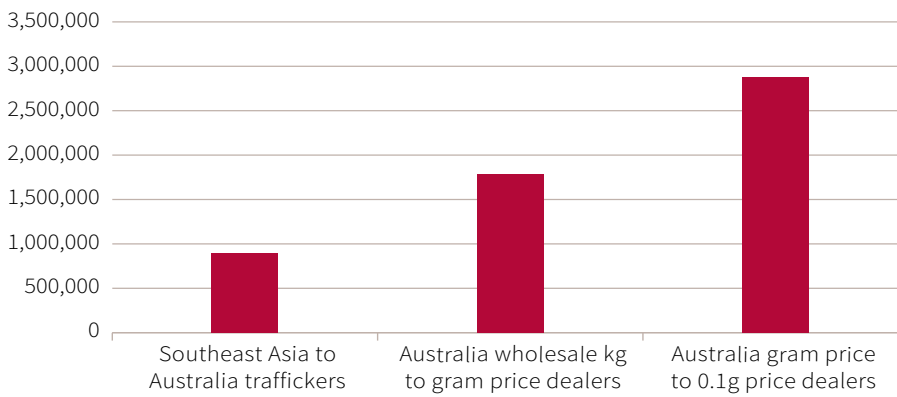
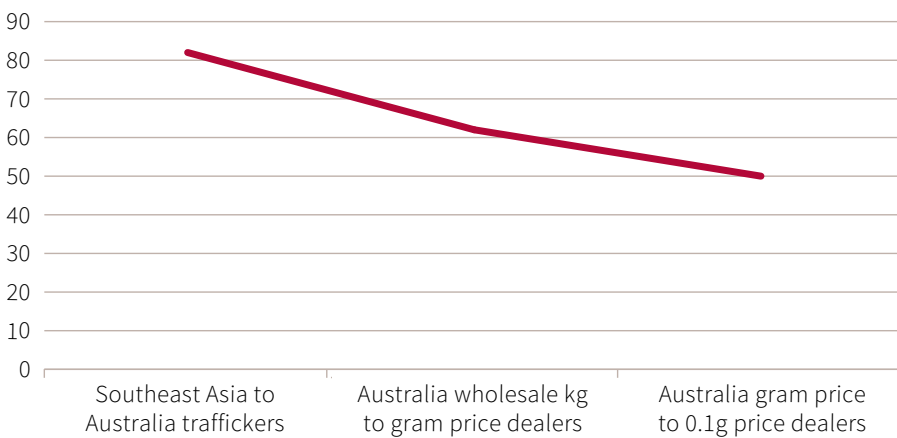


Figure 16: Profit margins from Australia’s methamphetamine market (%)



## Heroin

The first level in Australia’s vertically integrated heroin supply chain involves those who grow raw opium, including poppy farmers in eastern Myanmar and Laos, where most of the heroin trafficked to Australia originates.<sup>30</sup> The raw opium is dried and processed before being sold in Southeast Asia at wholesale prices. The production of 1 kilogram of heroin requires 10 kilograms of dry opium worth US\$1,600/kilogram. The cost of the raw materials used to produce the 1,224 kilograms of heroin imported<sup>31</sup> into Australia in FY 2019 was US\$1,958,400 (A\$2,423,520). The heroin is sold to wholesalers in Southeast Asia for A\$11,444/kilogram, meaning that opium-to-heroin producers earned A\$14,007,456 from heroin destined for Australia in FY 2019. That’s a profit of A\$11,583,936, with a margin of 83%.

*The profit made by primary heroin producers from the quantity imported to Australia in FY 2019 was around A\$11.6 million.*

The second level of the supply chain involves traffickers who buy heroin in Southeast Asia at local prices. In FY 2019, they spent A\$14,007,456 to buy heroin for the Australian market and about US\$5–10 million to transport the drugs via Southeast Asian ports to Australia (at a median transport cost of A\$9,037,272, they spent about A\$23,044,728 by the time the heroin arrived in Australia). Of the total 1,224 kilograms they imported, 283 kilograms was seized by the authorities at the border.<sup>32</sup> Assuming that the Asia–Australia dealers were paid after import and wore that loss, the remaining 941 kilograms was sold to Australian distributors for a median price of A\$130,000/kilogram, earning A\$122,330,000. By that calculation, those traffickers made a profit of A\$99,285,272 in FY 2019 in Australia, with a margin of 81%. That’s comparable to the methamphetamine margin of 82% at this point, although the volume of methamphetamine was more than 10 times greater.

*The total FY 2019 profit made on trafficking heroin to Australia, factoring in transport costs and seizures by the authorities, was approximately A\$99.3 million.*

Based on a median wholesale price of A\$130,000/kilogram in Australia, Australian distributors spent around A\$122,330,000 to purchase the 941 kilograms of heroin known to have been consumed in Australia in FY 2019 (not including the 283 kilograms seized at the border, and assuming that the Asia–Australia dealers were paid after import and wore that loss). The 941 kilograms was then sold to smaller dealers in Australia at a per 1 gram price of A\$350,000/kilogram (total cost: A\$329,350,000), making a profit of A\$207,020,000 with a margin of 63%. Assuming that the smaller dealers then on-sold to users at the per 0.1 gram price of A\$500,000/kilogram, they paid A\$329,350,000, earned A\$470,500,000 and made a profit of A\$141,150,000, with a margin of 30%. That margin is likely to increase as heroin is adulterated all along the supply chain.

*The total profit made from distributing heroin within Australia is A\$459,039,208.* This calculation factors in associated costs and the quantity of drugs seized by the authorities, is based on median prices, and includes all four tiers of profit from Southeast Asia farm-gate sales to users on Australian streets.

Profit margins are significant at each transaction point, but are highest for the Southeast Asia opium-to-heroin producers and Asia–Australia smugglers, and then decrease steadily down to the gram-to-point Australian dealers. Given the scale of the trade in higher volumes, any one dealer at the gram-to-point transaction level can make much less money, again due to the quantities that they’re able to move.

*The amount of profit that remained in the Australian economy was approximately A\$348,170,000.*

*The total profit along the Southeast Asia – Australian heroin supply chain is just 8.3% of the profit from methamphetamine.*

Figures 17 and 18 are graphics of these profit figures.

Figure 17: Profits from Australia’s heroin market (A\$)

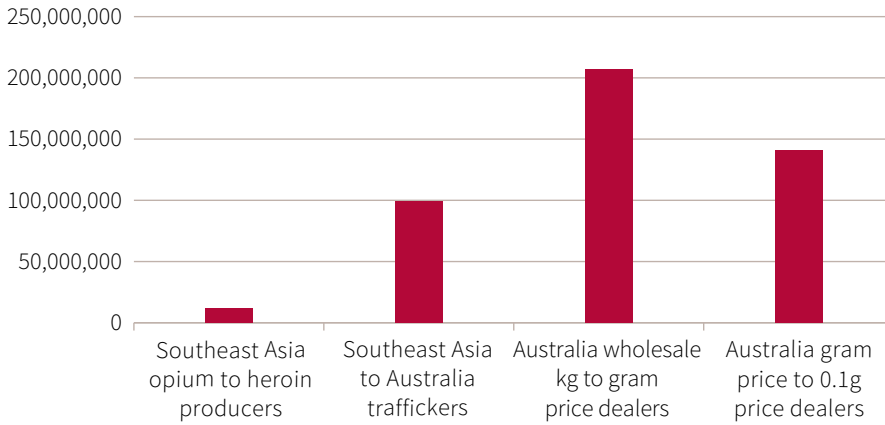
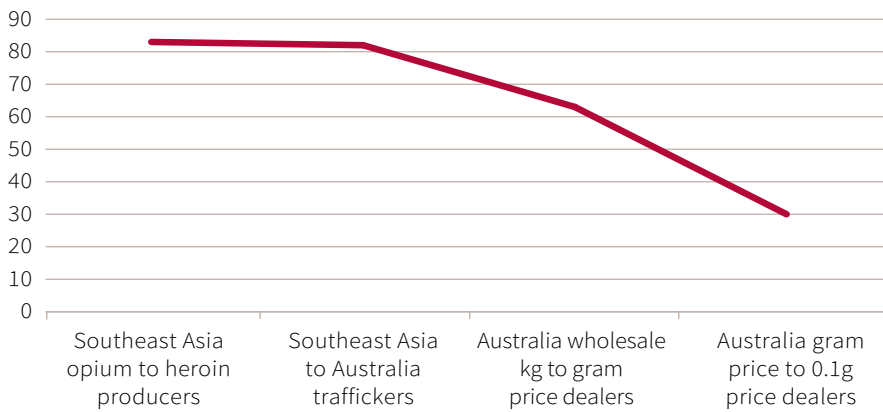


Figure 18: Profit margins from Australia’s heroin market (%)





# CONCLUSION AND ANALYSIS

While the previous section provides a simplified model of Australia's methamphetamine and heroin markets, it's highly valuable for developing an understanding of the quantum of profits being made and where in the value chain they occur. Australians spent approximately A\$5.8 billion on methamphetamine and A\$470 million on heroin in FY 2019. Approximately A\$1,216,806,017 was paid to international wholesalers overseas for the amphetamine and heroin that was smuggled into Australia in that year. The profit that remained in Australia's economy was about A\$5,012,150,000. Those funds are undermining Australia's public health and distorting our economy daily, and ultimately funding drug cartels and traffickers in Southeast Asia.

The UNODC estimates that the global drug trade represents 1% of global GDP, or US\$1.42 trillion. That estimate means that, at about A\$6.27 billion, the Australian methamphetamine and heroin markets account for approximately 0.44% of the worldwide drug trade, and that estimate doesn't consider the other dominant illicit drug markets, such as those for cocaine and MDMA.

One key takeaway from the figures presented in this report is that the Australian drug trade is large and growing. Despite the best efforts of law enforcement agencies, methamphetamine and heroin use has been increasing by up to 17% year on year. Falling prices in Southeast Asia are likely to keep pushing that number up, while drug prices and purity in Australia remain relatively stable.

As production prices for methamphetamine continue to decline along with wholesale prices, more sophisticated transnational organised crime actors are likely to begin to examine their business models in greater detail. Industrial production of methamphetamine for high-volume, low-profit regional markets has significant benefits for them. It seems likely that the more sophisticated transnational organised crime groups will seek to expand their control of the heroin and methamphetamine value chains to include greater elements of the wholesale supply chain as well as alternative product lines, such as synthetic opioids. That's undoubtedly been the case for Mexican organised crime groups, which, after securing multiple supply chains, sought to control domestic distribution in the US.

Synthetic opioids can be produced in locations outside drug-growing areas and closer to the point of sale. They're cheaper to manufacture and distribute, allowing higher profit margins along the value chain, but they're perhaps more destructive of public health and security than are heroin and cocaine.

Given that many of the region's most prolific organised crime groups have strong links to Chinese organised crime, Australia might not be immune from such vertical supply-chain expansions.

Covid-19 could accelerate some organised criminals' business decisions. It's possible that some groups will seek to segment their distribution networks in order to maximise their profits. Some producers could tighten their control of the means of production and move into wholesale-to-wholesale sales, darknet sales and micro-importing. That segmented approach to business has been a successful strategy in the legal economy. In the illicit economy, it makes disruption by law enforcement harder, because of the dispersed nature of the business model.

While ever-larger drug busts continue to dominate the headlines, the underlying fact is that methamphetamine and heroin imports continue to rise despite authorities seizing up to 34% of imported drugs. As this report shows, the profits in the methamphetamine and heroin trades are so large that, even if the authorities were able to seize up to half to three-quarters of imported drugs, they would be unlikely to put many trafficking networks out of business.

It's time to rethink the decapitation and seizure strategies.

The data contained in this report suggests that successful disruption might be easiest (a relative term) at the points in the value chain where the profitability is lowest, because that's where disruption can make the business uneconomic. So, while the wholesalers in Australia make the biggest proportional and actual profits, pressuring them enough to make their business unprofitable is probably hardest, while pressuring the point of origin—the growers or the precursor providers (and maybe lab operators, for synthetic drugs)—might drive them out of the business.

Of course, if the businesses are vertically integrated, you don't have much choice other than to work to disrupt the broader business model (at every point you can). The decriminalisation of drug use would do most to disrupt them by undercutting the prices of drugs at the retail level.

If vertical integration is the case, then it's about following the money and acting to limit the utility of the profits. Then, acting against high-worth individuals who have assets that can be seized would seem to be a useful strategy, as it strikes right at their profits at the point where those profits are concentrated. That might describe the current decapitation strategy, which has simply not worked.

Perhaps the most effective approach for Australia would be to continue to work with international partners to reduce the availability of precursor chemicals, and eventually pre-precursors. It appears that the methamphetamine and heroin supply chains could be most vulnerable and prone to disruption at the point of production.

There can be little doubt that poppy cultivation is the most vulnerable stage of the heroin value chain. While poppy eradication is no easy task, especially in the Mekong region, there are precedents. Forty years ago, some 100,000 hectares of farmland in Thailand was being used to cultivate opium. By 2007, the country was declared opium-free by the UNODC. That was made possible by the Thai king, Bhumibol Adulyadej, who in 1969 established the Royal Project, which provided alternative livelihoods for those involved in growing and refining opium. The ambitious project was underpinned by rigorous research on alternative crops. The Thai Government and international partners then developed critical infrastructure that gave farmers growing new crops access to markets.<sup>33</sup> This type of crop eradication requires particular security, societal and governance conditions, however, as shown by the failure of eradication efforts in Afghanistan and Colombia.

Similarly, it appears that the most significant vulnerability in the methamphetamine supply and value chains remains access to precursors. Work on continuing to legislate precursor control in countries across the region, especially China, is critical. Visibility about precursor source nations and places can help here, as can the fact that precursor-producing countries, including China, have domestic drug problems and aren't simply exporters to others. In addition to the need to develop legislation is the need for enhanced compliance programs to monitor legislative conformity. Given how unregulated this market is, and how limited cooperation is between government agencies in the region, Australian authorities should give some serious thought to supporting efforts by the UN and the UNODC to enhance regional precursor control.

Regional border control within and into the Mekong region is critical to constricting methamphetamine and heroin distribution. In the face of increased connectivity resulting from the Chinese Government's Belt and Road Initiative and ASEAN's economic integration efforts, border agencies have limited capacity. Greater intra-regional border security cooperation and capability enhancement are critical to addressing this challenge.

Australia's law enforcement agencies will need to revisit their focus on decapitations and seizures, although the aggressive pursuit of the proceeds of crime, including assets seizures domestically and regionally, will remain a valuable policy lever and strategy option. The evidence in this report suggests that Australia's onshore wholesalers are resilient to higher levels of arrests and seizures. Perhaps the rapid pursuit of larger numbers of mid-level dealers along the supply chains would have more disruptive impacts than lengthy investigations focused on organisational decapitation.

Regardless, the new focus must be on supply-chain disruption. Without a change in strategy, the methamphetamine and heroin markets will continue to thrive. Perhaps Operation Sovereign Borders provides some precedent for such a supply-chain-focused approach. To control people smuggling, intervening 'upstream' before arrivals into Australian jurisdictions, through partnerships and cooperation, has been effective. However, that model needs to be applied to the lower profit areas of the regional illicit-drug-supply and money-laundering chains. Here, arguably, you don't have to affect the cost of business as much to make it uneconomic. If that assumption is correct, then intervention needs to be focused on the points of production and transshipment from Myanmar. Enhanced border control, through capacity development, police-to-police cooperation and intelligence sharing, is critical.

Perhaps the most important message here is that, in the absence of supply reduction, and even with more effective supply-chain disruption, our federal and state governments will need to invest more heavily in demand reduction and harm minimisation. Countries such as the Netherlands and Portugal have approached this challenge with policies focused on decriminalising the personal possession of illicit drugs. That policy approach allows addiction to be treated as a health problem and helps to undercut the cost of drugs. Those governments divert drug users from their criminal justice systems and the damaging social, economic and health effects that users would otherwise experience. In a practical sense, that approach frees up law enforcement resources to be concentrated on supply reduction.

# NOTES

- 1 Australian Criminal Intelligence Commission (ACIC), *Illicit drug data report*, 2021, [online](#).
- 2 ACIC, *Illicit drug data report*, 2020, [online](#).
- 3 ACIC, *National Wastewater Drug Monitoring Program reports*, [online](#).
- 4 ACIC, *Report 12 of the National Wastewater Drug Monitoring Program*, 2020, [online](#).
- 5 ACIC, *Media snapshot: Report 12 of the National Wastewater Drug Monitoring Program*, 2020, 2020, 1, [online](#).
- 6 ACIC, *Report 12 of the National Wastewater Drug Monitoring Program*, 2020, 2.
- 7 ACIC, *Media snapshot: Report 12 of the National Wastewater Drug Monitoring Program*, 2020, 3.
- 8 ACIC, *Media snapshot: Report 12 of the National Wastewater Drug Monitoring Program*, 2020, 3.
- 9 A Peacock, J Uporova, A Karlsson, D Gibbs, R Swanton, G Kelly, O Price, R Bruno, P Dietze, S Lenton, C Salom, L Degenhardt, M Farrell, *Australian drug trends 2019: key findings from the national Illicit Drug Reporting System (IDRS) interviews*, National Drug and Alcohol Research Centre, UNSW Sydney, 2019, 45, [online](#).
- 10 Peacock et al., *Australian drug trends 2019: key findings from the national Illicit Drug Reporting System (IDRS) interviews*, 45.
- 11 ACIC, *Illicit drug data report 2017–2018*, 2019, 34, [online](#).
- 12 ACIC, *Illicit drug data report 2017–2018*, 2019, 17.
- 13 ACIC, *Illicit drug data report 2018–2019*, 2020, 28, [online](#).
- 14 ACIC, *Media snapshot: Report 12 of the National Wastewater Drug Monitoring Program*, 3.
- 15 The Golden Triangle is the area near the Thai–Laos–Myanmar borders historically associated with the growth of opium poppy and the production of heroin.
- 16 UN Office on Drugs and Crime (UNODC), *Synthetic drugs in East and Southeast Asia: latest developments and challenges—2020*, 2020, [online](#).
- 17 UNODC, *Myanmar Opium Survey 2019*, 2020, 1, [online](#).
- 18 ACIC, *Media snapshot: Report 12 of the National Wastewater Drug Monitoring Program*, 2020, 3.
- 19 Peacock et al., *Australian drug trends 2020: key findings from the national Illicit Drug Reporting System (IDRS) interviews*, 36.
- 20 ACIC, *Illicit drug data report 2017–2018*, 63.
- 21 ACIC, *Illicit drug data report 2018–2019*, 69.
- 22 ACIC, *Illicit drug data report 2018–2019*, 62.
- 23 UNODC, *Myanmar Opium Survey 2019*, v, 16.
- 24 Most recent data is from FY 2018 and FY 2019, depending on the country.
- 25 This median was calculated using the most recent data from FY 2018 and FY 2019 from reporting countries: Cambodia, Laos, Malaysia, Myanmar, Thailand, Vietnam.
- 26 UNODC, *Myanmar Opium Survey 2019*, v, 16.

- 27 For wholesale values in Asia, see UNODC, *Synthetic drugs in East and Southeast Asia: latest developments and challenges*— – 2020, 2020, 59, 64, 88. Note: Wholesale values for the Southeast Asia region are calculated as the median value of the available data reported by countries in the region.
- 28 UNODC, *World drug report 2004*, volume 1, Analysis, 70, [online](#).
- 29 NSW and Victoria were the only states reporting prices in FY 2019.
- 30 UNODC, *Myanmar Opium Survey 2019*, 1.
- 31 The total amount imported is calculated as the amount consumed that year in Australia plus the amount seized at the Australian border. ACIC, *Illicit drug data report 2018–2019*, 62; ACIC, *Media snapshot: Report 12 of the National Wastewater Drug Monitoring Program, 2020*, 3.
- 32 ACIC, *Illicit drug data report 2018–2019*, 62.
- 33 John Coyne, 'Policing illicit drugs: what works', *The Strategist*, 25 July 2018, [online](#).

# ACRONYMS AND ABBREVIATIONS

ACIC Australian Criminal Intelligence Commission

ASEAN Association of Southeast Asian Nations

GDP gross domestic product

MDMA methylenedioxyamphetamine

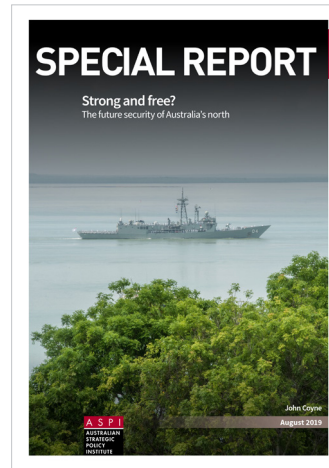
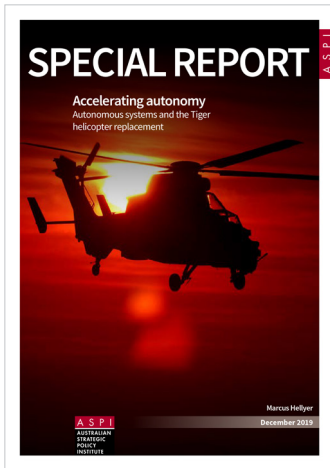
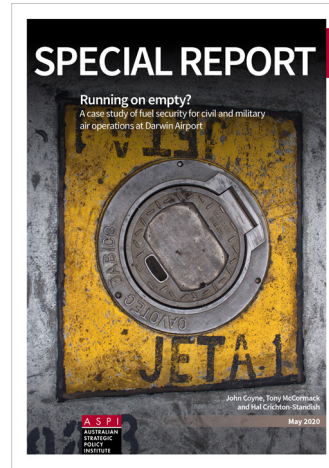
UN United Nations

UNODC UN Office on Drugs and Crime





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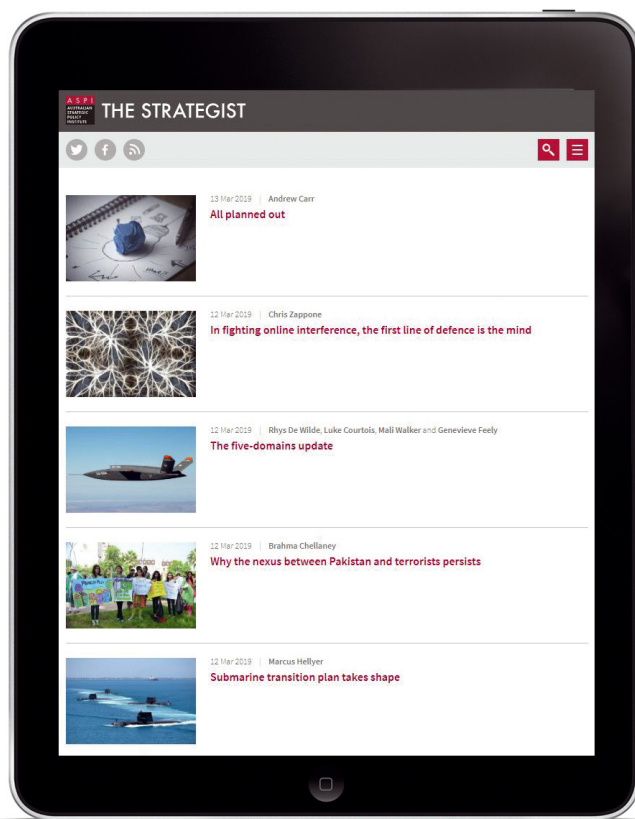


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