



16 September 2021

Senator Anthony Chisholm
Chair, References Committee
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

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Dear Senator

Re Australian Manufacturing Industry inquiry

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to contribute to the Senate Standing Committee on Economics Inquiry into the Australian Manufacturing Industry. The AFGC is the leading national organisation representing Australia's food, beverage, and grocery manufacturing industry. The membership of AFGC comprises more than 200 companies, subsidiaries and associates. Established in 1995, the AFGC promotes the role the sector plays in sustaining Australia's economic, community and environmental health, advocates on issues of concern and interest to the sector and acts as a forum to discuss and pursue those issues.

A recent report released by the AFGC, *Sustaining Australia: food and grocery manufacturing 2030 (2030 Report)* states that the Australian food and grocery manufacturing is already a strong, dynamic and critically important sector, but there are important decisions that need to be made now about what the sector can be in the future. There are challenges that must be addressed but more important are the opportunities that must not be neglected. These are the opportunities to strengthen and modernise Australian food and grocery manufacturing to create an enduring, resilient and vigorous sector that not only provides for Australians at home but offers our best to the world and secures our place in it.

For the Australian economy to grow and recover post-COVID, we need strong strategic industry policy, a skilled workforce, a strong manufacturing base and export-led growth. The food and grocery sector is a key contributor on all these measures.

While the AFGC and the sector welcomes the Modern Manufacturing Strategy, this is the start of what needs to be done to ensure a strong manufacturing future in Australia. The AFGC's 2030 Report outlines several measures that we encourage Government to strongly consider implementing. In addition, we recognise there are broader policy considerations around energy, competition and international relations that also need to be considered when looking at the future of manufacturing.

Outlined below are the key recommendations, drawn from our 2030 Report, that will help strengthen the sector and provide business confidence for the future, benefiting all Australians.



About the Australian Food and Grocery Manufacturing Sector

With an annual turnover in the 2019-20 financial year of \$132.7 billion, Australia's food and grocery manufacturing sector makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

The diverse and sustainable industry is made up of over 16, 130 businesses and accounts for over \$81.1 billion of the nation's international trade. These businesses range from some of the largest globally significant multinational companies to small and medium enterprises. Industry made \$2.99 billion in capital investment in 2019-20.

Food, beverage and grocery manufacturing together forms Australia's largest manufacturing sector, representing 32 per cent of total manufacturing turnover in Australia.

The food and grocery manufacturing sector employs more than 270,800 Australians, representing 32.2 per cent of total manufacturing employment in Australia.

Many food manufacturing plants are located outside the metropolitan regions. The industry makes a large contribution to rural and regional Australia economies, with almost 40 per cent of the total persons employed being in rural and regional Australia.

It is essential to the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

Sustaining Australia - Food and Grocery Manufacturing 2030

Sustaining Australia: food and grocery manufacturing 2030 lays out a vision for Australia's food and grocery manufacturing sector as an essential contributor to the economy, as a major employer and the policy mechanisms needed to achieve a doubling in the value of the sector to \$250 billion by 2030. The report was produced with Warren Hogan of EQ Economics, and it identifies major opportunities and vulnerabilities for the sector, as well as potential growth paths.

The report warns that without action, there is a risk of further offshoring of manufacturing and a decline in Australia's long-term ability to meet its own food and grocery needs. The sector's growth is contingent on significant investment – in new product development, sustainable packaging, advanced manufacturing, and digital technologies – to boost the sector's competitiveness, agility and resilience.

If a strategic approach is taken to the sector's future, building on the positive direction taken by the federal government through the Modern Manufacturing Strategy, then it has the potential to achieve a high growth path, which will deliver increased jobs, skills and economic output with flow-on benefits, including to Australia's agriculture sector.

With a strategic focus and the right policies and incentives, the size of Australia's food and grocery sector can double to \$250 billion by 2030, with a resulting 54 per cent increase in employment to 427,000 people.

The report, finds that:

- Australian food and grocery manufacturing has strong growth potential in domestic and export markets.
- Australia's food and grocery sector is under pressure from declining profitability due to high costs and a highly concentrated retail marketplace, resulting in a decade of stagnant capital investment and low innovation.

- Australia faces an uneven playing field through foreign governments providing significant financial incentives, and non-tariff barriers to export trade.
- Australian food and grocery manufacturing risks losing global competitiveness unless steps are taken to boost investment in new advanced manufacturing technology to improve efficiency and innovation.

Key Recommendations

As the Report notes, a prosperous future for Australia's food and grocery sector requires new investment – in smart manufacturing technology and in skills to increase productivity, resource efficiency and sustainability. The sector needs the agility to respond to changing consumer demands and boost competitiveness to mitigate the realities of operating in a high-cost economy with limited pass-through of input costs.

The key recommendations from the report as they relate to the Senate Inquiry include:

1. Strategic industry policy

1.1 The AFGC recommends that non-food grocery manufacturing be added to the food and beverage priority manufacturing sector within the Modern Manufacturing Strategy.

1.2 The AFGC recommends that the Minister for Industry, Science and Technology, in consultation with other portfolios, develops an annual set of policy and regulatory reforms that move the sector towards its growth ambition of \$250 billion by 2030; and ensures any new government policy or regulatory proposals explicitly consider the impact on the sector's ability to achieve this goal.

1.3 The AFGC recommends that the Australian Government task the government-industry taskforce established to develop the Food and Beverage roadmap, with providing on-going advice in relation to achieving the high growth ambition of \$250 billion by 2030.

2. Investment incentives

2.1 The AFGC recommends that the Australian Government allocate additional funds to a dedicated co-investment grant program within the Modern Manufacturing Initiative, specifically for food and grocery manufacturers, to adopt modern manufacturing and digital technologies that enhance competitiveness in domestic and export markets, resilience, sustainability and agility.

2.2 The AFGC recommends that the Australian Government implement a co-investment grants program that supports and fast tracks food and grocery manufacturers' research, development and testing of new sustainable packaging formats, and changes to packaging equipment to facilitate a circular economy.

2.3 The AFGC recommends that the Australian Government alter the eligibility threshold for the temporary full expensing (instant asset write-off) measure to include companies with significant manufacturing capital stock in Australia that don't meet the alternative eligibility test.

3. Skills

3.1 The AFGC recommends that the Australian Government provide funding for:

- a skills audit to understand the gap between the sector's current skills capabilities and the needs of a more automated and digitalised food and grocery manufacturing sector,
- a sector-wide, advanced food and grocery manufacturing training centre with access to virtual and augmented reality technology to help train local workers to operate advanced manufacturing equipment and digital technologies, and

- a grant process that supports food and grocery manufacturers to offer on the job training or integrated learning programs that connect the sector with education/ training providers.

4. Regulatory reform

4.1 The AFGC recommends that the primary responsibility for setting and enforcing food standards (including composition and labelling of foods) should be centralised to a national agency, with states and territories responsible for food safety enforcement.

4.2 The AFGC recommends that FSANZ assessments should be allowed to reference international assessments and international standards with appropriate stakeholder consultation on a case-by-case basis.

4.3 The AFGC recommends that greater emphasis should be given to sector self-substantiation in assessments of amendments of the Food Standards Code, and greater use of industry codes of practice within an appropriate risk assessment and management framework.

5. Digital labelling

5.1 The AFGC recommends an industry government taskforce be established to develop an agreement for meeting regulatory compliance through digital labelling.

6. Retail-supplier relationships

6.1 The AFGC recommends that the Australian Government monitor the effect of supermarket buyer power on manufacturers' profitability and investment levels; and the effectiveness of the Food and Grocery Code of Conduct.

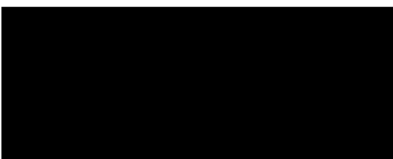
7. Export growth

7.1 The AFGC recommends that all governments and sector develop an export growth strategy that aims to deliver food and grocery export growth of 10 per cent per annum to 2030.

7.2 The AFGC recommends that the Australian Government adopt the recommendations from the AFGC's report *Non-Tariff Measures Impacting Australian Processed Food Industry Exports*.

Please find enclosed a copy of our report [Sustaining Australia: food and grocery manufacturing 2030](#). Thank you for the opportunity to contribute to the Committee's inquiry into the *Australian Manufacturing Industry* and for considering our feedback. For more information, please don't hesitate to contact [REDACTED], Director Government and Media Relations – [REDACTED]

Yours sincerely,



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