



# Submission in response to the Senate Select Committee on Cost of Living Inquiry

February 2023

[FOODBANK.ORG.AU](https://www.foodbank.org.au)



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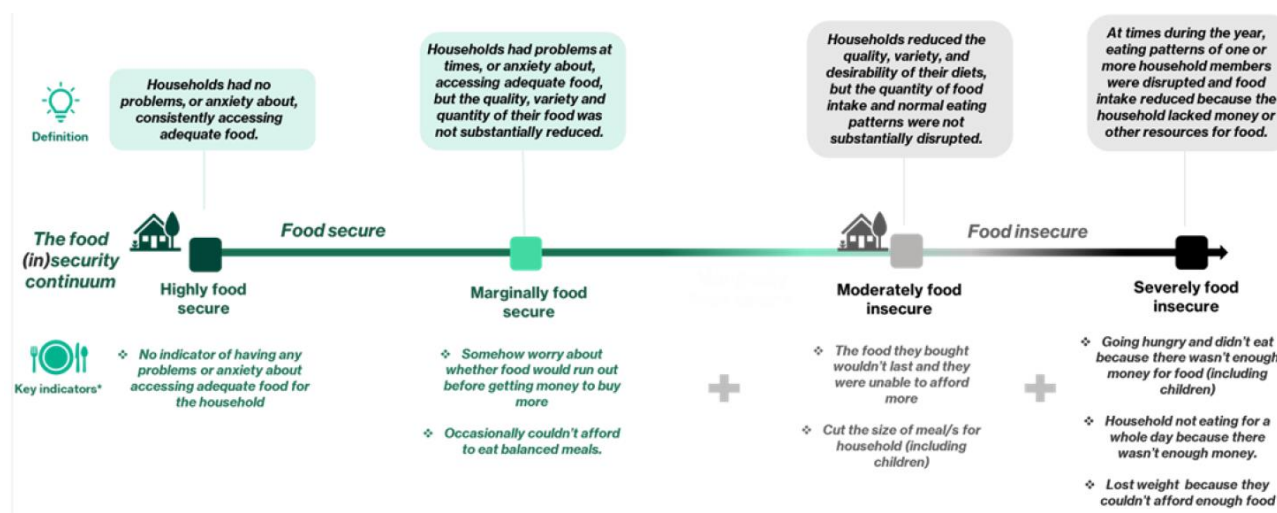
## Introduction

Foodbank Australia welcomes the opportunity to provide a submission in response to the inquiry being conducted by the Senate Select Committee on the Cost of Living.

Whilst the Terms of Reference take a wide-ranging approach to cost of living, including the Federal Government’s fiscal policy response, the tax and transfer system and government services, Foodbank’s submission considers the causes and impacts of cost of living pressures in the context of food insecurity, noting that data and insights on food insecurity and the provision of food relief are often lead indicators on poverty and inequality. In simple terms, food relief demand can be seen as the ‘canary in the coal mine’, providing early signals on the state of the economy.

For context, when referring to ‘food insecurity’, Foodbank is using the formal definition of ‘food insecurity’ as defined by the Food and Agriculture Organisation of the Nations United Nations, which states that “A person is food insecure when they lack regular access to enough safe and nutritious food for normal growth and development and an active and healthy life. This may be due to unavailability of food and/or lack of resources to obtain food”<sup>1</sup>. Food insecurity can be considered a continuum, ranging from food secure to moderately food insecure (where people are reducing the quality, variety or desirability of their diet) to severely food insecure (where people experience disrupted eating patterns and reduced food intake), as per Figure 1 below. This and the prevalence and underlying causes of household food insecurity in Australia is discussed further below.

Figure 1: The continuum of food (in)security<sup>2</sup>



<sup>1</sup> Food and Agriculture Organisation of the United Nations (2022) *Hunger and food insecurity* <https://www.fao.org/hunger/en/>

<sup>2</sup> Foodbank Australia and Big Village (2022) *Foodbank Hunger Report 2022* <https://reports.foodbank.org.au/wp-content/uploads/2022/10/Foodbank-Hunger-Report-2022-1.pdf>

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Policy makers often look at food insecurity through a macro lens focussing on issues related to the supply chain (agriculture, manufacturing, transport infrastructure, retail) and how food is produced and reaches the end user. This leads to approaches related to reducing waste and minimising the impact of shocks to the supply chain system (COVID, natural disasters, transport disruption). This tendency may be because public policy does not always appear to prioritise the protection of the vulnerable individual, increasingly relying on the charity sector to pick up the slack.

This may have been adequate when food insecurity was more about emergency food relief ie providing a safety net to people in exceptional circumstances for a limited time. As food insecurity has become increasingly pervasive, chronic and intractable, the charity sector has been forced to increase its reach and capacity by establishing complex large-scale networks of food donors, implementing purchasing programs and diversifying food relief distribution beyond the traditional charity network. The food relief sector has become larger and more engrained morphing into somewhat of an alternative food system – one that is relied upon, but not adequately resourced, to address all the depth and breadth of food insecurity.

As explained in this submission, cost of living pressures are not only driving increased demand for this alternative food system, but also impacting supply. Food relief is not immune to inflationary pressures, with the cost of sourcing, transporting and storing food and grocery items increasing dramatically in recent months, significantly increasing the 'cost of doing business' (to borrow a commercial term). Whilst we are yet to fully realise the impacts of the confluence of current challenges, including the current floods on both sides of the country, it is clear that our gearing will reduce dramatically. Pre-COVID, Foodbank was able to secure \$5–7 worth of product (retail value) for every dollar invested. At this stage, it is likely that we will only be able to secure \$3–5 worth of product (retail value) this year, at a time when we have never needed greater volumes of food relief.

With food prices steadily increasing, as evidenced by the latest Australian Bureau of Statistics (ABS) *Monthly Consumer Price Index Indicator*<sup>3</sup>, fresh fruit and vegetables are in hot demand through Foodbank hubs, Foodbank's member charity network, as well as through schools, with one South Australian school reporting "*Students are always asking for fruit at Breakfast Club. Whenever we get fruit, it goes straight away*". At a recent regional pop-up delivered by Foodbank NSW & ACT, recipients were grateful for all the food and personal care products provided, but what reduced people to tears was to receive everyday fruit and vegetables such as carrots, potatoes, apples and bananas. Fresh fruit and vegetables and proteins are becoming discretionary items for those struggling with food insecurity, perhaps signalling the need to reassess what is considered discretionary and non-discretionary spending in ABS' monthly reports, either technically or in practice.

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<sup>3</sup> Australian Bureau of Statistics (11 January 2023) *Monthly Consumer Price Index Indicator*  
<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/nov-2022>

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Rather than providing commentary on all four Terms of Reference, Foodbank's submission focuses on the primary issue of the cost of living pressures facing Australians (ToR a.), as well as initiatives that would enhance the ability of Foodbank to provide additional food relief as a measure to assist vulnerable cohorts in freeing up scarce resources to ease other cost of living pressures. These comments are provided through the lens of a food relief charity responsible for sourcing and distributing food to vulnerable Australians year-round. This submission takes a top-line perspective given most Foodbanks across Australia are currently in the midst of their busiest time of year, exacerbated by ongoing, serious flooding across large parts of the Murray Darling Basin as well as the Kimberley region of Western Australia. We would be pleased to provide supplementary evidence at a later date should it be of use to the Committee.

### About Foodbank

As a national food relief organisation with a physical footprint in every state and territory, Foodbank is currently providing food relief to more than 1 million people per month. In the last 12 months alone, Foodbank sourced the equivalent of 87 million meals (238,000 meals a day), distributing essential food and groceries via a network of more than 2,950 charities; through school breakfast programs across 2,890 schools, and directly through Foodbank hubs and pop-ups.

Foodbank works with the entire Australian food and grocery sector including farmers, wholesalers, manufacturers and retailers (see Figure 2 overleaf) who donate and redirect surplus product to Foodbank warehouses for distribution nationally. Foodbank accepts donations of ambient, chilled, fresh food, private label products and personal and household care items. Products may be out of specification, close to expiry, deleted product, surplus to requirements or have damaged or incorrect packaging. The Foodbank 'surprise chain' is supplemented by collaborating with farmers, manufacturers, packaging and transport/logistics providers to purchase and manufacture in-demand food items that are not readily available via rescue channels to ensure these products are available for food relief year-round.

In addition to everyday food relief activities, Foodbank plays a key role in times of natural disasters and other community emergencies, including the COVID-19 pandemic. Every State and Territory Foodbank is involved in disaster relief, whether it be providing essential supplies to support the work of emergency services and first responders, providing in-demand products to evacuation centres and displaced community members, and/or providing ongoing assistance to affected communities during the months and years it takes to recover. This includes Foodbank's vitally important role as a key enabler to the 196 Commonwealth-funded Emergency Relief (ER) providers across Australia.

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Figure 2: Foodbank Australia’s National Food and Grocery Partners



As the only Australian food relief organisation to be an accredited member of the Global Foodbanking Network (GFN), Foodbank Australia goes through a rigorous re-certification process every two years whereby our foodbanking operations, legislative compliance, programs and reporting processes are assessed. As a GFN member, we benefit from shared learning and peer support, including opportunities to learn from other foodbanks across the globe how they are responding to and being impacted by the cost of living crisis, and how they prepare for and respond to disasters, whether that be Feeding America’s response to Hurricane Katrina or more recently, the Federation of Polish Food Banks’ response to the war in Ukraine. This knowledge sharing was invaluable in the early days of the COVID-19 pandemic, with foodbanks in countries impacted very early in the pandemic alerting us to what we could expect to see in the days and weeks ahead, whether that be panic-buying, hard lockdowns or impacts on volunteering and supply chains. This network also provides global perspectives on poverty and inequality and the various policy settings and interventions being applied by governments in member countries.

The CEOs of GFN member countries are now meeting monthly (most recently in mid-December 2022) to discuss the cost-of-living crisis and how food banks and beneficiaries are being impacted. Whilst the scale and depth of impact varied across member countries, what

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was common was the concept of 'polycrisis'<sup>4</sup>, whereby the most vulnerable in our communities are facing a series of compounding crises that may be manageable one at a time, with sufficient time to bounce back, but are nigh impossible to cope with when happening all at once ie *"the whole is even more dangerous than the sum of the parts"*<sup>5</sup>.

### **The Foodbank Hunger Report 2022**

Each year, Foodbank releases the *Foodbank Hunger Report*, looking at the incidence of food insecurity in Australia; where it's happening, why it's happening and who it's happening to. The *Foodbank Hunger Report 2022*<sup>6</sup>, released 11 October 2022, helped uncover and explain the extent and severity of experience with food insecurity among Australian households in the past year. It also brought the impacts of the deepening cost of living crisis on a perhaps surprisingly diverse mix of demographic groups into sharp focus.

In recent years, Foodbank has observed a significant shift in the most commonly cited cause of food security from *unexpected* expenses or 'bill shock' (as was the case in the *Foodbank Hunger Reports in 2019, 2020 and 2021* for example) to *expected* expenses ie everyday cost of living pressures.

This latest report found that in the past 12 months, more than 2 million households (21%) across Australia experienced severe food insecurity, which means they ran out of food because of financial limitations and at worst went entire days without eating.

*"I only eat once a day because the cost of groceries has increased and the pension doesn't cover the real cost of living, so I try and cut down on everything, so I can survive on the government pension". (73yo woman, NSW)*

*"We had no money for shopping so we bought ready meals on an afterpay plan" (54yo woman, Vic)*

Households with children were even more likely to experience severe food insecurity, with 32% reporting that they were severely food insecure – 1.5 times greater than the national average.

*"Families are struggling with food price rises so school breakfast club is the one thing their kids can count on for food" (SA school breakfast club coordinator)*

*"We have a couple of families that are particularly under financial hardship and often did not attend school because of a lack of food in the home. Running Breakfast Club daily offers the school a further way of supporting our families in need" (SA school breakfast club coordinator)*

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<sup>4</sup> Tooze, Adam (2022) Defining polycrisis – from crisis pictures to the crisis matrix <https://adamtooze.substack.com/p/chartbook-130-defining-polycrisis>

<sup>5</sup> *ibid*

<sup>6</sup> Big Village and Foodbank Australia (2022) *Foodbank Hunger Report 2022* <https://reports.foodbank.org.au/foodbank-hunger-report-2022/?state=au>

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Food insecurity has been on the rise over the last 12 months, with 23% of Australian households perceiving that they now struggle financially to access food more often compared with last year. Again, those with dependent children were more likely to have felt the pressure than those without.

The main reasons reported for experiencing severe food insecurity in 2022 were increased/high living expenses (64%) (with the cost of food and groceries confirmed as the top cause followed closely by energy and housing costs – discussed further below) and reduced/low income or government benefits (42%), in addition to other factors such as a change of household living arrangement (24%) or natural disasters (19%).

The stories of food relief recipients exemplify the personal toll that cost of living pressures are taking on a diverse range of people:

*"In the last few days I was at a point of no money left and had to wait for my disability pension to come through so I had to door knock on the local baker's shops and take away shops for a handout just to put something in my mouth (58yo male, Vic)*

*"Same amount of income (husband works) and I am the Mum on carers payment for special needs child. Same bills, same groceries, same amount of clothing/shoes, same amount of fuel for vehicle etc – the only thing that has changed is all the prices of all the normal things have gone up. BUT income/payment remains the same. So that means now we have to cut down on groceries. Adults go without meal so kids can eat. Still need same amount of fuel for getting to work etc. Still need clothes as kids don't stop growing. Bills need to be paid still. So, cutting down on groceries was our only option. We don't do anything. We don't go out for restaurant meals or takeaway, no holidays, don't buy coffees from cafes. We go out the house for work, grocery shopping, taking kids to school and picking them up, driving to medical appointments and to the local park so our kids can do something over the weekend that is free and close to home. It's really sad that it's come to this. We have no life and are slaves with no freedom... and over it!" (38yo woman, Qld)*

*"This last term, our numbers have significantly jumped. We used to get 12-15 students, but just last week we had 40 students" (SA school breakfast club coordinator)*

At their core, the reasons are relatable, and put simply, income is not keeping up with expenses:

*"Food, rent and electricity have all gone up but wages haven't, so things cost more but I have the same amount of money to try and make last" (29yo woman, NSW)*

*"I live payday to payday and every fortnight at the end of the fortnight the money and food runs out" (45yo man, Vic)*

*"Work hours cut so less money. Plus food, insurance, rent and fuel increase so only eat once a day sometimes" (63yo woman, SA)*

*Rent increased 20%, two drivers licences due, car registration due, car insurance due. Even though we put aside money weekly, we ran into a brick wall with all these events occurring at the one time" (73yo man, SA)*

Food insecurity is impacting a diverse range of households. However, some are more susceptible to experiencing food insecurity than others, such as households with dependent



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children (52%), those with young adults 18–24 years old (60%), those unemployed/looking for work (52%) or households currently renting (45%).

What may come as a surprise to the Committee is that more than half of food insecure households (54%) had someone in paid work and nearly a third of households with mortgages (30%) have experienced food insecurity in the past year. This diversity is likely to increase due to the range of external factors impacting households which may never have experienced food insecurity before. These factors include the increasing cost of living, the frequency and severity of natural disasters and the ongoing challenge of COVID–19. These are important findings for the committee to consider in the context of the relationship between economic conditions and poverty.

The *Foodbank Hunger Report 2022* found that on any given day, more than half a million householders are struggling to put food on the table. However, on a typical day, 306,000 households are receiving food relief, leaving a significant gap. The report delved into why this is so. More than 90% of respondents were aware of the different types of formal food relief available, but despite this, only a third reported accessing help from these services in the last 12 months, and about the same number said they reached out to family and friends for support. Overall, only approximately half of those people who need help are actually reaching out for assistance. The single biggest reason is shame and embarrassment, followed by a belief that others deserve the help more. Foodbanks across Australia remain focused on food relief accessibility, dignity and inclusivity as means to reducing this gap.

### **The Cost-of-Living Pressures Facing Australians**

As outlined in the *Foodbank Hunger Report 2022*, 64% of households cited increased/high cost of living as a reason why they couldn't meet their household food needs. Some of the key underlying factors contributing to cost-of-living pressures included:

- » Record all time high inflation
- » Elevated food inflation
- » Subdued below average wages growth
- » Elevated household debt level extremely sensitive to interest rate rises
- » Household savings rates declining rapidly

Food insecurity impacts a variety of households across different demographic and socioeconomic characteristics. Whilst certain groups, such as households with children, are significantly more prone to food insecurity, the problem is also penetrating increasing proportions of households from the typically less vulnerable demographic groups. This diversity is likely to increase due to the range of external factors now at play at the same time,

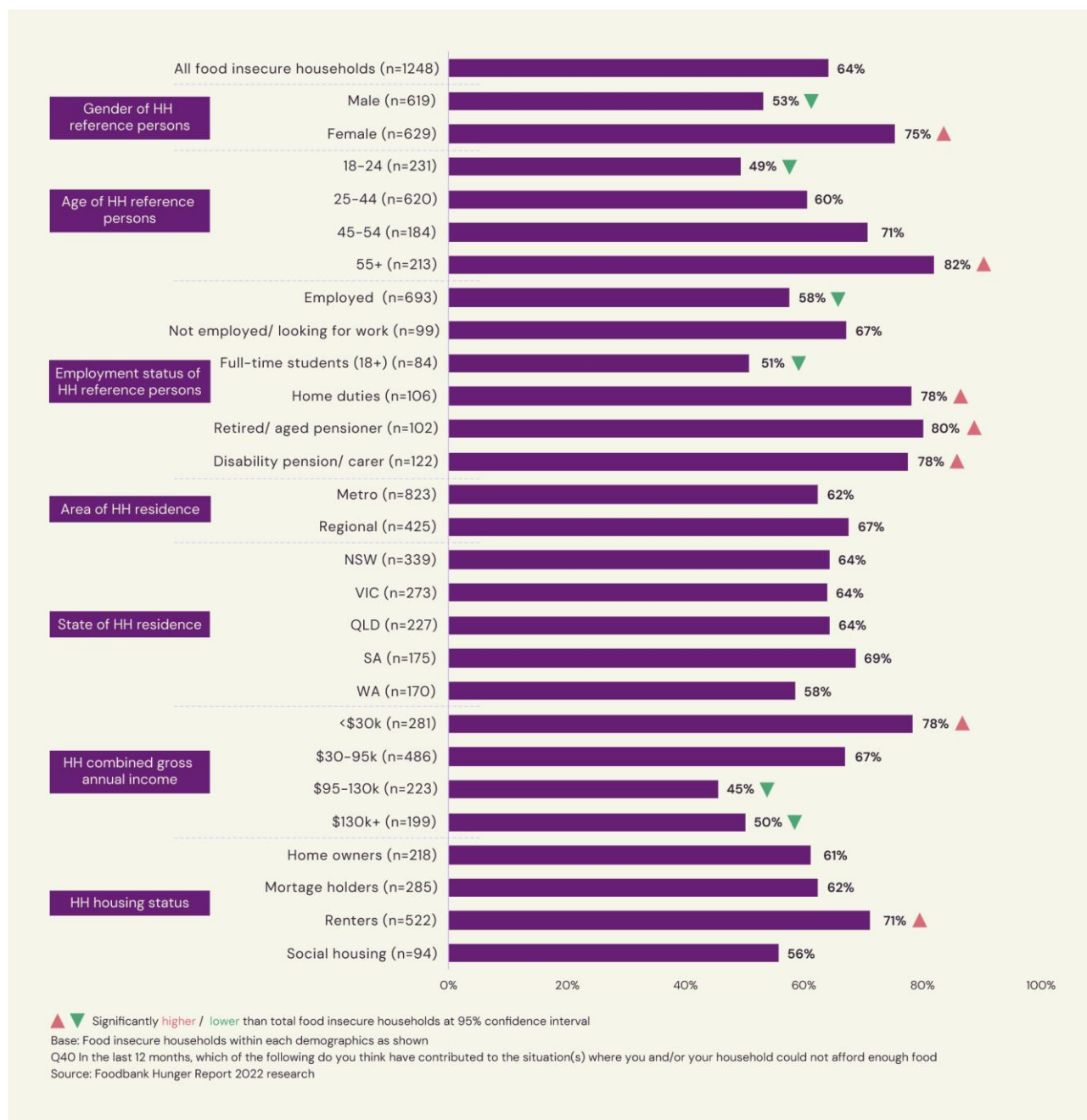
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including the rising cost of living, economic recovery from COVID 19 and the frequency and severity of natural disasters.

Figure 3, below, demonstrates that different demographic groups are impacted by increased/high cost of living differently. We may all be affected, but we are not all affected equally.

**Figure 3: Increased/High Cost of Living as the reason for food insecurity Households (HH) by demographics**



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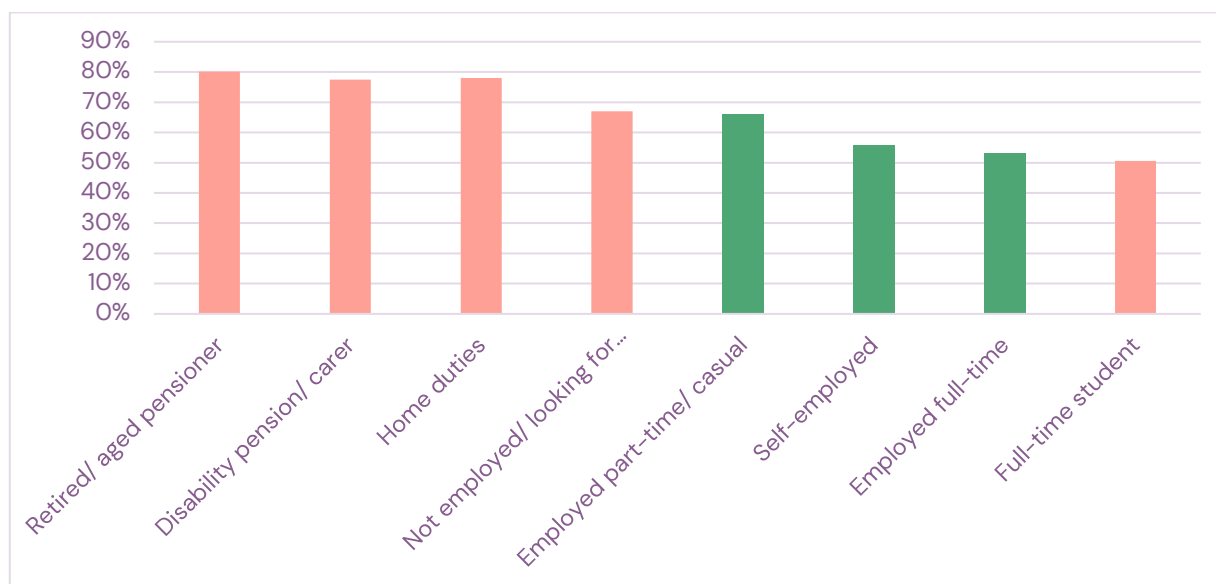
Breaking down the *Foodbank Hunger Report 2022* raw data by different demographics reveals that certain groups are being harder hit by the cost-of-living crisis than the general population. For example, 82% of people aged 55 years or older and 75% of women (each from food insecure households) cited this as the main reason for their food insecurity.

Following are further percentage breakdowns of different food insecure groups who cited 'increased/high living expenses' as a reason for their food insecurity:

### Employment Status

As mentioned above, 54% of food insecure households had someone in paid work. Figure 4 below looks into the employment status of key demographic groups citing high cost of living as a reason for food insecurity.

**Figure 4: Employment status of food insecure person listing high cost of living as a reason for food insecurity**



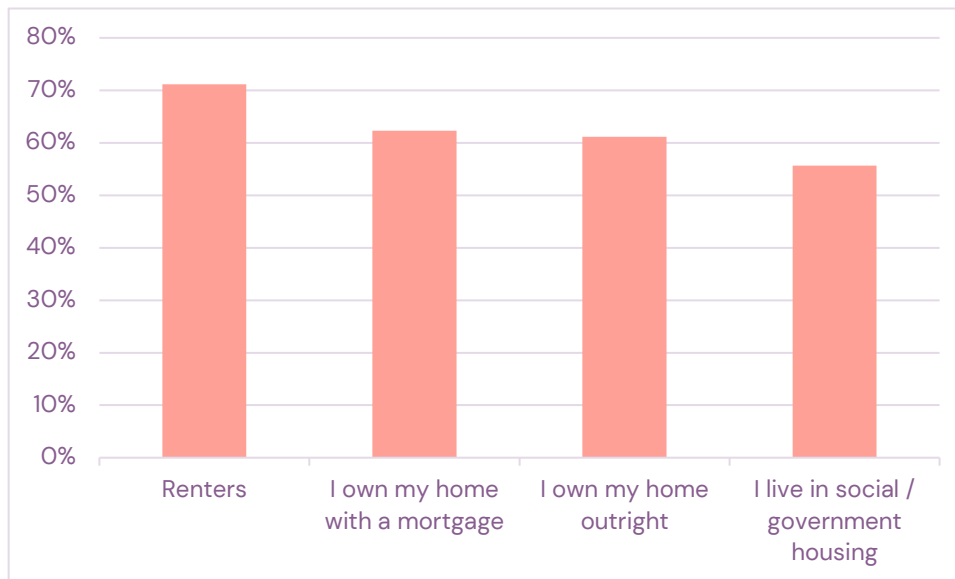
### Housing Status

Looking further at those who cited high cost of living as a reason for food insecurity, Overall, 45% of food insecure households are renters and of these 71% state increased/high living expenses as a reason for their food insecurity in the last 12 months. Figure 5 indicates that whilst renters are feeling the impacts more acutely, homeowners are not immune.

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**Figure 5: Housing status of food insecure households listing high cost of living as a reason for food insecurity**



### Income Levels

Figure 6 below challenges some of the assumptions about who experiences food insecurity in Australia, and who is being impacted by cost-of-living pressures. It is very clear that those living on the lowest incomes are the hardest hit.

**Figure 6: Income levels of food insecure households listing high cost of living as a reason for food insecurity**



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### Segments

The day-to-day reality of food insecurity can differ greatly between households with various factors – in addition to the level of severity – playing a role in shaping the experience. The *Foodbank Hunger Report 2022* looked at the distribution of food insecure households by level of severity on the continuum of crisis to chronic. It showed that there are substantial differences in segment sizes by level of food security. It is not surprising that the more severe the household food insecurity is, the more likely the individuals or families experience longer-term and more persistent cycles of battle and recovery.

This analysis considered food insecure segments as follows:

- **Transitory:** Households going through food insecurity occasionally, but typically are able to recover from these situations within a relative short span of time.
- **Deepening:** Households also going through food insecurity occasionally, but each time they are hit by food insecurity, they struggle for a longer time than average before being able to recover.
- **Episodic:** Households typically able to recover from food insecure situations within a relatively short period but get into such situations more frequently than average and are potentially more susceptible to the harm of food insecurity.
- **Persistent:** Households more frequently experiencing food insecure situations for a longer period of time.

Looking at these segments through the lens of cost-of-living pressures specifically, an interesting pattern emerges. As demonstrated in Figure 7, there is a higher percentage of food insecure households citing increased/high cost of living as a reason for food insecurity in the Transitory (short and infrequent) and Deepening (long and infrequent) segments. This is an important consideration from the perspective of recovery and duration in particular.

The following commentary and observations (denoted through *italics*) are taken from 'The Economic Context' chapter of the *Foodbank Hunger Report 2022*, with figures quoted accurate as at October 2022. These figures have not been updated for the purposes of this submission as it is recognised that these figures will be updated several times before the submissions period closes.

*The average mortgage in Australia is approximately \$600,000 so every 25 basis points rate increase costs the household an additional \$125 per month in mortgage repayments.*

*In addition, food inflation is at 7-10%, so the average household is looking at an extra \$100 per month on top of their annual grocery bill of \$13,000.*

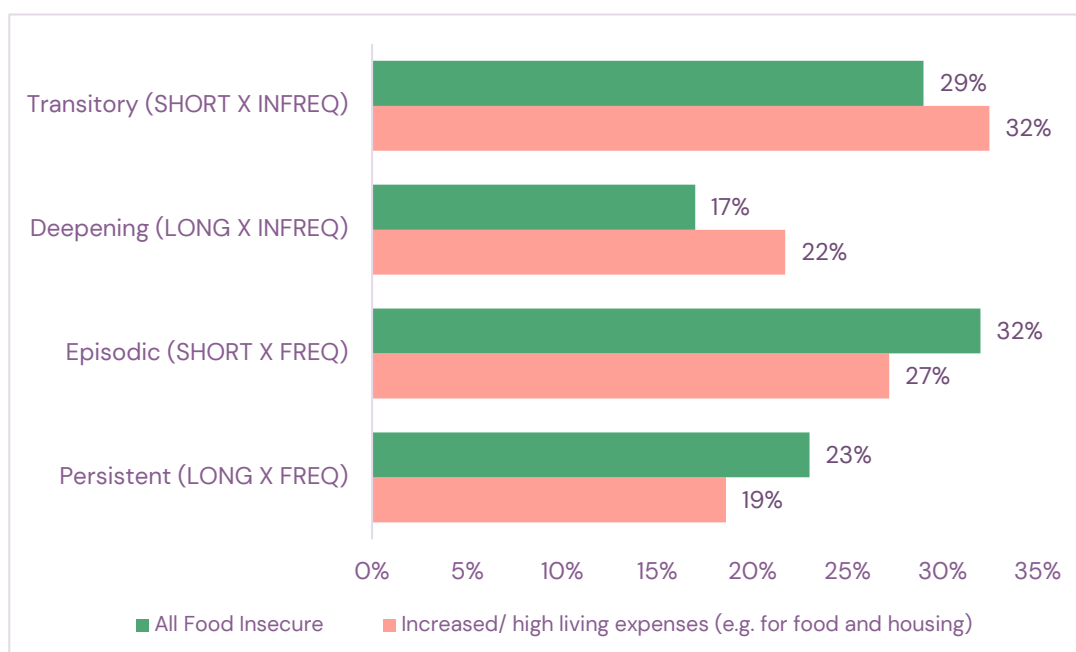
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This adds up to total incremental costs of \$2,700 per annum for an average household. In essence a household will have to earn an extra \$4,285 per year to cover the average cost of just these two primary expenses. There are, of course, many other costs that are also increasing – energy, fuel, public transport, telecommunications, medical, personal care and clothing.

With wages growth stalling at just 2–3% of current levels, households are having to reduce spending to cope with the increasing cost of living. When bills need to be paid, food often becomes the discretionary item in the household budget.

**Figure 7: Food insecurity segments of food insecure households listing high cost of living as a reason for food insecurity**



### Poverty

According to a report published in October 2022 by the Australian Council of Social Service and the University of New South Wales<sup>7</sup>, the poverty line (based on 50% of median household after-tax income) is \$489 a week for a single adult and \$1,027 a week for a couple with two children, based on the latest data from the Australian Bureau of Statistics.

More than one in eight people in Australia (13.4%) lived below the poverty line in 2019–20, the first year of the pandemic. That amounts to 3,319,000 people. One in six children (16.6%) lived in poverty. That amounts to 761,000 children.

<sup>7</sup> Australian Council of Social Service and University of New South Wales (2022) *Poverty in Australia 2022 A Snapshot* [https://povertyandinequality.acoss.org.au/wp-content/uploads/2022/10/Poverty-in-Australia-2020\\_A-snapshot.pdf](https://povertyandinequality.acoss.org.au/wp-content/uploads/2022/10/Poverty-in-Australia-2020_A-snapshot.pdf)

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The poverty rate soared to 14.6% in the March quarter of 2020 due to Covid-19 restrictions, but it fell to 12% (a 17 year low) in the June quarter of 2020 due to boosted income support payments.

The boosted payments brought 646,000 people (or 2.6% of all people) out of poverty. The child poverty rate rose from 16.2% in the September quarter of 2019 to 19% in the March quarter of 2020. It then fell to 13.7% (a two-decade low) in June 2020.

Average weekly incomes of people in poverty (from different-sized families) are \$304 below the poverty line. This is known as the poverty gap. The poverty gap increased steadily from \$168 a week in 1999 to \$323 in March 2020 and then fell to \$310 in June 2020 due to the extra Covid-19 income support.

In its *How Much Income Does the Average Household in Australia Have?* report<sup>8</sup>, Savvy reported 32,000 households recorded no income in the last financial year, an increase from 22,000.

### **Inflation**

The inflation rate in Australia is expected to be 6.5% by the end of 2022, according to Trading Economics global macro models and analysts' expectations. In the long-term, the Australia Inflation Rate is projected to trend around 3.5% in 2023 and 2.5% in 2024. With consumer price inflation rising to one of the highest levels in the past 20 years, consumer savings and purchasing power have been steadily eroded.

### **Food Inflation**

Food inflation in Australia is expected to be 6.5% by the end of 2022 and will decline to around 4% by the end of 2023. This level of food inflation is still elevated and combined with a CPI of over 6%, means that the struggle with basis living costs will increase further for many Australians living on minimum wages.

### **Wage Growth**

Wage growth in Australia is expected to be 3% by the end of 2022, according to Trading Economics global macro models and analysts' expectations. In the long-term, the Australia Annual Change in Hourly Rates of Pay is projected to trend around 2% in 2023 and 2.3% in 2024, according to econometric models. Subdued wages growth against a backdrop of some of the highest inflation rates on record, mean that consumers will be enduring real cost of living increases with no wages growth to alleviate them.

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<sup>8</sup> Savvy (2022) *How Much Income Does the Average Household in Australia Have?* <https://www.savvy.com.au/media-releases/average-australian-household-income-report/>

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### **Household Debt**

*Household debt to GDP in Australia is expected to be 122.7% of GDP by the end of this quarter. In the long-term, the Australia Households Debt to GDP is projected to trend around 127.3% of GDP in 2023. Australian households have the highest debt levels in recorded history. This means that any changes to interest rates will severely impact consumer disposable income as households struggle to make mortgage repayments or deal with rising rent, as property owners act to cover the rising mortgage costs of investor loans which are set at much higher interest rates than owner-occupied properties.*

### **Personal Savings**

*Personal savings in Australia are expected to be 8.3% by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. In the long-term, the Australia Household Saving Ratio is projected to trend at around 8% in 2023 and 6% in 2024. The decline in savings ratios reflects the mismatch between wages growth and the escalating cost of living. The abnormal increase in savings rate through the period 2020–2021, is reflective of the Government's income support payments during the pandemic. With the removal of these payments, household savings rates have steadily decreased as the central bank policies have taken effect.*

### **Food Relief Demand**

Foodbank Australia uses the volume of food relief (measured in kilograms, distributed to the 2,625 charities registered with Foodbanks across the country; 2,980 schools; and direct to client through Foodbank hubs) as a proxy for food relief demand. When referring to food relief, this includes

- » fresh (eg fruit and vegetables, eggs etc)
- » ambient food (shelf-stable, pantry items such as canned goods, pasta, rice, UHT milks, bottled water etc)
- » non-food items (personal care items eg sanitary products, deodorant etc and household care items eg cleaning supplies, laundry detergent etc)
- » chilled (eg fresh milk; yoghurt; meat; plant-based proteins) and
- » frozen (eg bulk meat; prepared meals; frozen vegetables etc).

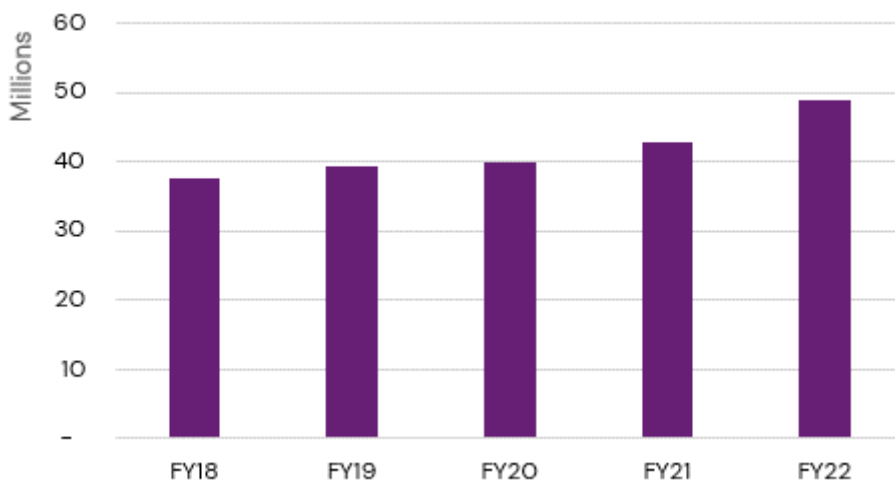
There has been a 30% increase in the volume of food relief distributed by Foodbank in the last five years, and whilst we are only 6 months into the current financial year, it is likely that FY23 will continue the upward trajectory, with many Foodbanks recently observing their highest levels of demand on record. Looking at the last decade (FY13–FY22), there has been a 92% increase in the volume of food received by Foodbank, providing a longer term perspective.



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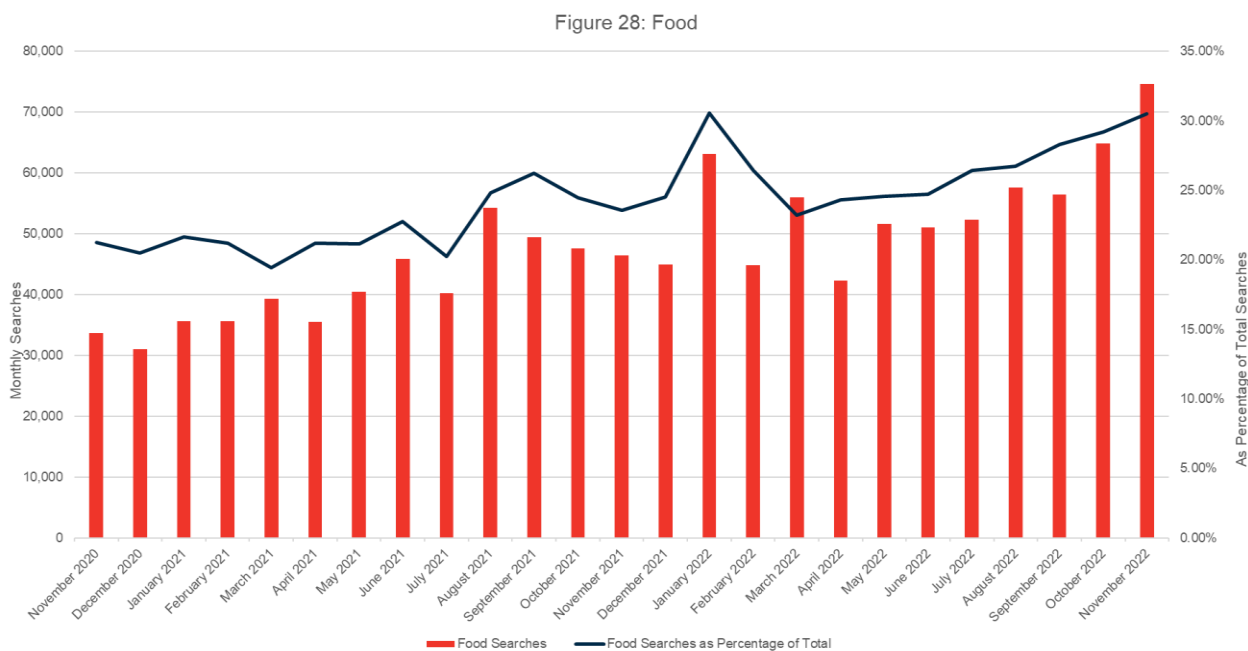


Figure 8: Volume of Food Relief (kg) Distributed by Foodbank FY18–FY22



This increase in demand is also mirrored in the latest Askizy search data, made available from Infoxchange. There have been more than 3.1m Askizy searches in the last year, with food topping the category searches, coming in at 33% of all searches (followed by housing at 20%, money help at 19%, mental health at 8% and Centrelink at 6%). The latest Askizy search results (for November 2022) show a record high 74,604 food searches undertaken in November 2022, a 15% increase on the previous record of 64,882 searches (October 2022), and consistently higher than the peak searches during the height of the pandemic.

Figure 9: Askizy ‘Food’ Searches Nov 2020 – Nov 2022



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### The relationship between income support payments and poverty

The *Poverty in Australia 2022: A snapshot*<sup>9</sup> report found that one in eight people in Australia, including one in six children, are living in poverty. This report also found that the temporary income supports introduced during the early stages of the global pandemic, notably the Coronavirus Supplement and Economic Support Payment, pulled 646,000 people, including 245,000 children, above the poverty line. The impact of almost doubling the lowest income support payments was immediate and significant, reducing child poverty by more than 5% and demonstrating how swiftly Australia can reduce poverty by raising income support payments.

As a member of the Australian Council of Social Service (ACOSS) and supporter of the *Raise the Rate for Good*<sup>10</sup> campaign, Foodbank commends ACOSS' evidence in response to this Term of Reference, alongside the growing body of evidence being collated and published by Anti Poverty Week<sup>11</sup> on the inadequacy of income support payments and the urgent need for a permanent increase to JobSeeker and related payments.

#### **Recommendation 1:**

***That the Australian Government deliver a permanent increase to income support payments in the 2023–24 Federal Budget.***

### Measures to ease cost of living pressures

It is clear from the Terms of Reference that the Committee is interested in ways to ease cost of living pressures through the tax and transfer system, and through the provision of Government services. Before looking at these solutions, it is important to consider the consequences of inaction, including the impact of cost-of-living pressures, and ultimately – poverty – on individuals and households.

Foodbank Australia has previously researched and mapped (see Figure 10 overleaf) the positive impact of food relief on the lives of food insecure people<sup>12</sup>. This work indicated that the provision of food leads to outcomes in relation to improved physical health, increased confidence, reduced isolation, improved quality of life and, for children, better performance at school with all the long-term benefits that flow from that. The corollary that can be confidently

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<sup>9</sup> ACOSS and University of New South Wales (2022) *Poverty in Australia 2022 A Snapshot*  
<https://povertyandinequality.acoss.org.au/a-snapshot-of-poverty-in-australia-2022/>

<sup>10</sup> <https://raisetherate.org.au/>

<sup>11</sup> <https://antipovertyweek.org.au/>

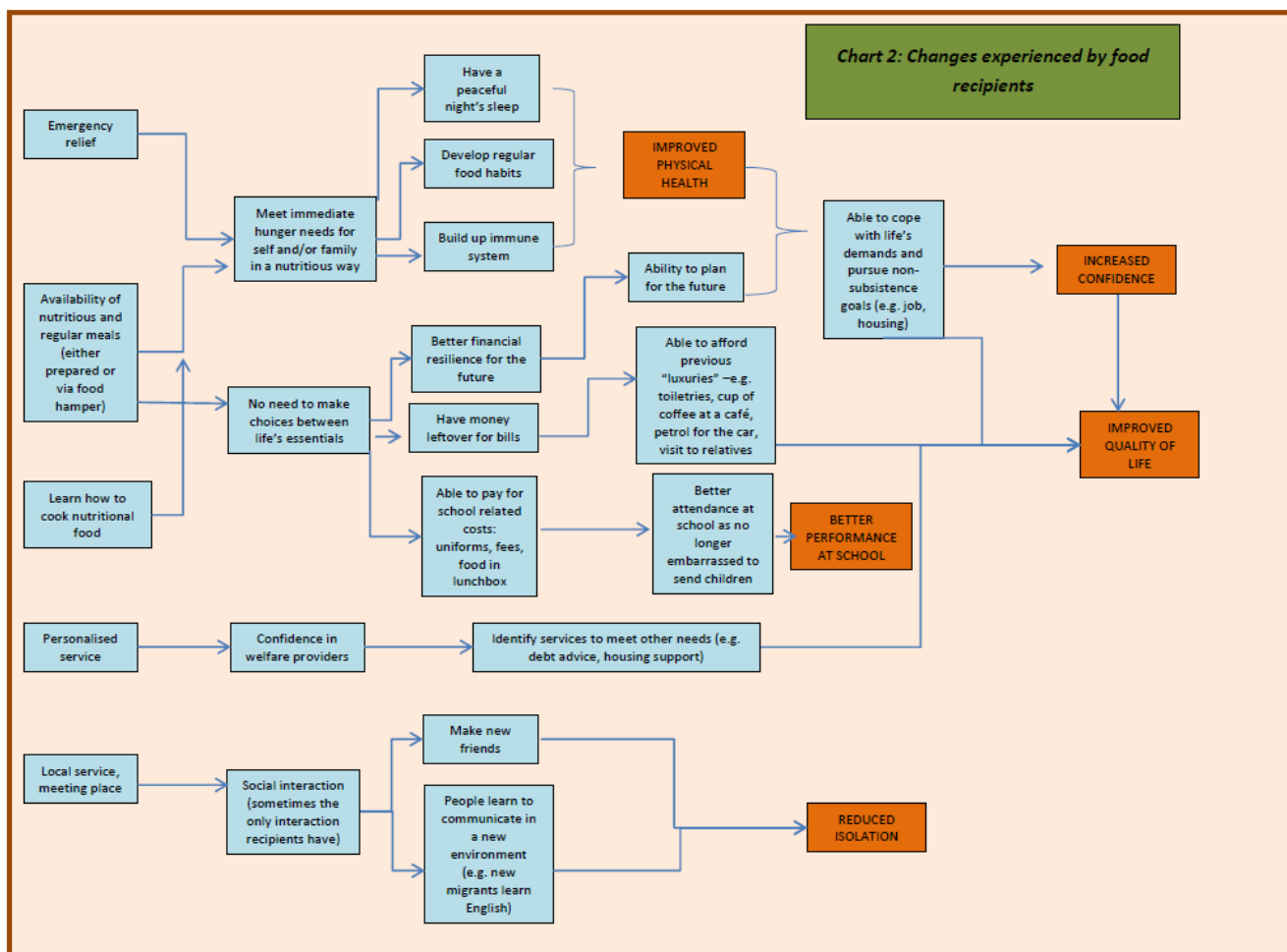
<sup>12</sup> Net Balance (2014) *Social Impact of Foodbank Australia's services. A Social Return on Investment (SROI) Forecast*

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concluded from this is that food insecurity leads to compromised physical health, reduced confidence, increased isolation, diminished quality of life and worse performance at school.

Figure 10: Changes Experienced by Food Recipients



Food insecurity is not just about whether there is food on the plate, but also what is on that plate. The very nature of food insecurity means the people experiencing it have less than optimal eating patterns<sup>13</sup>, often lacking the money<sup>14</sup>, nutritional knowledge and other resources to access healthy food<sup>15</sup> including fresh fruit and vegetables<sup>16</sup>. Food insecure adults have an

<sup>13</sup> Davison, K. M., Gondara, L., & Kaplan, B. J. (2017). Food Insecurity, Poor Diet Quality, and Suboptimal Intakes of Folate and Iron Are Independently Associated with Perceived Mental Health in Canadian Adults. *Nutrients*, 9(3). doi: 10.3390/nu9030274

<sup>14</sup> Ramsey, R., Giskes, K., Turrell, G., & Gallegos, D. (2012). Food insecurity among adults residing in disadvantaged urban areas: potential health and dietary consequences. *Public Health Nutrition*, 15(2), 227-237. doi: 10.1017/s13688980011001996

<sup>15</sup> Burns C. (2004). A Review of the Literature Describing the Link Between Poverty, Food Insecurity and Obesity with Specific Reference to Australia. Melbourne (AUST): Deakin University Centre for Physical Activity and Nutrition Research.

<sup>16</sup> Morales, M. E., & Berkowitz, S. A. (2016). The Relationship between Food Insecurity, Dietary Patterns, and Obesity. *Current nutrition reports*, 5(1), 54-60. doi: 10.1007/s13668-016-0153-y

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increased risk of developing chronic illnesses<sup>17</sup> including type 2 diabetes<sup>18</sup>, kidney disease<sup>19</sup>, cardiovascular diseases<sup>20</sup> and mental health issues<sup>21</sup>, while food insecurity in children is associated with poor general health<sup>22</sup>, developmental and academic outcomes<sup>23</sup>.

In addition an immediate, permanent lift in the rate of income support payments, Foodbank commends the following initiatives as measures to ease cost of living pressures, and in the longer term, reduce poverty in Australia.

### National Food Security Strategy

Foodbank has long been calling for the development and implementation of a National Food Security Strategy (see for example <https://www.foodbank.org.au/national-food-security-strategy/?state=au>). In 2019, prompted by the rapidly worsening rate of food insecurity in Australia at the time, and a recognition that there is currently no cohesive federal policy platform underpinning the goal of individual food security in Australia, Foodbank called for a commitment to long term, bi-partisan, whole-of-government strategy to underpin the efforts of the public, private and non-profit sectors in addressing Australia's food security crisis. The lofty goal of this strategy was to meet the food relief needs of every food insecure person in Australia. The case for the strategy was outlined in a formal submission<sup>24</sup> to the Federal Government, and in October 2019, Foodbank partnered with KPMG<sup>25</sup> to outline how a National Food Security Strategy could deliver a coordinated approach to addressing food insecurity in Australia, through a five-stage delivery model, moving from Ambition, Strategy and Operating Model, to Implementation Strategy and Roadmap to Monitoring and Assurance Framework.

Foodbank understands the National Food Supply Chain Alliance, representing the Independent Food Distributors Australia, National Farmers' Federation, Seafood Industry Australia, Australian

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<sup>17</sup> Christian A. Gregory, Alisha Coleman-Jensen. (2017). Food Insecurity, Chronic Disease, and Health Among Working-Age Adults, ERR-235, U.S. Department of Agriculture, Economic Research Service. <https://www.ers.usda.gov/webdocs/publications/84467/err-235.pdf?v=0>

<sup>18</sup> Laraia, B. A. (2013). Food insecurity and chronic disease. *Advances in nutrition* (Bethesda, Md.), 4(2), 203-212. doi: 10.3945/an.112.003277

<sup>19</sup> Crews, D. C., Kuczmarski, M. F., Grubbs, V., Hedgeman, E., Shahinian, V. B., Evans, M. K., . . . Prevention Chronic Kidney Disease Surveillance, T. (2014). Effect of food insecurity on chronic kidney disease in lower-income Americans. *American journal of nephrology*, 39(1), 27-35. doi: 10.1159/000357595

<sup>20</sup> Seligman, H. K., Laraia, B. A., & Kushel, M. B. (2009). Food Insecurity Is Associated with Chronic Disease among Low-Income NHANES Participants. *The Journal of Nutrition*, 140(2), 304-310. doi: 10.3945/jn.109.112573

<sup>21</sup> Davison, K. M., Gondara, L., & Kaplan, B. J. (2017). Food Insecurity, Poor Diet Quality, and Suboptimal Intakes of Folate and Iron Are Independently Associated with Perceived Mental Health in Canadian Adults. *Nutrients*, 9(3). doi: 10.3390/nu9030274

<sup>22</sup> Kirkpatrick, S. I., McIntyre, L., & Potestio, M. L. (2010). Child Hunger and Long-term Adverse Consequences for HealthChild Hunger and Long-Term Adverse Health Consequences. *Archives of Pediatrics & Adolescent Medicine*, 164(8), 754-762. doi: 10.1001/archpediatrics.2010.117

<sup>23</sup> Jyoti, D. F., Frongillo, E. A., & Jones, S. J. (2005). Food Insecurity Affects School Children's Academic Performance, Weight Gain, and Social Skills. *The Journal of Nutrition*, 135(12), 2831-2839. doi: 10.1093/jn/135.12.2831

<sup>24</sup> Foodbank Australia (April 2019) *The Case for a National Food Security Strategy* <https://www.foodbank.org.au/wp-content/uploads/2019/04/Case-for-National-Food-Security-Strategy-2019.pdf?state=au>

<sup>25</sup> KPMG Australia (October 2019) *National Food Security Strategy*

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Meat Industry Council, Australian Association of Convenience Stores, AusVeg, Restaurant & Catering, MGA Independent Retailers and Timber Merchants Australia, and Refrigerated Warehouse & Transport Association of Australia, has made similar calls<sup>26</sup> for the establishment of Australia's first ever National Food Security Plan. The current House of Representatives Standing Committee on Agriculture's inquiry into food security in Australia<sup>27</sup> will hopefully delve into this in more detail.

Foodbank is hopeful that both the above-mentioned inquiry, as well as this Senate Standing Committee inquiry, will serve as the catalyst for a food security strategy or plan to be taken from concept to reality. There is no time to waste in bringing together all relevant stakeholders to ensure Australia can better plan for and respond to disruptions to our increasingly fragile food and grocery supply chains, ensuring that a reliable food and grocery supply can be achieved for all, including Australia's most vulnerable communities.

### **Recommendation 2:**

***That the Australian Government immediately develop a long-term, whole-of-government strategy to underpin the efforts of the public, private and non-profit sectors in addressing food security in Australia.***

### **Food Relief Funding**

Current Federal funding arrangements for Australia's food relief sector are inadequate and no longer fit for purpose – if they ever were, particularly in light of recent and ongoing supply chain disruption (see below).

The food relief sector received additional funding in response to COVID-19 to ensure an immediate uplift in food relief volumes, reach and impact to meet the needs of local communities. Almost \$20m of the \$200m Community Support Package administered by the Department of Social Services was shared between Foodbank, OzHarvest and SecondBite to support Commonwealth-funded Emergency Relief organisations through increased food and grocery supplies and alternate distribution mechanisms. Similarly, the sector received emergency funding from the Federal Government in 2020 to assist in the response to the devastating Black Summer Bushfires.

Unfortunately, funding for everyday food relief – outside of times of natural disaster and the global pandemic – has not been as adequate or responsive. With more than a million people

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<sup>26</sup> <https://nff.org.au/media-release/food-industry-warns-government-of-long-term-food-supply-chain-disruptions/>

<sup>27</sup> Parliament of Australia (2022) *Inquiry into food security in Australia*

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Agriculture/FoodsecurityinAustralia](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Agriculture/FoodsecurityinAustralia)

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per month now receiving food relief, it is important that the sector be adequately resourced, with multi-year funding agreements in place to ensure the maximum efficiency of taxpayer funds by supporting programs and activities capable of delivering food relief year-round.

A return to 'business as usual' funding via Department of Social Services grants – a combined total of \$1.5 million per annum across Foodbank, OzHarvest and SecondBite – is nowhere near enough to meet the current demand, let alone the rapidly increasing demand currently being experienced as the full impacts of the cost-of-living crisis, income crisis and climate crisis are taking hold.

As Australia finds a new normal in an environment of ongoing natural disasters, escalating cost of living pressures and the lengthy and complex pandemic response and recovery, it is clear that 'business as usual' has changed. The need for food relief remains persistently high and Federal Government support for the sector should reflect the current and emerging depth of food insecurity across Australia.

### ***Recommendation 3:***

***That the Federal Government commit to an annual commitment of \$45 million to ensure food relief is available to those experiencing food insecurity year-round.***

### ***Supply Chain Disruption***

Supply chain disruption impacts food relief from both a supply and demand perspective. The fragility of Australia's road, rail and shipping networks has been in sharp focus in the last two years, and it has been pleasing to note a recognition within the Australian Government, specifically within the Department of Home Affairs, of the importance of including Foodbank Australia alongside commercial food and grocery suppliers, manufacturers, retailers and transporters when Supply Chain and Food and Grocery National Coordination Mechanisms are stood up. This is in recognition of Foodbank's scale, capacity and reach in terms of sourcing and distributing food relief at scale, as well as the importance of connecting Foodbank to government agencies and commercial providers who can provide immediate, additional assistance with the sourcing and transportation of in-demand products.

Throughout the pandemic, the National Coordination Mechanism and Supermarket Taskforce Food Supply Working Group became of critical importance to Foodbank Australia, positively influencing the ability of Foodbanks across the country to source and distribute essential food relief, particularly during times of extreme supply chain disruption. In addition to providing a forum for us to receive real-time information and updates to assist in planning for and responding to food and grocery supply chain related issues (from pallet shortages to AdBlue

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shortages to shipping delays to shortages of essential products), the forum also provided an avenue for troubleshooting, resulting in unrivalled collaboration across the entire supply chain.

What has been particularly positive about our involvement in the above-mentioned forums is the recognition at all levels of government that food supply for vulnerable cohorts is of equal – if not more – importance than the food supply for the general population. The inclusion of ‘goods for vulnerable cohorts’ in the ACCC authorisation granted in February 2022 in response to the impacts of the South Australian floods on road and rail corridors is to be commended and is evidence of the importance of including vulnerable cohorts in reducing systemic disaster risk.

What has not been as well considered is the impact of natural disasters on Foodbank’s supply. The current floods have impacted some of the country’s most fertile and productive growing regions, impacting the quality and supply of fresh produce, milk and grains to name a few. This has meant that some Foodbanks have had to apply product limits to their charity members, reducing supply to individual charities to ensure all charity members have access to at least a little.

In the case of fresh produce, the current flood event has resulted in the retailers quite understandably relaxing their specification standards, meaning there is less ‘imperfect’ and/or surplus product for food rescue. This has meant a significant reduction in the volume of fresh fruit and vegetables being donated to Foodbank, and with vulnerable cohorts increasingly unable to afford to buy fruit and vegetables at the supermarket, demand is extremely high. As such, Foodbank is now purchasing large volumes of fruit and vegetables – at significant cost (>\$100k per week), which is unsustainable, particularly when considering that Foodbank Australia receives base funding of \$750,000 per year from the Department of Social Services – the only Federal funding that Foodbank Australia is in receipt of.

### ***Climate and Disaster Risks***

Foodbank’s exposure to climate and disaster risks must be considered from both a supply and demand perspective given our ability to source sufficient volumes of in-demand products, especially fresh produce, is seriously affected by climate, and demand for food relief increases markedly during times of crisis, noting that food relief clients are disproportionately vulnerable<sup>28</sup>.

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<sup>28</sup> National Recovery and Resilience Agency (2022) *Developing the Second National Action Plan Discussion Paper*  
<https://www.aidr.org.au/media/9331/ndrrf-second-national-action-plan-discussion-paper-v1-final.pdf>

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### **Supply Impacts**

As mentioned above, Foodbank works with the entire Australian food and grocery industry from farmers and wholesalers to manufacturers and retailers to source food and groceries. Approximately 74% of the 48.1 million kilograms of food and groceries sourced by Foodbank last year was sourced through 'food rescue' as well as proactive product donations of full-life products. The remainder was sourced through proactive manufacturing and purchasing. Many companies choose to make regular donations by increasing their production run or drawing straight from inventory in order to ensure that their product is consistently available to charities. They may also make special one-off donations at the time of natural disasters.

Foodbank has a proud track record of excellence in efficiency, effectiveness and impact. Through our relationship with the Australian Food and Grocery Council, Foodbank works closely with the majority of Australia's food and grocery companies and retailers to source in-demand food and grocery items. These strong partnerships not only help address food insecurity, but they also allow Foodbank to support local manufacturing, which has a multitude of benefits to local communities, particularly those in regional areas. It should be noted that State/Territory Foodbanks also have established relationships with an additional 1,800+ local food and grocery donors.

In addition to fresh produce, it is essential for food relief charities to have access to a dependable and cost effective supply of high-demand key staple items e.g. milk, rice, pasta, cereal, tinned fruits and vegetables. However, sufficient volumes of these key staple foods do not come from traditional rescue channels. This is because their supply chains are extremely efficient with little waste, owing to long shelf lives, lack of new product launches or promotions and predictability of demand. In a program that is unique to Foodbank Australia, our *Collaborative Supply Program* sees us working with food companies and their suppliers – including farmers – to collaboratively manufacture the items needed at little or no cost to Foodbank. Pre-pandemic, this program would see us secure \$5–7 worth of product (retail value) for every dollar invested. This program improves the reliability of supply of in-demand foods and helps convert our 'surprise chain' to a 'supply chain'.

Unfortunately, the recent – and in some areas, ongoing – flooding across much of NSW, Victoria and South Australia has greatly impacted some of the country's most productive and important food bowls, affecting not only this year's growing seasons and harvests, but likely next season as well. The impacts of the more recent, record-breaking floods in the Kimberley region on primary production, particularly across sizeable cattle stations, are still being assessed, but it is anticipated that there will be impacts on supply, as well as dramatically increased costs. This flooding follows years of drought in eastern states, followed by the devastating bushfires of 2019/20. These latest natural disasters, combined with on-farm labour shortages, ongoing supply chain disruption, renewed COVID-related absenteeism in the manufacturing sector and ongoing global supply challenges from shipping delays to the war in



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Ukraine (affecting fertiliser, raw ingredient, and packaging supply), is impacting Foodbank's supply, as well as our gearing. Some Foodbanks are reporting a 30% increase in freight costs, which is further exacerbating the cost of providing food relief at scale. As mentioned earlier in this submission, whilst we are yet to fully realise the impacts of this confluence of current challenges, it is likely that we will only be able to secure \$3–5 worth of product (retail value) for every dollar invested this year, rather than \$5–7 pre-COVID.

It appears likely that natural disasters will occur more frequently and with greater impact across Australia in the years ahead. As such, Foodbank needs to be prepared for ongoing supply disruption, and investigate and activate all available options to shore up supply in an increasingly volatile environment. Foodbank argues that governments must play a key role in assisting Foodbank to prepare for and respond to future disruption.

At present, there is no standing arrangement or program to allow the food relief sector to promptly 'draw down' on a dedicated emergency food relief fund to facilitate rapid response locally or at scale. The Australian Government already has such a mechanism for disasters overseas. The Australian Humanitarian Partnership is a \$10 million a year pre-approved funding envelope that can be rapidly deployed to a pre-selected agencies with Ministerial approval. Australia also donates \$11 million a year to the United Nations Central Emergency Response Fund, which has the same function.

This initiative would allow food relief providers to quickly amplify on times of heightened need without adverse impacts on everyday food relief activities. By providing funding to maintain a rapidly scalable emergency food relief capability with a keen focus on preparedness as well, the food relief sector will be able to draw on product reserves and then activate promptly, providing essential relief in real time and at scale through existing trusted networks.

It is important that this program or fund consider not only the emergency response and recovery phase, but also the important preparedness phase, noting the recent Productivity Commission finding that 97% of all disaster funding is spent on recovery and clean-up, with only 3% spent on mitigation, preparedness and resilience<sup>29</sup>.

### **Recommendation 4:**

***That the Federal Government establish a rapidly disbursable stand-by fund of at least \$10m per annum for emergency food relief following a crisis or natural disaster, as well as for mitigation, preparedness and resilience.***

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<sup>29</sup> Productivity Commission (2014) *Natural Disaster Funding Arrangements Volume 1*  
<https://www.pc.gov.au/inquiries/completed/disaster-funding/report/disaster-funding-volume1.pdf>

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### **Demand Impacts**

Foodbanks across Australia experience heightened demand for food relief during times of crisis. This includes natural disasters such as bushfires, floods and cyclones, as well as localised or far-reaching economic shocks such as localised lockdowns, periods of high unemployment and underemployment, and increased cost of living pressures. As highlighted by the Australian Council of Social Service (ACOSS)<sup>30</sup>, *“people affected by poverty and disadvantage are often the first and hardest hit by the impacts of a changing climate and have the least capacity to cope, adapt and recover”*. For example, insurance costs are prohibitive for vulnerable cohorts, meaning they are often under-insured, if insured at all, leaving them completely vulnerable and without a plan for the future when bushfires, floods or cyclones significantly damage their homes or leave them uninhabitable.

Those in social housing or temporary accommodation also often experience higher utilities costs due to the challenges of heating and cooling homes without insulation. Recent sharp increases in electricity prices (approaching 20% in some states) are compounding this, both from a client and provider perspective. Not only will electricity costs further stretch families and individuals already experiencing hardship, but the essential frontline service providers assisting them will face considerable increases to their own electricity costs. Experience tells us that some frontline services who currently utilise chillers and freezers to store fresh produce and other essential food relief will no longer be able to afford the running costs, and will cease providing food relief, meaning Foodbanks across the country will need to look at alternate distribution methods to ensure food relief reaches those who need it.

Whilst disaster relief and providing food relief to Emergency Relief providers were previously a small part of some Foodbanks' activities, they now represent a significant program area, and with expectations of increased frequency and severity of natural disasters, a key challenge will be ensuring there is sufficient supply to meet demand, without adversely affecting day to day food relief activities.

### **Incentivising Food & Grocery Donation**

Still looking at mechanisms to address and reduce poverty, Foodbank has identified two key barriers to donation of surplus and/or out of spec products to food relief organisations for distribution to vulnerable Australians who may not otherwise be able to consume these products, largely due to affordability issues.

Contractual obligations often require farmers and manufacturers to over-produce products to ensure they have sufficient volume to meet the required specification standards, quantity and

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<sup>30</sup> <https://www.acoss.org.au/climate-and-energy/climate-change-resilience/> (accessed 1/6/2022)

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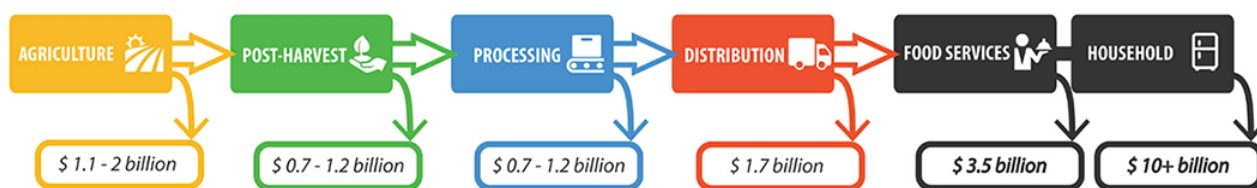


shelf-life/date code requirements. This can result in surplus and/or out-of-spec products that do not make it to market, leaving the producer with a series of decisions to make about whether to destroy, plough in, dump or donate these products.

In the *National Food Waste Strategy Feasibility Study*<sup>31</sup>, FIAL noted that Australia produces and exports significant quantities of food per capita, meaning there will be more food loss and waste in primary production and processing compared to other countries. We produce enough food to feed the Australian population three times over, yet 7.6 million tonnes of food is wasted per year. The Fight Food Waste Cooperative Research Centre<sup>32</sup> has determined that 25% of all the food produced in Australia goes to waste, costing the Australian economy \$36.6 billion per annum and contributing 3% of Australia’s greenhouse gas emissions<sup>33</sup>.

**Figure 11: Value Chain Food Waste/Losses in Australia<sup>34</sup>**

### VALUE-CHAIN FOOD WASTE/LOSSES IN AUSTRALIA: \$36.6 BILLION PER ANNUM



As a signatory to the 2030 Agenda for Sustainable Development, Australia has committed to halve food waste by 2030 (Sustainable Development Target 12.3: “By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses”<sup>35</sup>). Food rescue is a proven solution to reduce food loss and waste and boost food relief. It is a solution to both food insecurity and unnecessary CO<sub>2</sub> emissions, yet only 0.2% of Australia’s surplus food is donated, with the bulk going to landfill.

The financial benefits to Government and the economy of avoiding or redirecting food waste are significant. In fact, every dollar invested in food waste prevention delivers \$7 back to the economy<sup>36</sup>, and every dollar a company invests in food loss and waste reduction delivers a \$14 return<sup>37</sup>.

<sup>31</sup> FIAL (2021) *National Food Waste Strategy Feasibility Study*

<https://workdrive.zohopublic.com.au/external/O6152b9ff5971843391f39fc4d32a847e56fb907c167a4a645887b0a4bc43000>

<sup>32</sup> <https://fightfoodwastecrc.com.au/>

<sup>33</sup> FIAL (2021) *National Food Waste Strategy Feasibility Study*

<https://workdrive.zohopublic.com.au/external/O6152b9ff5971843391f39fc4d32a847e56fb907c167a4a645887b0a4bc43000>

<sup>34</sup> Fight Food Waste Cooperative Research Centre (2022), <https://fightfoodwastecrc.com.au/>

<sup>35</sup> United Nations, <https://sdgs.un.org/goals/goal12>

<sup>36</sup> FIAL (2021) *National Food Waste Strategy Feasibility Study*

<https://workdrive.zohopublic.com.au/external/O6152b9ff5971843391f39fc4d32a847e56fb907c167a4a645887b0a4bc43000>

<sup>37</sup> Champions 12.3 (2017) *The Business Case for Reducing Food Loss and Waste*

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There are huge opportunities to rescue greater volumes of food across the supply chain, and closer to the source across all regions of Australia. A 10-fold increase in rescued food would meet 10% of Australia's target to halve food waste. This requires investment in sector capacity and incentives for participating businesses. A national food waste tax incentive would act as a meaningful catalyst in incentivising the donation and transportation of food that may otherwise end up in landfill, helping achieve Australia's food waste targets and provide more food for food relief.

Despite the clear environmental, social and economic benefits of donating food to food relief, Australia's current tax framework does not motivate food producers to donate excess stock. In fact, in tax terms, donating is no different to dumping, even though donating the product generally costs the donor more, given the product will need to be picked, packed and transported. Between labour shortages and transport/logistics affordability and availability challenges, the financial costs of donating surplus product to food relief can be in excess of alternate disposal costs.

Foodbank is recommending that Australia's tax settings be recalibrated to incentivise donations to food relief. Experience in other countries, including the USA, France, Canada and the Netherlands, shows that tax incentives are the most effective way to increase the redirection of food donations to food relief.

The National Food Donation Tax Incentive proposal<sup>38</sup> (summarised in Appendix 1), developed by KPMG Australia with the support of the Fight Food Waste Cooperative Research Centre and Australia's food relief sector recommends a two-tiered tax incentive based on the ability to offset a percentage of costs related to food donations from taxable income. Its aim is to encourage food producers to donate surplus product to food relief rather than sending it to landfill.

KPMG has now completed a follow-up project<sup>39</sup> where it consulted widely with the food industry to determine the feasibility and potential effectiveness of the proposed tax incentive. Interviews were conducted with 33 companies representing both national and local businesses along the whole food supply chain. The overwhelming message is that there is whole-of-sector support for the scheme. In fact, companies are highly passionate about the potential of the incentive to really shift the dial on redirecting surplus to food relief.

Foodbank has consulted widely with industry and a range of stakeholders on the proposed National Food Waste Tax Incentive, and more than 30 food and grocery businesses, peak bodies and not for profit organisations such as the National Farmers' Federation, the Country

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<sup>38</sup> KPMG (2020) *A National Food Waste Tax Incentive* <https://home.kpmg/au/en/home/insights/2020/09/food-relief-australia-tax-system.html?state=au>

<sup>39</sup> KPMG (2022) *Australian National Food Donation Tax Incentive Implementation Analysis* <https://home.kpmg/au/en/home/insights/2022/11/food-donation-tax-incentive-australia-reduce-food-waste.html?state=au>

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Women's Association, the Australian Food and Grocery Council, OzHarvest, SecondBite, Australian Trucking Association, Sydney Markets and the Australian Logistics Council to name but a few.

We have been very encouraged by the support for the proposal from a growing number of State Governments, most recently the South Australian and NSW Governments. The NSW Legislative Assembly's Committee on Environment and Planning included in its *Food production and supply in NSW report*<sup>40</sup> released last month the following recommendation: "that the NSW Government advocates for reform at the federal level to enable farmers and logistics companies to claim the cost of transporting donated surplus food as tax credits".

The business case has been made. Stakeholder support has been secured. All that is left is political leadership.

### **Recommendation 5:**

***That the Federal Government urgently introduce a National Food Donation Tax Incentive to immediately reduce food loss and waste and improve food security in Australia.***

As mentioned above, in the instance of fresh produce and/or other agricultural products not making it to market, the costs associated with harvesting, picking and packing the product and then transporting it to a food relief organisation act as a barrier to donation. This long-standing problem has been exacerbated by recent and ongoing labour shortages and the escalating cost of transport, in particular, chilled transport, owing to the fragility of the national supply chain network. This is further exacerbated by Australia appearing to have comparatively low levels of cold storage capacity per capita, significantly impacting shelf life and quality of products post farm-gate<sup>41</sup>.

In response to this barrier to donation, Foodbank has initiated a 'Surplus with Purpose' program to make reductions in food loss on farm. The intention of the program is to enable growers to apply to the *Surplus with Purpose* fund to offset the costs involved in making available surplus edible food that may not have otherwise been donated to Foodbank.

Foodbank has piloted this initiative with bananas, working with growers to rescue fruit that would otherwise be left on plantation and paying for packaging and transport costs. Foodbank

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<sup>40</sup> NSW Legislative Assembly Committee on Environment and Planning (November 2022) *Food production and supply in NSW* <https://www.parliament.nsw.gov.au/ladocs/inquiries/2841/Report%20-%20of%20food%20production%20and%20supply%20in%20NSW.pdf>

<sup>41</sup> FIAL (2021) *National Food Waste Strategy Feasibility Study* <https://workdrive.zohopublic.com.au/external/06152b9ff5971843391f39fc4d32a847e56fb907c167a4a645887b0a4bc43000>

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is now ready to scale this program to many other produce types. Foodbank is working with its existing corporate support network to grow the fund. A Federal Government contribution to the fund would deliver a strong signal to corporate Australia that this is akin to a public private partnership, capable of delivering positive environmental, economic and social outcomes.

Foodbank suggests that this program would be of particular relevance to the Department of Agriculture, Fisheries and Forestry, Department of Infrastructure, Transport, Regional Development, Communications and the Arts and Department of Climate Change, Energy, the Environment and Water given the potential for this program to assist in driving employment opportunities both on-farm and throughout the supply chain, stimulating regional economies, and reducing food loss and food waste whilst increasing the volume of fresh nutritious food that Foodbank can offer to vulnerable communities.

### **Recommendation 6:**

*That the Federal Government partner with Foodbank Australia on the funding and development of its 'Surplus with Purpose' program to minimise food loss on farm and facilitate the enhanced donation of edible, surplus food that would otherwise go to waste.*

### **Measuring and monitoring food insecurity in Australia**

Foodbank Australia has published the *Foodbank Hunger Report* annually since 2012. As mentioned above, this important report provides a snapshot of food insecurity in Australia. While this is valuable in helping fill the knowledge gap, shedding light on the issue of food insecurity and observing general trends over time, food security policy and strategies must be underpinned by the regular independent collection of comprehensive, consistent and rigorous data at the national population level.

Foodbank Australia is seeking the Australian Government's support for the adoption of the global gold standard in measurement in the form of the United States Department of Agriculture (USDA) 18-item Household Food Security Survey Module (HFSSM) to provide the most valid, internationally comparable data on food insecurity for both adults and children. This will provide the essential foundations of knowledge and understanding of food insecurity in Australia from which prevention strategies can be developed and assessed for effectiveness.

## Submission in response to the Senate Select Committee Cost of Living Inquiry



### *Recommendation 7:*

*That the Federal Government commit to the adoption of the global gold standard in measurement in the form of the United States Department of Agriculture (USDA) 18-item Household Food Security Survey Module (HFSSM) to provide the most valid, internationally comparable data on food insecurity for both adults and children.*

## Submission in response to the Senate Select Committee Cost of Living Inquiry



### Summary of Recommendations

1. *That the Australian Government deliver a permanent increase to income support payments in the 2023-24 Federal Budget.*
2. *That the Australian Government immediately develop a long-term, whole-of-government strategy to underpin the efforts of the public, private and non-profit sectors in addressing food security in Australia.*
3. *That the Federal Government commit to an annual commitment of \$45 million to ensure food relief is available to those experiencing food insecurity year-round*
4. *That the Federal Government establish a rapidly disbursable stand-by fund of at least \$10m per annum for emergency food relief following a crisis or natural disaster, as well as for mitigation, preparedness and resilience.*
5. *That the Federal Government urgently introduce a National Food Donation Tax Incentive to immediately reduce food loss and waste and improve food security in Australia*
6. *That the Federal Government partner with Foodbank Australia on the funding and development of its 'Surplus with Purpose' program to minimise food loss on farm and facilitate the enhanced donation of edible, surplus food that would otherwise go to waste.*
7. *That the Federal Government commit to the adoption of the global gold standard in measurement in the form of the United States Department of Agriculture (USDA) 18-item Household Food Security Survey Module (HFSSM) to provide the most valid, internationally comparable data on food insecurity for both adults and children*

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# Submission in response to Inquiry into the extent and nature of poverty in Australia



## Appendix

# Proposed Food Waste Tax Incentive: Overview

**The proposed Food Waste Tax Incentive (NFWTI) will likely take the form of a refundable (cash) or non-refundable (credit) tax offset made for the donation of food and related services (e.g. freight, logistics, transport) to food relief organisations.**

As an overall policy, the NFWTI is designed to provide a top up incentive through the tax system, but not completely reimburse those who donate food or services – there is still an element of benevolence involved in the scheme.

**The amount a taxpayer is eligible to receive will be dependent on the annual aggregated turnover of a business.**

Businesses with **up to \$20M** annual **aggregated** turnover (paying corporate tax at a 25% rate)...

Are eligible to receive a refundable tax offset equal to **45%** of the lesser of:

- (1) the production costs of goods donated and related services, **or**
- (2) The total market value (at the time of donation) of the goods donated and related services.

When accounting for the tax deduction **foregone** (at 25%), this means a business receives a **net tax incentive of 20%**.

Businesses with **over \$20M** annual **aggregated** turnover (paying corporate tax at a 30% rate)...

Are eligible to receive a non-refundable tax credit equal to **40%** of the lesser of:

- (1) the production costs of goods donated and related services, **or**
- (2) The total market value (at the time of donation) of the goods donated and related services.

When accounting for the tax deduction **foregone** (at 30%), this means a business receives a **net tax incentive of 10%**. This 10% incentive is carried forward if the company is in a tax loss position.

*The incentive is **cap**ped at the **lesser of the production cost of the goods** at the time of donation **or the market value** of the goods at the time of donation to avoid exploitation of the scheme, and to account for significant fluctuations in production costs and value, particularly due to unanticipated circumstances such as extreme weather.*





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