



AUSTRALIAN  
**FOOD &  
GROCERY**  
COUNCIL



AFGC SUBMISSION  
**Strategic Examination of R&D  
discussion paper**

11 April 2025

## PREFACE

The Australian Food and Grocery Council (**AFGC**) is the leading national organisation representing Australia's food, beverage and grocery manufacturing sector.

With an annual turnover in the 2022-23 financial year of \$162 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. Each business in the sector has contributed towards an industry-wide \$4.2 billion capital investment in 2022-23.

Food, beverage and grocery manufacturing together forms Australia's largest manufacturing sector, representing over 32 per cent of total manufacturing turnover in Australia. The industry makes a large contribution to rural and regional Australia economies, with almost 40 per cent of its 281,000 employees 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.

The industry has a clear view, outlined in *Sustaining Australia: Food and Grocery Manufacturing 2030*, of its role in the expansion of domestic manufacturing, jobs growth, higher exports and enhancing the sovereign capability of the entire sector.

*This submission has been prepared by the AFGC and reflects the collective views of the membership.*

## INTRODUCTION

The AFGC welcomes the opportunity to contribute to the *Strategic Examination of Research and Development: discussion paper*.

The Australian food, beverage, and grocery manufacturing sector is a cornerstone of our national economy and food security. Research and Development (R&D) within this sector takes diverse forms, from developing novel food processing technologies and enhancing product shelf-life to creating innovative packaging solutions and improving nutritional profiles. This innovation delivers significant benefits, including enhanced product quality, improved food safety, reduced waste and other environmental impacts, and increased competitiveness for Australian companies. However, the current R&D system presents significant challenges that hinder innovation and thereby limited the sector's global competitiveness.

This submission, informed by AFGC member consultation, highlights these specific challenges, and proposes policy interventions to unlock the sector's considerable R&D potential. Our central recommendations focus on fostering stronger and more effective industry-research collaboration and cultivating a skilled and adaptable R&D workforce.

## KEY ISSUES AND RECOMMENDATIONS

### ENGAGEMENT BETWEEN RESEARCH ORGANISATIONS, UNIVERSITIES, AND INDUSTRY

The Australian food and beverage sector seeks to engage with research organisations and universities to access cutting-edge research, specialised expertise, and advanced facilities that can drive product innovation, process optimisation, and sustainability improvements. This collaboration is essential for tackling complex challenges including developing new products, improving food safety protocols, and reducing environmental impact (for example through sustainable packaging solutions).

There is a critical need for individuals and mechanisms that can effectively translate fundamental research into commercially viable products and processes. This requires bridging the gap between scientific expertise and industry needs, which is a key inhibitor to R&D growth. Without dedicated mechanisms and skilled intermediaries, groundbreaking scientific discoveries remain trapped in laboratories, failing to translate into tangible, market-ready solutions. This "translation gap" is a major impediment to progress.

Several AFGC members reported greater success collaborating with research institutions and universities internationally, citing greater linkages between fundamental research and its practical applications. This provides a clearer focus on leveraging research breakthroughs to yield commercial value and practical results. AFGC member feedback identified great potential for Australian adoption of successful

international models of collaboration, as well as smaller-scale domestic examples such as the Queensland Alliance for Agriculture and Food Innovation,<sup>1</sup> to bridge the research-industry gap.

Australia should establish robust frameworks that actively bridge this divide, drawing inspiration from successful international models, for example the UK's Catapult Centres.<sup>2</sup> In collaboration with universities like Nottingham, these centres provide vital infrastructure and expertise to facilitate technology transfer and commercialisation, accelerating the path from lab to market. Similarly, the Netherlands' Topsector Agri & Food<sup>3</sup> initiative champions public-private partnerships, driving innovation through collaborative research focused on real-world solutions for sustainable food production. These examples underscore the benefits of creating dedicated pathways and expertise to rapidly convert research into commercial success – a strategic imperative for Australia's food and beverage sector.

Feedback from our members on engaging with Australian research institutions consistently highlighted the following challenges:

- **Slow processes and cumbersome contracts:** Lengthy administrative procedures and complex contractual arrangements with universities and research institutions create delays that hinder industry engagement, particularly for businesses operating within tight timeframes and budget cycles.
- **High costs:** The expense associated with partnering with research institutions often proves prohibitive for many companies, especially small- and medium-sized enterprises (SMEs). Overhead costs and funding models within these institutions can make them an expensive option.
- **Mismatched research priorities:** Research institutions can prioritise academic publications and scientific advancements over the practical needs and commercial objectives of industry partners. This misalignment can lead to research outputs that are not readily applicable or relevant to the food and beverage sector.

#### Recommendation:

1. Develop stronger linkages between industry and academia to bridge the gap between research and commercial outcomes.
2. Encourage research institutions to consider industry needs and commercial outcomes by incorporating industry representation in research planning and governance structures.
3. Implement metrics that measure the commercial impact of research alongside academic publications.
4. Explicitly recognise and address the unique R&D needs of the food and beverage sector within national R&D policy and funding frameworks. This includes ensuring adequate representation in decision-making and developing impact metrics that reflect the sector's commercial realities; and addressing regulatory barriers that impede R&D and innovation within the sector.

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<sup>1</sup> <https://qaafi.uq.edu.au/>

<sup>2</sup> <https://catapult.org.uk/>

<sup>3</sup> <https://topsectoragrifood.nl/en/over/>

## CULTIVATING AND RETAINING R&D TALENT

The availability of a skilled and adaptable R&D workforce is crucial for the sector's innovation capacity. However, a lack of coordinated talent development initiatives, and a skills gap in areas beyond core scientific expertise (such as business acumen and commercialisation), present significant challenges. Attracting and retaining top R&D talent in a competitive global market is also an ongoing concern.

Insufficient investment in industry-specific skills development, coupled with a lack of clear career pathways and incentives, limits the development of a robust and future-ready R&D talent pipeline for the food and beverage sector. Talent development could be fostered through university/industry partnerships to develop and deliver specialised training programs and internships that directly address the unique technical and commercial needs of the food and beverage industry. These partnerships could include student placement programs within companies, providing students with valuable hands-on experience and industry exposure. Joint research projects can also facilitate knowledge transfer and collaborative problem-solving.

### Recommendation:

- Invest in sector-specific R&D talent to develop and upskill R&D professionals with both technical expertise and commercial acumen relevant to the food and beverage industry.

## FAIR AND TRANSPARENT IP ARRANGEMENTS

AFGC members have identified uncertainty around intellectual property (IP) ownership as a significant hurdle to partnerships between industry and research institutions. This uncertain IP status creates a disincentive for companies to invest in collaborative R&D projects, hindering innovation. Given the commercial value of IP for the industry, it is important to ensure that IP arrangements in collaborative research projects are fair, transparent, and designed to facilitate the successful commercialisation of research outcomes. Clear and standardised IP agreements are necessary to protect the interests of all parties and encourage productive collaborations.

### Recommendation:

- Create a dedicated mechanism to streamline and clarify IP management within industry-research collaborations.

## GOVERNMENT SUPPORT MECHANISMS

Australian food and beverage manufacturers are eager to access existing means of government support, including grants and tax incentives, to boost their R&D activities. However, AFGC members have identified several shortcomings in existing arrangements that are limiting their effectiveness.

Some SMEs have reported difficulties in navigating the processes required to claim tax credits. Although some small enterprises have been able to access grant funding that has led to positive outcomes, overall the narrow eligibility criteria for research grants make them difficult to access for the broader sector. Expanding access to research grants would also spur greater funding commitments from newly-eligible companies. Supplementing commercial commitments with government funding would make it easier to

make a case for return on investment (a key driver for commercial decisions), leading to benefits for the entire national R&D ecosystem.

As outlined in the consultation paper, R&D tax incentives are another key means of government support for research within the sector. Although many companies utilise the existing tax incentives, the size is limited and in practice only makes a difference on the margins. Expansion of the tax credits should be considered to encourage collaboration between research institutions and food and beverage manufacturers, for example by adding a 'collaboration premium'.

Finally, AFGC members have highlighted challenges with regard to government support timeframes, which often do not align with commercial reporting periods and the need to demonstrate returns on investment within a short timeframe (often no more than a few months).

**Recommendation:**

7. Expand eligibility for research grants to allow access to a greater range of food and beverage companies.
8. Increase the size of the existing R&D tax incentive, and introduce an additional 'collaboration premium' to encourage partnering between research institutions and industry.
9. Streamline the processes involved in accessing government support mechanisms, to encourage greater uptake from SMEs.

## **CONCLUSION**

The AFGC would welcome the opportunity to have further discussion on the recommendations to highlight the issues that are having the most impact on AFGC members should the information be required.



# State of Industry 2022-23

**TOTAL  
TURNOVER**  
**\$162.7bn**  
(+ 11.6%)



**AFG TURNOVER**  
**32.2%**  
(As % of  
manufacturing)



**EMPLOYMENT<sup>1</sup>**  
**281,269**  
(+4.1%)



**REGIONAL  
EMPLOYMENT**  
**36.5%**



**EXPORTS**  
**\$42.6bn**  
(+ 8.1%)



**IMPORTS**  
**\$48.6bn**  
(+ 4.7%)



**OPERATING  
PROFIT  
BEFORE TAX<sup>3</sup>**  
**\$7.2bn**  
(-7.2%)



**CAPITAL  
INVESTMENT<sup>2</sup>**  
**\$4.2bn**  
(+ 24.5%)



The figures on this page exclude the fresh food sector and are based on 2022-23 ABS data.

1. This is total number of employees, head count basis and does not include seasonal employees.

2. Gross fixed capital formation for food, beverage and tobacco manufacturing subsector is taken as indicator of capital investment.

3. For food, beverage and tobacco product manufacturing subsector