



Productivity playbook:

Accelerating growth in Australia's food and grocery manufacturing sector

The food and grocery manufacturing sector is essential to Australia's economy. As the largest manufacturing sector in the country, it directly employs close to 300,000 people and supports many more through its extended supply chain. The sector is particularly significant in regional areas, where food and grocery manufacturers are an anchor of economic activity for many communities.

However, the success of the sector is not guaranteed. In recent years rising input costs, regulatory complexity, workforce shortages and other structural challenges have eroded its competitiveness and profitability. If these structural challenges persist, the sector risks entering a downward spiral of low profitability, underinvestment, and declining productivity, threatening its long-term viability.

Productivity gains in the sector matter, as even modest improvements can deliver broad benefits across the value chain. They enhance competitiveness and strengthen Australia's food sovereignty – especially important in today's complex geopolitical landscape.

The AFGC has identified seven pillars of productivity, where changes in government policy can enhance the sector's productivity and unlock its full potential.

With the right policy settings, government can enable the sector to improve its competitiveness, support jobs, growth and innovation, while building a more resilient and self-reliant national food system.

For further information or to discuss, please contact media@afgc.org.au.

Pillars of productivity

1. Relieve the regulatory burden
2. Strengthen supply chain and transport infrastructure
3. Ensure a reliable energy supply
4. Secure skills and regional employment
5. Standardise sustainability measures
6. Provide tax incentives for investment
7. Support innovation



Policy priorities

1. Relieve the regulatory burden

- **Streamline low-risk approvals:** Reform the Food Standards Australia New Zealand Act to streamline approvals for low-risk products, principally those already approved by comparable jurisdictions internationally.
- **National enforcement for efficient outcomes:** Expand Food Standards Australia New Zealand's remit to include enforcement of national food labelling and compositional standards, to ensure efficiency and consistency.

2. Strengthen supply chain and transport infrastructure

- **National coordination to improve resilience:** Release and implement the findings of the National Freight and Supply Chain Strategy Review to improve coordination across all levels of government, and align infrastructure planning, investment and disaster preparedness efforts.
- **Regulatory harmonisation:** Introduce intergovernmental agreements to require state and local governments to align their freight logistics policies and regulations with national objectives, as outlined in the National Freight and Supply Chain Strategy Review.

3. Ensure a reliable energy supply

- **Grid stability:** Expedite the Australian Energy Market Operator's development of an updated Transition Plan to detail measures to maintain system security, in anticipation of the retirement of major thermal generation assets.
- **Gas supply:** Ensure a sufficient supply of affordable gas for commercial and industrial users, such as through an east coast reservation scheme, or measures to disincentivise exports of uncontracted gas.

4. Secure skills and regional employment

- **Skills audit:** Partner with the sector to perform a skills audit, with the objective of identifying key skill gaps.
- **Regional employment grant:** Develop a federal grant program that companies can access to incentivise skilled workers' relocation to regional areas in order to plug key skills gaps.

5. Standardise sustainability measures

- **Circular economy standardisation:** Establish a national regulatory framework that includes uniform standards for packaging design, kerbside collection, recycling infrastructure, and mandatory value chain traceability.
- **Scope 3 reporting standardisation:** Partner with industry to develop an interoperable Scope 3 reporting methodology.

6. Provide tax incentives for investment

- **Instant Asset Write-Off:** Reintroduce the Instant Asset Write-Off to incentivise companies with turnover up to \$150m to invest in productivity-enhancing assets with a value up to \$150,000.
- **Accelerated depreciation:** Introduce a scheme of accelerated depreciation for business assets with a value in excess of \$150,000.

7. Support innovation

- **Learn from the Netherlands' success:** Examine the Dutch 'triple helix' approach to fostering public-private partnerships in innovation, to identify how Australia could adopt a similar framework.
- **Expand innovation tax incentives:** Expand the existing Research and Development Tax Incentive to cover the implementation of innovative process improvements.