
2026-27 Pre-Budget Submission

January 2026



AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

CELEBRATING
30
1995-2025

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 2023-24 financial year of \$173 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 \$3.8 billion capital investment in 2023-24.

Food, beverage and grocery manufacturing together forms Australia's largest manufacturing sector, representing over 32% of total manufacturing turnover in Australia. The industry makes a large contribution to rural and regional Australia economies, with more than 35 per cent of its 294,200 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.

UNLEASHING PRODUCTIVITY THROUGH MODERNISATION

On behalf of Australia's largest manufacturing sector, the AFGC presents the following ideas to promote productivity and modernisation, offering benefits for the entire Australian economy. While some are particular to the sector – such as the state of the food regulatory system and matters of nutrition and health – many of the sector's challenges are representative of common issues faced by the wider Australian economy. Consequently, adoption of the AFGC's recommendations below would not only realise benefits for the food and grocery manufacturing sector, but for the nation as a whole.

AFGC RECOMMENDATIONS:

Tax incentives for manufacturing 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.

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.

Strengthen supply chain and transport infrastructure

- **National coordination to improve resilience and lift productivity:** Implement the National Freight and Supply Chain Action Plan to improve coordination across all levels of government, and promote supply chain resilience and productivity.
- **Regulatory harmonisation:** Develop 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.

Facilitate industry export opportunities

- **Assist industry in changing trade landscape:** Increase the level of assistance to industry to understand and navigate the changing international trade environment.
- **Progress priority free trade agreements:** Finalise the Australia-European Union FTA and continue negotiation on the Australia-India Comprehensive Economic Agreement to enhance international trade and market access for the Australian food and grocery sector.

Streamline food regulatory processes

- **Streamline low-risk approvals:** Reform the FSANZ Act to streamline approvals for low-risk products, principally those already approved by comparable jurisdictions internationally.

- **National enforcement for efficient outcomes:** Expand FSANZ's remit to include enforcement of national food labelling and compositional standards, to ensure efficiency and consistency.

Build nutrition and health literacy

- **Invest in nutrition and health literacy:** Invest in education initiatives that strengthen nutrition and health literacy across the life cycle, including through an enhanced school health curriculum, to enable Australians to make informed dietary choices and develop practical skills.
- **Develop Australian Dietary Guidelines resources:** Provide resourcing to enable the translation of the soon-to-be updated ADGs into practical advice.
- **Promote voluntary health and reformulation:** Allocate support for SME participation in voluntary health and reformulation initiatives.

Enhance sector digitisation

- **Leverage digital labelling opportunities:** Prioritise a review of product labelling regulations to enable digital labelling as a compliance option.
- **Support the adoption of digitised supply chains:** Establish a grant program to accelerate industry adoption of digitised supply chain capabilities, and introduce tax incentives for digital supply chain upgrades.

Address circular economy barriers:

- **Develop a national approach:** Establish a national regulatory framework that includes uniform standards for packaging design, kerbside collection, recycling infrastructure, and mandatory value chain traceability.
- **Minimise full lifecycle impacts:** Ensure packaging format changes avoid unintended environmental and safety consequences over the full product lifecycle, such as reduced shelf life and quality.

Streamline sustainability reporting

- **Standardise sustainability reporting:** Partner with industry, subnational governments and other stakeholders to develop nationally-consistent sustainability reporting and data requirements.

TAX INCENTIVES FOR MANUFACTURING INVESTMENT

The AFGC advocates for a recalibration of tax settings that will promote productivity gains through spurring capital investment.

Investment is the key to unlocking productivity growth. One of the most effective ways to promote productivity within the Australian food and grocery manufacturing sector would be to adjust tax settings to incentivise investment in productive assets.

The Temporary Full Expensing regime that was in place 2020-2023 had the effect of stimulating investment across the sector. This represents investment in assets that may not have occurred in the absence of favourable incentives.

It would not be necessary to resurrect Temporary Full Expensing to reap substantial benefits for investment and productivity. Much could be gained by a combination of reintroducing the Instant Asset Write-Off and a scheme of accelerated depreciation. Eligibility for such measures should be sufficiently broad to incentivise investment from the companies best positioned to invest in Australia.

Comparable nations, such as New Zealand and the United States, have recently introduced measures to stimulate investment in productive assets, such as a new scheme of bonus depreciation (US), and accelerated depreciation (NZ). The United States has recently legislated immediate deductions for capital investment, to further incentivise investment in productive capacity. These are nations against which Australia competes for investment capital, and changes in tax settings in these jurisdictions make Australia a comparatively less attractive investment destination.

AFGC recommendations:

- **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.

SECURE SKILLS AND REGIONAL EMPLOYMENT

Food and grocery manufacturers regularly cite challenges relating to workforce skills and regional employment as significant productivity barriers.

There is a recognised skills shortage across the food and grocery value chain, putting pressure on the sector's ability to maintain productivity and drive innovation. A common challenge companies face is a scarcity of skilled applicants and a lack of experienced candidates, resulting in a small pool of highly skilled workers. This limited pool is subject to intense competition both within the food and beverage sector and from other industries.

In 2025, Jobs and Skills Australia released *The Essential Ingredient: The Food Supply Chain Workforce*, exploring the complexities and workforce challenges facing the industry. Building on this report, there is

now a clear opportunity to partner with industry to perform an in-depth skills audit. This would help identify gaps, support better planning, and ensure training and education programs are aligned with industry needs.

The skills challenge is particularly acute in regional Australia, where nearly 40 per cent of the sector's workforce is based. Many food and grocery manufacturers serve as anchor employers in their local communities, yet they struggle to attract and retain skilled workers due to factors including a lack of affordable housing, limited essential services, and poor transport and connectivity.

Addressing workforce challenges also depends on making regional communities more attractive places to live and work. This requires coordinated investment in housing, transport, connectivity and essential services. Improving the liveability of regional areas can help attract and retain skilled workers, and, over time, increasing population density can create a stronger business case for further investment and economic development. In the short term, this transition can be supported by targeted programs helping companies to relocate skilled workers to the regions.

AFGC recommendations:

- **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.

STRENGTHEN SUPPLY CHAIN AND TRANSPORT INFRASTRUCTURE

Australia's supply chains are vital to the country's economic prosperity. Our roads, rail lines, airports and ports connect people and businesses and are essential for moving, storing and delivering products across the nation.

However, much of this infrastructure is ageing and was not designed to withstand the increasing frequency and severity of severe weather disruptions. As a result, natural disasters remain a growing risk to the reliability and efficiency of supply chains.

In recent years the frequency and impact of unprecedented natural disasters has grown, creating uncertainty and higher costs for the economy. According to the Australian Local Government Association, between 2019 and 2023, 434 out of 537 local councils were impacted by natural disasters costing \$38 billion dollars per year to the economy. These costs are expected to rise to \$73 billion by 2060.

Australia has made strong progress in disaster preparedness and response thanks to the National Emergency Management Agency. However, there is a clear opportunity to improve coordination and cooperation across all levels of government to enable faster and more agile responses.

Beyond disaster response, major challenges are posed by inconsistent subnational regulations, including planning, zoning, heavy vehicle access and licencing rules. These inconsistencies slow down recovery

actions after a disaster, and also drive up costs, leading to misaligned infrastructure planning and investment.

To build resilience, reduce risk and lift productivity, Australia needs a whole-of-government approach to supply chains and infrastructure, as embodied in the National Freight and Supply Chain Strategy. That means aligning regulation, planning and investment across all levels of government using shared data, skills and resources more strategically to support infrastructure resilience, and to better prepare for, manage and reduce the impact of disruptions and natural disasters.

AFGC recommendations:

- **National coordination to improve resilience and lift productivity:** Implement the National Freight and Supply Chain Action Plan to improve coordination across all levels of government, and promote supply chain resilience and productivity.
- **Regulatory harmonisation:** Develop 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.

FACILITATE INDUSTRY EXPORT OPPORTUNITIES

Industries that rely on international trade are operating in an environment that has become more volatile, fragmented, and politically influenced. Prior assumptions about stable market access, predictable tariff regimes, and rules-based dispute resolution are being tested by increased geopolitical instability, sanctions, export controls, and the growing use of trade measures for strategic purposes. Supply chains previously built for efficiency are being reengineered for resilience, often with greater costs and complexity.

The AFGC's target of growing the size of Australia's food and grocery sector to \$250 billion by 2030 is predicated on leveraging Australia's 'clean and green' reputation to expand the industry's exports, particularly to rising economies in the region. However, growing uncertainty in the international trade environment magnifies the sector's exporting challenges. Investment decisions with long time horizons must now factor in geopolitical risk, sudden policy shifts, and the possibility of market access being disrupted by events outside of their control. In this environment, strategic risk management has become as important as price and quality, and navigating policy complexity compounds the ever-present challenge of remaining competitive. Small and medium enterprises (SMEs) – typically lacking the in-house trade, legal, and risk expertise needed to interpret evolving rules and manage risks – face particular challenges in these circumstances.

Building further upon the Accessing New Markets Initiative, the Australian government can provide additional support to identify export opportunities opened by instability in the international trade landscape. This will further assist exporters to diversify their international exposure, thereby enhancing Australia's economic resilience and growth prospects.

Central to this will be the progressing negotiations on free trade agreements (FTAs) such as the Australia-European Union FTA and the Australia-India Comprehensive Economic Agreement to provide opportunities and growth for Australian food and grocery exports.

AFGC recommendations:

- **Assist industry in changing trade landscape:** Increase the level of assistance to industry to understand and navigate the changing international trade environment.
- **Progress priority free trade agreements:** Finalise the Australia-European Union FTA and continue negotiation on the Australia-India Comprehensive Economic Agreement to enhance international trade and market access for the Australian food and grocery sector.

STREAMLINE FOOD REGULATORY PROCESSES

The complexity in food regulatory processes (such as applications for food additive and processing aid permissions) and delayed reforms are a barrier to innovation and the competitiveness of the Australian food and grocery sector.

One notable example is through the at-times cumbersome process for gaining permissions or modifications to requirements under the Australia New Zealand Food Standards Code. The cost to industry to prepare an application to Food Standards Australia New Zealand (FSANZ), combined with delay costs for approvals under the current system, are major regulatory barriers. This reduces the competitiveness of Australian food industry by restricting access to innovative ingredients and products, and stifles productivity because of delays in bringing new products to market.

The maintenance of high food safety standards is a core priority of all stakeholders within the sector. Yet the Australian approval process often duplicates assessments – such as risk assessments – that have already been undertaken in comparable international jurisdictions. Because such assessments are conducted in an internationally standardised manner, there is significant opportunity to reduce regulatory burden through more streamlined, risk-based approval pathways for ‘low-risk’ products (e.g. processing aids, new foods, some food additives) already approved by recognised overseas authorities.

Another prime opportunity to find regulatory efficiencies lies in the mismatch of jurisdictional responsibilities. While FSANZ sets national standards for food, enforcement is currently devolved to subnational jurisdictions. In practice, the division of responsibilities has led to a disharmonised application of standards across different jurisdictions. Expanding FSANZ’s remit to include the enforcement, as well as setting, of food standards at a national level, in particular composition and labelling requirements, would improve consistency of application, and certainty for food producers.

Findings from the Productivity Commission’s National Competition Policy analysis reinforce the need for well-prioritised, timely and coordinated regulatory reform. Since commencing a review of the Food Standards Australia New Zealand Act 1991 (FSANZ Act) in 2020, there has been little visible progress since stakeholder consultations in 2024. To realise opportunities for modernised food standards setting processes and ensure the global competitiveness of the Australian food and beverage sector, it is critical government prioritises these reforms, and provides sufficient funding to FSANZ for effective and timely implementation.

AFGC recommendations:

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

BUILD NUTRITION AND HEALTH LITERACY

Rates of diet-related non-communicable diseases are a significant public health challenge. Policy responses must improve health outcomes while avoiding unintended consequences such as increased regulatory burden, reduced consumer choice, or disproportionate impacts on SMEs.

A balanced preventive health strategy should focus on education, literacy, and evidence-based interventions that empower consumers, avoiding blunt regulatory measures that may not deliver meaningful health improvements.

Investment in Australia's nutrition and health literacy would prioritise nutrition planning and management, food selection (including understanding labelling and promotion), food preparation skills, and educational materials that translate the Australian Dietary Guidelines (ADGs) into practical advice. The ADGs provide an important evidence-based foundation for nutrition policy, but their impact depends on effective communication and practical guidance tailored to different audiences. Consequently, the translation and communication of the ADGs for health professionals, policymakers, educators and consumers should be prioritised.

There are also opportunities to expand on the success of voluntary industry action such as product reformulation through the Government's Healthy Food Partnership. SMEs often face capacity and resource constraints limiting their participation in such programs. Providing targeted and practical support for SMEs would promote further reformulation efforts within the sector.

AFGC recommendations:

- **Invest in nutrition and health literacy:** Invest in education initiatives that strengthen nutrition and health literacy across the life cycle, including through an enhanced school health curriculum, to enable Australians to make informed dietary choices and develop practical skills.
- **Develop Australian Dietary Guidelines resources:** Provide resourcing to enable the translation of the soon-to-be updated ADGs into practical advice.
- **Promote voluntary health and reformulation:** Allocate support for SME participation in voluntary health and reformulation initiatives.

ENHANCE SECTOR DIGITISATION

The food and grocery sector can realise significant gains in productivity through enhanced digitisation.

One particularly salient issue relates to the adoption of digital labelling. Manufacturers of food and grocery products face a patchwork of domestic and international labelling requirements. Changes to labelling requirements create significant costs and complexity for industry to implement, thereby impacting competitiveness. Expectations from customers and consumers on access to digital information are also increasing, particularly as purchasing habits move online.

A coordinated national approach towards the adoption of digital labels would enhance productivity and realise other national priorities, by reducing packaging and compliance costs (as well as the associated packaging waste), and improving consumer information and safety.

Digitisation also offers considerable benefits to supply chain efficiency. Global supply chains are digitising rapidly, driven by requirements such as Digital Product Passports in Europe and China, traceability rules in the United States, and obligations relating to sustainability reporting and trade-finance transparency. Australian businesses, particularly SMEs, often lack the capabilities to comply with increasing expectations. Meanwhile, significant productivity and efficiency gains stand to be realised from investment in digital supply-chains. Digitised supply chains offer real-time visibility over inventory, shipments, and operations, allowing faster decision-making and reducing the likelihood and cost of disruptions. They also improve forecasting, traceability, and coordination between organisations, reducing waste and cost, while increasing resilience and responsiveness along the extended supply chain.

AFGC recommendations:

- **Leverage digital labelling opportunities:** Prioritise a review of product labelling regulations to enable digital labelling as a compliance option.
- **Support the adoption of digitised supply chains:** Establish a grant program to accelerate industry adoption of digitised supply chain capabilities, and introduce tax incentives for digital supply chain upgrades.

ADDRESS CIRCULAR ECONOMY BARRIERS

The challenges, cost and time associated with Australia's transition to a circular economy are increased by fragmented policies, inconsistent regulation across jurisdictions, and an uneven distribution of responsibility across the supply chain. When businesses face different design standards, recyclability definitions, and compliance rules depending on location, compliance costs rise, and traceability becomes harder to maintain. This fragmentation weakens productivity, discourages innovation in sustainable packaging formats, and makes it more difficult for companies to build national-scale circular solutions.

Inconsistent regulations are a major barrier to investment. Businesses cannot confidently commit to multimillion-dollar upgrades in packaging lines, new materials, or processing technologies without clear and consistent signals on packaging reform, extended producer responsibility, and future regulatory timelines. A lack of policy certainty deters capital investment, slowing progress toward circularity and limiting Australia's ability to build competitive, future-focused manufacturing capacity.

A nationally coordinated approach is therefore essential. Harmonised rules on packaging design, labelling, collection systems, and accountability across the waste and recycling sector would provide the certainty required for investment. Changes to regulation must recognise the complexity of the food and grocery manufacturing sector and consider the whole packaging system and lifecycle as part of a circular economy. Circular economy outcomes also depend on developing strong domestic end markets, including processing capacity for challenging materials such as soft plastics. Without enabling policy and long-term confidence, investment in this necessary infrastructure will not occur at the scale required.

AFGC recommendations:

- **Develop a national approach:** Establish a national regulatory framework that includes uniform standards for packaging design, kerbside collection, recycling infrastructure, and mandatory value chain traceability.
- **Minimise full lifecycle impacts:** Ensure packaging format changes avoid unintended environmental and safety consequences over the full product lifecycle, such as reduced shelf life and quality.

STREAMLINE SUSTAINABILITY REPORTING

Sustainability reporting requirements are expanding rapidly and placing growing pressure across entire value chains. A single disclosure often requires multiple data inputs from suppliers, customers, and service providers, increasing the complexity, cost, and compliance burden. As climate-related financial disclosures, Scope 3 emissions reporting, and emerging nature-related frameworks come into effect, many businesses, particularly SMEs, find compliance increasingly resource-intensive.

Inconsistent frameworks and data requirements across jurisdictions and customers exacerbate this problem. Often, similar information must be reported in slightly different ways to different entities, diverting resources away from both core business needs, and practical emissions reduction initiatives.

Greater standardisation and interoperability of sustainability reporting methodologies would improve both productivity and environmental outcomes. Aligning requirements so that data collected once can be used many times would reduce duplication and lower compliance costs. A coordinated approach can support transparent, practical reporting requirements while minimising the productivity impact of meeting Australia's net zero goals.

AFGC recommendation:

- **Standardise sustainability reporting:** Partner with industry, subnational governments and other stakeholders to develop nationally-consistent sustainability reporting and data requirements.



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CELEBRATING
30
YEARS
1995-2025

STATE OF THE INDUSTRY

2023-24



The figures on this page exclude the fresh food sector and are based on 2023-24 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.