

towards 2030

A FOOD & GROCERY
SNAPSHOT



AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

CELEBRATING

30 YEARS

1995-2025

foreword

Five years ago, the [Sustaining Australia: Food and Grocery Manufacturing 2030 report](#) set out an ambitious vision for Australia’s largest manufacturing sector. It highlighted the potential for growth through innovation, investment, and market diversification, recognising that a competitive food and grocery manufacturing industry underpins national prosperity, resilience, and regional employment.

Today, five years later, *Towards 2030: A food & grocery snapshot* offers a timely opportunity to reflect on the achievements, to understand the lessons learned from a period of unprecedented global and domestic challenges, and to chart a course for the years ahead.

Between 2020 and 2025, the sector has navigated a complex environment, including the COVID-19 pandemic, geopolitical tensions, inflation, energy transitions, and evolving regulatory frameworks. Throughout this period, Australia’s food and grocery manufacturers have demonstrated remarkable adaptability, ensuring households remained supplied and exports continued to flow.

The report also highlights areas where further progress is needed. Rising costs, margin pressures, and ongoing investment gaps remind us that sustaining growth requires addressing issues relating to productivity and competitiveness, to further strengthen the sector’s foundations.

This report is presented not only as a record of progress but as a renewed call to action: to build on the sector’s resilience, unlock its full potential, and ensure that Australian food and grocery manufacturing continues to thrive in the years ahead.

Bernie Brookes AM

Chair

Board of Directors



background

In 2020, the AFGC published a landmark report covering the prospects of the Australian food and grocery manufacturing sector through to 2030 – *Sustaining Australia: Food and Grocery Manufacturing 2030*.

Noting the sector’s enormous economic footprint, the report highlighted a pressing need for significant policy adjustments to maintain the competitiveness of the sector. It indicated that without action, the Australian food and grocery manufacturing sector risked falling behind international competitors both at home and abroad. The key to addressing the sector’s looming challenges was to promote investment, innovation and drive growth through market diversification.

The report set a target of doubling the size of the sector, from \$127 billion to \$250 billion, by 2030. This would be achieved through “investing in innovation and new products [to] grow manufacturing’s share of domestic markets...and position Australian food and grocery manufacturers to take advantage of the abundant export opportunities resulting from a rapidly growing global middle class, particularly in Asia”.¹ This was contrasted against “an ongoing underperformance by the food and grocery sector compared to the broader Australian economy”, led by declining investment, sluggish growth, and a loss of ground in the domestic market.²

At the midway point of the decade, it is fitting to review progress towards the sector’s 2030 goals and assess how the projections made in 2020 have corresponded with real-world experience.

¹ [Sustaining Australia: Food and Grocery Manufacturing 2030](#), Australian Food and Grocery Council, 2020, p. 5.

² [Sustaining Australia](#), p. 5.



global trends

2020-25

The global economy's reliance on long and complex supply chains has made manufacturers more vulnerable to global disruptions. This became clear after January 2020, when the city of Wuhan was first locked down to contain the spread of a novel coronavirus triggering a wave of instability. Since then, the world has faced ongoing and overlapping challenges.

Whether the experience of COVID – with its momentous social, financial, and economic impacts – regional conflicts such as the Russo-Ukrainian and Gaza wars, great power tensions, trade disruptions, technological innovations or political ructions, the comparative tranquillity of the 2010s has been replaced by instability, uncertainty, and rapid change.

Inflation has been one of the major global trends from 2020-25, with both supply- and demand-side drivers. Supply shocks commenced with the worldwide imposition of COVID containment measures, with their impact on the free movement of goods internationally. These were subsequently fed by international tensions over geopolitics and trade, as well as regional conflicts such as the Russo-Ukrainian and Gaza wars. One consequence was significant delays and increases in the cost of international transportation, proving highly disruptive for the pre-2020 international supply chain equilibrium. The production of both inputs and final goods was disrupted as a result. These disruptive supply-side effects saw the global prices of inputs used by food and grocery manufacturers to rise significantly – whether energy, commodity inputs (e.g. cocoa, cooking oils, coffee), transport, or packaging. Across the world, many firms responded by rethinking their sourcing and inventory management – a shift from 'just-in-time' to 'just-in-case'.¹

The global inflationary wave was amplified by government interventions to bolster aggregate demand as whole economic sectors were shuttered by COVID containment measures. Through extraordinary forms of monetary and fiscal stimuli, significant levels of liquidity were injected into economies. Combined with a reduced capacity to consume under the COVID containment measures, this saw higher household savings rates across most advanced economies, with a pent-up capacity and desire to spend.²

The collision of reduced supply and increased demand saw an outbreak of inflation at a scale not seen in decades, with some OECD nations experiencing double-digit inflationary peaks in 2022.

The unfolding crises of the 2020s have also exposed the fragility of the international trading system. Across the globe, advanced economies responded to the changing global environment by adopting new industrial policies, often focusing on objectives such as strategic competitiveness, mitigating climate change, and promoting national resilience through measures such as 'nearshoring' and 'friend-shoring'.³ Such measures – combined with a resurgence of protective measures such as tariffs – are trending towards structural adjustments in international trade flows and the reconfiguration of international supply chains: a changing 'geography of trade'.

For Australian food and grocery manufacturers, the impacts of these global developments have been varied, multifaceted, and significant. Overall, however, the impact has been to amplify the challenges of operating within the sector.

¹ *'From just-in-time to just-in-case: Global sourcing and firm inventory after the pandemic'*, Centre for Economic Policy Research, 2023.

² *'Macroeconomic policies for inflation: lessons learned from COVID-19'*, KPMG, 2024, p. 4.

³ *'The Return of Industrial Policy in Data'*, International Monetary Fund, 2024.



domestic trends

The global changes that have characterised the 2020s have had significant effects on Australia, albeit with national characteristics. As an island nation, Australia was particularly impacted by maritime transport challenges.

Weather-related disruptions – bushfires, floods – were an additional factor adding cost and other pressures to domestic transport, warehousing, and commodity prices.

Nevertheless, the inflationary wave that began to wash over Australia in 2021 was less severe than the OECD average. Australia's average annual rate of CPI inflation was 3.7 per cent, with a peak of 7.8 per cent in 2022.¹ Cumulatively, CPI inflation was 18.61 per cent between December 2020 and February 2025 (compared to 24.54 and 21.96 in the United Kingdom and United States respectively).²

After an early spike in the 2020-21 financial year, the Australian dollar commenced a steady decline against the US dollar, from a peak of 0.78 USD in May 2021 to its current equilibrium around 0.64 USD. The consequence has been a significant increase in the cost of imports to Australia. The purchasing power of the Australian dollar has declined by roughly 20 per cent since the beginning of the decade.

The prevalence of supply chain challenges saw difficulties in securing freight, surging freight costs, shipping container shortages, delays in biosecurity inspections, labour shortages, constraints in the supply of timber pallets, and a shortage of logistics real estate. In response, industry increased production, established buffer stocks, and diversified material sources. While onshoring and near-shoring were less prominent than in some other countries, food and grocery manufacturers adjusted to disruptions through cost out investments, changing procurement practices, and shortening supply chains through new trading partners where possible.

Cumulatively, the impact of these trends has been significant increases in the cost of doing business for Australian food and grocery manufacturers, who face higher prices for all inputs, whether imported ingredients, packaging, energy, freight or otherwise. The increased cost of doing business has been the single greatest industry trend since 2020.

The imposition of lockdowns and travel restrictions from March 2020 caused major economic dislocations across the breadth of the Australian economy. Like elsewhere in the world, Australia deployed considerable stimulus in response to the COVID shock. Such measures included the flagship JobKeeper program, which served to maintain employment and, consequently, consumer demand despite the shutdown of significant parts of the economy.

As part of its stimulatory efforts, the Australian government also introduced consequential measures to incentivise investment. This included the introduction of Temporary Full Expensing from October 2020, whereunder businesses with turnover up to \$5 billion could claim full tax deductions for new investments instead of the usual schedule of depreciation. This measure was discontinued in the 2023-24 financial year, and replaced by a \$20,000 Instant Asset Write-Off for businesses with turnover below \$10 million.

¹ [Consumer Price Index, Australia](#), Australian Bureau of Statistics, 2025.

² Figures from [AAP FactCheck](#), Australian Associated Press, 2025.

Notwithstanding a dramatic dip in population growth during the height of the COVID measures, record population growth has been a significant part of the Australian experience following the post-COVID reopening in early 2022. In the year to March 2023, Australia's population grew by 2.2 per cent,³ and then by a further 2.1 per cent in the year to June 2024.⁴ This was overwhelmingly driven by net overseas migration.

However, despite the scale of overseas migration, the Australian economy has been dogged by a persistent skills shortage throughout the 2020s. Across the economy as a whole, employers have reported significant workforce shortages across all skill levels, with negative repercussions for productivity, growth, and profitability.⁵

The change in government following the defeat of the Coalition that had governed from 2013-22 saw significant shifts in industry and regulatory policy. Since coming to power, the Albanese government has introduced two high-profile policies to support Australian industry: the National Reconstruction Fund and Future Made in Australia. These distinct measures shared common rhetorical framing as contributing to sovereign manufacturing capability, and a renewed emphasis on the role of government as an enabler and director of investment in identified sectors, with a particular emphasis on areas such as renewable energy and critical minerals.

The Albanese government has also prioritised transitioning Australia's energy sector to renewable sources, through new institutions such as the Capacity Investment Scheme and the Net Zero Economy Authority, and ambitious emissions reduction targets to reach the long-term goal of net zero emissions by 2050. This intensification of commitments on energy policy has unearthed several associated challenges including the level of investment and engineering challenges associated with transitioning the grid to primarily renewable sources, and the need to balance the transition with other considerations such as price and reliability. Uncertainty around the domestic gas market has been another persistent feature of the decade, with price volatility and looming supply shortfalls in the south-eastern states as recurring themes.

Another defining characteristic of Australian governments' approach to industry in the 2020s has been an increasing regulatory burden, particularly in relation to sustainability measures. While some of these measures – such as new emissions reporting requirements – are directly linked to net zero aspirations, others such as single use plastics bans and recycled packaging targets have different provenances. Each new element of regulation, however, has brought new compliance costs, an increased need for skilled reporting and auditing professionals, and the need for companies to integrate sustainability into their operations through such measures as investing in clean technology and greening supply chains.

³ ['Overseas migration drives Australia's population growth'](#), Australian Bureau of Statistics, 2023.

⁴ ['Australia's population grows by 2.1 per cent'](#), Australian Bureau of Statistics, 2024.

⁵ ['There's no silver bullet to fix skill shortages, but collaboration can trigger change'](#), Australian Industry Group, 2025.

Meanwhile, other areas of regulatory reform – such as a review of the *Food Standards Australia New Zealand Act* that commenced in 2020 – have not progressed significantly. This is illustrative of an Australian food regulatory system effectively unchanged for a generation, despite considerable changes in trade and supply chains, consumer behaviour and expectations, and the greatly increased availability of information on foods and beverages.

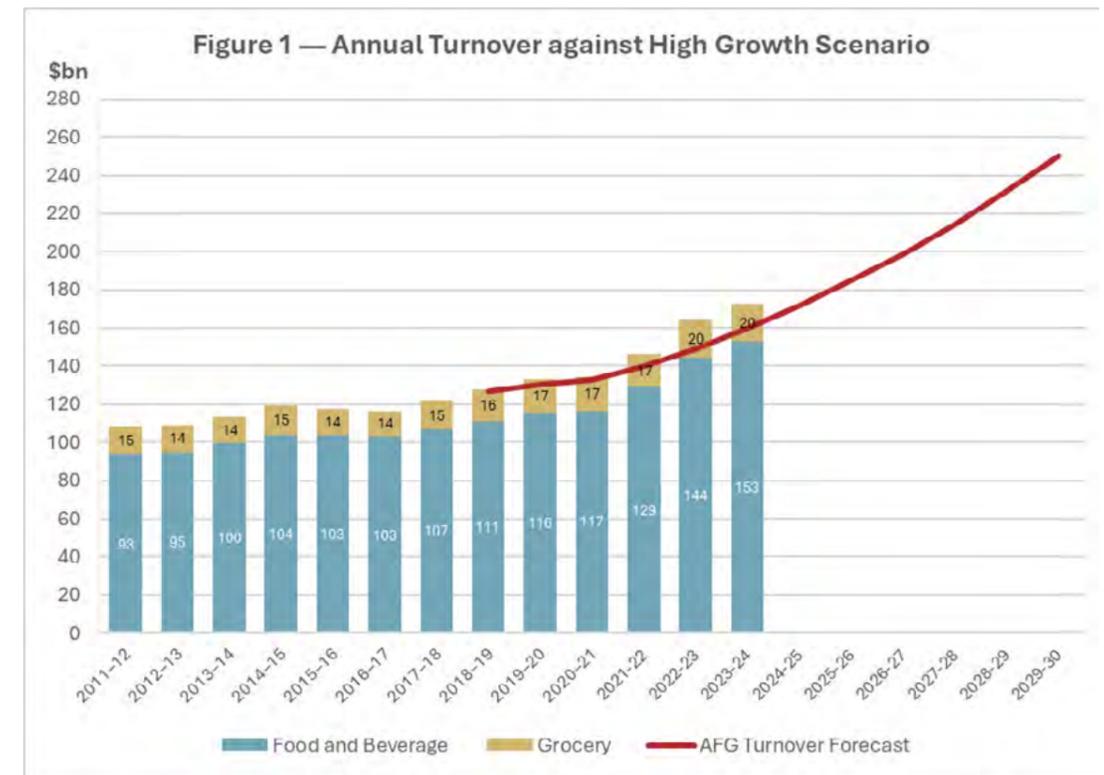
One area where there have been encouraging signs is digital labelling. Recently, Food Standards Australia New Zealand identified digital labelling as a priority, with scoping work having commenced in late 2025. Digital labelling marks a significant transition for the industry, offering benefits for consumers through richer product information, streamlined regulatory compliance, and ultimately greater efficiency in supply chains through traceability.

The food and grocery manufacturing industry has navigated these trends artfully, making adjustments to ensure the continuity of operations and keep shelves stocked. However, the industry now confronts a markedly different operating environment to that which it faced in early 2020, with implications for its growth objectives.



progress towards 2030 goals

The domestic experience since 2020 has had significant implications for the sector’s 2030 objective, given the significant variance between the assumptions underpinning the original scenario and actual real-world experience. At first glance, the sector appears on track to reach its 2030 goals, as illustrated in Figure 1.

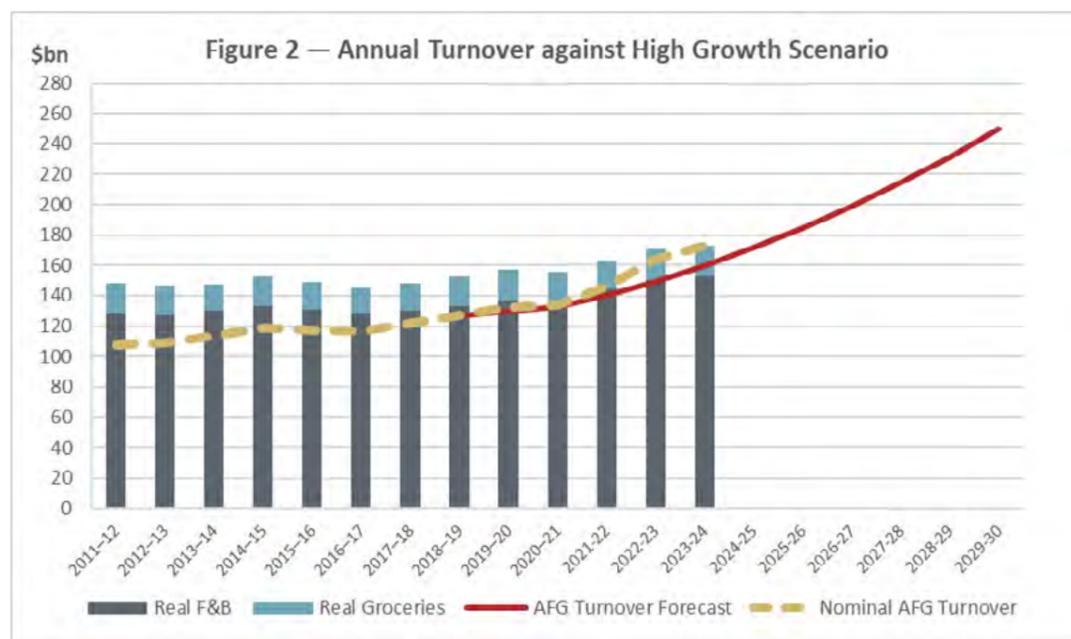


Source: AFGC State of the Industry (ABS data); Sustaining Australia 2030

The high growth objective, as articulated in the original *Sustaining Australia* report, required an average compound annual growth rate (CAGR) of 6.8 per cent through to 2029-30. Since its publication in 2020, the sector has shown a 5-year CAGR of 6.3 per cent - in line with the trajectory required to meet its growth objectives.

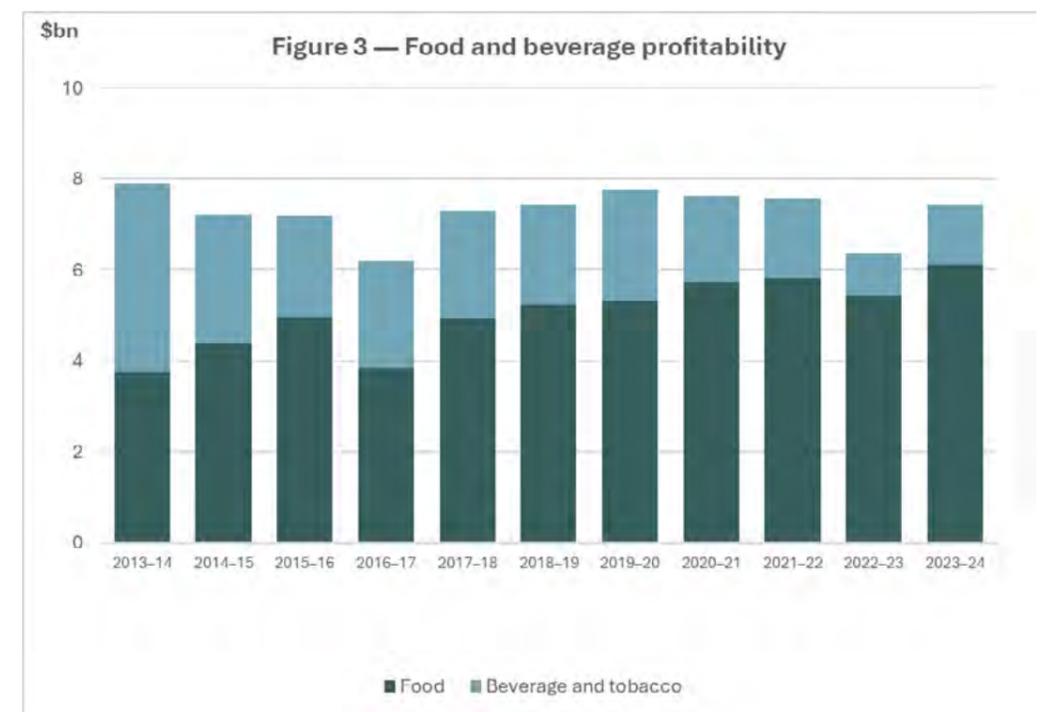
However, when viewed against the decade’s inflationary backdrop, there is much less reason for comfort. A deeper examination of the figures indicates several causes for concern.

Figure 2 demonstrates the industry’s real turnover performance (in 2023-24 prices). It shows that the inflation-adjusted CAGR is a more modest 3.9 per cent - a significant variance from the nominal 6.3 per cent figure.



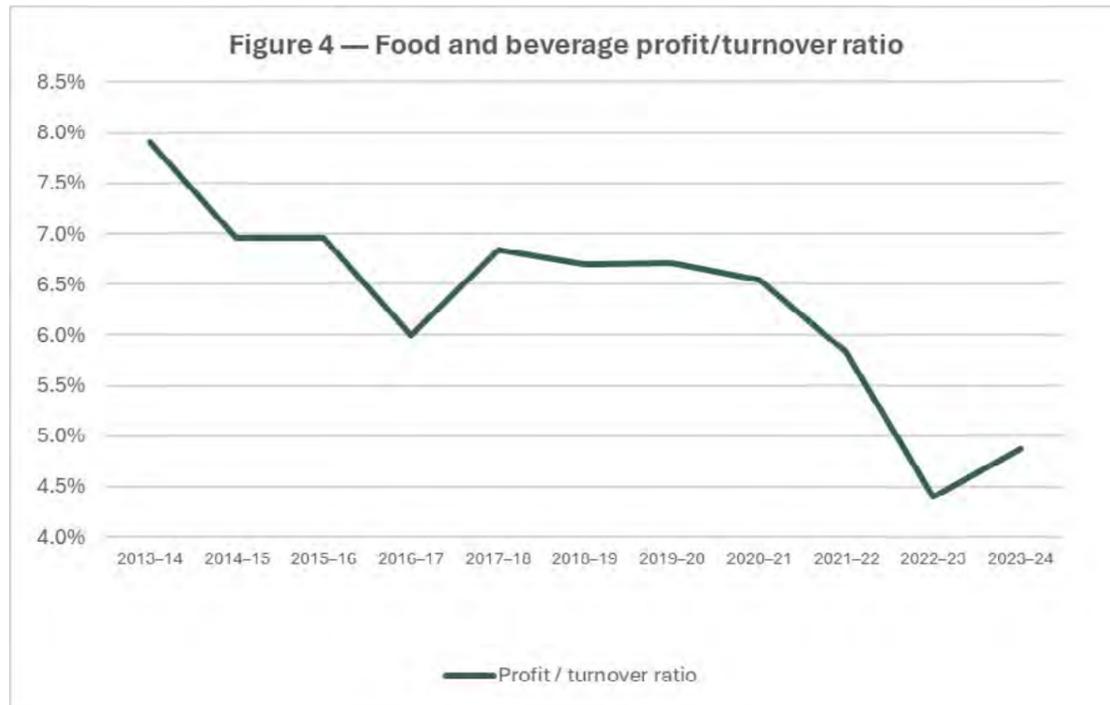
Source: AFGC calculations (ABS data); Sustaining Australia 2030

Although no profitability aspirations are included in the original report, it is incongruous to think that a thriving sector set to double in size over the course of the 2020s would be associated with plateauing profitability. And yet the experience of the decade shows subdued growth in profitability, as depicted in Figure 3.



Source: ABS (Business Indicators; Australian Industry)

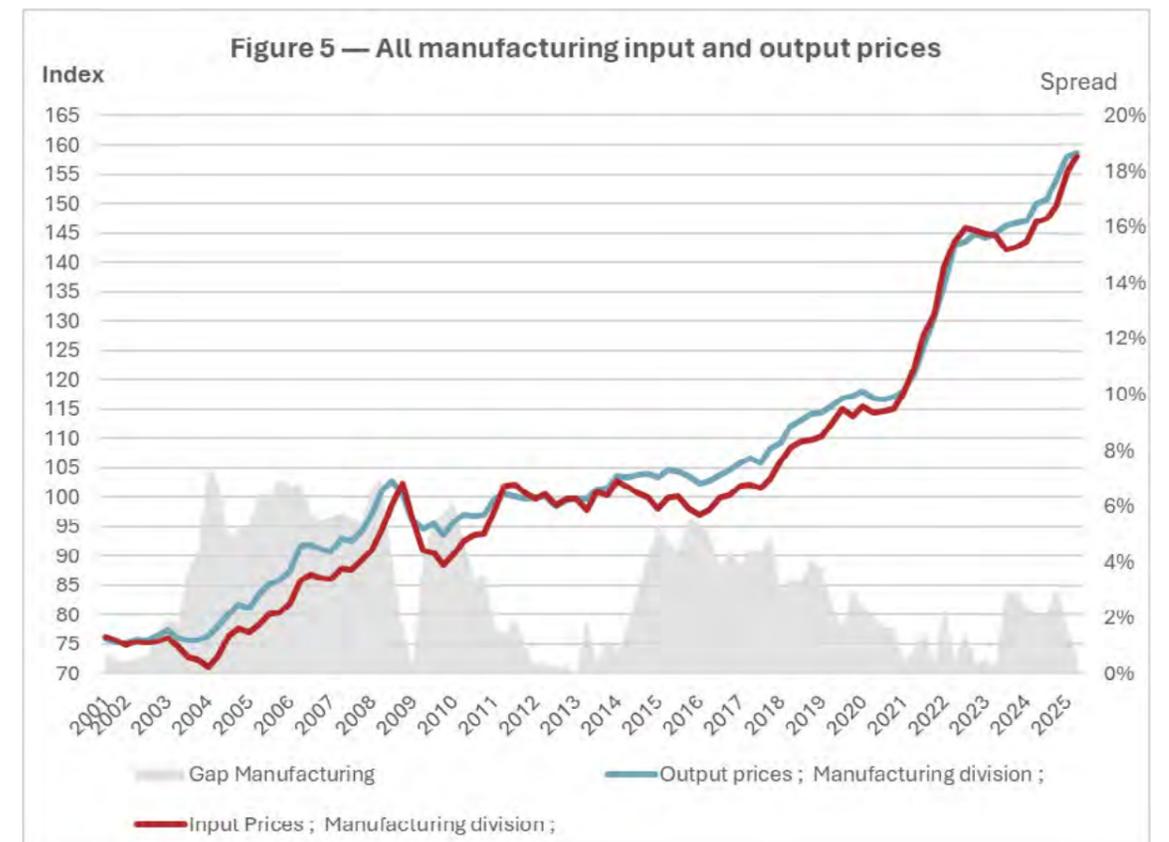
When examined alongside turnover, there has been a precipitous decline in the sector's profit to turnover ratio since 2020, as depicted in Figure 4.



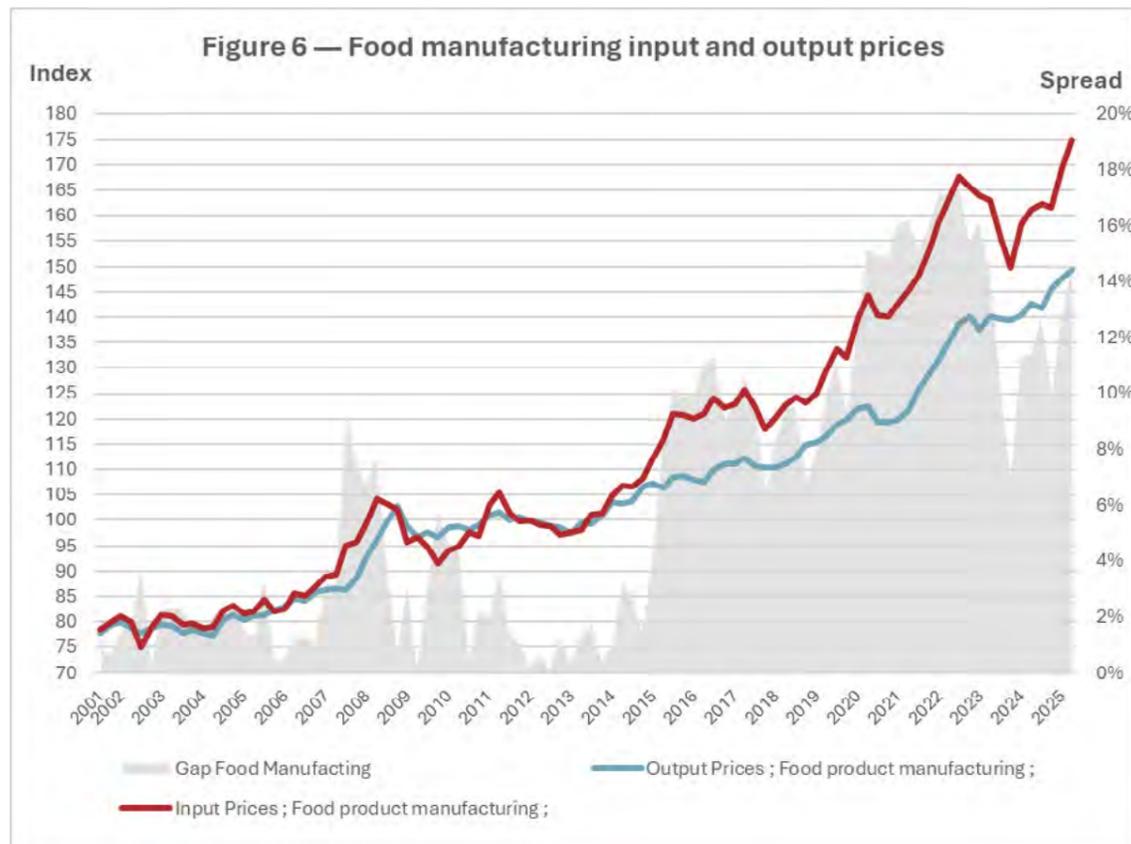
Source: ABS (Business Indicators; Australian Industry)

This indicates that industry revenue has grown faster than profit, and hence that the sector has experienced reduced margins – generating less profit for each dollar of revenue it earns.

With real turnover showing subdued volume growth, the decline in margins has likely been driven by inflation’s impact on input prices, in combination with the pricing particularities of the sector (including consumer price sensitivity). In comparison with Australian manufacturing as a whole – Figure 5 – food manufacturers are limited in the extent to which they can recover their increased costs of doing business, depicted in Figure 6.



Source: ABS (Producer Price Index)

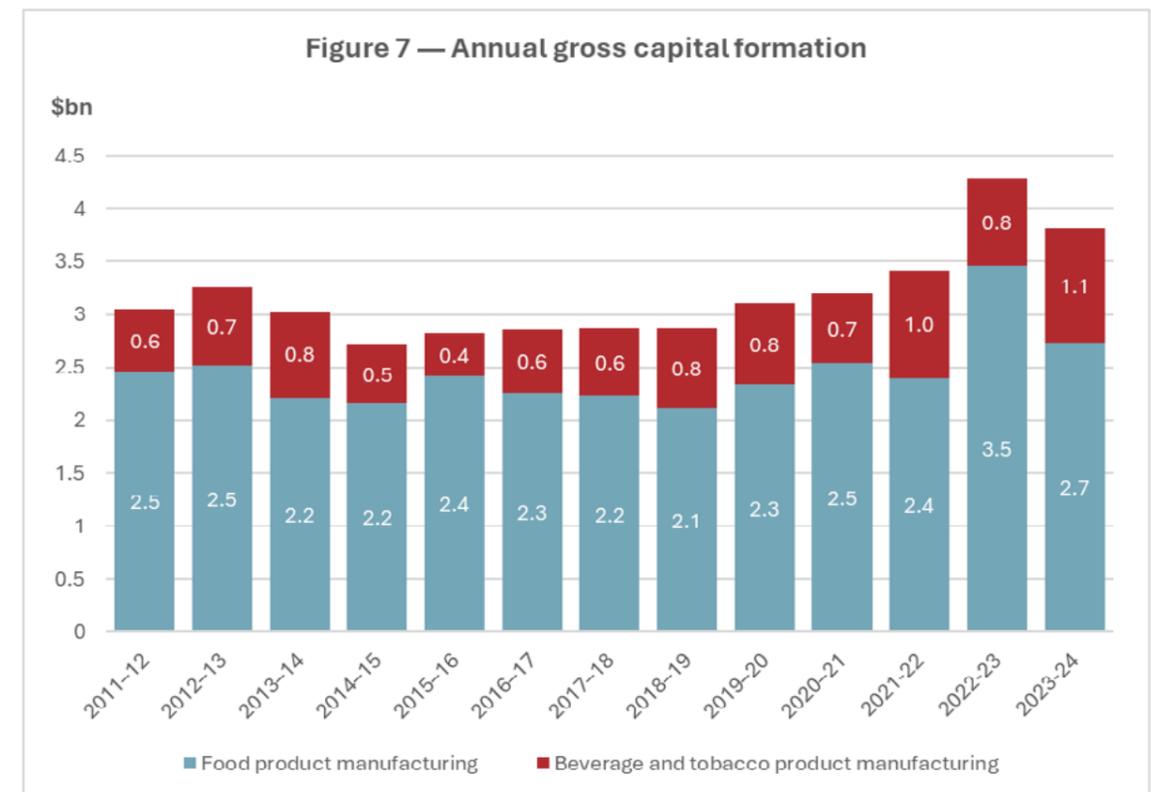


Source: ABS (Producer Price Index)

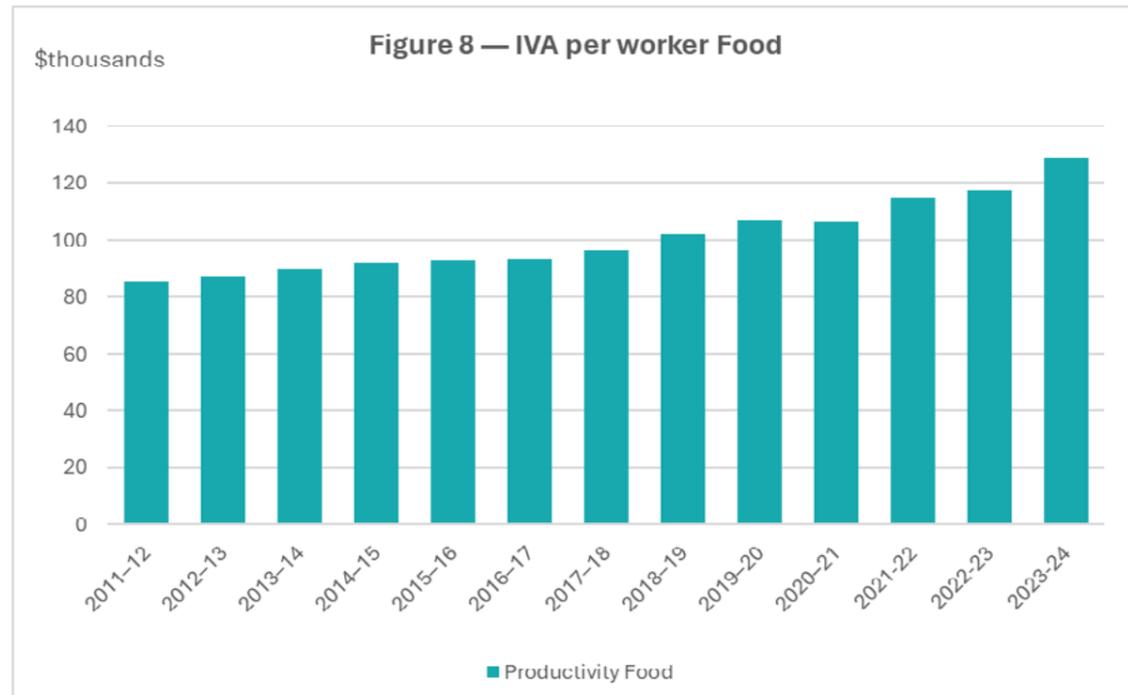
The declining ratio has significant implications for the sector’s ongoing challenges with investment, productivity, and R&D. Figure 7 demonstrates an uptick in investment that coincided with Covid-era policy measures such as Temporary Full Expensing. Nevertheless, the increase registered during this period does not appear to have marked a persistent increase in investment, with a notable decline coinciding with the end of Temporary Full Expensing after the 2022-23 financial year.

There are aspects of the sector’s investment predicament that deserve further consideration. One is that the incentive for companies to invest in productivity-enhancing assets was not solely a result of Temporary Full Expensing, but also a response to escalating costs for inputs including ingredients, energy, labour and packaging. In this inflationary environment, investment in efficiency-enhancing assets offer the prospect of offsetting increased costs of doing business. The fruits of such investment can be seen in Figure 7, which shows an increase in Industry Value Added per worker for food.

However, not all investment is in productivity-enhancing assets. Another driver of investment in the sector relates to the need to maintain or replace aging assets. Consequently, there is a strong cyclical nature to investment. In cases where assets are approaching the end of their lifecycle, investment is not necessarily a means to increase the innovative or productive capacity of a company, but often necessary to continue operations: investment required simply ‘to keep the lights on’.



Source: AFGC State of the Industry (ABS data)



Source: AFGC State of the Industry (ABS data); Sustaining Australia 2030

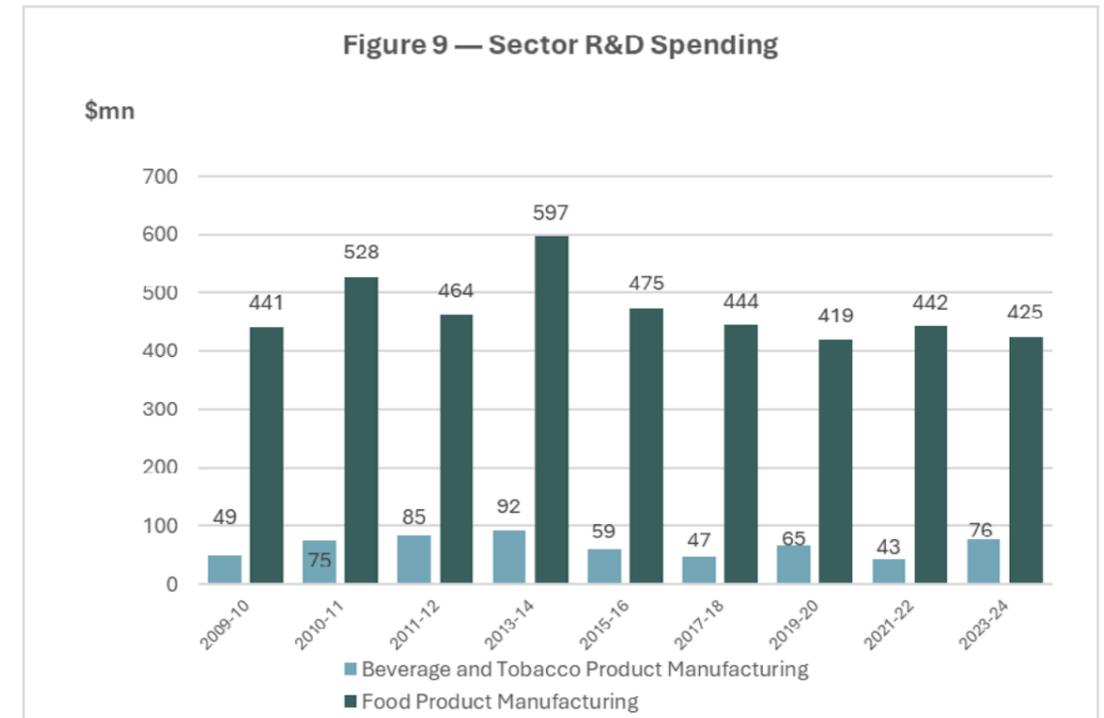
The increase in investment within the sector earlier in the decade has not been at sufficient scale to compensate for the preceding years of underinvestment. Unfortunately, the 2011 warning from AT Kearney, featured in *Sustaining Australia*, looks prophetic from the perspective of 2025:

The food and grocery manufacturing industry faces a significant investment challenge. It is highly uncertain if the industry will have the capital or will to make the scale of investment required over the next decade to maintain a vibrant competitive sector.¹

In the long-run, stable profits with declining margins – as has characterised the food and grocery manufacturing sector in the 2020s – may discourage new productivity-enhancing investments in Australia.

There are other metrics that indicate a sector with declining competitiveness. One is the continued flatlining of R&D spending. As Figure 9 indicates, there has been no growth in the sector’s investment in R&D since the publication of *Sustaining Australia* – indeed R&D outlays are lower in both real and nominal terms than they were in 2009-10. The lack of investment in innovation portends continued declines in the sector’s competitiveness, as R&D spending affects core aspects of a company’s operations, including new products and packaging, consumer insights, and process and manufacturing efficiency.

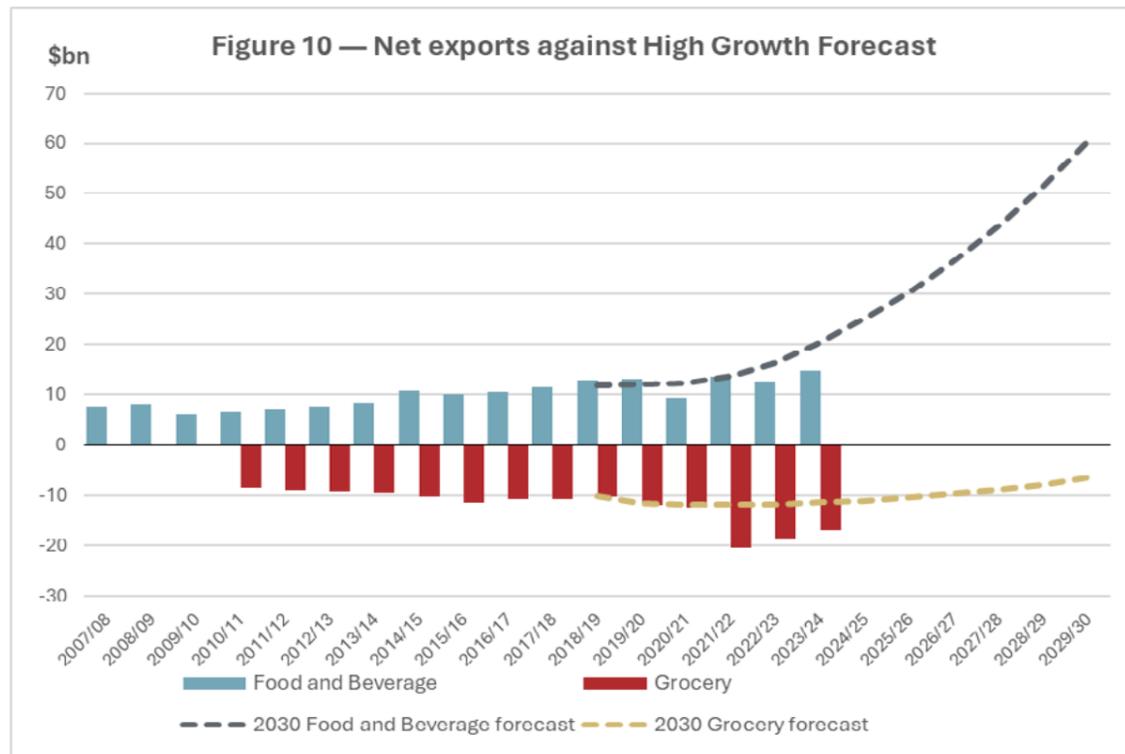
¹ *Sustaining Australia*, p. 30.



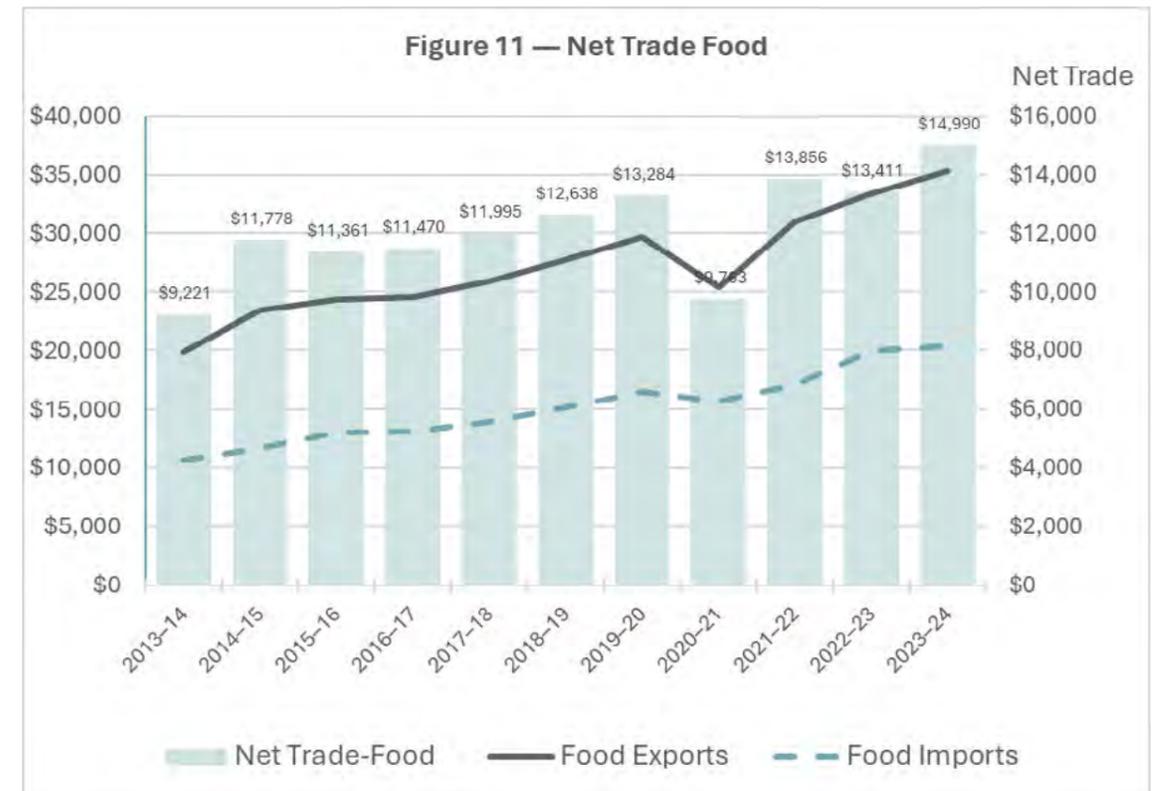
Source: ABS (Research and Experimental Development)

The high growth ambitions outlined in the original *Sustaining Australia* report were predicated on a considerable increase (10.6 per cent CAGR) in the sector’s exports, driven by product innovation and opportunities presented by Asia’s growing middle class.

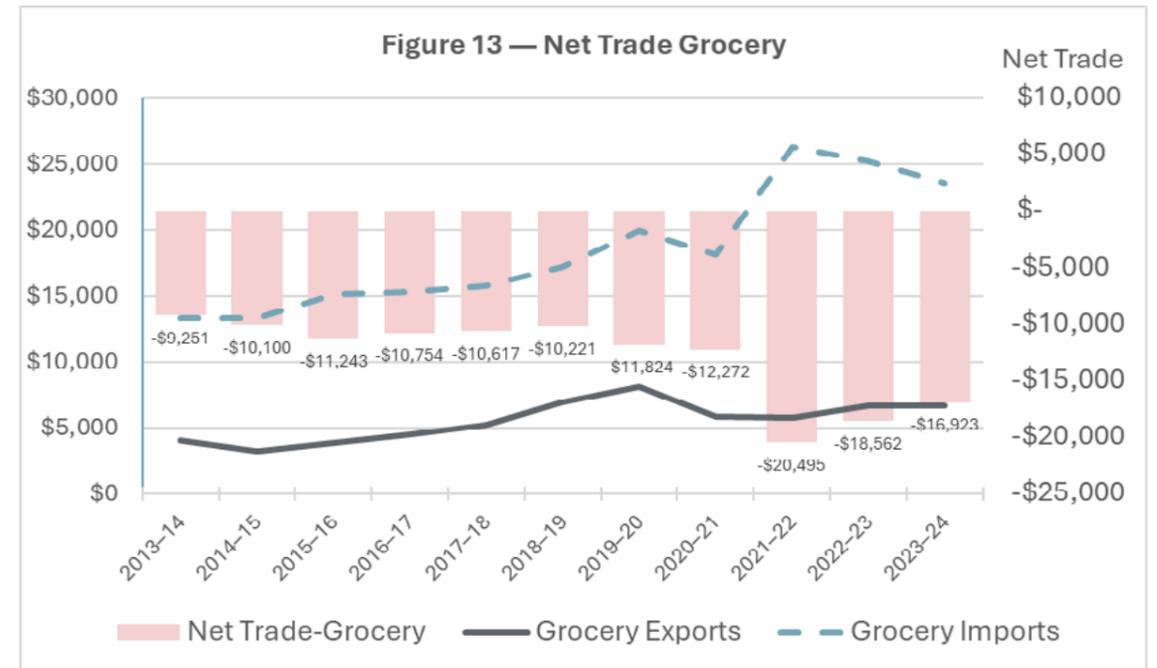
In reality, the sector’s experience has not matched its high growth ambitions. Figure 10 demonstrates that net food and grocery exports have fallen short of projections, with the grocery trade balance in particular being more negative than the original forecast. More information on the net trade positions of the food, beverage and grocery subsectors is provided in Figures 11-13.



Source: AFGC State of the Industry (ABS data); Sustaining Australia 2030

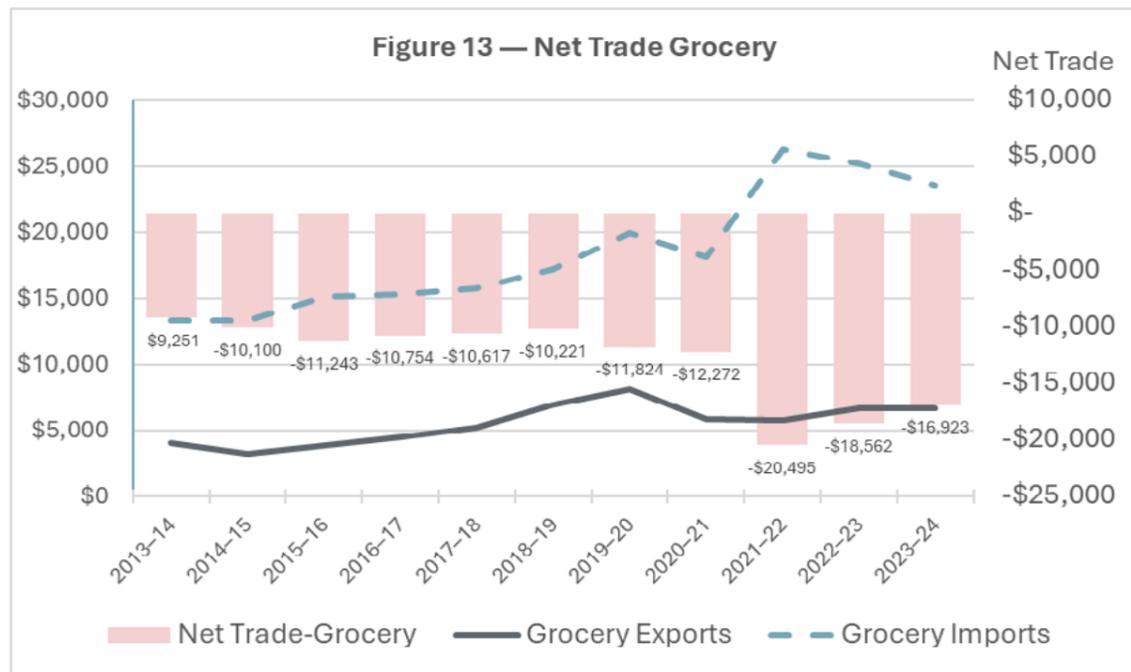


Source: AFGC State of the Industry (ABS data)

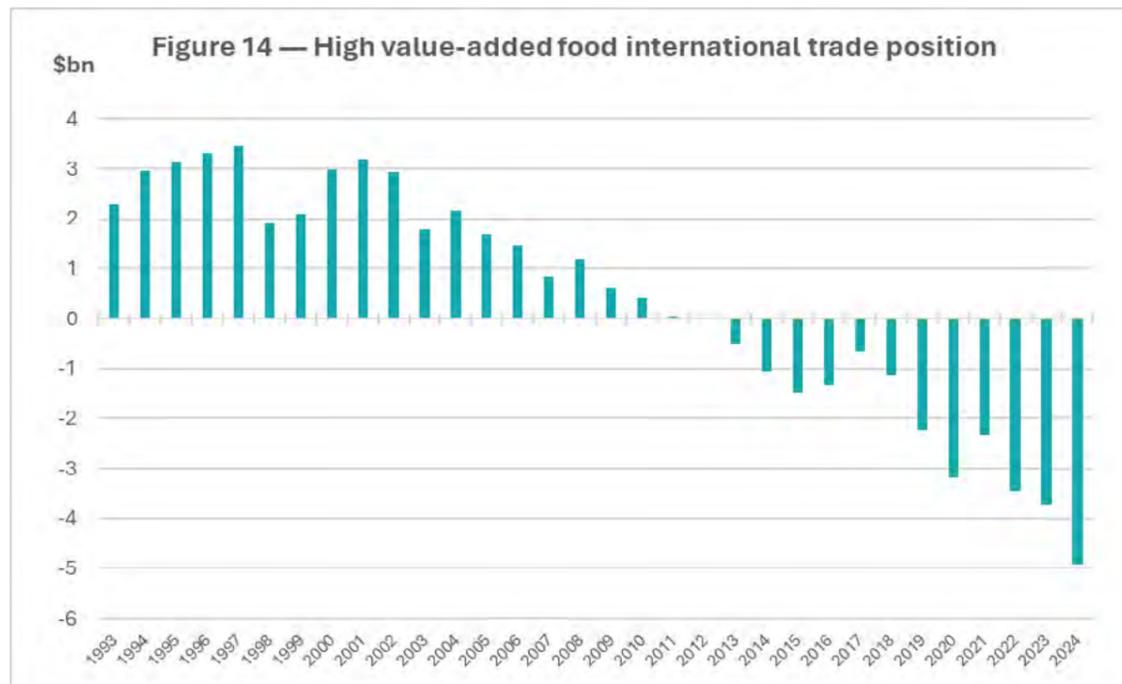


Source: AFGC State of the Industry (ABS data)

Despite a net trade surplus in food, an examination of the international trade position of high value-added food shows Australia steadily losing ground since the turn of the century (Figure 14). Australia's net surplus in food, contrasted with a trade deficit in high value-added food products, suggests that the country continues to leverage its reputation of provider of quality food to drive exports of primary commodities, such as meat. However, it is struggling to compete on value-added manufacturing, limiting its ability to capture higher margins and diversify its export base. Furthermore, this unfortunate trend has accelerated since the publication of *Sustaining Australia* in 2020. It demonstrates that even in the home market, Australian food manufacturers are suffering from reduced competitiveness.



Source: AFGC State of the Industry (ABS data)



Source: AFGC State of the Industry (ABS data); Sustaining Australia 2030

conclusion

In summary, Australia's food and grocery sector faces an uphill climb to achieve the ambitious growth goals outlined in the *Sustaining Australia* report. The necessity of navigating the disruptions that have characterised the decade to date, combined with a lack of policy changes to address structural challenges, have reduced the sector's ability to grow to its full potential.

If the sector is to overcome its challenges, investment will be key. A significant increase in investment – incentivised through the policy changes outlined below – would allow companies to modernise their production facilities, adopt advanced technologies, innovate products that meet consumer demands, and expand capacity in ways that benefit the entire nation.

The need to boost investment in the sector is heightened by the international environment. The international pivot towards onshoring manufacturing has seen nations against which Australia competes for investment – including New Zealand and the United States – adjust their tax settings to incentivise investment in capital-intensive productive assets, including manufacturing facilities.

Ultimately, Australia's food and grocery manufacturing sector requires investment in order to reach its growth goals, and ensure a thriving future for Australia's largest manufacturing sector.



INVESTMENT INCENTIVES

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.

Expand innovation tax incentives: Expand the existing Research and Development Tax Incentive to cover the implementation of innovative process improvements.

SKILLS

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.

REGULATORY REFORM

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.

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.

Digital labelling: Work with industry to identify policy settings to facilitate the uptake of digital labelling.

SUPPLY CHAIN

Network mapping: Map the supply chain network, noting risks and challenges specific to the food sector, to identify key vulnerabilities to be mitigated.

TRADE

Export growth strategy: Develop an export growth strategy that will support Australian food and grocery manufacturers to deliver export growth, including through increased access to new international markets.

recommendations

STRATEGIC INDUSTRY POLICY

Industry support: Recognise the vital contribution of food and grocery manufacturing to Australia's economy by ensuring the sector's access to industry support measures, such as Future Made in Australia and the National Reconstruction Fund.

ENERGY

Grid stability: Ensure that reliability and stability are prioritised as the electricity grid transitions to renewable and distributed energy sources.

Gas supply: Ensure the continued supply of affordable gas for commercial and industrial users, as the sector electrifies its processes over the longer term.