Creating a more dynamic and resilient economy inquiry

Questionnaire response 31

Name: Australian Food and Grocery Council

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1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The participant did not respond to this question.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

The participant did not respond to this question.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

The participant did not respond to this question.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

The participant did not respond to this question.

2. How has your regulatory burden changed over time?

Overall, the regulatory burden on Australia's food and grocery manufacturing sector has increased significantly in recent years. Some indicative examples include:

Packaging
The ongoing federal consultation to reform regulation of product packaging to achieve sustainability goals is a comparatively recent development. The sector recognises the significant environmental impacts of packaging and is committed to greater circularity in its value chains. However, it is essential to acknowledge that changes to packaging inevitably bring significant cost impost, operational and technical challenges, and thereby have commercial implications to a sector that is currently under pressure.

Emissions reporting
The obligation for Australian companies above certain thresholds to report their greenhouse gas emissions, energy production and energy consumption under the National Greenhouse and Energy Reporting Scheme is another comparatively recent change. As of 1 January 2025 there is now an additional obligation for companies above a certain threshold to report on climate-related risks and sustainability efforts under the Climate-Related Financial Disclosures Scheme. As with packaging reform, the sector recognises its role in contributing to climate mitigation efforts. However, such measures require the allocation of additional resources by businesses to ensure compliance with increased regulatory obligations.

Cross-jurisdictional complications

In recent years the food and grocery manufacturing sector has also faced challenges associated with differing regulatory obligations across jurisdictions. One example is the regulation of single-use plastics (e.g. plastic straws) by Australia's subnational governments. A fragmented approach, whereby different subnational governments adopt different regulatory standards, creates additional complexity for manufacturers. Manufacturers produce products at a national scale that must comply with the standards of each jurisdiction, while also complying with federal regulatory obligations.

This issue can also impact the industry's supply chains during times of crisis, as evidenced during natural disasters or the 2024 Crowdstrike IT outage. During such major disruptions, the management of truck curfew exemptions has been a recurring issue. These curfews, which restrict truck movements, are controlled independently by local governments and are lifted on an ad hoc basis. This creates delays in restocking shelves when swift action is most needed. Because food supply chains often span multiple states, inconsistent curfew policies make it harder to respond effectively during national-scale disruptions.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

Labelling

Australia's food manufacturers face an array of challenges relating to the regulatory requirements for product labelling. Examples of these (not exhaustive) include a Nutrition Information Panel, Country-of-Origin information, and plain English allergen labelling. Health Star Ratings, while currently a voluntary initiative, also have the potential to be mandated on the front-of-pack in the near future. Currently there is little coordination between changes in these obligations, any of which oblige a producer to change their product labels – often at significant expense. For example, an amendment to the Health Star Rating algorithm could necessitate changes to the Health Star Rating value on packaging, requiring the write-off of 'old' packaging inventory and the redesign and production of new packaging.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Australia's food regulatory system

Australia faces an aging food regulatory system that is struggling to keep pace, having not had a major overhaul for over 20 years. It imposes greater costs on the sector and inhibits innovation. There is also a lack of coordination within the current federal-state regulatory system, resulting in inconsistencies regarding the intent and enforcement of the national Food Standards Code.

An example of the impact of the current system on the sector can be found with the experience of Application A1155 to Food Standards Australia New Zealand (FSANZ). Under Application A1155, permission was sought for two new substances in infant formula products and formulated supplementary foods for young children. This was initially approved by FSANZ, only for the (then) Australia and New Zealand Ministerial Forum on Food Regulation to subsequently request a review of FSANZ's approval decision. This was despite the compounds in question being fully approved for infant formula products in comparable overseas jurisdictions, including the United States and European Union. Ultimately the review reportedly cost FSANZ 4000 working hours and $1 million, and resulted in no change to FSANZ's initial recommendation. It also delayed

getting a new product to market in Australia which had already been approved internationally.
The overall effect is that the innovation enjoyed by overseas consumers is restricted from the Australian market, and innovation by Australian companies is not supported as strongly as it might be. A review of the Food Standards Australia New Zealand Act 1991 commenced in July 2020, however progress has been disappointing. Streamlining and modernising regulatory requirements will facilitate innovation in the food industry, thereby promoting the sector's dynamism.