ADPF response to the Productivity Commission's five productivity inquiries

Introduction

The Australian Dairy Products Federation (ADPF), the national peak body representing the processors behind 90 per cent of Australia's milk pool.

From regional family-owned plants to multinational facilities, our members convert milk into the cheese, yogurt, milk powders, and nutritional products that underpin domestic food security and contribute $18.5 billion annually to our economy. More than 70,000 jobs – most of them in rural and regional areas – depend on this sector.

And it's under real pressure.

Production and input costs are biting. Milk supply is in long-term decline, with extreme climatic conditions (drought, floods) threatening this further. Dairy imports make up one in four products in shoppers' baskets.

In the past 30 months, 17 dairy processing facilities have publicly announced a closure.

There are many areas within the Productivity Commission's inquiry that could make a difference. And ADPF welcomes the opportunity to engage with this process. The pillars under review intersect directly with the challenges and opportunities facing dairy manufacturers today – from labour shortages and regulatory barriers to energy costs and the need for climate adaptation.

We are responding to:

- **Pillar 2: Building a Skilled and Adaptable Workforce**
- **Pillar 4: Delivering Quality Care More Efficiently**
- **Pillar 5: Investing in Cheaper, Cleaner Energy and the Net Zero Transformation**

Each of these areas addresses a critical pressure point for our industry:

- **Workforce reform** is urgently needed to resolve skill shortages and create future-facing career pathways that support regional employment and productivity growth.
- **Health and aged care reform** must include nutrition-based interventions that improve outcomes and reduce costs – with dairy playing a proven, science-backed role.
- **Energy and climate reform** will be pivotal to help processors decarbonise without compromising food safety, regional jobs, or international competitiveness.

These pillars represent not only the challenges but the transformation potential for our sector. With the right reforms, investment and collaboration, dairy processing can continue to deliver essential nutrition, skilled jobs, and regional economic resilience – while helping Australia meet its productivity, energy and climate goals.

Pillar 2: Building a Skilled and Adaptable Workforce

Reform Area 2: Support the workforce through a flexible post-secondary education and training sector

Q2: How can we make Australia's post-secondary education and training system more flexible and responsive to the needs of workers and industries?

A modern, flexible post-secondary education system is essential for addressing acute and evolving skills shortages across regional industries. The Australian dairy processing sector is a prime example of an industry with high economic contribution, that faces persistent labour gaps and under-investment in workforce development.

The Australian dairy processing industry is unlike any other.

Our industry provides tens of thousands of regional jobs and long-term, skilled careers and - unlike seasonal industries - dairy processing operates year-round and depends on a highly skilled workforce to maintain quality, efficiency and innovation.

Yet despite these opportunities, the industry faces labour shortages.

Processors urgently need targeted education and training pathways to reduce reliance on international labour and secure long-term viability.

With over half the workforce nearing retirement and limited access to dedicated training facilities, the sector is at a crossroads.

Without targeted action, these labour shortages will intensify - threatening growth and the future of Australian dairy processing.

That's why ADPF is calling for investment in a Dairy Career Pathways Program and a Dairy Centre of Excellence.

A national hub to attract, retain and upskill workers, ensuring a sustainable, resilient pipeline of talent for years to come.

By delivering specialised training, this initiative will build the workforce capability needed to drive innovation, lift productivity, and sustain the future of Australian dairy processing.

Strategic investment in training, scholarship programs, and fee-free TAFE courses in dairy processing will attract new talent, boost retention and support the next generation of skilled dairy professionals.

This is more than workforce development it's a long-term investment in the industry's resilience, competitiveness and ability to seize emerging opportunities.

The ADPF recommends:

- allocate $200,000 to ADPF to deliver scholarships
- include key qualifications (Certificate II/III in Food Processing, Certificate IV and Diploma in Food Science and Technology) in the Fee-Free TAFE eligibility list, and

- provide $2.5 million over four years to establish the Dairy Career Pathways Program and Dairy Centre of Excellence.

Addressing labour challenges in dairy processing through strategic investment in education will enhance industry resilience, reduce regional inequality, and improve national productivity outcomes.

By embedding dairy-specific qualifications in national policy and funding frameworks, Australia can future-proof a critical part of its regional economy.

Reform Area 3: Balance service availability and quality through fit-for-purpose occupational entry regulations

Q3: How can we reform occupational entry regulations (licensing, accreditation, qualification requirements) to better balance service availability and quality?

A fit-for-purpose occupational entry system must reflect the real-world workforce needs of essential industries. The Australian dairy processing sector, with its regional footprint and highly technical processes, is facing critical labour and training shortages.

Regulatory reform is essential to ensure that licensing, accreditation, and migration pathways align with the workforce challenges and productivity potential of the sector.

The Australian dairy processing industry is on the cusp of change, with more than 50 per cent of its current workforce expected to exit within the next five to 10 years. At the same time, there is intensifying competition for skilled and unskilled labour necessary for the future of the industry.

There are increasing expectations around regulatory compliance in food safety, product quality, and occupational health and safety. Meeting the training and development needs of the dairy processing workforce today and into the future is becoming a serious challenge.

The technology employed to produce Australian dairy products is 'world best', this ensures our industry is competitive in the world market.

Because of this, dairy processors require a greater proportion of skilled labour than most other food manufacturing systems. Currently, 23 per cent of dairy processing roles fall within the two highest ANZSCO skill classifications.

However, labour shortages are acute across all skill levels, with access to a skilled and capable workforce directly impacting productivity and profitability. This is especially pronounced in regional areas, which account for 56.5 per cent of the industry's direct workforce.

To address this, ADPF and dairy processors must attract, upskill, and reskill talent across the board. This includes:

- Expanding access to specialised dairy processing skills
- Closing gaps in domestic training and development services
- Modernising migration and visa pathways to support urgent labour needs

We recommend reforms to the current occupational licensing and migration system, including:

Broadening visa eligibility to cover dairy processing occupations

- Updating the CSOL (Consolidated Sponsored Occupation List) to reflect key dairy processing shortages
- Establishing accredited training pathways for technical dairy manufacturing skills in partnership with industry, government and local training providers

Currently, the industry lacks the internal capacity to train new workers at the scale and skill level required. Skilled migration is a necessary interim solution while Australia rebuilds its training infrastructure for the dairy sector.

To ensure both service availability and quality, regulatory reform must recognise the unique workforce demands of dairy processing. Occupational entry settings – from visa policy to accredited training – must become more responsive, streamlined, and supportive of industries that underpin Australia's food security, regional economies, and export competitiveness.

Pillar 4: Delivering Quality Care More Efficiently

Reform Area 1: Reform quality and safety regulation to support a more cohesive care economy

Q1: The care sectors (health, aged care, disability care, etc.) face many different quality and safety regulations. How can these be reformed to create a more cohesive, efficient care economy while maintaining high standards?

Improving cohesion in the care economy must include strong nutritional regulation grounded in evidence-based health outcomes. One overlooked area is the integration of food and nutrition science in aged care standards – where dairy plays a vital role.

While Australian dairy processors await the rollout of the new Aged Care Act and strengthened nutrition standards, there remains a gap in ensuring evidence-based dairy nutrition is fully recognised and integrated into national aged care and health policy frameworks.

Dairy provides 10 essential nutrients, including calcium, protein, and B12, and plays a critical role in supporting muscle mass, bone strength, and cognitive health. These benefits are especially vital for older Australians in everyday mobility and optimal wellbeing.

Research supported by Dairy Australia and published in the *BMJ (British Medical Journal)* has shown that increasing dairy intake by 1.5 serves a day in aged care settings (from 2 to 3.5 serves) can reduce the risk of falls by 11 per cent, fractures by 33 per cent, and hip fractures by a staggering 46 per cent – all while significantly increasing intakes of calcium and protein[1]. The potential annual health care savings are estimated to be up to $66 million.

This study is compelling scientific evidence that providing a minimum of 3.5 serves of dairy a day to older adults can directly improve clinical outcomes and quality of life.

Put simply: better dairy access means stronger bones, fewer hospitalisations, and longer independence. That's a powerful outcome – backed by science, aligned with federal aged care quality standards, and ready to be delivered.

Aligned with this, ADPF is calling for stronger recognition of dairy's role in the review of the Australian Dietary Guidelines and Health Star Rating system especially to protect the interests of our most vulnerable citizens. This includes:

- **Strengthen dairy's role** in the new *Aged Care Act* and associated nutrition standards, ensuring meals are not only safe and appealing but deeply nourishing and evidence based.
- **Promote dairy as a health asset:** Enhance the role of dairy in the Australian Dietary Guidelines and strengthen Health Star Rating labelling based on its nutritional value and evidence-based health benefits.
- **Support increased dairy provision in aged care** and disability settings, with flow-on benefits to population health, aged care viability, regional food production, and savings to the health care budget.

Greater recognition of dairy's role in aged care nutrition offers a low-cost, high-impact policy lever for improving care outcomes, reducing hospitalisations, and boosting regional food systems. ADPF urges inclusion of these reforms in the evolving care policy landscape.

[1] https://www.bmj.com/content/375/bmj.n2364

Pillar 5: Investing in Cheaper, Cleaner Energy and the Net Zero Transformation

Reform Area 1: Reduce the cost of meeting carbon targets

Q1: How can Australia reduce the cost of meeting our carbon emissions targets (net zero by 2050, interim targets) in a way that maintains economic growth and industrial competitiveness?

Australian dairy processors are already at the forefront of industrial decarbonisation – demonstrating that sustainable practice and competitiveness can go hand-in-hand.

However, cost and infrastructure barriers still slow the transition.

Australia's dairy industry is built on a strong foundation - world-class food safety, exemplary quality, a clean and green reputation, and a commitment to sustainability that ensures long-term success.

As global demand for sustainably produced food rises, Australian dairy processors are stepping up, reducing their environmental impact while maintaining the highest standards of quality and innovation.

Reducing greenhouse gas (GHG) emissions is a strategic priority for Australian dairy processors - for environmental reasons and long-term business viability. Lower emissions mean greater efficiencies, cost savings, regulatory compliance, and enhanced market competitiveness, while meeting the expectations of sustainability conscious consumers.

As part of the Australian Dairy Sustainability Framework, and their own ambitious targets, dairy processors are committed to reducing GHG emissions intensity by 30 per cent by 2030.

They are already making significant progress by transitioning to renewable energy, improving operational efficiency, converting waste into energy (bioenergy), decarbonising transport fleets, and optimising logistics. As of 2023:

- we've achieved a significant 29.8 per cent reduction in emission intensity, equating to an overall reduction in absolute emissions of 37.8 per cent since 2010/11, and
- we're launching a Whole-of-Industry Emissions Reduction Roadmap with a workplan to follow.

Dairy processors have also driven their commitment to sustainability through the development of a Dairy Whole-of-Industry Emissions Reduction Roadmap, Dairy Packaging Roadmap, and Dairy Sector Food Waste Action Plan.

However, achieving these ambitious goals requires targeted financial assistance through grants, interest-free loans, and other funding mechanisms.

Support will accelerate the adoption of clean energy technologies, drive innovation, lower costs, and cement Australia's reputation as a global leader in sustainable dairy production and circularity.

To fully realise our efforts, it is vital regulatory reforms and policies align with industry goals - creating a framework that supports environmental and economic progress.

With the right investment and support, Australian dairy will continue to set the benchmark for sustainability, competitiveness, and long-term resilience.

The Australian Dairy Products Federation (ADPF) recommends targeted financial support and incentives through funding, grants, tax-breaks and interest free loans for dairy processors to:

- work towards emission reductions and reporting
- adopt renewable energy solutions improve sustainable and circular packaging, and
- implement food waste reduction measures.

Accelerated investment in energy transition support for dairy processors will unlock productivity gains, safeguard jobs, and strengthen Australia's global reputation as a leader in sustainable food manufacturing.

Read more about Australian dairy processor's sustainability commitments in ADPF's sustainability paper (LINK).

Reform Area 3: Encourage adaptation by addressing barriers to private investment

Q3: What is preventing businesses and investors from investing more in climate adaptation, and how can those barriers be addressed to encourage proactive adaptation to climate risks?

Energy affordability and availability are major barriers to climate adaptation in high-demand industries like dairy processing. Without investment incentives, critical facilities risk being left behind in the transition.

Energy costs are among the fastest growing and most difficult expenses for Australian dairy processors to manage. A secure and affordable energy supply is critical, as processors transform raw milk, a highly perishable, low-value commodity, into safe, nutritious, and premium dairy products for domestic and international markets, 365 days a year.

Substantial increases in gas and electricity prices have already stripped value from the dairy supply chain, adding margin pressure for processors and contributing to higher costs for consumers.

Commercially viable and reliable alternative energy sources are not yet available at scale, particularly for replacing gas used in large industrial boilers essential for steam generation in processes like pasteurisation and homogenisation, where sterility and consistency cannot be compromised.

At the same time Australian dairy processors have been early movers in the clean energy transition and implementing ways to lower production costs and improved efficiencies, capability, and capacity, such as through wind, solar and biogas. As of 2023:

- We've achieved a **37.8 per cent drop in absolute emissions** since 2010/11.
- **85 per cent of processor waste is diverted from landfill**, with a 100 per cent target by 2030.
- We're launching a **Whole-of-Industry Emissions Reduction Roadmap with a workplan to follow**, and
- We're investing in **on-site renewables, packaging innovation, water efficiency, bioenergy, and waste-to-energy** systems.

Our processors operate 24/7, often in aging, energy-intensive plants, located in areas without access to affordable grid alternatives. The energy transition must reach these heartland industries – or risk leaving them behind.

Electrification, renewables, emissions reporting, and waste reduction are all part of our future. But we need access to investment levers: clean energy transition grants, low-cost finance, decarbonisation incentives, and grid upgrades that work for dairy processors.

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Without tailored policy levers and funding, climate adaptation risks becoming uneven – favouring urban sectors while leaving behind regional, export-driven industries. A robust investment plan is essential to enable dairy processors to lead the charge toward sustainable production.