



AUSTRALIAN  
**FOOD &  
GROCERY**  
COUNCIL



AFGC SUBMISSION  
**Opportunities in the Circular  
Economy**

1 November 2024

## 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 2022-23 financial year of \$162 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 \$4.2 billion capital investment in 2022-23.

Food, beverage and grocery manufacturing together forms Australia's largest manufacturing sector, representing over 32 per cent of total manufacturing turnover in Australia. The industry makes a large contribution to rural and regional Australia economies, with almost 40 per cent of its 281,000 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.*

## OVERVIEW

The AFGC welcomes the opportunity to provide a submission on the Productivity Commission's *Opportunities in the Circular Economy* consultation process.

Establishing a genuine circular economy for packaging is crucial for the future of the food and grocery manufacturing sector. We are committed to this vision and recognise the significant environmental impacts of packaging. Our goal is to actively reduce these impacts across our supply chain.

In recent years, governments at all levels and the industry have focused on enhancing the circularity of packaging, with numerous initiatives underway. However, the complex regulatory environment governing packaging in Australia has created significant policy gaps, which could hinder these initiatives from achieving their intended outcomes. Implementing a circular economy for packaging has the potential to increase economic productivity in Australia. For every 10,000 tonnes of material recycled, there are 9.2 jobs created compared to 2.8 Jobs if the material is sent to landfill.<sup>1</sup>

To harness the economic, environmental, and productivity benefits of a true circular packaging system, the AFGC recommends:

1. Policy and regulation that enables a whole of nation, whole of lifecycle, and whole of supply chain approach.
2. Effective product stewardship coupled with mandatory standards and traceability requirements for the waste and recycling industry.
3. Capital tax incentives/grants to support changes in packaging as well as changes in packaging equipment.

Embracing these recommendations promises to enhance environmental stewardship and foster resilience and innovation within Australia's food and grocery manufacturing sector, supporting a circular economy.

## INFORMATION REQUEST 1: CIRCULAR ECONOMY SUCCESS AND MEASUREMENT OF SUCCESS

The AFGC has collaborated for several years with various stakeholders to develop product stewardship for one of Australia's most problematic materials: soft plastic.

This effort brought together brand owners, retailers, and recyclers across the soft plastics supply chain to form the nationwide product stewardship scheme, formerly the National Plastic Recycling Scheme (NPRS). The scheme, now an independent not-for-profit known as the Soft Plastics Stewardship Australia (SPSA), builds on the foundational work of the NPRS and the retailer-led Soft Plastic Taskforce.

To escalate the development of this scheme, the AFGC recommends the following:

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<sup>1</sup> [National Waste Policy Action Plan 2019](#)

- Mandating product stewardship scheme membership.
- Government funding to escalate the construction of advanced mechanical and chemical recycling facilities.
- Harmonised state government standards to collect soft plastics in the kerbside bin.

## CASE STUDY: SOFT PLASTICS STEWARDSHIP AUSTRALIA

### Overview

The [SPSA](#) plans to collect levies from brand owners based on their consumer soft plastic usage in Australia, pending ACCC approval. These funds will be used to improve packaging design and recyclability through incentives and penalties while also supporting collection and processing efforts to enhance recycling convenience for consumers. Figure 1 outlines the recycling process.

### Challenges in soft plastic recycling

- Low consumer engagement in recycling despite the high recyclability rate.
- Insufficient recycling infrastructure.
- Limited demand for recycled products, hindering market development.

### Initial Trial Outcomes

Prior to becoming the SPSA, the NPRS conducted pilots in six councils across New South Wales, South Australia, and Victoria using distinctive bags for separating soft plastics in commingled recycling bins.

- Initial trials were low scale, due to there currently being no option for soft plastic recycling therefore anything recycled under the scheme was a net positive to the environment.
- Participation reached nearly 30% without marketing, indicating strong household willingness to engage.
- Community survey indicated a 92.47% preference for kerbside collection.

### Future Trials:

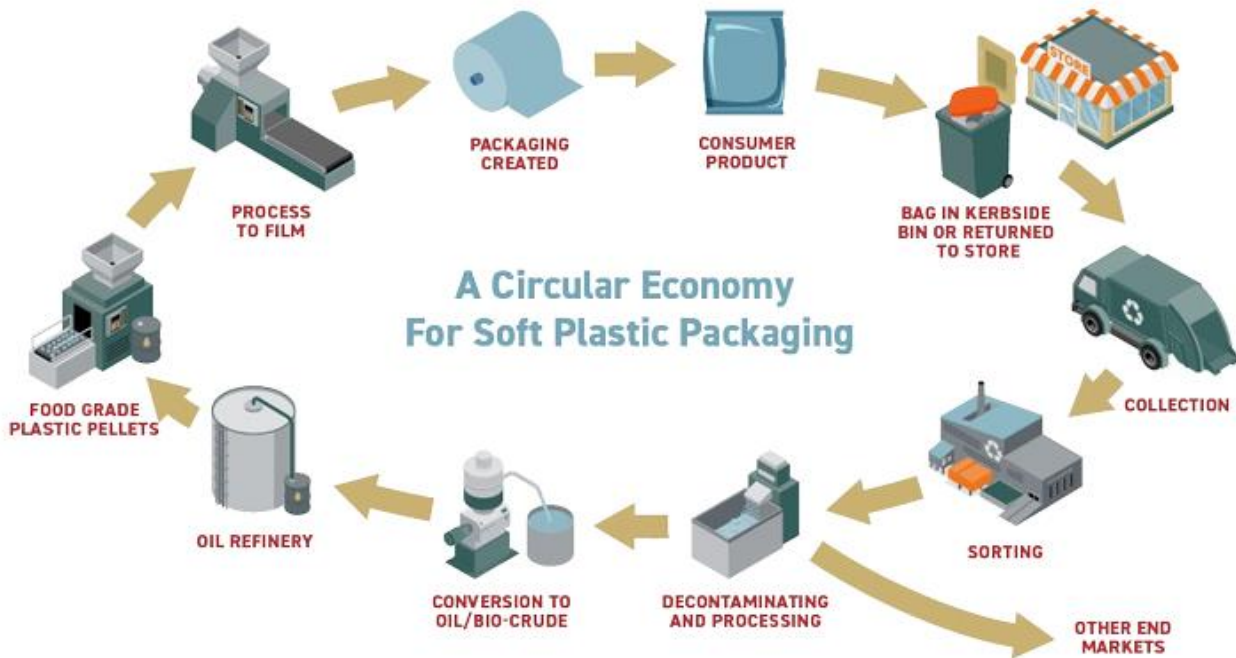
The Queensland Government has invested \$1 million to support SPSA recycling pilots within the state. These trials will:

- Assess the effectiveness and consumer preferences of different collection methods.
- Identify local processing of soft plastics and explore potential end markets for recycled products.

### Proposed outcomes:

- Enhanced environmental benefits by reducing virgin plastic use, emissions, and landfill.
- Increased recycling rates to meet industry and government targets.
- Greater availability of post-consumer recycled content.
- Development of an advanced plastics recycling industry in Australia by incentivising the supply of feedstock and industry demand.

Figure 1. A Circular Economy for soft plastic packaging



**Measuring success**

Measuring the success of product stewardship schemes and packaging circularity must consider the reporting burden that businesses could face if it is too onerous. A unified data system to support traceability of packaging must be put in place across the entire supply chain to ensure the availability of data to meet reporting requirements.

A monitoring framework should also consider the roles of all supply chain players – producers, recyclers, processors, and consumers – recognising that circular economy success is a shared responsibility, not solely that of producers.

To measure the contribution of a product stewardship scheme like the SPSA, success can be gauged through both direct and indirect benefits, including:

- Reduction in virgin material placed on the Australian market.
- Increased investment in recycling infrastructure.
- Achievement of government packaging design and recyclability targets.
- Greater availability of PCR in Australia.
- Enhanced revenue for related sectors like logistics, recycling, and manufacturing.
- Volume of material collected and recycled.
- Consumer engagement and participation rates.
- Improved environmental outcomes, including reduced packaging litter, emissions, and landfill impacts.

## INFORMATION REQUEST 2: PRIORITY OPPORTUNITIES TO PROGRESS A CIRCULAR ECONOMY

As outlined in the previous section, targeted product stewardship initiatives, such as the SPSA, significantly enhance the effectiveness of a circular economy and the benefits it provides to the environment and community. Such initiatives are crucial in driving positive change, promoting resource efficiency, and advancing towards a circular economy.

For an effective packaging product stewardship model, the AFGC recommends:

- Extended Producer Responsibility that is underpinned by the Best Practice Principles (**Appendix A**).
- Eco-modulated levies are paid to a **scheme administrator** based on the tonnes of packaging placed on the market. 100% of the funds are reinvested into solutions for collection, reprocessing, packaging innovation, and programs aimed at household education and behaviour change.
- A robust data collection system is established to ensure transparency regarding packaging movement through the recycling system.
- Packaging legislation enables cost recovery for brand owners.
- Measures are in place to avoid duplicating recycling costs and prevent unnecessary increases in household living costs, such as higher council rates or retail prices.

## INFORMATION REQUEST 3: HURDLES AND BARRIERS TO A CIRCULAR ECONOMY

A significant barrier to supporting a circular system for packaging is the substantial upfront costs required to change manufacturing equipment to support new packaging design standards. The AFGC recommends tax incentives to support the transition to new, multimillion-dollar capital equipment needed to support new packaging design standards and more sustainable packaging formats that will lead to improved circular economy outcomes in packaging.

A factor often overlooked is the significant capital investment that food and grocery manufacturers require to upgrade or install new packaging plants and equipment to meet new design standards. Where new packaging formats are required, costs can exceed \$100 million per facility.

In addition, food and grocery manufacturers are simultaneously facing additional costs of procuring recycled content and participation in product stewardship schemes.

Significant government funding is in place at the state and federal levels to support changes needed in the waste and recycling industry. Yet, nothing is in place to support food and grocery manufacturers with a costly transition. These risks increase the cost of living or moving manufacturing offshore to contain costs.

Additional barriers and regulatory constraints are addressed in the following section.

## INFORMATION REQUEST 4: GOVERNMENTS' ROLE IN THE CIRCULAR ECONOMY

To enable a circular economy for packaging, a holistic approach to regulation and policy systems must be taken. The following regulatory enablers are essential for an effective and circular packaging system.

These enablers support whole of system, whole of lifecycle, and whole of nation approach to circularity. Without these enablers, there will be severe gaps in the policy and regulatory landscape and a risk of packaging circularity failing.



*Whole of Nation*

**Approach:** Harmonise waste and recycling regulations across jurisdictions to minimise confusion and build community trust and industry confidence.

**Barriers:** Inconsistent regulation across Australia creates confusion, complicates compliance, increases cost, and insufficient recycling systems.

Goal	Policy Action	Impact
Packaging design regulations support a nationally harmonised circular system.	Consistent and harmonised single-use plastic ban regulation across all levels of government.	<ul style="list-style-type: none"> <li>Allow businesses to invest with certainty, change large-scale systems, train teams, and inform customers.</li> <li>Reduce community confusion leading to improved recycling rates and less waste.</li> <li>Improved production costs, enhancing economic outcomes and reducing the risk of manufacturing relocating outside of Australia.</li> </ul>
Waste and recycling regulations that align with packaging design standards.	Consistent and harmonised kerbside collection standards across all levels of government.	<ul style="list-style-type: none"> <li>Ensure collection systems support the recycling of packaging and align with design standards.</li> <li>Increased consumer confidence and improved behaviour change within the home due to national consistency.</li> <li>Supports nationally consistent on-pack labelling, such as Australasian Packaging Label (ARL), to support consumer behaviour for the end life of packaged products.</li> </ul>
	Consistent and harmonised Container Deposit Schemes across all levels of government.	
Increasing recycling capacity and capability within Australia.	A nationally coordinated approach to waste and recycling infrastructure investment.	<ul style="list-style-type: none"> <li>Increase recycling efficiencies by avoiding a timing mismatch for the availability of post-consumer recycled content (PCR)</li> </ul>
	Upgrading Material Recovery Facilities (MRF) and	

	mechanical and chemical advanced recycling.	<ul style="list-style-type: none"> <li>• Increase in domestic PCR supply.</li> </ul>
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### Whole of Lifecycle

**Approach:** Implement regulations that consider the full lifecycle of products to mitigate unintended environmental and community impacts.

**Barriers:** Regulations do not adequately address the end-of-life options for alternative materials and could jeopardise long term sustainability.

Goal	Policy Action	Impact
Packaging design standards that are fit for purpose and protects food, drink, household and medicinal products.	Industry-aligned Lifecycle Assessment Framework overlaying packaging design standards to account for the full lifecycle of packaging materials.	<ul style="list-style-type: none"> <li>• Mitigating unintended consequences in the environment and community.</li> <li>• Decrease in greenhouse gas emissions.</li> <li>• Improved food safety and food loss outcomes.</li> <li>• Informed decisions from industry that prioritise environmental sustainability and emissions reduction.</li> <li>• Improved end-of-life disposal.</li> </ul>
	Recycled content targets must reflect the technical requirements of a product.	



### Whole of Supply Chain

**Approach:** Establish consistent packaging design standards and uniform collection and recycling standards to optimise resource recovery.

**Barriers:** Current regulation places disproportionate responsibility on manufacturers and renders packaging design standards ineffective.

Goal	Policy Action	Impact
Food and grocery manufacturers are supported to meet new packaging design standards.	Tax incentives for food and grocery manufacturers to transition multimillion-dollar capital equipment to support new packaging design standards.	<ul style="list-style-type: none"> <li>• Mitigated financial burden on manufacturers, helping industry remain competitive and preventing the offshoring of jobs.</li> <li>• Improved and streamlined adoption of new packaging standards.</li> <li>• Reduced environmental impact.</li> </ul>



	3 - 5 year timeframe for brands to transition to new design standards and align with recycling infrastructure investment.	<ul style="list-style-type: none"> <li>• Allow businesses to invest with certainty, change large-scale systems, train teams, and inform customers.</li> </ul>
	Phased introduction of national PCR targets that align with recycling infrastructure investment.	<ul style="list-style-type: none"> <li>• Ensure demand for PCR remains onshore and benefits the domestic market.</li> </ul>
Waste and recycling regulations that align with packaging design standards.	Minimum mandatory MRF standards that reflect packaging design standards.	<ul style="list-style-type: none"> <li>• A regulatory environment that boosts investor confidence in recycling initiatives to advance domestic infrastructure.</li> <li>• Increased packaging processing within MRFs with less going to landfill.</li> <li>• Shared responsibility across the supply chain to meet circular economy outcomes.</li> <li>• Industry certainty with clear guidelines in quality and safety requirements.</li> <li>• Prevents misleading environmental claims.</li> <li>• Increase local councils' confidence for MRF service contracts and avoidance in prioritising costs over quality.</li> </ul>
	Ensure adequate systems and services for all waste sources outside of residential sources, such as commercial and resource management centres.	<ul style="list-style-type: none"> <li>• Improved recycling management and enhanced packaging collection, sorting, and processing efficiency.</li> <li>• Decreased rates of packaging going to landfill that is disposed outside of the home.</li> </ul>
Increase access to recycled content.	Waste export bans are revised to allow the free trade of proven, traceable recycled commodities.	<ul style="list-style-type: none"> <li>• Increased supply of imported PCR to fill gaps in the domestic supply.</li> </ul>
Mandatory traceability within the packaging supply chain.	Mandatory traceability PCR from collection/MRF to packaging with acknowledgement of international traceability certifications.	<ul style="list-style-type: none"> <li>• Provenance of recycled content will be verifiable.</li> <li>• Manufacturers' ability to purchase traceable recycled content and have</li> </ul>

	National Framework for Recycled Content Traceability is mandatory.	<p>confidence in communicating recycled content claims to consumers.</p> <ul style="list-style-type: none"> <li>• Reducing unfair competition and a more equitable market environment.</li> <li>• Increase in demand for domestic PCR material leading to further investment in recycling infrastructure in Australia.</li> <li>• Supports the effective scaling of product stewardship schemes.</li> </ul>
	Establish a unified and efficient data system to support traceability of packaging.	

## CONCLUSION

The AFGC supports the development of a circular economy for packaging in Australia. We advocate for a comprehensive approach —whole of system, whole of nation, and whole lifecycle — coupled with mandatory traceability standards to establish a harmonised framework for packaging circularity.

Additionally, the AFGC emphasises the importance of targeted product stewardship initiatives like the SPSA, which use industry levied funds to address specific market challenges. These initiatives promote collaboration and innovation in addressing environmental issues, making them essential to an effective circular economy.

## APPENDIX A

These principles are aligned with the best practice guidance from the [Extended Producer Responsibility Alliance](#) and the [Consumer Goods Forum](#).

- **EPR compliance schemes should be not-for-profit / profit-not-for-distribution.**
- **There should be a robust EPR legal framework enforced by a public authority.**
- **Targets should be set in partnership with the PRO and/or scheme administrator to ensure community expectations are met while being technically, operationally and financially viable.** For example, targets should be enforced by government but established through co-design with industry.
- **Successful EPR must be based on a partnership between the public authority and EPR providers.**
- **There should be a level playing field for the provision of EPR services.**
- **Companies should receive equitable treatment and share the allocation of EPR costs based on their packaging design and volumes that are placed on market (PoM).** For example, technical recyclability, actual recycling rates, recycled content and market development.
- **EPR organisations should support companies to improve the environmental performance of their packaging.** Where companies have no control over consumer behaviour and end life such as kerbside collection, household behaviours, education and MRF capabilities, clearly defined responsibility and accountability should be included in targets.
- **The industry-owned PRO should pursue a public service mission of circularity.** The scope should be clearly articulated to prevent packaging from being captured where there is no existing market failure.
- **EPR compliance schemes should be operated by organisations that are responsible to fund and deliver recycling outcomes.** Parties who are liable to fund the system and deliver the outcomes should have majority control of the Producer Responsibility Organisation (PRO).
- **Packaging suppliers, collectors, sorters and recyclers of waste should not be active in EPR governance.** Any beneficiaries of the scheme, upstream or downstream, should only be engaged in an advisory capacity to avoid any conflicts of interest.

# State of Industry 2022-23

**TOTAL  
TURNOVER**  
**\$162.7bn**  
(+ 11.6%)



**AFG TURNOVER**  
**32.2%**  
(As % of  
manufacturing)



**EMPLOYMENT<sup>1</sup>**  
**281,269**  
(+4.1%)



**REGIONAL  
EMPLOYMENT**  
**36.5%**



**EXPORTS**  
**\$42.6bn**  
(+ 8.1%)



**IMPORTS**  
**\$48.6bn**  
(+ 4.7%)



**OPERATING  
PROFIT  
BEFORE TAX<sup>3</sup>**  
**\$7.2bn**  
(-7.2%)



**CAPITAL  
INVESTMENT<sup>2</sup>**  
**\$4.2bn**  
(+ 24.5%)



The figures on this page exclude the fresh food sector and are based on 2022-23 ABS data.

<sup>1</sup> This is total number of employees, head count basis and does not include seasonal employees.

<sup>2</sup> Gross fixed capital formation for food, beverage and tobacco manufacturing subsector is taken as indicator of capital investment.

<sup>3</sup> For food, beverage and tobacco product manufacturing subsector.