Australian Pork Limited

PO Box 4746 Kingston ACT 2604 Australia

T: 02 6270 8814
F: 02 6285 2288

ABN 83 092 783 278

www.australianpork.com.au

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Productivity Commission
Via email the Inquiry homepage

Productivity Commission Public Inquiry into Opportunities in the Circular Economy

Australian Pork Limited (APL) values the opportunity to provide input to the Productivity Commission Inquiry into Opportunities in the Circular Economy.

About the Australian pork industry and Australian Pork Limited (APL)

APL is the peak national representative body for Australian pork producers. It is a producer-owned company combining marketing, export development, research and innovation, and strategic policy development to assist in securing a profitable and sustainable future for the Australian pork industry.

APL is the primary contact regarding pork industry research, development and extension priorities, current industry evidence and information, and strategic policy needs. APL is unique in this way and is the one body representing every aspect of the Australian pork industry. APL holds several official roles on behalf of the Australian pork industry. APL is:

- The Rural Research and Development Corporation for the industry. Established through Federal legislation, APL is responsible for leading research, development and extension in partnership with the Australian government and the research community. Our statutory obligation is to deliver industry innovation and research and development services on behalf of all industry levy payers.
- The market access, trade and marketing arm of the industry, including managing industry campaigns such as "Get some pork on your fork".
- The national peak body for the Australian pork industry. We represent pork producers and the supply chain across jurisdictions and within national and state and territory representative frameworks.
- Leading the Australian pork industry's Sustainability Framework implementation supporting benchmarking and accountability against the goals within the four sustainability pillars.
- The pork industry signatory to the Emergency Animal Disease Response Deed (EADRA), representing the entire pork supply chain within Animal Health Australia, and where required, within the decision-making structures which would manage an emergency animal disease response.

The domestic pork industry is a vital part of Australia's food supply chain, with pork the second most consumed meat in Australia and all fresh pork consumed in Australia domestically sourced. The industry is domestically focused with approximately 90% of total production supporting food security for Australians.

The Australian pork industry contributes around $6 billion in gross domestic product to the economy. Approximately 34,600 jobs are supported by the industry nationally, predominantly in regional Australia, supporting the economic and social prosperity of communities and the wellbeing of individuals. The Australian pork industry's workforce is skilled, specialised and generally engaged on a permanent basis.

APL Recommendations to the Productivity Commission

Circular economy thinking can provide significant opportunities for commercial piggeries. APL makes the following recommendations to encourage an environment in which these opportunities can be leveraged:

- **Reduce regulatory and planning barriers within and across different jurisdictions.** Regulatory barriers within jurisdictions and a lack of regulatory harmonisation across jurisdictions are currently delaying or preventing the establishment of circular economy projects. This must be addressed before wide scale uptake will occur.
- **Expand the Circular Economy Ministerial Advisory Group recommendations**. The current recommendations do not sufficiently address these regulatory and planning issues.
- **Update and expand the current Australian Carbon Credit Unit (ACCU) Methods**. Changes to how ACCUs are calculated and the length of time under which ACCUs can be earned must be fast-tracked. Consideration must also be given to options to re-start projects which have recently expired and to recognise projects which continue to provide benefits.
- **Investigate financial support options for projects relating to recycling and reuse.** Financial support could include grants and concessional loans to support investment in projects. This is particularly important for many smaller pork producers which will not be able to access the ACCU program.
- **Invest in the development of skilled trades people to support project development and installation of specialised equipment**. At the present time, people with the necessary skills are often not available in regional areas where pig farms are located.
- **Investigate opportunities for Government to build support mechanisms which encourage linkages across the broader supply chain. These linkages would enable 'wastes' from farms and across the agricultural supply chain to be matched with projects and opportunities that allow their utilsation within a circular approach**. For example, using effluent management systems to process food wastes (production wastes or out of date products), thereby reducing pressure on landfills and reducing emissions all while producing gas for electricity and digestates which can ultimately be used as soil conditioners.

Australian Pork Sustainability Framework

The Australian pork industry is deeply committed to the care of its pigs, the environment, people, and communities, with producers providing Australians and overseas markets with safe, reliable and nutritious food. In 2021 APL launched its first-ever pork industry Sustainability Framework. The Sustainability Framework set goals, targets, and measures to demonstrate the industry's commitments across four key areas:

- **People** – Producing our products in a way that supports both our industry's people and our local communities.
- **Pigs** - A world leader in animal welfare and health.
- **Planet -** A world leader in environmental best practice.
- **Prosperity** - A revolutionary contributor to Australia's economy and those who work within the sector.

A peer reviewed lifecycle assessment published in the internationally recognised journal - *Animal Production Science*, measured the pork industry's positive environmental impact. Finding that Australian pork has minimal nutrient loss, compared with grazing systems and European pig farms. The journal publication can be found here: https://www.publish.csiro.au/an/Fulltext/AN23352. And the APL full report is here: https://australianpork.com.au/life-cycle-assessment-pork-industry-2020-2022

The recently released Australian Pork Sustainability Framework Baseline Report found that:

- Pork producers have embraced the circular economy including:
    - 78% of pork producers reuse effluent on crops;
    - 49% use solar power;
    - 44% recycle water on farm; and
    - 58% compost bedding and manure.
- The industry is building the foundations for the future by investing in research, with over 10 higher degree research students currently supported by the pork industry.

- The integrity of pork products is at the core of the industry, with more than 90% of the industry covered by the 3rd party, independently audited APIQ✓® quality assurance program.

Circular Economy in the Pork Industry

Pig producers are uniquely positioned to be leaders in circularity, and indeed have a long history of material re-use and recycling to build upon. The Australian Pork industry is in a strong position to contribute to this through the action of recycling pig and agricultural waste into power and soil amendments such as compost. As an animal which is highly efficient in converting feed into protein and energy, pigs can also make use of certain byproducts and agricultural and food wastes to produce a quality food, and by doing so, also reduce methane emissions (a potent greenhouse gas) from waste otherwise deposited into landfill.

The *Australian Pork Sustainability Framework* recognises the need to move to a circular economy. For agriculture, circularity makes good business and environmental sense.

The APL website includes several examples of pork industry circularity, including the example of Blantyre Farms, where pigs are fed waste food including bread, pasta and dairy products, and where methane from effluent is collected to produce renewable electricity and reduce emissions from the farm.

In a different example of circularity, an indoor piggery near Ballarat in Victoria uses anaerobic digestion technology to turn effluent into electricity, and composts animal bedding and other wastes into compost and potting mix products for the retail nursery industry.

Research into circularity continues across agriculture and externally, including research undertaken by the Australian Pork Research Institute (APRIL) in association with the Fight Food Waste CRC which recently concluded a study which found that pig feed made from waste food could be cost effective and nutritionally suitable. This initiative could reduce volumes of waste to landfill, helping to meet both landfill and emission reduction targets, and save up to 40% on feed costs to the farmer compared to other feed sources such as grain. However, the project found that legislation is likely to be one of the biggest hurdles to establishing commercial facilities.

Circular Economy Policy in Governments

APL understands that all of Australia's environment ministers have agreed to work with the private sector to 'design out' waste and pollution, keep materials in use and foster markets to achieve a circular economy by 2030. The Federal Minister for Environment and Water convened the Circular Economy Ministerial Advisory Group in February 2023 to work with the private sector to help achieve these goals.. The Advisory Group provides advice through the Minister for the Environment and Water on:

- Opportunities associated with Australia's circular economy transition (nationally, and within specific sectors).
- Regulatory, commercial and other barriers to a more circular economy.
- Best practice initiatives that show promise for adoption and/or expansion in Australia.
- Circular economy research, development and innovation needs.
- Effective measurement and communication about progress towards Australia's circular economy.

In late August 2024 the Advisory Group made the following recommendations:

- Embedding circular economy policy principles across relevant Commonwealth policies.
- Creating place-based solutions through shared infrastructure and common use precincts.
- Recognising best practice in mining standards and ESG reporting.
- Supporting greater awareness and understanding of connections between circularity and sustainability for farmers.

APL Recommendation: APL acknowledges and supports this important initiative however recommends that the Circular Economy Ministerial Advisory Group recommendations are expanded in order to sufficiently address these regulatory and planning issues.

Barriers to Participation

APL consultation with pork businesses has identified a range of barriers to farmers either participating in or growing their interests in a circular economy.

Regulatory barriers include:

- Regulatory complexity: Where businesses operate across jurisdictions with different regulations and guidelines.

- Waste classifications: Effluent and bedding residues are sometimes classified as 'wastes' under different state environmental regulations, despite these materials being suitable feedstocks for other purposes, such as biodigesters. In some cases, this classification means the imposition of a range of regulatory barriers around the storage, transport and use of these materials, which usually adds to project costs.
- Difficulty establishing a new site: Obtaining planning and development approval for a new 'waste' re-use system can be complex, time consuming and costly. This often involves multiple approvals from different agencies, adding complexity and uncertainly.
- Excessive odour management rules: Regulations around odour management can be excessive and stifle investment. Composting systems face stringent odour management rules, however if compost is managed well, open windrow composting can be a low-odour, valuable, non-intrusive, solution to manage organic wastes that would otherwise go into landfill.

APL Recommendation:

Reduce regulatory and planning barriers within and across different jurisdictions. Regulatory barriers within jurisdictions and a lack of regulatory harmonisation across jurisdictions are currently delaying or preventing the establishment of circular economy projects. This must be addressed before wide scale uptake will occur.

Non-regulatory barriers include:

- Limited support for farmers: Existing policy settings and funding programs do not provide enough support for pig farmers to install costly and resource intensive systems like bio digesters with electricity generation. Currently, the ACCU Program is the only option to seek funding support, through the generation and selling of ACCUs. However other options which could be investigated include grants, tax incentives, low interest green loans, or other mechanisms at a state and federal level.
- Limitations to the ACCU Program:
    - The ACCU program could be better designed to allow easier investment in circular economy technologies where there are emissions reduction opportunities.
    - Treatment of effluent is one of the biggest opportunities for 'circularly' on farms, and some projects can participate in the ACCU Program through the Animal Effluent Method. However, for smaller scale projects and producers, the significant transaction costs (especially compliance/auditing) associated with participating in the program can make a project unviable, and so there is a bias for ACCU generation towards larger producers.
    - The Animal Effluent Method also only allows farmers to earn ACCUs for 7 years. Based on current prices received for ACCUs and cost savings from power generation, even in larger scale projects this timeframe does not enable recovery of capital investment, maintenance costs of the biogas system or recognise the ongoing nature of piggery emissions.
    - Some early-adopters of the Animal Effluent Method have seen the 7-year crediting period expire and are now no longer eligible to receive ACCUs for their emissions abatement. In many cases this has seen these systems fall into disrepair because the maintenance and upgrades are no longer economically viable. APL is currently advocating to Government that the crediting period for the Animal Effluent Method should be increased and that expired projects be allowed to re-start with the longer crediting period.
- Few other support options: Other than the ACCU Scheme, there are few other opportunities to support investment in circular economy technologies.
- Skills shortage: There is currently a shortage of skilled professionals available to develop, install and maintain circular economy technologies, particularly in regional areas. Up-skilling of tradespeople to meet the challenges of new technologies is essential and APL has included this need in recent submissions to government consultations.
- Securing the right inputs for biodigesters: Consolidating sufficient volumes of known quality materials to run a biodigester system can be a challenge. Smaller pig farms do not generally have sufficient volumes of effluent wastes required for a commercially viable scale system. In theory these systems could accept other food wastes, however this can be challenging due to regulations, biosecurity risks, and consistency of quality and volume requirements. APL understands that Agriculture Victoria are looking at mapping sources of organics

from different sources, including dairy, pork and other livestock, to assist in overcoming the issue of sourcing sufficient volumes of waste materials. However, some of the regulatory and biosecurity concerns will need closer consideration.

APL Recommendation:

APL recommends that government:

- Update and expand the current ACCU methods. Changes to how ACCUs are calculated and the length of time under which ACCUs can be earned must be fast-tracked. Consideration must also be given to options to re-start projects which have recently expired and to recognise projects which continue to provide benefits.
- Investigate financial support options for projects relating to recycling and reuse**.**
- Invest in the development of skilled trades people to support project development and installation of specialised equipment.
- Investigate opportunities for Government to build support mechanisms which encourage linkages across the broader supply chain. These linkages would enable 'wastes' from farms and across the agricultural supply chain to be matched with projects and opportunities that allow their utilsation within a circular approach.

The Circular Economy Ministerial Advisory Group recommendations reflect some of the concerns outlined above. However, **APL believes that the Advisory Group's recommendations do not provide sufficient focus on the regulatory and planning barriers that are impacting on project development and operation.** From APL's consultations, planning and regulatory issues are the main issue preventing further investment in the circular economy, and if these issues are not resolved this will significantly slow down the transition to a more circular economy.

Thank you again for the opportunity to provide a submission to the Commission's Public Inquiry. Should you wish to discuss this submission, please contact Megan Hill, Policy Manager Environment and Sustainability,

Yours sincerely,

Tanya Pittard

General Manager Policy and Industry Relations