



AFPA Submission to:

***Department of Climate Change,
Energy, the Environment and Water***

Proposed packaging reform

October 2024

About the Australian Fresh Produce Alliance

The Australian Fresh Produce Alliance (AFPA) is made up of Australia's key fresh produce growers and suppliers. The members include:

- Costa Group
- Perfection Fresh
- Montague
- Pinata Farms
- Fresh Select
- Mackay's Marketing
- Driscoll's
- Australian Produce Partners
- Premier Fresh Australia
- Rugby Farming
- Fresh Produce Group.

These businesses represent:

- half the industry turnover of the Australian fresh produce (fruit and vegetables) sector - \$10 billion total
- a quarter of the volume of fresh produce grown in Australia - 1 million of the 3.9 million tonne total
- more than a third of fresh produce exports - \$410 million of the \$1.2 billion export total
- more than 1,000 growers through commercial arrangements, and
- more than 15,000 direct employees through peak harvest, and up to 25,000 employees in the grower network.

The key issues the AFPA is focusing on include:

- packaging and the role it plays in product shelf life and reducing food waste landfill,
- labour and the need for both a permanent and temporary supply of workers,
- market access to key export markets for Australian produce,
- product integrity both within and outside of the supply chain,
- pollination and research into alternative sources, and
- water security, including clear direction as to the allocation and trading of water rights.

The AFPA's aim therefore is to become the first-choice fresh produce group that retailers and government go to for discussion and outcomes on issues involving the growing and supply of fresh produce.

Products grown by AFPA Member companies include:

Apples	Blueberries	Cherries	Nectarines	Raspberries
Apricots	Broccoli	Fioretto	Onions	Salad leaf
Asparagus	Broccolini	Green Beans	Oranges	Spinach
Avocado	Brussel Sprouts	Herbs	Peaches	Strawberries
Baby Broccoli	Butternut	Lemons	Pears	Sweet Corn
Baby Corn	Pumpkin	Lettuce	Pineapples	Table grapes
Bananas	Cabbage	Mandarins	Plums	Tomatoes
Beetroot	Cauliflower	Mango	Potatoes	Water Cress
Blackberries	Celery	Mushrooms	Cucumber	Wombok

Summary

The Australian Fresh Produce Alliance (AFPA) welcomes the opportunity to provide feedback to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) on its proposed packaging reforms. The AFPA recognises the importance of sustainable packaging solutions that not only align with environmental goals but also support the commercial viability and operational efficiency of the industry.

The fresh produce industry and its ongoing supply of nutritious and safe fruit and vegetables plays a crucial role in the health and well-being of Australia's population, underpins national food security and is a major contributor to the economy. A profitable and sustainable fresh produce industry is in Australia's national interest. The fresh produce sector relies heavily on effective packaging to maintain product quality, extend shelf life, ensure food safety and reduce food waste. As such, any reform must balance environmental outcomes with the unique requirements of perishable goods.

Australian growers provide 97% of the fresh fruits and vegetables consumed in Australia, which requires a national, year-round, efficient supply chain to serve all Australians. The fresh produce industry, at a high level, is characterised by a large number of small businesses, a very concentrated retail supply chain, and is currently operating in a high inflation and cost period, where consumers are decreasing their consumption of produce in line with competing cost of living pressures.

This industry context is important to understand both in terms of the role packaging plays in industry by enabling access to fresh food, but also to understand the nuanced impact of cost increases and regulatory red tape burdens on farmers, retailers and consumers through the lens of the essential nature of Australian's access to fresh fruits and vegetables. Put simply, changes to the supply of fresh produce through packaging reform, will have consequences for consumers in terms of freshness, availability, access and cost.

The AFPA acknowledges that DCCEEW has expressed a preference for Option Three (3) in the Consultation Paper, an Extended Producer Responsibility (EPR) Scheme for Packaging, which incentivises sustainable design and promotes recyclability through financial mechanisms. While AFPA supports the underlying objectives of reducing packaging waste, increasing recycling rates, and minimising the environmental footprint, it is essential to address key concerns and considerations specific to the fresh produce industry before enacting any such reform.

In the context of Option 3, and broader regulatory reform, concerns specific to the fresh produce industry relate to the need to ensure that regulatory reform does not create unintended consequences including increases in food waste, reduction in competition among suppliers, or a reduction in the consumption of fresh produce. Importantly, Option 3 will have an impact on the price of fresh food for consumers – this price increase will either be as a result of the EPR fee imposed and/or the movement to packaging solutions that address packaging not food waste or integrity concerns. This must be considered when the Government undertakes an impact assessment with respect to the costs associated with Option 3.

Other important considerations for the fresh produce industry relate to the importance of defining 'brand owner' under any proposed EPR Scheme. The fresh produce industry has a complex supply chain, where decision making around packaging, particularly material selection often sits with Australia's largest grocery retailers. The influence retailers have on growers with respect to packaging has been highlighted both in the recent ACCC Supermarket Inquiry Interim Report and Dr Craig Emerson's review of the Food and Grocery Code of Conduct. Ensuring that any EPR fees are collected at the correct imposition point to deliver outcomes will be essential. It is the preliminary view of the AFPA that in many circumstances, grower suppliers should not be considered a brand owner, particularly where private label packaging is utilised.

More broadly, the fresh produce industry, like other sectors of the economy, is made up of predominantly small to medium enterprises (SMEs). Option 3 would require careful consideration of the impact on industry and SMEs in terms of data collection, reporting capacity, regulatory burden and red tape cost. There is an important opportunity to work with the fresh produce industry to develop a better understanding of packaging generally including

materials, volumes and sourcing opportunities to better develop packaging solutions that achieve the outcome sought by Government (including designing packaging to reduce waste and for recyclability, recyclability labelling and recycled content thresholds), rather than blunt bans, or poorly considered policy that could produce unintended consequences.

As a way forward, the AFPA makes the following recommendations in response to the proposed reform and Option 3, all of which are expanded on further in this submission:

1. Revise key outcomes for reform and measures of success of intervention
2. Further consultation, including targeted engagement with the fresh produce industry
3. Phased implementation of any regulatory approach
4. Incentives for Sustainable Innovation
5. Collaboration with Retailers and Supply Chain Stakeholders
6. Support for Regional Recycling Infrastructure
7. Appropriate allocation of revenue from eco modulated fees to support infrastructure and industry transition

The AFPA remains committed to working alongside the government and other stakeholders to find practical solutions that support addressing environmental concerns, including food waste, without compromising the viability of the fresh produce industry.

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1. Introduction

The AFPA, as the leading body representing the fresh produce industry in Australia, provides this position paper in response to DCCEEW Consultation Paper on the reform of packaging regulations. As an organisation whose membership represents a significant share of all fresh produce sold in Australia, the AFPA recognises the importance of sustainable packaging solutions that not only align with environmental goals but also support the commercial viability and operational efficiency of the industry.

DCCEEW is seeking views on reforming packaging regulation in Australia which will inform further government consideration and decisions, including an impact analysis, and will help ensure advice to the Australian Government (the government) on packaging regulatory reform is accompanied by robust analysis, data and an accurate overview of the effects of proposed policies on the community. It will assist in identifying the costs and benefits of policy changes and impacts on different groups.

The consultation paper builds on the DCCEEW's previous stakeholder engagement and seeks views on reform objectives and areas of focus including designing packaging to reduce waste and for recyclability, recyclability labelling and recycled content thresholds. It presents three potential reform options, with a strong preference for Option 3 presented in the paper.

2. Background

The fresh produce industry and its ongoing supply of nutritious and safe fruit and vegetables plays a crucial role in the health and well-being of Australia's population, underpins national food security and is a major contributor to the economy. A profitable and sustainable fresh produce industry is in Australia's national interest.

Considering the broader context within the fresh produce industry is important to support an improved understanding of the impact of packaging regulation on businesses within the sector, Australian consumers and the broader economic impact of fresh produce. At a high level, the fresh produce industry is characterised by a large number of small businesses, a very concentrated retail supply chain and is currently operating in a high inflation period, where consumers are decreasing their consumption of produce in line with competing cost of living pressures.

This context is important to understand both in terms of the role packaging plays in the industry in terms of enabling access to fresh food, but to understand the nuanced impact of cost increases and regulatory red tape burdens on farmers, retailers and consumers through the lens of the essential nature of Australian's access to fresh fruits and vegetables.

Fresh Produce Industry Snapshot

The following key facts and information, sourced largely from Hort Innovation's *Australian Horticulture Statistics Handbook 2022/23*¹, provide valuable context and a snapshot of the fresh produce industry:

- In 2022-23, the total production value of the fresh produce industry was \$12.2 billion
- It is estimated that the fresh produce industry directly supports between 65,000-80,000 roles²
- Australia's diverse climate and geography enables more than 100 varieties of fruit and vegetable to be grown productively in regions around the country.
- Australia produced over 6.2 million tonnes of fresh produce in 2022-23, the majority for fresh supply to the domestic market (61.6%) and processing (28.9%).
- Only 9.5% of Australian fresh produce is exported, unlike broader agriculture that exports around 72% of produce.

¹ [Australian Horticulture Statistics Handbook 2022/23](#) - Hort Innovation

² [Contribution of Australian horticulture industry](#) – Centre for International Economics

- Australia imports less than 3% of produce for fresh supply, meaning over 97% of fresh fruits and vegetables consumed in Australia is grown in Australia.

Fresh Produce Growers

A country-wide network of growers provide year-round supply of local fresh produce

Delivering year-round supply of local fruits and vegetables to Australian households and businesses takes a national effort and significant capital and operating expenditure. All fruits and vegetables require the right combination of climate, soil, and growing conditions to thrive. Australian producers over many decades have been working to identify the optimal region, time of year, and cultivation practices to successfully produce different fruits and vegetables to a standard and consistency which maximises production and financial return.

Some produce can be grown productively year-round in a single region, like bananas in North Queensland, while most produce must be grown in multiple regions across the country at different times of the year to provide continuous supply. For example, to provide a year-round supply of blueberries, they are grown between Tasmania and Far North Queensland at different times of year, with the main production hub being around Coffs Harbour, NSW. The shifting seasonality and natural peaks and troughs of fresh produce production is one of the industry's most defining characteristics, especially of its workforce requirement, and creates a very dynamic supply-chain.

The fresh produce industry's supply-chain criss-crosses the nation, transporting millions of tonnes of produce around the nation from in-season regions to local shops. It's typical for fresh produce to be on supermarket shelves within 48-72 hours of being harvested anywhere in the country, in some cases within 24 hours.

The industry's national network of production and dynamic supply-chain ensures year-round supply of fresh produce for Australian families.

A large number of small businesses and a small number of large businesses

As of 30 June 2023, ABS data³ indicates there were 18,325 fruit, vegetable and nut producing businesses in Australia. As illustrated in Table 1, around two-thirds, 12,371, are non-employing entities and 5,217 employ between 1 to 19 people, which means 96% of the industry are 'small businesses' by ABS definition. Of the remaining 4% of businesses, 709 employ between 20 and 199 people and only 29 businesses employ over 200 people. This data demonstrates that the fresh produce industry is made up of a large number of small businesses and a small number of large businesses.

This is further validated by additional ABS data provided in Table 2, that identifies business turnover ranges. Of note, the fresh produce industry is typically described as a high turnover, low profit margin industry.

Table 1: 2023 Fruit, Vegetable & Nut Businesses by employment size

Non-Employing	1 to 19 Employees	20-199 Employees	200+ Employees	Total Businesses
12371	5217	709	29	18325

Table 2: 2023 Fruit, Vegetable & Nut Businesses by total turnover

Zero to \$49k	\$50k to \$199k	\$200k to \$1.99m	\$2m to \$4.99m	\$5m to \$9.99m	\$10m or more	Total Businesses
5,913	5,169	5,782	870	319	270	18,325

All parties should consider how to best support this diverse industry as having a range both small and large businesses utilising a variety of growing techniques is in the national interests. This diversity enhances food security

³ [8165.0 Counts of Australian Businesses, including Entries and Exits](#) - ABS

by ensuring a stable supply of fresh produce even in the face of economic, environmental, and social challenges. It also promotes economic resilience by fostering innovation, competition, and sustainability within the sector. Small businesses often pioneer niche markets, while large businesses can leverage economies of scale to drive efficiencies and invest in advanced technologies and practices. Together, they form a robust ecosystem that supports the well-being of Australian communities and the national economy.

Current Market Conditions and Pressures

As widely publicised, many Australian families are experiencing cost of living challenges and must make difficult decisions about how to allocate their household budgets. During these difficult periods, spending on many food items becomes discretionary, following the payment of mortgages, rent and utilities. This results in a softening of demand for fruits and vegetables.

At the same time as households are seeking more affordable ways to feed their families, farmers are experiencing some of the steepest increases in production costs in the industry’s history.

While AFPA members are some of the largest producers in Australia, they also work collectively with around 1,000 other third-party growers, large and small producers, to supply fresh produce year round. Based on data gathered from members, on average, **the cost of producing fruit and vegetables in Australia has increased by 18.9% over the last four years**, between December 2019 to 2023.

Major cost increases occurred in labour, land, energy, capital, transport, fertiliser, packaging and other production inputs, which have largely contributed to a steep increase in the total production cost, as outlined in Table 3.

Table 3: Fruit and vegetable production cost increases

Category	Avg. cost Increase (%) between 2019 to 2023
Labour e.g. wages, super, allowances, administration, etc	+20.7%
Energy e.g. Electricity, gas, fuel, etc.	+20.0%
Capital costs e.g. Irrigation, machinery, infrastructure, etc.	+22.3%
Other production inputs e.g. Fertilizers, chemicals, packaging, water, etc.	+19.3%
Total Avg. Production Cost Increase	+18.9%

While this steep increase in costs was initially a result of the COVID-19 pandemic and international events, the drivers behind these cost increases are now increasingly domestic. For example, the greatest proportion of the increase in the cost of labour has occurred in the last two years, by 12.1% since January 2022.

The data in Table 3 was collated in early 2024, since then cost have continued increasing for a variety of reason, primarily in the areas of labour and energy. Without direct intervention by Government to address production issues and amend existing policies, costs are anticipated to continue increasing throughout 2025, further driving up consumer grocery prices.

The recently released ACCC interim report also found that while prices for food and non-alcoholic beverages have increased by 23% between the March 2019 and June 2024 quarter, this is less than the input prices to food product manufacturing, which has increased by near to 30% over the same period.

Maintaining affordability against increasing standards and compliance costs

Australian producers are held to some of the highest safety, ethical and environmental standards and requirements in the world, and the bar continues to rise. Industry recognises the value and need for appropriate standards to ensure the health and safety of consumers, protect the environment, and ensure the ethical treatment of workers. In some areas, the industry is actively advocating for additional safeguards, such as the introduction of a national labour hire licensing scheme. However, meeting these standards can require significant investment in sustainable practices, advanced technologies, capital and equipment, administration, and (sometimes the greatest cost) demonstrating compliance. There is often a disconnect between these costs incurred by producers, their capacity to pass on costs through the supply chain, and the ability of consumers to pay higher prices at the checkout.

State mandated changes to packaging regulation is one example whereby industry is being required to transition to alternative materials, which are typically more expensive and often less suitable, leading to costs, food-waste and other environmental harm – this will be further explored in this submission. These changes, without proper consideration continues to place significant financial pressure on producers.

Collaborative efforts among industry stakeholders, policymakers, and consumers are essential to support producers in meeting increasing standards and requirements while at the same time ensuring the long-term viability and competitiveness of the Australian fresh produce industry is maintained.

Domestic Consumption

Unlike many other packaged products captured within the scope of this reform, access to affordable fresh produce should be considered essential to Australian households and a priority of government.

Good nutrition is universally beneficial and can be achieved through regular consumption of fresh produce. However, numerous studies have shown that Australians are not meeting the recommended daily intake of fruit and vegetables. Most worryingly, the Australian Bureau of Statistics (ABS) has identified a significant decline in the consumption of fresh produce over the past twelve months. **Between 2021-22 and 2022-23, Australians consumed 7.1% less vegetables and 7.9% less fruit.**

This decline is alarming and, if not rectified, will have a profound and lasting public health, social and economic consequences. When the population's consumption of nutritional produce declines, public health systems face increased burdens due to higher incidences of chronic diseases like cardiovascular disease, Type II diabetes, and certain cancers. This leads to escalating healthcare costs and greater demand for medical services. Economically, the situation results in increased healthcare expenditure, loss of productivity, and higher social security and disability payments, further straining government budgets. Additionally, poor diet quality reduces overall quality of life and exacerbates health inequities, particularly in lower-income communities.

To address this critical issue, it is imperative that government, including DEECW, consider how it can support consumer access to affordable fresh produce.

3. The role of packaging for Australian fresh produce

Fresh produce packaging serves multiple critical functions and is essential to the supply of many fruits and vegetables. It protects produce during transportation, handling and storage and extends shelf life by controlling moisture, gas exchange, and temperature. As producers and retailers continually refine packaging, they seek to balance cost, sustainability, and functionality. Environmental considerations are becoming increasingly central to this refinement process, factoring in food waste, recyclability or compostability of materials, resource consumption in manufacturing, and the efficiency of packaging in reducing greenhouse gas emissions from transport—a significant concern in Australia's vast supply chain.

In addition to protection, packaging plays an important role by providing branding opportunities and essential product information, such as nutritional content, origin, and storage instructions. Innovations in packaging design also focus on enhancing consumer convenience with features like resealable bags, easy-to-open containers, and single-portion packs tailored to all kinds of households.

To support engagement around packaging, the AFPA commissioned research in 2019 by RMIT University to examine the [role of packaging for Australian fresh produce](#). RMIT's research was extensive, including peer-reviewed testing in its Chemical Engineering Laboratory of a variety of packaged produce. RMIT's key findings included:

- Packaging of fresh produce does help to avoid and reduce food waste, by protecting the integrity of the product in the supply chain
- Packaging reduces the chances of product bruising or damage through reducing direct touching and handling
- Packaging increases and extends produce shelf life from farm to plate compared to having no packaging at all
- Packaging material and packaging formats should work synergistically to provide product protection and shelf life as it travels through the supply chain.

Numerous other studies in Australia and overseas reinforce the benefits of packaging in preserving fresh produce. For example, international research⁴ on cucumbers under conditions similar to Australia found that:

- A shrink-wrapped cucumber lasts more than three times longer than an unwrapped cucumber.
- The supply chain of cucumbers without plastic wrap experiences an estimated food waste rate of 9.4% at retail, compared to 4.6% with plastic wrapping.
- Every unwrapped cucumber discarded has the same impact on climate change as the plastic used to wrap 93 cucumbers.

Research has also been undertaken into other highly perishable items like berries. Berry punnets have been specifically designed to protect the delicate fruit, while moisture-absorbing pads regulate humidity levels, reducing the risk of mould and spoilage. Additional examples can be sourced and provided upon request.

Material Selection

The AFPA recognises the concerns regarding the volume and types of packaging used for fresh produce, making packaging a key priority. Over the past several years, individual member companies have actively worked to improve their packaging solutions, focusing on increasing recyclability and reducing non-essential materials, without compromising on required functions.

Packaging materials are carefully selected to provide optimum results in terms of product protection, shelf-life extension, sustainability, and minimising environmental impact, while ensuring efficient transportation and reducing food waste throughout the supply chain.

Replacing existing materials with compostable or recyclable alternatives is not always a viable solution. Decisions regarding packaging must be made carefully to avoid unintended consequences such as increased food waste and higher carbon footprints.

A critical consideration in materials selection is understanding the barrier characteristics of each material and its function—whether the packaging is designed to maintain moisture levels, control gas exchange, and/or prevent physical damage. Eliminating specific materials without understanding their purpose can lead to unintended negative consequences, such as increased food waste, as (described above) with the shelf life of cucumbers when plastic wrapping is removed.

By adopting this comprehensive approach to packaging and materials selection, the fresh produce industry can continue to reduce its environmental footprint without compromising product quality, supply chain efficiency, or consumer access to fresh, healthy produce.

⁴ [Frontiers in Sustainable Food Systems – Report: To Wrap or To Not Wrap Cucumbers](#)

4. Response to the Consultation Paper: Reform of packaging regulation

Consultation Options

The AFPA acknowledges that DCCEE has expressed a strong preference for Option 3 in the Consultation Paper, an Extended Producer Responsibility (EPR) Scheme for Packaging, which incentivises sustainable design and promotes recyclability through financial mechanisms.

While the AFPA supports the underlying objectives of reducing packaging waste, increasing recycling rates, and minimising the environmental footprint, before proceeding with this option it is essential to address key concerns and considerations specific to the fresh produce industry.

With respect to Option 3, and packaging regulation more broadly, there are several key considerations required:

1. Functionality of Packaging

Fresh produce packaging serves critical functions, including protecting fragile items, reducing spoilage, and extending shelf life. Given the perishable nature of fresh produce, packaging plays a vital role in reducing food waste - an environmental issue in itself. Therefore, any regulatory reform must ensure that changes to packaging materials or requirements do not compromise the primary functions of packaging in the fresh produce sector.

2. Costs and Supply Chain Impacts

The cost implications of moving to more sustainable packaging solutions, particularly those requiring higher recycled content, need to be carefully considered. Fruit and vegetable producers operate with tight margins. The availability and cost of recycled materials, as well as any changes to production processes, could create significant challenges for producers. It is essential that a transition to more sustainable packaging be supported by a clear strategy to mitigate these costs, such as government grants or subsidies. It is important to note that increased production costs will be reflected as higher consumer prices; this is an important consideration as part of current cost of living issues.

3. Consumer Preferences and Retail Requirements

Packaging choices are also driven by consumer demand and retailer specifications. Retailers often require packaging that meets specific visual and functional standards to ensure products are appealing and shelf-ready. The fresh produce industry must be able to maintain these standards while transitioning to more sustainable materials, where materials meet the same necessary functionality. Additionally, consumer preferences for convenience (e.g., pre-packaged salad mixes) need to be balanced with the push for environmental sustainability.

Further, there are complexities in the fresh produce industry with respect to packaging design, whereby end customers, typically major retailers, are often responsible for determining final packaging requirements. This creates a challenge around packaging 'ownership' and change capacity, which is not in many cases driven exclusively by the supplier/fresh produce grower.

4. Infrastructure and Recycling Capabilities

One of the main challenges facing the fresh produce industry is the variability in recycling infrastructure across Australia. While some regions may have the capacity to process more complex recyclable materials, others may not, leading to inconsistencies in how packaging waste is managed. It is crucial that any regulatory reform consider the current limitations of recycling infrastructure and work towards enhancing nationwide capabilities to avoid unintended consequences, such as increased landfill rates in less-equipped regions.

Challenges in Understanding Packaging Use and Impact in the Fresh Produce Industry

Ownership of Fresh Produce Packaging – defining a “brand owner”

The question of packaging ownership within the fresh produce supply chain is complex, due to multiple layers of decision-making, often influenced by the commercial relationships between suppliers and retailers. In many

instances, retailers exercise significant (even complete) control over packaging specifications, particularly for private label products. Control over packaging has become a prevalent issue of recent supermarket inquiries related to market power. This includes Dr. Emerson's recent review of the *Food and Grocery Code of Conduct* and the current Australian Competition and Consumer Commission (ACCC) *Supermarket Inquiry*, both of which have emphasised the strong influence that major retailers exert over suppliers when it comes to packaging decisions.

Consumer facing packaging within the fresh produce industry can be considered simply within three categories (retailer-set, mutual agreement, and supplier-set), however there are some underlying factors that must be understood to appreciate how these categories have come to exist.

Firstly, with limited access to overseas markets, 95% of Australian fresh produce is sold to the domestic market for fresh consumption or processing. By a significant margin, the largest end-consumer/buyer of fresh produce is Australian households. Three retailers, Woolworths, Coles And Aldi, hold 75% of the grocery retail market. Meaning that most producers must trade with one or more of these three retailers (directly or indirectly) to sell their produce at a commercially sustainable volume.

Secondly, most suppliers grow the same variety of produce that is required to meet the same pre-set specification, making any one supplier's product indistinguishable from another's. For example, retailers can source carrots, pink lady apples, cos lettuce, cherry tomatoes, baby broccoli, etc. from multiple producers and the customer would not be able to determine the difference, especially when the product is offered in private label packaging or loose.

Third, some growers have unique offerings, as they have cultivated a special variety and/or own the Intellectual Property (IP) or licence associated with a variety, for example to the *Honey Gold Mango*, *Jazz Apple* or *Autumcrisp table grapes*. These rights holders have the ability to control how their variety of fruit or vegetable is produced, marketed, and sold. Depending on their business strategy, these suppliers may exclusively provide their variety to a retailer to be marketed under the retailer's private label. In this arrangement, while the grower owns the variety, the retailer continues to have significant influence over packaging and branding decisions.

Alternatively, suppliers may choose to package, brand, and market their product independently under their own brand. This is especially common in premium and proprietary varieties where the brand itself carries significant consumer recognition and loyalty. It should be noted that this is a significant minority of fresh produce grown, marketed and sold in Australia. In these instances, suppliers retain control over the packaging design and branding to ensure consistency with their global or regional brand strategy, while still meeting the logistical and quality requirements of the retailer.

Categories of 'brand ownership' in Fresh Produce:

1. Retailer-Set Packaging

For private label products, retailers typically determine packaging requirements, specifying everything from material composition and size to design and labelling. This gives them significant influence over how packaging is selected, balancing their own priorities—such as branding, product display, and cost-effectiveness—while often leaving little flexibility for suppliers. Retailers may require suppliers to undergo a "capability assessment" to confirm their ability to meet specific packaging formats, ensuring consistency and uniformity across their product offerings. Such arrangements can help achieve branding consistency, but they may limit the ability of suppliers to innovate in areas like sustainable packaging.

2. Mutually Agreed Packaging

In some cases, packaging decisions are made through mutual agreement between suppliers and retailers. For example, Perfection Fresh's *Broccolini* is provided to retailers in a way that aligns with their specifications but still carry's Perfection Fresh's branding. This approach allows suppliers some flexibility to promote their brand, while retailers ensure the packaging is suitable for their distribution channels. However, even in such agreements, retailers often prefer uniform packaging for private label products, creating a tension between branding needs and packaging standardisation.

3. Supplier-Set Packaging

When a supplier owns the intellectual property (IP) or brand of a product, they tend to have more control over packaging decisions. This is particularly common with branded, premium products like Driscoll's *Sweetest Batch blueberries*. In these cases, suppliers set to their design standards, which retailers accept due to the value and recognition of the brand. For instance, Driscoll's, an international supplier and marketer of berries, operates under a global packaging design system with standards for colours, style and label size/position that must be adhered to.

This complex ownership dynamic highlights the challenges involved in transitioning towards Option 3 - an extended producer responsibility scheme for packaging. Any future regulatory reforms or industry-wide standards must take into account the varied degrees of control that producers hold over packaging decisions. It is the AFPA's preliminary view, that in many instances a fresh producer grower is not a "brand owner" of consumer packaging, but one of Australia's major grocery retailers. This will impact the point of imposition of an EPR fee, and to the extent that fee becomes a cost imposition, albeit informally, on a supplier.

In addition to consumer-facing packaging, there is a critical need to clarify and resolve the question of ownership for business-to-business (B2B) packaging within the fresh produce supply chain. B2B packaging includes the materials used to transport and distribute produce between suppliers, distributors, and retailers, which often differs from what consumers see on the shelves. This can include bulk crates, pallets, liners, and wrapping materials used in logistics.

Since B2B packaging is not directly visible to consumers, it may receive less scrutiny, yet it plays a significant role in the total environmental footprint of fresh produce supply chains. Unlike consumer packaging, B2B packaging tends to be standardised for logistical efficiency, and responsibility often falls ambiguously between producers, transport companies, and retailers. Addressing the ownership of B2B packaging would be essential for ensuring comprehensive packaging reforms that tackle the environmental impacts of the entire supply chain—not just the parts visible to consumers. However, similar to customer facing packaging, B2B packaging also needs to be considered holistically. Incentivising or regulating changes to packaging that would decrease the efficiency of transportation and storage will have environmental consequences.

Need to Bring Packaging Companies on Board

The success of any comprehensive packaging reform within the fresh produce industry will depend on active collaboration with packaging manufacturers. However, there are several challenges that must be addressed to bring these companies fully on board with sustainability initiatives.

One of the primary obstacles to collaboration is the reluctance of packaging companies to share critical data regarding materials, production processes, and supply chains, especially where suppliers don't "own" the packaging and/or the packaging is sourced internationally (the vast majority of PET punnets are sourced overseas). Due to competitive pressures, manufacturers may be hesitant to disclose proprietary information, which is essential for understanding the environmental impacts and opportunities for improvement. Also, the sophistication/capacity of manufacturers varies greatly, for example in the area of traceability, and many find it challenging to provide the information required by fresh produce suppliers to meet existing APCO requirements.

As covered previously, without detailed data, it becomes difficult for fresh produce suppliers and retailers to make informed decisions about material selection, recyclability, and end-of-life management. Overcoming this data-sharing hurdle is key to ensuring the transparency needed to drive sustainable packaging practices across the industry.

Another complicating factor is the supply chain itself—many packaging materials used in the fresh produce industry are sourced internationally. This creates a disconnect between local sustainability efforts and global packaging production, as international suppliers may not adhere to the same environmental regulations or sustainability targets as domestic manufacturers. In contrast, domestic suppliers might have better alignment with national sustainability goals, but often face higher production costs. The tension between sourcing affordable packaging materials internationally and achieving sustainability targets through domestic suppliers may need to be addressed through

targeted policy interventions and incentives for local manufacturers as the alternative would be to pass additional costs on to consumers.

Limited industry-wide data and understanding of Fresh Produce Packaging

There are significant data collection capacity constraints at individual grower/supplier levels within the fresh produce industry. Due to the flexible nature of packaging requirements in industry (identified and discussed under “brand owner” definition above, many fresh produce businesses do not have accurate assessments as to the type and volume of packaging being utilised in their business.

Given the large number of SMEs in the sector, establishing a methodology for the collection of this data will take time and investment at an industry and business level – this will also create a cost imposition to facilitate any reporting requirements associated with Option 3.

At an industry level, there is limited data and understanding with respect to the packaging landscape; there is not a single group or body that will have an overview of all material types, volumes and sources used in industry. This means that making an informed, data driven industry assessment of impact at this current time will be challenging for Government.

This data and knowledge gap is due to several factors, including the diversity, segregation and make-up of the industry, varied ‘ownership’ of packaging, reluctance of manufacturers to share specifications and lack of historical research across industry. This lack of comprehensive information makes it challenging to assess the full environmental impact of regulatory decisions and has made it challenging to make strategic decisions at an industry level.

To effectively progress any reform and promote sustainability within the fresh produce industry, it is crucial to first close this significant data and knowledge gap. Without accurate information on packaging volumes, materials used, sources, and recycling pathways, any proposed reforms risk being misinformed or incomplete. A comprehensive understanding of the industry's packaging landscape is essential for setting realistic benchmarks, assessing environmental impacts, and developing effective policies that balance sustainability goals with the need to ensure the essential supply of fresh produce. Therefore, before any meaningful reform can be implemented, efforts must be made to gather and analyse this data, ensuring that future decisions are informed by a robust and accurate understanding of current practices.

Limited Industry Capacity to Pay and Administer

One of the major concerns surrounding Option 3, is the financial impact on the fresh produce industry and, by extension, consumers. As covered in the Background, the industry is currently under substantial financial pressure having endured significant production cost increases, which have not stabilised. Many producers, particularly SMEs, have submitted to the recent supermarket inquiries that they are currently operating at a loss or on wafer thin profit margins. The increased costs associated with reform Option 3 would need to be passed down the supply chain, ultimately leading to higher prices for consumers. These costs cannot be absorbed by farmers and will not be offset through productivity gains or improved capital costs – the opposite is in fact more likely.

In addition to the direct financial burden, many in the fresh produce industry lack the administrative capacity to manage additional complex reporting and compliance requirements that may come with new packaging regulations. Gathering accurate data on packaging use, recycling rates, and environmental impacts is a resource-intensive process, and many producers, particularly smaller ones, may not have the systems or expertise in place to meet these requirements. As the proposed packaging regulations evolve, if fresh produce is not excluded, it will be essential to streamline data collection and reporting processes, to simplify and minimise compliance for industry.

Lack of Infrastructure and Recycling Capabilities

As acknowledged in the consultation paper, a critical barrier to achieving sustainable packaging solutions in the fresh produce industry is the lack of (uniform) recycling infrastructure and capabilities across Australia. While some jurisdictions and regions have the capacity to recycle complex materials—such as multi-layer plastics or

biodegradable packaging—many rural and remote areas lack the facilities to process such items. This infrastructure gap creates inconsistencies in how packaging waste is managed nationwide. In regions with limited recycling capabilities, packaging that could otherwise be recycled is often sent to landfills, negating efforts to reduce environmental impact.

Recognising that the intention of the proposed reform is to support the transition to, and maintenance of, a circular economy for packaging in Australia, investing in/improving Australia's infrastructure and recycling capabilities should be of a key measure of success.

Reform Objectives, Outcomes and Measures of Success

The AFPA support the reduction of non-functional packaging and other initiatives to reduce the sector's environmental impact. Therefore, the AFPA supports the intention of this reform, being to support the transition to, and maintenance of, a circular economy for packaging in Australia.

The AFPA also supports alignment between the State and Territories on an approach to packaging. The fresh produce industry is national; its supply chain criss-crosses jurisdictional boundaries to deliver fruit and vegetables to Australian households year-round. When changes are introduced in one jurisdiction that are out of sync with others there are national ramifications, including cost increases passed on to consumers.

However, the supply of fresh produce to Australian households is essential to the nation's welfare and prosperity, and, in line this, governments must take a holistic approach to policies and decisions relating to the industry's viability. This includes packaging reform, whereby the environmental objectives must be balanced against economic and social impacts.

Furthermore, the pursuit of any one environmental outcome to the detriment of others can lead to profound and unintended consequences. For example, eliminating certain types of packaging without considering their functional benefits or advantages — such as extending shelf life or protecting delicate items — may result in increased food waste, negating the environmental benefits of reduced packaging use.

“It has been estimated that, on average, packaging accounts for only 10% of the total energy inputs for a person's weekly consumption of food (INCPEN, 2009). The other 90% of energy inputs is in food supply, transport, storage and cooking. This highlights the important role packaging plays in product protection, making sure this energy input is not wasted. Sometimes more packaging is required to achieve the goal of product protection, as in the case of single serve food portions. While the packaging impacts will be increased, the potential for food waste is reduced; meaning the overall environmental impact from the system of food and packaging will decrease (Verghese et al., 2015). While packaging and the products contained within will both have environmental impacts, the most sustainable product-to-packaging ratio often results where product protection is favoured over reduced packaging that puts a product at risk of damage.”

[Report: The role of packaging for Australian fresh produce - RMIT & Empauer - 2019](#)

Therefore, Table 1: *Key outcomes for reform* (pg. 12) and Table 3: *Measuring success of intervention* (pg.15) of the consultation paper should both be revised, as they entirely focus on packaging related outcomes and measures, and do not allow for the consideration of wholistic environmental impact of any interventions.

The AFPA urges governments to collaborate with industry stakeholders to ensure that packaging reforms are evidence-based, achievable, and considerate of the broader impacts on the fresh produce supply chain. A balanced approach, focused on sustainability while ensuring affordability and food security, is essential to achieving long-term success in both reducing environmental harm and supporting the viability of the fresh produce sector.

5. Recommendations

AFPA supports the following key recommendations in response to the proposed Option Three (3):

1. Revised key outcomes for reform and measure of success of intervention

AFPA recommends that the key outcomes and measures of success outlined in Table 1 and Table 3 of the consultation paper be revised to reflect a more holistic approach to not only the environmental impact, but social and economic impact of the regulation. Packaging reform must not only aim for reduced material use and waste, but also consider the broader environmental footprint of the fresh produce supply chain. Success metrics should incorporate the trade-offs between packaging reduction and the increased potential for food waste, energy and fuel use, etc. Additionally, any measures of success should account for the economic and social impacts on both producers and consumers, ensuring that the reform promotes affordability, accessibility, and the long-term viability of the fresh produce industry, which is essential to Australia's wellbeing, prosperity and food security.

2. Further consultation, including targeted engagement with the fresh produce industry

AFPA supports the need for further consultation with respect to the Government's preferred option (Option 3). Further consultation is required to be both generic (i.e. applying to the economy) and specific (i.e. applying to fresh produce) and should include:

- Coverage of Option 3, noting that Federal legislation, the *National Environmental Protection (Used Packaging Materials) Measure 2011* (NEPM), definition refers to primary, secondary and tertiary packaging of consumer products
 - There is a need to clarify the policy intent with respect to Option 3 and the coverage of packaging materials within the supply chain
- In depth consultation on proposed fee structure, targets and administrative costs
 - This should include a cost-benefit analysis associated with any legislative or regulatory impact
- Intended areas of investment of funds raised through any EPR Scheme, and mechanism to consult on deployment of these funds

With respect to the fresh produce industry, further consultation is required across the following key areas:

- Packaging ownership in the context of industry's commercial supply chains, with specific regard to Dr Emerson's Review of the Food and Grocery Code and the ACCC's Supermarket Inquiry, both of which note packaging as a key component of influence retailers hold with suppliers.
- Implications of packaging/material bans and limitations and the extent these changes would create unintended consequences with respect to shelf life and food waste creation in the fresh produce industry
- The cost impact of Option 3 on the fresh produce industry, and the impact on affordability and accessibility of fresh produce for Australian consumers
 - This must include an in depth consultation on proposed fee structures of an EPR scheme, including how the fees will be determined.
- The limited capacity and capability of industry to meet reporting and data collection requirements and a time scale in which industry can reasonable access and build capacity in this space

3. A Phased Implementation

A phased approach to the introduction of new packaging regulations will be required. This would allow the fresh produce industry to adapt to new requirements over time, and better engage with DCCEEW on wholistic strategies that support access to fresh produce, and management of food waste. A phased transition would also provide the necessary lead time for packaging suppliers to develop and scale the availability of compliant materials, ensuring that producers are not faced with sudden cost increases or supply shortages.

4. Incentives for Sustainable Innovation

The fresh produce industry is committed to reducing its environmental footprint. However, achieving meaningful change requires investment in research and development for innovative packaging solutions. AFPA recommends that DCCEEW consider providing financial incentives, such as grants or tax credits, for companies that invest in sustainable packaging research and innovation. This would encourage the development of new materials that meet both environmental and industry-specific needs.

Given the prevalence of SMEs in the sector, and the relatively low usage of packaging in fresh produce compared to other sectors, any strategy must consider the challenge of supporting SMEs to work with packaging suppliers or manufacturers where the commercial pay off for an innovation is likely to be of a lower quantum than with other sectors or larger customers.

It is important to create a policy solution in this space that acknowledges that scale drives change quickly, and where scale and commercial payoff is more limited, there is a greater need to support and incentivise less commercially attractive innovation.

5. Collaboration with Retailers and Supply Chain Stakeholders

To ensure the successful implementation of packaging reforms, it is vital that retailers, packaging manufacturers and other supply chain stakeholders be actively engaged in the process. It is important that any reform touches all levels of the supply chain, however, it is undeniable that packaging suppliers should carry a higher level of burden in developing products and solutions that support a move toward circularity.

Packaging suppliers and manufacturers must be responsible for developing alternative materials and offering cost effective materials/packaging solutions that align with any new standards produced via packaging regulation.

Importantly the solution to reform cannot be to push cost and red tape burden down the supply chain to farmers. AFPA urges DCCEEW to facilitate ongoing dialogue between industry bodies, retailers, and packaging manufacturers as part of broader consultation.

6. Support for Regional Recycling Infrastructure

To address the variability in recycling capabilities across Australia, AFPA calls for greater government investment in regional recycling infrastructure. Improved recycling systems will not only enhance the effectiveness of packaging reforms but will also create a more equitable system where producers in all regions can comply with regulations without facing logistical and financial barriers. Furthermore, new mandated design standards cannot be seen as a solution when there is no infrastructure to deliver the intended outcome.

7. EPR Fees and Eco Modulated Fees and allocation of collected funds

The AFPA acknowledges the concept of eco-modulation, where fees are adjusted based on the environmental impact of packaging, as a key aspect of Option 3. While the AFPA support the principle behind eco-modulation, it is critical that the funds generated through this mechanism are used to directly benefit the industry and advance environmental objectives, rather than simply being absorbed into consolidated revenue, but rather as a tool to directly support the objectives of the packaging reform and the industries affected by it. It is imperative that eco-modulation funds are used in a targeted and transparent manner to drive meaningful change while supporting the industry through this transition period

AFPA strongly advocates that the funds collected via eco-modulation be reinvested into:

7.a Allocation of Eco-Modulation Fund - Upgrading Recycling Infrastructure

A portion of the funds should be allocated to improving and expanding recycling infrastructure across Australia, particularly in regional areas where capabilities are currently limited. Strengthening infrastructure would allow for more consistent recycling outcomes and provide the industry with greater access to facilities capable of processing

a wider range of packaging materials. This investment is essential for the success of packaging reforms and would significantly reduce the risk of increased waste sent to landfill due to inadequate recycling capabilities.

7.b Allocation of Eco-Modulation Fund - Supporting Industry in the Transition

Funds should also be directed toward helping businesses, particularly SMEs, transition to more sustainable packaging solutions. This could include providing subsidies or grants for companies investing in research and development of innovative, eco-friendly packaging options, as well as offering financial support to cover the cost of adopting new materials or technologies. These initiatives would ensure that the fresh produce sector is not disproportionately burdened by the costs of regulatory compliance and that the shift to sustainable packaging is both economically feasible and environmentally impactful.

AFPA remains committed to working alongside the government and other stakeholders to find practical solutions that support addressing environmental concerns, including food waste, without compromising the viability of the fresh produce industry.