

1) What was the Council's view of the Modern Manufacturing Initiative?

Historically, the food, beverage and grocery manufacturing sector has received negligible government funding. We welcomed both the Modern Manufacturing Initiative and the National Reconstruction Fund for the signal they send about the importance of domestic manufacturing. While the MMI focus on grants was welcome, a helpful alternative to grants or the NRF financing mechanisms would be for government and opposition to consider a tax incentive or accelerated depreciation for capital investment in food and grocery manufacturing.

2) Does the removal of food and beverage manufacturing as a priority area impact on investment certainty?

Being called out as a separate priority area would of course be a stronger message, but the \$500m identified for value adding in agriculture, forestry, fisheries, food and fibre is an important initial contribution for our sector.

3) What would a decrease in investment certainty potentially lead to?

The industry has faced over a decade of lessened capital investment due to ongoing challenges faced by the sector domestically and internationally. Any decreased investment certainty would extend the challenges faced by the sector and lead to more off shoring of manufacturing. A significant boost in investment is needed to grow the productive capacity of the industry, which is why we have for several years suggested an investment allowance or accelerated depreciation.

4) The Food and Grocery Council has stated that "Food and beverage input prices have increased at over double the rate of the annual average rate of the broader manufacturing industry. The decline in margins and profitability for Australia's food manufacturing sub-sector has coincided with the limited ability of manufacturers to pass cost pressures through the supply chain to supermarket retailers". Will the National Reconstruction Fund help your industry with the cost pressures they are currently experiencing?

There are a broad range of cost pressures facing our sector, many coming from global factors. While the NRF is not intended to directly address this issue, any capital investment by the industry will help mitigate against higher costs eg through improved resource efficiency.

5) Do you believe that encouraging those businesses to take on more debt through loans is the correct response?

In our submission and evidence, we encouraged flexibility in the NRF. While loans may work for some, it may not work for others and we would encourage some flexibility in the financial support provided.

6) The Council also noted that "Domestic R&D spend has flatlined for over a decade, at a time when global R&D spend in the sector is increasing at over 3.5% annually". Are loans and equities under the National Reconstruction Fund likely to provide the support your industry needs in order to encourage investment in R&D?

There is a significant need for additional research and development in the food and grocery manufacturing sector, including to meet changing consumer expectations with respect to health and nutrition and sustainability. Incentives for R&D are certainly encouraged and it is currently unclear whether the NRF is intended to cover R&D as well as capital investments.

7) Do you believe that the exclusion of grants is likely to impact on many businesses in your sector from attempting to acquire assistance under this program?

Instead of focusing on what is not part of this Fund, we instead welcome the NRF as a \$15bn signal to the bright future of domestic food and grocery manufacturing in Australia. As indicated, we would encourage greater flexibility in the NRF to consider other support mechanisms in the future. This could include grants or tax incentives.