



SecondBite
Ending Waste. Ending Hunger.



2023-24 Pre-Budget Submission

Australia's Food Relief Sector:
helping to build
a better future for Australia

Food Relief Sector Pre-Budget Submission



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Introduction

Foodbank, OzHarvest and SecondBite, referred to collectively in this submission as the 'national food relief sector', welcome the opportunity to provide a submission in response to the Federal Government's call for individuals, businesses and community groups to submit their ideas and priorities for the 2023–24 Budget. It should be noted that this submission builds on the *National Food Relief Sector Funding and Policy Priorities*¹ document released in April 2022.

Australia's food relief sector is working hard to achieve zero hunger and halve food waste by 2030. Foodbank, OzHarvest and SecondBite have a proud history of shining a spotlight on food insecurity and food waste in Australia, redirecting food that may otherwise be wasted to food relief, delivering safe, nutritious, and culturally appropriate food to those who need it most. The sector also plays a critically important role in reducing Australia's greenhouse gas emissions by stopping good food from going to landfill. Each organisation undertakes food rescue, food relief and program delivery in different – but complementary – ways to achieve these goals (as summarised below).

About Foodbank

As a national food relief organisation with a physical footprint in every state and territory, Foodbank is currently providing food relief to more than 1 million people per month. In 2022 alone, Foodbank sourced the equivalent of 82 million meals (225,000 meals a day), distributing essential food and groceries via a network of more than 2,600 charities; through school breakfast programs across 2,983 schools, and directly through Foodbank hubs and pop-ups.

Foodbank works with the entire Australian food and grocery sector including farmers, wholesalers, manufacturers and retailers who donate and redirect surplus product to Foodbank warehouses for distribution nationally. Foodbank accepts donations of ambient, chilled, fresh food, private label products and personal and household care items. Products may be out of specification, close to expiry, deleted product, surplus to requirements or have damaged or incorrect packaging. The Foodbank 'surprise chain' is supplemented by collaborating with farmers, manufacturers, packaging and transport/logistics providers to purchase and manufacture in-demand food items that are not readily available via rescue channels to ensure these products are available for food relief year-round.

In addition to everyday food relief activities, Foodbank plays a key role in times of natural disasters and other community emergencies, including the COVID-19 pandemic. Every State and Territory Foodbank is involved in disaster relief, whether it be providing essential supplies to support the work of emergency services and first responders, providing in-demand

¹ Foodbank Australia, OzHarvest and SecondBite (2022) *National Food Relief Sector Funding and Policy Priorities* document <https://www.foodbank.org.au/wp-content/uploads/2022/04/National-Food-Relief-Sector-Priorities.pdf>

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products to evacuation centres and displaced community members, and/or providing ongoing assistance to affected communities during the months and years it takes to recover. This includes Foodbank's vitally important role as a key enabler to the 196 Commonwealth-funded Emergency Relief (ER) providers across Australia.

About OzHarvest

OzHarvest collects quality surplus food from more than 3,000 businesses, including supermarkets, restaurants, cafes, hotels, retailers, airports and retail food outlets reaching as wide as possible into the food supply chain. Every week over 250 tonnes of food is saved from going to landfill and delivered to 1,900+ charitable agencies free of charge helping to make a positive difference to the lives of vulnerable people across Australia, whilst the financial saving to those organisations enables them to deliver a wider range of ancillary services. OzHarvest uses agile just-in-time logistics to target end-of-the-day fresh and short life food, preventing it from going to waste. The food is distributed on the same day, directly and free of charge to charities. Preventing edible organic food from going to landfill saves greenhouse gas emissions responsible for climate change. In addition to immediate food support solutions, OzHarvest is committed to finding solutions to help end food waste and insecurity. Our educational programs and change campaigns are designed as interventions to help people lead fully sustainable lives and understand their impact on our environmental challenges.

OzHarvest provides curriculum materials and runs education programs including:

- FEAST – a curriculum-aligned food waste behaviour change program for primary school children, with a secondary school version launching in 2023
- NEST – tailored workshops that support people in need with nutrition education and cooking skills and
- Nourish – a hospitality and life skill training program for 'at risk' youth.

In Sydney OzHarvest also operates a free rescued food supermarket and the Refettorio, which offers free lunches in a restaurant environment to those experiencing food insecurity.

OzHarvest is planning to open a free rescued food supermarket in Adelaide in 2023.

OzHarvest operates in Adelaide, Brisbane, Canberra, Gold Coast, Melbourne, Newcastle, Perth, Sydney, and in regional communities. Since inception OzHarvest has delivered over 225 million meals and saved over 76,000 tonnes of food from landfill.

About SecondBite

SecondBite is the largest, free food rescue organisation in Australia, rescuing and repurposing food in every state and territory of Australia. Last year, SecondBite rescued 25 million kilograms of food from going to landfill, resulting in almost 50 million meals for those in need.

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SecondBite collaborates with growers, manufacturers and retailers to divert edible food (fruits and vegetables, meat, eggs, dairy products, breads and packaged pantry foods) from landfill. These products may be close to used-by date, surplus to requirements or simply have incorrect packaging.

SecondBite works with more than 1100 charitable agencies across the country to make sure quality food doesn't go to waste. However, we will always ensure that the food we deliver to those in need is of the highest quality – if we wouldn't eat it ourselves, we don't pass it on to those who need it most.

SecondBite is helping to end food waste and end hunger in Australia. SecondBite collaborates with growers, manufacturers and retailers to divert edible food (fruits and vegetables, meat, eggs, dairy products, breads and packaged pantry foods) from landfill. In areas where it is efficient to do so, SecondBite collects and delivers food directly and also runs a Community Connect model that connects charities to collect donated food from supermarkets in other areas and regions.

We also work to provide food relief in times of crisis – such as during the COVID-19 pandemic or following natural disasters.

In Financial Year 2020/21, SecondBite rescued and redistributed 48.7 million meals and is on target to deliver 50 million meals in 2021/22. SecondBite provides the rescued food completely free of charge to over 1300 charities around Australia that run food programs helping to feed hungry Aussies.

Every dollar donated to SecondBite enables delivery of enough food us to deliver enough food for approximately five meals.

Food Insecurity in Australia

The *Foodbank Hunger Report 2022*² was released 11 October 2022, helping uncover and explain the extent and severity of experience with food insecurity among Australian households over the past year.

The report found that in the previous 12 months, more than 2 million households (21%) across Australia experienced severe food insecurity, which means they ran out of food because of financial limitations and at worst went entire days without eating.

Households with children were even more likely to experience severe food insecurity, with 32% reporting that they were severely food insecure – 1.5 times greater than the national average (21%).

² Big Village and Foodbank Australia (2022) *Foodbank Hunger Report 2022* <https://reports.foodbank.org.au/foodbank-hunger-report-2022/?state=au>

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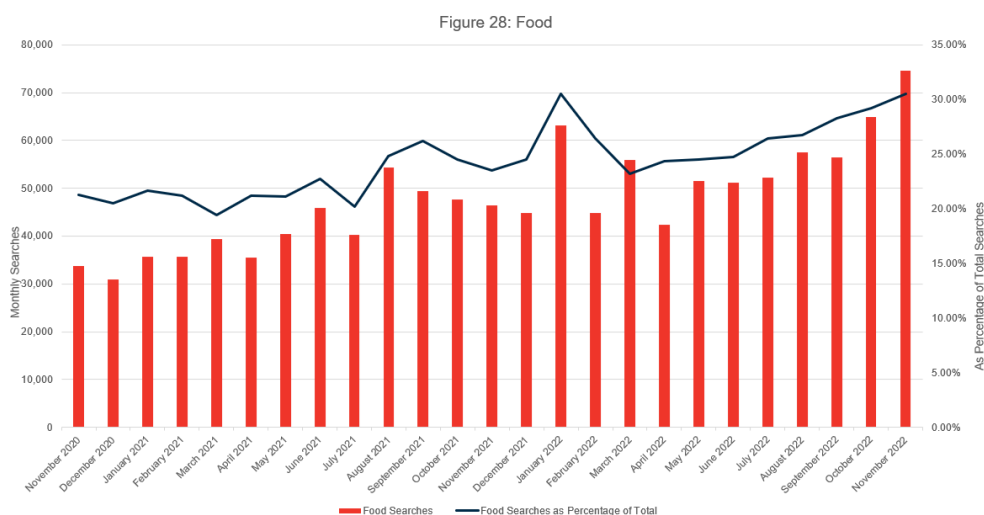
Food insecurity has been on the rise over the last 12 months, with 23% of Australian households perceiving that they now struggle financially to access food more often compared with last year. Again, those with dependent children were more likely to have felt the pressure than those without.

The main reasons reported for experiencing severe food insecurity in 2022 were increased/high living expenses (64%) (with the cost of food and groceries confirmed as the top cause followed closely by energy and housing costs) and reduced/low income or government benefits (42%), in addition to other factors such as a change of household living arrangement (24%) or natural disasters (19%).

Food insecurity is impacting a diverse range of households. However, some are more susceptible to experiencing food insecurity than others, such as households with dependent children (52%), those with young adults 18–24 years old (60%), those unemployed/looking for work (52%) or households currently renting (45%). More than half of food insecure households (54%) had someone in paid work and nearly a third of households with mortgages (30%) have experienced food insecurity in the past year. This diversity is likely to increase due to the range of external factors impacting households which may never have experienced food insecurity before. These factors include the increasing cost of living, the frequency and severity of natural disasters and the ongoing challenge of COVID-19.

Regular reports from InfoXchange on searches through the AskIzzy platform also reflect the increased demand for food relief, exceeding already high demand experienced during the height of the pandemic. The service directory recorded 74,604 food searches undertaken in November 2022, setting a new monthly record. It was an increase of almost 10,000 on the previous month which was the previous record.

Figure 1: Food searches on the AskIzzy platform November 2020 – November 2022



2023-24 Federal Budget Priorities

Sustained funding to provide food relief to Australians doing it tough

Investing in a strong food relief sector is smart social, environmental and economic policy. Ready access to food relief can prevent people from drifting into a deeper level of vulnerability and is a crucial aspect of recovery pathways. Early intervention reduces the burden on Australia's social security, education, healthcare and justice systems, and food relief providers are a vital link in the broader emergency relief and civil society ecosystem.

The inadequacy of base funding for the national food relief sector to be able to meet the rapid increase in demand for food relief arising from the global pandemic was recognised by the Federal Government, with additional funds provided during COVID 19 to facilitate an immediate uplift in food relief volumes, reach and impact to meet the needs of local communities. Almost \$20m of the \$200m Community Support Package was shared between Foodbank, OzHarvest and SecondBite to support Commonwealth-funded Emergency Relief Providers through increased food and grocery supplies and alternate distribution mechanisms. Additional ad hoc funding allocations were also provided in response to recent flooding in multiple states. Similarly, the sector received emergency funding from the Federal Government in 2020 to assist in the response to the devastating Black Summer Bushfires.

Unfortunately, funding for everyday food relief – outside of times of natural disaster and the global pandemic – has not been as adequate or responsive. According to the *Foodbank Hunger Report 2022*³, on any given day more than half a million households are struggling to meet their food needs. Currently the sector is only able to provide food relief for 306,000 households on a typical day meaning there is already a gap of over 194,000 households. Add to this signals that the back-to-school period this year will mark a 'tipping point' for families, this delta is only likely to increase. It is important that the sector be adequately resourced to respond promptly and effectively to the increased pressure. Enhanced multi-year funding agreements must be introduced to ensure the maximum efficiency of taxpayer funds by enabling the planning and implementation of programs capable of delivering food relief to meet the circumstances.

On top of increased demand, it should be noted that the cost of doing business has increased significantly for the national food relief sector. Whilst purchasing food has not been a significant part of our individual models in the past, during the pandemic and natural disasters we have had to resort to purchasing food to ensure the provision of appropriate food in the right quantities where and when they are needed. The cost of this bulk purchasing has increased substantially, as a result of both food and grocery price increases, as well as

³ Big Village and Foodbank Australia (2022) *Foodbank Hunger Report 2022* <https://reports.foodbank.org.au/foodbank-hunger-report-2022/?state=au>

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ongoing supply chain disruption. The cost of fuel has also dramatically increased transportation costs, and warehousing is now at a premium.

A return to 'business as usual' Department of Social Services grant funding – a combined total of \$1.5 million per annum across the three organisations– would not be enough to meet the current, let alone future, demand leaving a growing number of vulnerable Australians without access to food relief.

As Australia finds a new normal in the world of the 'polycrisis'⁴, where the compound impacts of a cost-of-living crisis, income crisis, climate crisis, the war in Ukraine and ongoing supply chain disruption is being experienced by a growing number of people, it is clear that 'business as usual' has changed. The need for food relief remains persistently high, and Federal funding for the sector should reflect the depth of food insecurity across Australia.

Recommendation 1:

An annual commitment of \$45 million is required to ensure food relief is available to those experiencing food insecurity year-round. Multi-year funding agreements commensurate with the depth of the food insecurity in Australia will enhance the ability of Foodbank, OzHarvest and SecondBite to deliver diverse food rescue, procurement and distribution models; enable locally led needs-assessments; facilitate access to wraparound support services and deliver food relief with dignity and impact.

Improving natural disaster preparedness and responsiveness

In addition to everyday food relief activities, the national food relief sector acts as an enabler to the emergency relief sector and is an important part of the disaster response framework. In the days and weeks after a disaster, government and emergency relief providers need rapid access to a reliable, cost-effective supply of highly sought-after food and grocery items. In the months and years after a disaster, the sector needs the ability to continue that locally delivered support to help communities rebuild.

It is recognised that the recently announced Disaster Ready Fund, which will provide up to \$1B over the next 5 years, is a significant step forward in relation to better dealing with natural disasters. However, this fund focuses on disaster prevention projects, and it is not clear whether the 'resilience building' aspect will extend to critically important stockpiling of shelf-stable disaster relief products.

⁴ Tooze, Adam (2022) Chartbook #130 Defining Polycrisis – From Crisis Pictures to the Crisis Matrix
<https://adamtooze.com/2022/06/24/chartbook-130-defining-polycrisis-from-crisis-pictures-to-the-crisis-matrix/>

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At present, there is no standing arrangement or program to allow the food relief sector to promptly 'draw down' on a dedicated emergency food relief fund to facilitate rapid response locally or at scale. The Australian Government already has such a mechanism for disasters overseas. The Australian Humanitarian Partnership is a \$10 million a year pre-approved funding envelope that can be rapidly deployed to a pre-selected agencies with Ministerial approval. Australia also donates \$11 million a year to the United Nations Central Emergency Response Fund, which has the same function.

In Australia, natural disasters are a regular occurrence. We need to expect, prepare and plan for these times at home, as we do overseas. It is important that this program or fund consider not only the emergency response and recovery phase, but also the important preparedness phase, as highlighted above.

Recommendation 2:

The establishment of rapidly disbursable stand-by funding of \$20m per annum for emergency food relief following a crisis or natural disaster as well as for mitigation, preparedness and resilience. This funding will allow food relief providers to quickly amplify on times of heightened need without adverse impacts on everyday food relief activities. By providing funding to maintain a rapidly scalable emergency food relief capability with a keen focus on preparedness as well, the food relief sector will be able to draw on product reserves and then activate promptly, providing essential relief in real time and at scale through existing trusted networks.

Action against climate change: accelerating the reduction of food loss and waste

In the *National Food Waste Strategy Feasibility Study*⁵, FIAL noted that Australia produces and exports significant quantities of food per capita, meaning there will be more food loss and waste in primary production and processing compared to other countries. We produce enough food to feed the Australian population three times over, yet 7.6 million tonnes of food is wasted per year. The Fight Food Waste Cooperative Research Centre⁶ has determined that 25% of all the food produced in Australia goes to waste, costing the Australian economy \$36.6 billion per annum and contributing 3% of Australia's greenhouse gas emissions⁷.

⁵ FIAL (2021) *National Food Waste Strategy Feasibility Study*

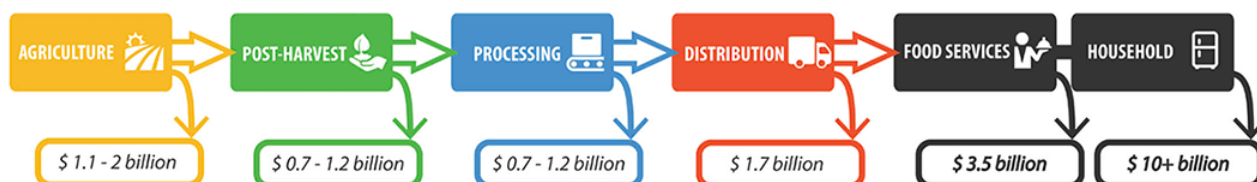
<https://workdrive.zohopublic.com.au/external/06152b9ff5971843391f39fc4d32a847e56fb907c167a4a645887b0a4bc43000>
<https://fightfoodwastecrc.com.au/>

⁷ FIAL (2021) *National Food Waste Strategy Feasibility Study*

<https://workdrive.zohopublic.com.au/external/06152b9ff5971843391f39fc4d32a847e56fb907c167a4a645887b0a4bc43000>

Figure 2: Value Chain Food Waste/Losses in Australia⁸

VALUE-CHAIN FOOD WASTE/LOSSES IN AUSTRALIA: \$36.6 BILLION PER ANNUM



As a signatory to the 2030 Agenda for Sustainable Development, Australia has committed to halve food waste by 2030 (Sustainable Development Target 12.3: “By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses”⁹). Food rescue is a proven solution to reduce food loss and waste and boost food relief. It is a solution to both food insecurity and unnecessary CO₂ emissions, yet only 0.2% of Australia’s surplus food is donated, with the bulk going to landfill.

The financial benefits to Government and the economy of avoiding or redirecting food waste are significant. In fact, every dollar invested in food waste prevention delivers \$7 back to the economy¹⁰, and every dollar a company invests in food loss and waste reduction delivers a \$14 return¹¹.

There are huge opportunities to rescue greater volumes of food across the supply chain, and closer to the source across all regions of Australia. A 10-fold increase in rescued food would meet 10% of Australia’s target to halve food waste. This requires investment in sector capacity and incentives for participating businesses. A national food waste tax incentive would act as a meaningful catalyst in incentivising the donation and transportation of food that may otherwise end up in landfill, helping achieve Australia’s food waste targets and provide more food for food relief.

Despite the clear environmental, social and economic benefits of donating food to food relief, Australia’s current tax framework does not motivate food producers to donate excess stock. In fact, in tax terms, donating is no different to dumping, even though donating the product generally costs the donor more, given the product will need to be picked, packed and transported. Between labour shortages and transport/logistics affordability and availability challenges, the financial costs of donating surplus product to food relief can be in excess of alternate disposal costs.

⁸ Fight Food Waste Cooperative Research Centre (2022), <https://fightfoodwastecrc.com.au/>

⁹ United Nations, <https://sdgs.un.org/goals/goal12>

¹⁰ FIAL (2021) National Food Waste Strategy Feasibility Study

<https://workdrive.zohopublic.com.au/external/06152b9ff5971843391f39fc4d32a847e56fb907c167a4a645887b0a4bc43000>

¹¹ Champions 12.3 (2017) The Business Case for Reducing Food Loss and Waste

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The national food relief sector is recommending that Australia's tax settings be recalibrated to incentivise donations to food relief. Experience in other countries, including the USA, France, Canada and the Netherlands, shows that tax incentives are the most effective way to increase the redirection of food donations to food relief.

The National Food Donation Tax Incentive proposal¹² (summarised in Appendix 1), developed by KPMG Australia with the support of the Fight Food Waste Cooperative Research Centre and Australia's food relief sector recommends a two-tiered tax incentive based on the ability to offset a percentage of costs related to food donations from taxable income. Its aim is to encourage food producers to donate surplus product to food relief rather than sending it to landfill.

KPMG has now completed a follow-up project¹³ where it consulted widely with the food industry to determine the feasibility and potential effectiveness of the proposed tax incentive. Interviews were conducted with 33 companies representing both national and local businesses along the whole food supply chain. The overwhelming message is that there is whole-of-sector support for the scheme. In fact, companies are highly passionate about the potential of the incentive to really shift the dial on redirecting surplus to food relief.

The sector has consulted widely with industry and a range of stakeholders on the proposed National Food Waste Tax Incentive, and more than 30 food and grocery businesses, peak bodies and not for profit organisations such as the National Farmers' Federation, the Country Women's Association, the Australian Food and Grocery Council, Australian Trucking Association, Sydney Markets and the Australian Logistics Council to name but a few.

We have been very encouraged by the support for the proposal from a growing number of State Governments, most recently the South Australian and NSW Governments. The NSW Legislative Assembly's Committee on Environment and Planning included in its *Food production and supply in NSW report*¹⁴ released last month the following recommendation: "that the NSW Government advocates for reform at the federal level to enable farmers and logistics companies to claim the cost of transporting donated surplus food as tax credits".

¹² KPMG (2020) *A National Food Waste Tax Incentive* <https://home.kpmg/au/en/home/insights/2020/09/food-relief-australia-tax-system.html?state=au>

¹³ KPMG (2022) *Australian National Food Donation Tax Incentive Implementation Analysis*

¹⁴ NSW Legislative Assembly Committee on Environment and Planning (November 2022) *Food production and supply in NSW* <https://www.parliament.nsw.gov.au/ladocs/inquiries/2841/Report%20-%20food%20production%20and%20supply%20in%20NSW.pdf>

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Recommendation 3:

That the Federal Government immediately introduce a National Food Donation Tax Incentive to immediately reduce food loss and waste and improve food security in Australia.

Measuring and monitoring food insecurity in Australia

Foodbank Australia has published the *Foodbank Hunger Report* annually since 2012. As mentioned above, this important report provides a snapshot of food insecurity in Australia. While this is valuable in helping fill the knowledge gap, shedding light on the issue of food insecurity and observing general trends over time, food security policy and strategies must be underpinned by the regular independent collection of comprehensive, consistent and rigorous data at the national population level.

The national food relief sector is seeking the Australian Government's support for the adoption of the global gold standard in measurement in the form of the United States Department of Agriculture (USDA) 18-item Household Food Security Survey Module (HFSSM) to provide the most valid, internationally comparable data on food insecurity for both adults and children. This will provide the essential foundations of knowledge and understanding of food insecurity in Australia from which prevention strategies can be developed and assessed for effectiveness.

Recommendation 4:

That the Federal Government adopt the Household Food Security Survey Module to start the process of establishing a national, internationally comparable dataset on food insecurity for both adults and children.

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Appendix 1

Proposed Food Waste Tax Incentive: Overview

The proposed Food Waste Tax Incentive (NFWTI) will likely take the form of a refundable (cash) or non-refundable (credit) tax offset made for the donation of food and related services (e.g. freight, logistics, transport) to food relief organisations.

As an overall policy, the NFWTI is designed to provide a top up incentive through the tax system, but not completely reimburse those who donate food or services – there is still an element of benevolence involved in the scheme.

The amount a taxpayer is eligible to receive will be dependent on the annual aggregated turnover of a business.

Businesses with **up to \$20M** annual **aggregated** turnover (paying corporate tax at a 25% rate)...

Are eligible to receive a refundable tax offset equal to **45%** of the lesser of:

- (1) the production costs of goods donated and related services, **or**
- (2) The total market value (at the time of donation) of the goods donated and related services.

When accounting for the tax deduction **foregone** (at 25%), this means a business receives a **net tax incentive of 20%**.

Businesses with **over \$20M** annual **aggregated** turnover (paying corporate tax at a 30% rate)...

Are eligible to receive a non-refundable tax credit equal to **40%** of the lesser of:

- (1) the production costs of goods donated and related services, **or**
- (2) The total market value (at the time of donation) of the goods donated and related services.

When accounting for the tax deduction **foregone** (at 30%), this means a business receives a **net tax incentive of 10%**. This 10% incentive is carried forward if the company is in a tax loss position.

*The incentive is **capped** at the **lesser of the production cost of the goods** at the time of donation **or the market value** of the goods at the time of donation to avoid exploitation of the scheme, and to account for significant fluctuations in production costs and value, particularly due to unanticipated circumstances such as extreme weather.*



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