



Australian Dairy Products Federation &
Dairy Australia

Response

Department of Climate Change, Energy, the Environment and Water (DCCEEW)
Public Consultation: Packaging Regulatory Reform
November 2024



Australian Dairy
Products Federation

Specific ADPF members who have endorsed this submission, or that we have partnered with in the development.



Acknowledgement of Country

Australian Dairy Products Federation acknowledges the Traditional Owners of Country throughout Australia. We pay our respects to Elders past and present.

Contents

Introduction.....	5
The Australian Dairy Industry – who we are.....	6
Background.....	6
Part A: ADPF Position on the proposed Packaging Regulatory Reform.....	7
Recommended actions	8
Governance and Administration.....	10
EPR Governance Structure.....	10
EPR Scheme Function.....	11
Eco-Modulated Fees and Fair Distribution	12
Tax Incentives and Cost Pass-Through Mechanisms	13
Regulatory Clarity and Harmonisation.....	13
Food Safety Framework.....	13
Recommendations.....	13
Processors/ Manufacturers.....	14
Dairy Processors – Packaging Context	14
Proposed Packaging Obligations.....	15
Reform Obligations Scope and Liability	16
Recommendations	17
Upstream Supply Chain Barriers.....	18
Increased Demand of Recycled Content.....	18
Limited Supply of Food-Grade Recycled Content	18
Infrastructure Limitations	19
Misalignment with Regulatory Change Timeline.....	19
Recommendations.....	19
Downstream Supply Chain Barriers.....	19
Consumer Cost Impact.....	19
Consumer Perception of Packaging Changes.....	20
Export of High Quality Recyclates.....	20
Logistical and Operational Challenges	20
International Trade Barriers.....	20
Recommendations	20
Operational and Logistical Challenges Across the Supply Chain.....	20

Traceability and Verification Requirements	21
Complexity of Handling Recycled Materials	21
Logistical Challenges in Post-Consumer Packaging.....	21
Increased Documentation and Reporting Burdens	22
Recommendations	22
Part B – ADPF responses to the questions.	22
Questions on the packaging obligations.....	22
Questions on the packaging obligations.....	30
Questions on scope and liability for reforms.....	36
Questions on recyclable packaging design.	37
Questions on recycled content thresholds.....	39
Questions on why packaging reform is needed, its objectives and outcomes.....	40
Conclusion.....	42
Appendix 1: Overview of Risks and Costs to Australian Dairy Processors.....	44

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Re: Reform of Packaging Regulation

Introduction.

The Australian Dairy Products Federation (ADPF) appreciates the opportunity to provide comment to the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) consultation on the *Reform of Packaging Regulation*, September 2024.

This consultation seeks feedback on potential options to reform Australia's packaging regulation to minimise waste, be recyclable, and utilise recycled content – with the current co-regulatory arrangements established in 1999 no longer considered fit for purpose and unable to deliver a circular economy for packaging.

The ADPF has consulted with our members and more broadly with other Australia dairy processors, in the development of our response, and worked collaboratively with Dairy Australia. We have also consulted with the Australian Food and Grocery Council and other peak industry associations.

Our submission is presented in two parts:

- **Part A:** provides commentary on our initial position to the three proposed options to packaging reform, and the principles and recommendations that must inform next steps.
- **Part B:** provides responses to the consultation questions.
- **Appendix 1:** provides an 'Overview of the Risks and Costs to Australian Dairy Processors'.

We note, that due to the constrained consultation timeframes, we have been unable to provide full, detailed, and informed responses to all terms of reference.

Due the perishability of dairy foods, and the unique and material issue we must manage, careful and due consideration must be given to any proposed changes to packaging reform. Packaging plays a critical role in ensuring product safety, quality, nutrition standards, and compliance with consumer expectations. The proposed regulatory changes, such as mandatory recyclability, recycled content thresholds, and extended producer responsibility (EPR), could impact material choices, increase costs, and require operational adjustments.

We recommend the department work closely and collaboratively with the dairy industry in considering a more sustainable packaging system that supports long term economic and environmental goals.

We recommend a representative government and industry advisory group is established from the outset, to enable genuine and comprehensive consultation in co-designing next steps of this packaging regulatory reform.

We expand on our responses, below.

The Australian Dairy Industry – who we are.

The Australian Dairy Products Federation (ADPF) is the national peak policy and advocacy body representing the post farm-gate members of the Australian dairy supply chain, including processors, traders, and marketers of Australian dairy. ADPF members process more than 90% of Australian milk volumes and provide dairy products for both domestic and export markets.

Dairy Australia (DA) is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's research and development corporation (RDC), it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

The ADPF commonly works alongside DA. We hold a shared vision to provide nutritious dairy food for a healthier, sustainable world. To achieve this, we can work together to deliver a profitable and competitive Australian dairy industry, that keeps manufacturing local and attracts people and investment.

Background.

Australian dairy processors are proud of the fact we make a significant contribution to the economy and the fabric of our nation.

Australia is recognised as holding 'world's best' status in manufacturing of nutritious dairy products for domestic and international markets, with the processing sector providing direct jobs for around 20,000 Australians.

Dairy processing factories sit as the backbone of regional communities and are critical to the sustainability and prosperity of many regional areas, creating jobs and providing local investment.

Our sector is focused and invested in delivering a range of strategic priorities, including environmental sustainability and circularity.

We are cognisant that the future of our industry is dependent on a healthy planet. Whether it is climate change and emissions policy, packaging, water security, the wellbeing of our people, or animal welfare, sustainable operations are fundamental to Australian dairy farmers and processors.

The ADPF and our members have, to date, invested considerable effort to achieving more sustainable packaging outcomes.

In 2021, working alongside DA and the Australian Packaging Covenant Organisation (APCO), we launched the 'Australian Dairy Sustainable Packaging Roadmap to 2025'. The roadmap provides strategic initiatives to help dairy processing businesses towards more sustainable dairy packaging and the 2025 National Packaging Targets. This comprehensive resource looks at the current state of the industry, and what more needs to be done.

Proudly, the Australian dairy processing sector is making significant strides toward a more sustainable packaging future and more circular economy, from reducing single-use plastics, designing packaging for end-of-life recycling, and integrating recycled content where possible.

However, whilst considerable progress has already been made, dairy manufacturers continue to face a series of barriers and challenges.

Any proposed packaging regulatory reforms must help pave the way for our sector to meet government and industry objectives towards more sustainable packaging, whilst being economically sound.

Part A: ADPF Position on the proposed Packaging Regulatory Reform.

The ADPF and our members provide in principle support to progress further exploration of Option 3 – an Extended Producer Responsibility (EPR) scheme for packaging.

This is dependent on key policy principles being included, the need for critical issues to be addressed, and the provision of additional detail to ascertain what it will mean for dairy processing businesses. We urge DCCEEW to share full details of the impact assessment once complete.

We recommend a representative government and industry advisory group is established from the outset, to enable genuine and comprehensive consultation in co-designing next steps of this packaging regulatory reform.

The ADPF is strongly supportive of policies and initiatives that serve to boost the circularity of the Australian economy, and we seek to be an active participant in this transition.

To this end, we endorse the objectives sought through these reforms and articulated in the consultation paper, that being:

- Supports the transition to, and maintenance of, a circular economy for packaging in Australia: packaging is designed to reduce waste and be recyclable, is collected and recycled at scale, and circulated in the economy for as long as possible at its highest value and best use.
- Has clear obligations, is consistently operationalised nationally and requires all regulated entities to participate.
- Is supported by administrative and reporting systems that minimise regulatory burden on the regulated community and can provide relevant information on the impact of the regulation.

Whilst we are supportive of global efforts to tackle plastics pollution, we caution policymakers to avoid waging a war on plastics, which could lead to misguided and ill-informed solutions or regrettable substitutions. Plastics, when used responsibly, can play a valuable role in the circular economy. Policymakers should therefore take a life cycle and evidence-based approach, considering the economic circularity of products and their life-cycle impacts.

We believe that Option 3 has the potential to deliver significant improvements in packaging circularity and promote more sustainable practices across the supply chain.

However, we raise the following **critical concerns that must first be addressed**. These concerns relate to the feasibility, fairness, and overall effectiveness of the EPR scheme as it currently stands. Without addressing these issues, we remain cautious about the real-world impact this option could have on the dairy industry and its ability to meet the new requirements in a practical and sustainable way. Those being:

- **Administration and Governance:** We stress the need for transparent and centralised governance mechanisms to ensure the scheme is managed fairly and efficiently. The scheme must include independent oversight, equitable eco-modulated fee structures, and national regulatory harmonisation. Governance should ensure fair cost distribution and include representation from all stakeholders through an advisory group – that can provide guidance to the independent governance board.
- **Challenges to Dairy Processors/Manufacturers:** Australian dairy processors transform highly perishable raw milk into safe, nutritious dairy products for domestic and global markets every day of the year – fresh and flavoured milk, to cheese, powdered milk, cream, yoghurts, and butter, plus a wide range of high value food ingredient dairy fat and protein-based products. Thereby, they face unique challenges in meeting packaging design and recyclability standards, whilst maintaining food safety, quality, nutrition integrity, and shelf stability requirements. Ensuring due consideration and flexibility in the proposed packaging scheme for food-grade packaging materials will be essential to avoid compromising product quality.
- **Upstream Supply Chain:** The impact on material sourcing and the availability of recycled content for food-grade packaging is a major concern. Current recycling infrastructure for producing the required quality of recyclates is yet to be fully validated, potentially hindering compliance with new recycled content thresholds. A phased implementation approach, along with increased government investment, is essential to enable dairy processors to meet these obligations without compromising product safety.
- **Downstream Supply Chain:** Barriers to true circularity in the downstream supply chain, such as limitations in recycling infrastructure and varying international standards, must be addressed. A lack of harmonised standards and adequate infrastructure could impede the successful implementation of the proposed Option 3.
- **Operational and Logistical Challenges Across the Supply Chain:** The transition to sustainable packaging presents significant operational challenges for the dairy sector, requiring considerable investment in technology and infrastructure, including robust traceability and verification systems to maintain food safety and prevent cross-contamination. Capability to run sustainable materials will in some instances involve new machinery or changes to packaging lines at the dairy processing facility. Increased storage, and strict segregation protocols, will be required at the packaging supplier as it may otherwise lead to cross-contamination and costly disruptions if not addressed. Additionally, fragmented recycling infrastructure and increased documentation burdens complicate the downstream supply chain, further driving up costs and operational inefficiencies, especially for smaller processors. Government investment must be factored into this packaging transition.

While we are encouraged by the potential of Option 3, we strongly urge the government to carefully consider the practical challenges highlighted above, and to work closely with industry stakeholders to co-design a packaging system for Australia that is both effective and feasible for all participants.

Recommended actions

The following dairy industry recommendations have been developed to support the successful implementation of sustainable packaging reforms under the proposed EPR scheme.

These recommendations are based on consultation with ADPF members and other Australian dairy processors, and reflect the diverse perspectives of the dairy industry.

They aim to ensure that **any packaging reforms are practical, equitable, and aligned with the broader goals of circularity, while also addressing the unique challenges faced by the dairy processing sector**. The recommendations focus on governance, infrastructure, regulatory clarity, and industry support to create a feasible pathway for compliance and innovation.

Appendix 1 provides an **‘Overview of Risks and Costs to Australian Dairy Processors’**.

In summary:

Recommendation 1: Establish transparent and independent governance for the EPR scheme, with an administrator responsible for setting eco-modulated fees, monitoring compliance, and disbursing funds fairly.

Recommendation 2: Implement an economically fair and transparent fee structure that equitably distributes costs across the supply chain, rewarding businesses that improve packaging sustainability.

Recommendation 3: Provide financial support through tax incentives, government funding and grants, and cost pass-through mechanisms to support businesses investing in sustainable packaging design and infrastructure, and to offset compliance costs.

Recommendation 4: Ensure national regulatory clarity and harmonisation across states, including consistent labelling standards and alignment with international packaging regulations.

Recommendation 5: Develop a clear food safety certification system for recycled materials used in food packaging, with traceability and verification to maintain product safety, nutrition integrity, and quality.

Recommendation 6: Invest in recycling infrastructure and advanced technologies to increase the supply of food-grade recycled materials and support businesses in meeting recycled content thresholds.

Recommendation 7: Introduce regulatory enforcement mechanisms with strong oversight to ensure industry compliance and prevent free riders.

Recommendation 8: Ensure fee hypothecation so that eco-modulated fees are reinvested directly into the packaging industry to support industry agreed priorities and sustainability initiatives.

Recommendation 9: Adopt an advanced eco-modulated fee structure that differentiates fees based on packaging design efforts, material choices, and circularity potential.

Recommendation 10: Implement a two-stage regulatory compliance approach, with the first stage focusing on improving packaging design for recyclability, recyclability logos, and infrastructure improvements, and the second stage introducing recycled content thresholds.

Recommendation 11: Adopt a phased or flexible approach to implementing recycled content requirements, allowing businesses time to adapt, and ensuring that high-quality recycled materials are available.

Recommendation 12: Allow temporary adjustments to recycled content requirements for materials like polypropylene and flexible plastics until they are widely available, providing flexibility for businesses to comply as the market matures.

Recommendation 13: The scope of the reform obligations stated in the consultation paper should be limited to business-to-consumer (B2C) packaging.

Recommendation 14: Clarify the point of responsibility, placing it on producers (which includes dairy processors/ manufacturers) and importers, while also enforcing mandatory obligations on collectors, recyclers, and reprocessors to ensure material quality.

Recommendation 15: Provide financial incentives or subsidies to stimulate the production of food-grade recycled materials, including partnerships with private industry to increase the supply of high-quality recycle.

Recommendation 16: Support consumer and industry education campaigns to highlight the benefits of sustainable packaging and reassure that packaging changes do not compromise quality or safety.

Recommendation 17: Align packaging standards with international trade agreements to allow for the import and export of products with recycled content, reducing the need for separate packaging lines for different markets.

Recommendation 18: Prevent the export of high-quality recyclates to ensure that food-grade recycled materials are available for domestic use or incentivise domestic recycling capacity.

Recommendation 19: Simplify documentation and reporting requirements by implementing digital tools and standardised templates to reduce the administrative burden on businesses while ensuring compliance.

Recommendation 20: Implement strict regulatory standards to prevent cross-contamination between food-grade and non-food recycled materials, with robust certification processes for food-contact packaging to maintain safety standards.

We will expand on these below:

Governance and Administration.

We propose the success of the Extended Producer Responsibility (EPR) scheme under Option 3 will depend heavily on a well-defined, transparent, and equitable administrative and governance framework.

ADPF has identified several key elements that are critical to ensure the scheme is both effective and fair for all participants, particularly for dairy processors.

EPR Governance Structure

ADPF emphasises that the success of the EPR scheme will depend on a governance model that is transparent, inclusive, independent, and centrally managed. To ensure effective oversight and streamlined compliance, the governance structure should be:

- **Centrally Managed by the Federal Government:** To promote uniform application and avoid complexities arising from state-based schemes, the EPR scheme should be managed under

federal government oversight. A centralised system will create consistency across all states, making compliance clearer and more achievable for businesses operating nationwide.

- **Independent and Impartial Board:** The EPR governance structure should include a Board that functions independently of packaging manufacturers, collection, and reprocessing industries, to maintain impartiality. This independence will ensure that decisions are made objectively, based on data and evidence, and focused on achieving long-term sustainability goals rather than short-term industry interests.
- **Inclusive of Broad Stakeholders Through a Representative Advisory Group:** The governance model should incorporate input from all key stakeholders, including producers, importers, recyclers, and manufacturers from industry-specific sectors such as dairy processors. This can be through a representative advisory board. This inclusive and data-driven co-design approach will foster balanced and economical decision-making and ensure that the diverse needs of various sectors are considered, particularly where there are specific requirements, such as food safety and nutrient integrity in packaging.
- **Transparent and Accountable:** The scheme must operate with full transparency, detailing the criteria for appointing the administrator, defining their term, and outlining their roles and responsibilities. The appointment process should prioritise sectoral expertise, particularly in packaging management and compliance, to build trust and enable effective administration.

EPR Scheme Function

ADPF has concerns about the lack of detail presented on how the EPR scheme may function and seeks further detail on how the scheme administrator will be appointed and over what term, to ensure a fair and transparent governance process.

ADPF believes the EPR scheme should manage the entire lifecycle of packaging, ensuring that the responsibilities are shared equitably across producers, importers, and recyclers.

The scheme administrator will play a pivotal role in overseeing the day-to-day delivery of the scheme, ensuring compliance with regulatory requirements, and achieving the government's objectives.

Key functions of the scheme administrator should include:

- **Setting transparent eco-modulated fees:** These fees must be set in a transparent manner and reflect the varying degrees of recyclability and material availability across sectors. Again, a representative advisory group could guide the co-design and ongoing review of the fees. It is crucial that fees are eco-modulated in a way that does not disproportionately burden businesses that have already made efforts to improve packaging design and recyclability. Instead, the system should reward those taking the lead on sustainable packaging.
- **Compliance monitoring and data collection:** The administrator must establish robust systems for data collection, auditing, and reporting to ensure that all regulated entities comply with recycled content thresholds, labelling requirements, and recyclability standards.
- **Collecting and disbursing funds:** The administrator should oversee the collection and distribution of funds, directing a portion of the fees towards critical infrastructure developments, such as advanced sorting technologies and recycling facilities.

- **Auditing downstream materials management:** Providing oversight of material flows and waste packaging management, including mass balance reporting for the scheme.

Eco-Modulated Fees and Fair Distribution

A fair and transparent fee structure is essential for the success of the EPR scheme.

The eco-modulated fee system must **distribute costs equitably across the entire supply chain**.

Producers, importers, and recyclers should share financial responsibility, ensuring that those making proactive efforts to improve their packaging design are not penalised disproportionately.

Businesses that lead on sustainability should benefit from reduced fees or other incentives, while those that lag behind should bear a fair share of the costs.

To ensure an effective and fair fee model:

- **Equitable Distribution Across the Supply Chain:** The fee structure should ensure that all key players including producers, importers, and recyclers contribute fairly. As recyclers benefit from cleaner, higher-quality materials that are easier to process and more cost-effective to handle, they should also bear part of the financial responsibility within the eco-modulated system. This shared responsibility aligns with the circular economy principles, ensuring that costs and benefits are equitably distributed.
- **Clarification of Fee Structure:** The fee model must be transparent, data-driven, and adaptable to different sectors, considering the recyclability, material availability, and actual costs of sustainable packaging. The fee structure should be informed by comprehensive scenario planning and modelling to account for market fluctuations, availability of recycled materials, and potential impacts on different industries. The structure should reflect the unique challenges faced by sectors such as the dairy industry, who are managing a perishable product which has specific needs related to food safety, nutrition integrity and quality, and the availability of food-grade recycled content.
- **Advanced Eco-Modulated Fee Structure:** Interim feedback from ADPF members representing over 60% of the Australian milk pool, indicated a preference for an advanced eco-modulated fee system that differentiates based on packaging design efforts, material choices, and circularity potential.
- **Temporary Adjustments for Limited Recycled Content:** Given the current limitations in recycled content for materials like polypropylene and flexible plastics, the fee model should allow for temporary exemptions or reduced fees until these materials are widely available. This phased approach will provide businesses with the flexibility to comply as the market capacity improves.
- **Support for Innovation and Infrastructure:** Eco-modulated fees should not only fund compliance but also support the development of recycling infrastructure, research, and innovation, particularly for food-grade materials. Directing funds toward infrastructure upgrades and technology advancements will help ensure a steady supply of recycled content suitable for food packaging.
- **Fee Hypothecation for Reinvestment to drive improved recycling outcomes:** Fees collected through the eco-modulated system should be hypothecated, or ring-fenced, for reinvestment back into the packaging industry on agreed market priorities. This could include funding for advancements in recycling technologies, infrastructure development,

innovation in sustainable packaging, and household education and behaviour change programs. Hypothecation will ensure that the fees are reinvested directly into circular economy initiatives, supporting long-term industry sustainability and the creation of a more resilient supply chain.

Tax Incentives and Cost Pass-Through Mechanisms

The shift to sustainable packaging will demand substantial investment, especially for industries like dairy, where profit margins are already narrow.

To ease this financial burden, the government should offer tax incentives, funding or grants to help businesses cover the costs of infrastructure upgrades and innovation in sustainable packaging, investment in research and development, to resources and capability building.

These measures will also ensure that businesses can access recycled materials at an affordable price. In particular, there is a critical need for investment in advanced recycling technologies and infrastructure development to address the shortage of food-grade recycled materials, which are currently in limited supply.

Additionally, there needs to be a mechanism that allows businesses to pass through the increased costs of compliance to consumers. This is essential, as businesses alone cannot bear the entire and significant financial burden of transitioning to more sustainable packaging materials.

Regulatory Clarity and Harmonisation

A clear and consistent regulatory framework is vital to ensure that businesses across Australia can comply effectively and efficiently. Currently, businesses face a complex web of different regulations across states. A nationally harmonised system would reduce compliance costs, create a level playing field, and ensure consistent application of packaging regulations across all jurisdictions. This clarity will help dairy processors plan and invest in the necessary changes to meet the new obligations.

Food Safety Framework

Given the importance of food safety, particularly in the dairy industry, a clear food safety framework for recycled materials in food packaging is essential. The chain of custody and verification of recycled content must be robust to prevent the introduction of harmful or counterfeit materials. Without such a framework, businesses may face risks that compromise both food safety and consumer confidence. The dairy sector relies on packaging that meets strict safety and shelf-life standards, so any recycled materials used must be tested and certified rigorously.

Recommendations

- **Recommendation 1: Establish Transparent and Independent Governance.** This should include an independent Board, with considered input from a representative advisory group. The EPR scheme administrator should be appointed through a transparent process and operate independently to regulate producers, importers, and recyclers. They should be empowered to set eco-modulated fees, monitor compliance, and disburse funds fairly across the supply chain.
- **Recommendation 2: Implement a Fair and Transparent Fee Structure.** Eco-modulated fees should be set in a way that distributes costs equitably across producers, importers, and recyclers. The system should reward businesses that have made efforts to improve packaging design and recyclability, rather than penalise them disproportionately. Again, a representative advisory group should help guide this process.

- **Recommendation 3: Provide Tax Incentives, Grant, and Cost Pass-Through Mechanisms.** The government should offer tax incentives, grants, or other financial mechanisms to support businesses investing in sustainable packaging. Additionally, businesses should have the ability to pass through increased costs to consumers where necessary.
- **Recommendation 4: Ensure National Regulatory Clarity and Harmonisation.** A nationally consistent regulatory framework should be established to reduce complexity and ensure efficient compliance across all states, minimising the burden on businesses.
- **Recommendation 5: Develop a Clear Food Safety Certification System.** The government should implement a robust food safety certification system for recycled materials used in food packaging. This framework should include strong traceability and verification processes to ensure food safety, prevent contamination, and maintain consumer confidence.
- **Recommendation 6: Invest in Recycling Infrastructure and Technology.** Government investment in advanced recycling technologies and new material recovery facilities is critical to addressing the shortage of food-grade recycled materials. This support will help businesses meet recycled content thresholds without significant cost increases.
- **Recommendation 7: Introduce Regulatory Enforcement Mechanisms.** Strong regulatory oversight is essential to ensure compliance across the industry and prevent free-riders.
- **Recommendation 8: Ensure Fee Hypothecation for Reinvestment.** Fees collected through the eco-modulated system should be hypothecated, or ring-fenced, for reinvestment in the packaging industry.
- **Recommendation 9: Adopt an Advanced Eco-Modulated Fee Structure.** The dairy industry supports an advanced eco-modulated fee system that differentiates fees based on packaging design efforts, material choices, and circularity potential.

Processors/ Manufacturers.

Dairy Processors/ Manufacturers Packaging Context

Australian dairy processors utilise a wide range of packaging materials and formats to ensure that products are delivered to market in a safe, hygienic, and shelf-stable manner, helping to retain nutrient integrity and minimise food loss. In the milk category, for example, an estimated 67% of units are packaged in High-Density Polyethylene (HDPE), 25% in gable top liquid paperboard (LPB), 7% in aseptic LPB, and 1% in Polyethylene Terephthalate (PET). Other commonly used materials in the dairy sector include:

- Rigid Polypropylene (PP) and Polystyrene (PS)
- A small, and decreasing, amount of Rigid Polyvinyl Chloride (PVC)
- Multi-layer flexible plastic pouches and flow wrap
- Low-Density Polyethylene (LDPE) pallet wrap and bags
- Cardboard cartons, corrugated shippers, and small quantities of coated or high wet strength (HWS) papers
- Aluminium foil wrap, peel-off lids, and induction seals.

Packaging for dairy products must meet stringent standards for food safety, which means it must provide strong barriers to contaminants, preserve product freshness, and withstand the rigours of transportation and storage.

Proposed Packaging Obligations

Members of the ADPF are largely supportive of the proposed packaging obligations on design, labelling, and recycled content, and the desired outcomes, including improved packaging sustainability and circularity, provided that several critical factors are addressed:

- **Two-Stage Regulatory Compliance:** Preliminary feedback from ADPF members, indicates strong support for a two-stage approach to implementing packaging reforms, allowing for an adequate transition period. In the first phase, we suggest implementing a framework that encourages companies to prioritise packaging design for improved recyclability, while identifying materials that hinder recycling and working towards safe and viable alternatives. Introducing a simple, transparent, and mandatory recyclability logo system, is also important to build consumer trust (such as the Australasian Recycling Label [ARL]). This should be coupled with nationally harmonised standards for packaging design, material recovery facilities (MRFs), and kerbside recycling systems. Improvements to recycling infrastructure, particularly for food-grade materials, should be prioritised in this phase. The second phase could introduce more complex requirements, such as recycled content thresholds, allowing businesses time to adapt their supply chains and infrastructure. This approach provides flexibility and minimises disruptions, enabling a gradual and achievable compliance pathway over a suitable time period.
- **Consumer and Industry Education:** There must be a concerted effort to educate both consumers and industry stakeholders on the importance and practicality of the new packaging requirements. Consumers need to be reassured those changes in packaging, especially those involving recycled content, may appear or feel different, but they do not compromise the quality or safety of dairy products.
- **Robust Systems to Manage Market Fluctuations:** Packaging reform must be supported by flexible systems that can adapt to the fluctuations in recycled material availability and market conditions.
- **Regulatory Enforcement:** The success of the proposed obligations will depend on strong regulatory oversight to ensure compliance across the industry, preventing free-riders and ensuring a level playing field.

While ADPF is broadly supportive of the goals of this proposed packaging regulatory reform, there are **several significant and unique challenges to the dairy industry that must be addressed to ensure the successful implementation** of any obligations. Recall we are dealing with a perishable raw material – milk.

These are:

- **Food Safety Concerns:** One of the most significant challenges for dairy processors is maintaining food safety when incorporating recycled content into packaging materials. The dairy sector relies on packaging that ensures product and nutrient integrity, prevents contamination, and allows for shelf stability. However, there are concerns that recycled materials may not provide the same level of safety and protection as virgin materials. Currently, Australia lacks a consistent certification system for food-safe recycled materials, making it difficult for manufacturers to guarantee the safety of their products while meeting

recycled content requirements. Additionally, laboratory testing capabilities in Australia are currently insufficient to ensure that food safety and quality are maintained when using recycled content.

- **Packaging Design and Functionality:** Packaging for dairy products plays a crucial role in maintaining shelf stability, ensuring product protection, and upholding consumer safety. While the sector supports design obligations that enhance recyclability, it is imperative that safe and functional alternatives are available before implementing bans on existing materials. Changes in packaging design must therefore not compromise product integrity or lead to perverse and unintended outcomes. Recycled materials may not always meet the necessary functional requirements, particularly for products that need high-barrier packaging. Furthermore, adapting packaging design to meet new obligations may require substantial investments in new machinery and infrastructure, likely to impose a significant financial burden on dairy processors. The limited availability of recycled materials that meet the strict functional requirements of the dairy sector remains a significant compliance challenge.
- **Cost and Timeline of Implementation:** A sufficient transition timeframe for the full supply chain to make whole-of-system related packaging changes, is necessary. Compliance with the proposed packaging obligations will require significant investments in machinery, infrastructure upgrades, and sourcing of recycled materials. Preliminary feedback from dairy processors estimates it could take three to six years to fully comply with the proposed packaging obligations, depending on the availability of recycled materials and the necessary testing and certifications. To avoid financial strain, government support through tax incentives, grants and other funding initiatives is essential, alongside clear and adequate timelines that align with the sector's capacity to meet new requirements.

From an interim survey, ADPF members indicated that significant capital investment would be required in order to comply with the proposed packaging regulatory reforms.

- **Labelling Requirements:** Clear and consistent labelling of packaging recyclability is essential for consumers to understand how to dispose of packaging responsibly, noting the increased role of digital technology in consumer education. It is critical that any additional labelling information (to the current ARL) is carefully considered to prevent misinterpretation particularly concerning recycled content availability. If packaging cannot meet recycled content targets due to supply shortages, this must be clearly communicated to maintain consumer trust. Implementing additional labelling requirements may also require significant modifications to labelling artwork, especially given the need to comply with varying standards across export markets, which can increase costs and operational complexity for dairy processors.

Reform Obligations Scope and Liability

Interim feedback from ADPF members, indicates that while both business-to-consumer (B2C) and business-to-business (B2B) packaging should fall under packaging regulations, the obligations and regulations should not be applied uniformly across the two sectors.

B2B packaging often serves a different role, featuring reuse potential, longer lifespans, and specific logistical requirements. In contrast, B2C packaging is generally single-use and more likely to be disposed of by consumers.

We recommend the regulations should reflect these differences and address reuse potential, logistical needs, and material flow specific to each type. Treating B2B and B2C packaging differently will ensure that regulatory measures are better aligned with each sector's characteristics and challenges, leading to more effective and practical implementation of the reform's obligations.

Dairy processors also emphasise that the most effective point in the supply chain to apply the packaging obligations is at the level of producers, importers, and dairy manufacturers. These entities have direct control over packaging design, material selection, and labelling decisions.

However, it is equally important that recyclers and material reprocessors are held accountable. Their role in maintaining the purity, quality, and availability of recyclates is critical to supporting materiality and enabling producers to meet the recycled content and design obligations.

This shared responsibility across the entire supply chain will help create a more resilient and effective circular economy for packaging materials.

Recommendations

- **Recommendation 3: Provide Tax Incentives, Grants and Cost-Pass Through Mechanisms.** To address the challenges related to packaging design and functionality, the government should provide financial support, such as tax incentives or grants, to help dairy processors invest in the necessary packaging infrastructure upgrades. This support will allow businesses to meet the new packaging obligations without compromising product quality or safety.
- **Recommendation 4: Ensure National Regulatory Clarity and Harmonisation.** A nationally consistent regulatory framework should be established to reduce complexity and ensure efficient compliance across all states, minimising the burden on businesses. This must include nationally consistent labelling standards. In addition, any labelling requirements should be aligned with international standards to minimise disruptions to export markets.
- **Recommendation 5: Develop a Clear Food Safety Certification System.** The government should implement a robust food safety certification system for recycled materials used in food packaging. This will ensure that recycled content does not compromise food safety, shelf life, or product quality.
- **Recommendation 6: Invest in Recycling Infrastructure and Technology.** Government investment in advanced recycling technologies and new material recovery facilities is critical to addressing the shortage of food-grade recycled materials. This support will help businesses meet recycled content thresholds without significant cost increases.
- **Recommendation 10: Implement a Two-Stage Regulatory Compliance Approach.** The government should adopt a phased approach to implementing packaging reforms. The first stage should focus on improving packaging design for recyclability, recyclability logos, and infrastructure improvements, while identifying materials that hinder recycling and working towards safe and viable alternatives. Establishing a single, mandatory recyclability logo system in Australia that is straightforward, transparent, and free from marketing influences will also be essential to build consumer trust. The second stage should address more complex requirements, such as recycled content thresholds, giving businesses time to adapt.
- **Recommendation 11: Flexible Implementation of Recycled Content Requirements.** Given the limited availability of food-grade recycled materials, ADPF recommends a phased or flexible approach to implementing recycled content thresholds. This would give businesses

the time needed to adapt their supply chains and ensure that high-quality recycled materials are available in sufficient quantities.

- **Recommendation 12: Allow Temporary Adjustments for Limited Recycled Content** Given the current limitations in recycled content for materials like polypropylene and flexible plastics, the fee model should allow for temporary exemptions or reduced fees until these materials become widely available. This phased approach will provide businesses with the flexibility to comply as the market capacity improves.
- **Recommendation 13: Focus the Reform Scope on B2C Packaging.** The scope of the reform obligations stated in the consultation paper should be limited to business-to-consumer (B2C) packaging.
- **Recommendation 14: Clarify the Point of Responsibility.** The EPR scheme should place the point of responsibility on producers, importers, and manufacturers who have direct control over packaging design, material selection, and labelling decisions. Collectors, recyclers, and reprocessors should also be subject to mandatory obligations to ensure the purity, quality, and availability of recyclates.

Upstream Supply Chain Barriers.

The successful transition to sustainable packaging under Option 3 will require significant changes to the upstream supply chain, particularly in sourcing recycled materials.

However, the dairy processing sector faces several barriers that must be addressed to ensure compliance with the proposed packaging obligations. These barriers include competition for recycled content, the lack of food-grade recycled materials, and inadequate recycling infrastructure.

Increased Demand of Recycled Content

One of the significant challenges from this proposed reform, is how it will drive demand for recycled content, particularly food-grade materials such as High-Density Polyethylene (HDPE) and Polyethylene Terephthalate (PET). The global push for circularity in packaging has increased demand for high-quality recyclates, creating competition across sectors that use similar materials, including food, beverage, and consumer goods industries. This competition can lead to both supply shortages and increased costs, making it difficult for Australian dairy processors to secure sufficient quantities of recycled materials to meet the proposed content thresholds.

Limited Supply of Food-Grade Recycled Content

Another key issue is the limited availability of food-grade recycled materials. Current recycling systems are often not equipped to produce high-quality recyclates that meet the strict food safety standards required in the dairy industry. For example, there is a lack of food-grade recycled polypropylene (PP) and chemically recycled resin for flexible plastics. This shortage is compounded by the fact that recycling technologies in Australia are not yet capable of producing enough high-grade recycled materials to meet the industry's needs. Without access to these materials, it will be challenging for Australian dairy processors to meet the proposed recycled content obligations without compromising on food safety or product quality. Furthermore, the absence of a consistent national framework to verify the safety and functionality of food-grade packaging made from recycled content places the liability squarely on individual dairy manufacturers. As a result, ensuring compliance becomes challenging, as manufacturers may struggle to provide scientific backing for the safety of materials that have not been rigorously tested for food safety applications.

Infrastructure Limitations

The recycling infrastructure in Australia is underdeveloped in key areas, particularly when it comes to producing food-grade recycled materials. Current recycling facilities are not equipped to handle the increasing demand for high-quality recyclates, nor are they able to effectively process complex materials like multi-layer flexible plastics. Additionally, there is insufficient investment in advanced recycling technologies, such as chemical recycling, which could significantly increase the supply of usable food-grade materials. This lack of infrastructure creates a bottleneck in the supply chain, limiting the availability of recycled materials and driving up costs for manufacturers.

Misalignment with Regulatory Change Timeline

In addition to the aforementioned barriers, there is a potential mismatch between the supply of recycled materials and the timing of regulatory changes. The phased introduction of recycled content obligations should consider the capacity of the market to provide sufficient materials. Without alignment between supply and policy timelines, businesses may face compliance difficulties despite best efforts to adapt.

Recommendations

- **Recommendation 6: Invest in Recycling Infrastructure and Technology.** Government investment in advanced recycling technologies and new material recovery facilities is critical to addressing the shortage of food-grade recycled materials. This could include grants or subsidies to build new MRFs and advanced recycling technologies, such as chemical recycling for complex materials like polypropylene and flexible plastics. This support will help businesses meet recycled content thresholds without significant cost increases.
- **Recommendation 11: Flexible Implementation of Recycled Content Requirements.** Given the supply chain limitations, the government should adopt a phased or flexible approach to introducing recycled content obligations, ensuring that businesses have enough time to adapt as infrastructure and supply of food-grade recyclates improve. This phased approach should be aligned with market capacity to avoid penalising businesses for factors beyond their control.
- **Recommendation 15: Support for Food-Grade Recyclate Production.** The government should provide financial incentives or subsidies to stimulate the production of food-grade recycled materials. This could include partnerships with private industry to boost the supply of high-quality recyclate, particularly for PP and PET materials.

Downstream Supply Chain Barriers.

While upstream supply chain issues primarily affect the availability and cost of recycled materials, the downstream supply chain faces its own set of challenges in implementing sustainable packaging reforms. Addressing these barriers will be essential for ensuring the smooth adoption of new packaging obligations across the entire supply chain.

Consumer Cost Impact

One of the most immediate downstream challenges is the potential for increased **consumer costs**. The cost of transitioning to more sustainable packaging will likely be passed down the supply chain, from manufacturers to retailers and eventually to consumers. For dairy products, where margins are already tight and prices are sensitive to fluctuations, any rise in packaging costs could make products less competitive in the market, particularly against imported goods. Moreover, without adequate consumer education, there may be resistance to paying higher prices for products in recyclable or

sustainably designed packaging, especially if the environmental benefits are not immediately apparent to the consumer.

Consumer Perception of Packaging Changes

Consumers may be hesitant to adopt products with packaging that looks or feels different due to the use of recycled materials. Without proper education and marketing, these changes could lead to confusion or diminished brand trust, especially if consumers associate packaging changes with reduced product quality.

Export of High Quality Recyclates

The export of high-quality recyclates—such as food-grade HDPE and PET—could lead to shortages of these materials within Australia, making it even more difficult for local dairy manufacturers to meet the required recycled content thresholds.

Logistical and Operational Challenges

The recycling infrastructure for post-consumer packaging is not uniform across Australia, which could lead to inconsistencies in how materials are collected, sorted, and processed. These inconsistencies may impact the ability of businesses to achieve true packaging circularity, even if they meet all the upstream requirements.

International Trade Barriers

The global nature of the dairy supply chain introduces further complexity in meeting sustainable packaging requirements. International trade barriers, such as differing recycling standards, regulations, and restrictions on certain types of recycled materials, can make it difficult for dairy exporters to comply with packaging regulations in various markets. For example, some countries, including China, do not allow recycled content in food packaging, which could force Australian exporters to maintain multiple stock-keeping units (SKUs) for different markets. This adds operational complexity, increases production costs, and reduces efficiency, especially for dairy processors who rely on scale for profitability.

Recommendations

- **Recommendation 17: Consumer and Industry Education.** Government should support consumer education campaigns to highlight the environmental benefits of sustainable packaging, and assure that changes in packaging, especially those involving recycled content, do not compromise the quality or safety of dairy products.
- **Recommendation 18: Align with International Trade Standards.** The government should work to harmonise packaging standards across key international markets and negotiate trade agreements that allow for the import and export of finished products with recycled content. This would reduce the need for businesses to maintain separate packaging lines for different markets, increasing operational efficiency and reducing costs.
- **Recommendation 19: Prevent the Export of High-Quality Recyclates.** To ensure sufficient supply of food-grade recycled materials within Australia, the government should consider policies to limit the export of high-quality recyclates or incentivise domestic recycling capacity to meet local demand for food-grade materials.

Operational and Logistical Challenges Across the Supply Chain.

The transition to sustainable packaging presents significant operational and logistical challenges across the entire supply chain, from material sourcing to post-consumer recycling. These challenges

are particularly acute in sectors like dairy, where the need for strict traceability and verification is paramount to maintaining food safety and product integrity. Ensuring that the supply chain can handle the complexities of sustainable packaging, while maintaining operational efficiency, will be crucial for the success of any proposed packaging regulatory reforms.

Traceability and Verification Requirements

One of the most pressing challenges in transitioning to sustainable packaging is the need for robust traceability and verification systems. The dairy industry, like other food sectors, must adhere to stringent food safety standards, and the introduction of recycled content into packaging requires careful monitoring to ensure that all materials meet regulatory and safety requirements.

A key requirement will be the ability to trace recycled materials from their source, through the supply chain, to their end use in packaging. This will require full transparency from suppliers, manufacturers, and recyclers, with clear documentation to ensure that food-grade recycled materials have been properly processed and certified. Without this, the risk of cross-contamination or the use of substandard materials could compromise both food safety and consumer confidence.

Moreover, as the market for recycled materials grows, so does the risk of counterfeit or non-compliant materials entering the supply chain. It will be essential to have verification mechanisms in place to confirm the authenticity and quality of recycled content, particularly for packaging that comes into direct contact with food. Third-party certification bodies and regular audits will likely be required to maintain high standards and prevent fraudulent practices.

Complexity of Handling Recycled Materials

Incorporating recycled materials into packaging introduces several logistical challenges, including the need for changes to existing packaging lines, increased storage requirements for different material types, and new processes for ensuring that recycled materials are properly segregated and processed. For dairy manufacturers, who rely on specific packaging formats to ensure product safety and shelf stability, these changes may require substantial investment in new machinery and infrastructure.

A significant concern for the dairy sector is the risk of cross-contamination between food-grade packaging and non-food recycled materials, which could pose serious threats to food safety. This segregation creates further operational complexity. Manufacturers will need to establish clear protocols for handling different types of materials to prevent contamination, which could lead to costly disruptions if not managed effectively.

Logistical Challenges in Post-Consumer Packaging

The downstream part of the supply chain also faces significant logistical hurdles, particularly around the collection, sorting, and recycling of post-consumer packaging. Australia's recycling infrastructure is currently fragmented, with variations in collection and sorting capabilities across different regions. This lack of uniformity complicates efforts to create a truly circular packaging system and increases the burden on manufacturers to ensure their packaging can be recycled regardless of where it is disposed of.

Additionally, the logistics of transporting recycled materials, especially those that need to be certified as food-grade, could become more complex and costly. Manufacturers may face delays or disruptions if suitable recycled materials are not readily available or if supply chain bottlenecks develop, further driving up costs and operational inefficiencies.

Increased Documentation and Reporting Burdens

As traceability becomes a critical requirement, dairy processors will face increased documentation and reporting obligations. These obligations will likely include tracking the origin of recycled materials, ensuring compliance with food safety standards, and reporting on the recyclability of packaging to regulators and consumers. For many businesses, especially smaller dairy processors, this increased administrative burden could strain resources and hinder their ability to comply with the new packaging obligations.

Recommendations

- **Recommendation 4: Ensure National Regulatory Clarity and Harmonisation.** A nationally consistent regulatory framework should be established to reduce complexity and ensure efficient compliance across all states, minimising the burden on businesses. This will reduce inconsistencies in how materials are collected and processed, ensuring that packaging designed for recyclability can be effectively recycled regardless of where it is disposed of.
- **Recommendation 5: Develop a Clear Food Safety Certification System.** The government should implement a robust food safety certification system for recycled materials used in food packaging. This framework should include traceability and verification of recycled content, particularly for food grade materials. This will ensure that recycled content does not compromise food safety, shelf life, or product quality.
- **Recommendation 6: Invest in Recycling Infrastructure and Technology.** Government investment in advanced recycling technologies and new material recovery facilities. This could include real-time tracking systems and digital platforms that allow for the seamless monitoring of recycled material flows through the supply chain.
- **Recommendation 19: Simplify Documentation and Reporting Requirements.** To reduce the administrative burden on dairy processing businesses, particularly smaller processors, the government should develop streamlined documentation and reporting systems that minimise complexity while ensuring full compliance. This could include standardised reporting templates and digital tools to automate compliance processes.
- **Recommendation 20: Ensure Food Safety Through Strict Regulatory Standards:** The government should implement strict regulations and monitoring systems to prevent cross-contamination between food-grade and non-food recycled materials. This should include robust certification processes for food-contact packaging to maintain high safety standards.

Part B – ADPF responses to the questions.

Questions on the packaging obligations.

Q. What reform option do you prefer?

The ADPF has consulted with our members and more broadly with other Australia dairy processors, in the development of our responses to these questions, and worked collaboratively with Dairy Australia. We have also consulted with the Australian Food and Grocery Council and other peak industry associations.

The ADPF and our members provide in principle support to progress further exploration of *Option 3: Extended Producer Responsibility (EPR)*. This is dependent on key policy principles being included, critical issues addressed, and more detail provided to ascertain what it will mean for dairy businesses. We urge DCCEEW to share full details of the impact assessment once completed, and with all stakeholder groups.

We recommend a representative government and industry advisory group is established from the outset, to enable genuine and comprehensive consultation in co-designing next steps of this packaging regulatory reform.

The ADPF and our members, believe that Option 3 has the potential to deliver significant improvements in packaging circularity in Australia and promote more sustainable practices across the supply chain. It could enable industry to drive efficiencies and potentially reap market and brand benefits through leadership and innovation, with financial incentives (rather than disincentives) embedded in the eco-modulated fee system to encourage more sustainable packaging designs and choices.

The Federal government must be involved in actively enforcing the regulatory framework that is intended to underpin the packaging system to ensure that there is a consistent and level playing field for all.

However, the following critical concerns must first be addressed. These concerns relate to the feasibility, fairness, and overall effectiveness of the EPR scheme as it currently stands and the real-world impact this option could have on the dairy industry and its ability to meet the new requirements in a practical, sustainable and economic way. Those being:

- **EPR scheme governance and function:** Further details, including modelling of the scheme and its expected long-term financial impacts, is required to make an informed assessment.
- **Eco-modulated fees:** In the consultation documentation provided, there is no clear structure or fee model, nor the requisite granularity, making it difficult for businesses to assess the true financial impact. It is crucial that the EPR scheme recognizes that better packaging design benefits not just manufacturers (through social license and sustainability goals) but also recyclers, who stand to gain from higher quality materials that are easier and more cost-effective to process and produce a higher-grade and more valuable recyclate. The fee structure should therefore ensure that the costs are shared equitably across the supply chain, including recyclers, who will be beneficiaries from the process employed.
- **Recycled content thresholds:** The lack of food-grade recycled materials for materials like polypropylene (PP) and flexible plastics makes it challenging for the dairy industry to meet the proposed obligations in the near future. Additionally, intense competition for recycled content, particularly HDPE and PET, could lead to businesses struggling to meet the required thresholds.
- **Food safety:** There are significant concerns about the use of recycled materials in food packaging and its potential impact on shelf life, product quality, and consumer safety.

The ADPF would also like to seek further details on the role and support of the Federal government in facilitating the establishment of the packaging scheme and its long-term functioning and viability, including:

- The need for government support to help industry to transition to and meet new packaging standards through funding, grants or tax rebates, especially for capital investments. We envisage there is likely to be a need for capital investment to support local industry to replace equipment and upgrade infrastructure in order to meet new packaging standards – particularly for those products that are distributed on the national market, such as robust traceability and verification systems to maintain food safety and prevent cross-contamination. There are also increased costs associated with research and development, and people resources and capability building.
- Consideration be given for government support to bridge the cost gap between using virgin and recycled materials – and ensuring our local industry can remain competitive in the marketplaces that they compete in. We envisage this would be a transitional requirement, rather than long-term.
- Discussion on the government's responsibility to ensure that the recycling infrastructure is adequate to meet new targets.

In designing the solution and the future scheme it will be vital that the Federal government is cognisant, and responds appropriately to international market challenges, given that these are vital to the future of Australia's dairy industry – with exports currently accounting for 30% of milk production volumes. This means being mindful of:

- Potential trade barriers due to differences in recycling standards between countries.
- Different recycling regulations internationally (e.g., China not allowing recycled plastic) – which adds complexity to complying with global supply chains.
- The challenge of imported products not adhering to the same standards, potentially undermining domestic efforts to improve recycling.

Q. How effective do you think the reform options would be in achieving the reform outcomes?

Australian dairy processors transform a highly perishable raw milk into safe, nutritious dairy products for domestic and global markets, every day of the year – milk, cheese, yoghurt, butter, cream, ice-cream, and nutritional powders. They face unique and material challenges in meeting packaging design and recyclability standards, whilst ensuring product safety and integrity, and compliance with consumer expectations. Ensuring due consideration and flexibility in the scheme for food-grade packaging materials will be essential to avoid compromising product quality.

Option 3 has the potential to work effectively in achieving the reform outcomes of increasing recyclability, reducing waste, and supporting a circular economy. However, there are significant concerns that need to be addressed for this option to succeed, particularly for the dairy industry. These concerns include:

- **Understanding the Full Impact of Option 3:** While Option 3 holds promise, there is much uncertainty around how it will be implemented and what it actually means for businesses. The current consultation paper does not provide enough detail on the fee structure, regulatory obligations, or support systems. Without this clarity, businesses cannot fully assess their financial and operational exposure, making it difficult to plan for long-term compliance.

- **Obligations on the Entire Supply Chain:** For Option 3 to be effective, it is crucial that obligations extend across the entire supply chain, including recyclers. If recyclers receive cleaner, higher-quality plastics, their recycling efficiency improves. This shared responsibility is essential to ensuring that the benefits of improved packaging design and material recyclability are realized throughout the lifecycle, not just by producers.
- **Need for Regulatory Power:** The effectiveness of Option 3 will heavily depend on the government's regulatory power. Obligations will only be impactful if there is robust enforcement and if the government has the ability to ensure compliance across the supply chain. Without strong regulatory backing, the obligations risk being ineffective.
- **Scenario Planning and Market Assessment:** The government must conduct thorough scenario planning and modelling to assess the availability of recycled plastics, market fluctuations and ensure that businesses can access the necessary recyclates. Currently, there are significant gaps in the availability of recycled content, particularly in polypropylene (PP) and chemically recycled resins for flexible plastics. Even for materials like HDPE and PET, the competition for acquiring recycled content is so high that the cost could become prohibitive for many businesses. The success of Option 3 hinges on the government understanding and addressing these market dynamics – likely through a staged implementation approach.
- **Cost of Recyclates:** If the competition for recyclates remains high, many businesses may find it unaffordable to meet the recycled content thresholds. Without intervention or subsidies, some businesses, especially in the dairy sector, will struggle with cost escalations that is likely be passed on to consumers.
- **Infrastructure Development:** The effectiveness of Option 3 also depends on the development of recycling infrastructure. To meet the recycled content thresholds, and have the capability to run sustainable packaging materials, significant upfront investment is needed to enhance Australia's recycling capabilities. The government needs to clarify where funding for this infrastructure will come from. Without this, businesses will be left with the burden of upgrading infrastructure at their own cost, which could significantly impede the effectiveness of these obligations or extend timeframes for full implementation.
- **Fee Modelling and Transparency:** The fee modelling for Option 3 lacks detail. Businesses need to understand how eco-modulated fees will be set, applied, how costs will be distributed, and what opportunities exist for businesses to invest in more sustainable solutions. Transparent, data-driven, and adaptable fee structures to different sectors will ensure that businesses can plan for future investments in packaging design and material sourcing. Again, we acknowledge the unique challenges to the dairy industry, that must be addressed with any new packaging reforms.
- **Export Markets and International Variability:** The effectiveness of these obligations may also be hindered by international trade requirements. For example, China does not allow recycled content in plastics, which presents challenges for businesses that export products. The dairy industry, which exports to multiple markets, may face additional regulatory burdens as a result of differing international standards.

Q. What are the most important packaging reform principles to achieve the outcomes?

ADPF and our members consider the seven principles outlined in the consultation paper are all of importance to achieve greater packaging circularity across our respective value chains. However, from the perspective of the Australian dairy processing sector, the following are critical to achieve the required outcomes of the proposed packaging reform:

- **Nationally Consistent Obligations and Requirements:** It is crucial to ensure that there is national consistency in obligations and requirements. Given the complexity of operating across multiple states with different packaging regulations, a nationally harmonized system is essential to reduce confusion, lower compliance costs, and ensure a level playing field for dairy manufacturers. Consistency is especially important in recycling standards, labelling, and kerbside collection systems, ensuring uniformity across all jurisdictions. This will help dairy manufacturers manage their supply chains more efficiently and avoid conflicting regulations.
- **Clear Obligations for Industry:** The dairy processing sector requires clear and enforceable obligations to confidently make the necessary investments in packaging materials and recycling infrastructure. This principle ensures that businesses know exactly what is required, giving them the certainty to plan for future investments, upgrade equipment, and adjust their supply chains. Unclear obligations could result in delayed or improper implementation, especially when it comes to ensuring food safety in packaging.
- **Making industry responsible:** While it's important for the industry to take responsibility for packaging design and recyclability, this responsibility should be shared across the entire supply chain, including recyclers and importers. Dairy manufacturers should not bear the brunt of the costs associated with eco-modulated fees while recyclers benefit from cleaner, higher-quality materials. To achieve this, the system must ensure that costs are fairly distributed, and recyclers are held accountable for processing materials efficiently and cost-effectively. Without this shared responsibility, the system risks placing undue financial pressure on producers (which includes dairy processors/ manufacturers).

Q. What support and/or systems would businesses need to meet the reform options and packaging obligations?

To meet the packaging obligations proposed under Option 3, businesses will require:

- **A Fair and Transparent Fee Structure:** The eco-modulated fee system must be designed in a way that fairly distributes costs across the supply chain. Producers, importers, and recyclers should share the financial responsibility. Businesses that make efforts to improve their packaging design and recyclability should not be penalized disproportionately. Instead, the system should reward those taking the lead on sustainable packaging.
- **Tax Incentives and Cost Pass-Through Mechanisms:** Businesses that are doing the right thing by investing in sustainable packaging should receive government tax incentives or other financial mechanisms to offset the costs. Additionally, there needs to be a mechanism that allows businesses to pass through the increased costs of complying with the packaging reform to consumers. This is essential, as businesses cannot bear the entire and significant financial burden of transitioning to more sustainable materials, especially in the dairy industry where profit margins are already narrow.
- **Regulatory Clarity and Harmonization:** It is essential to have clear and consistent regulatory guidelines across all states to ensure that businesses aren't navigating different rules in different jurisdictions. A nationally consistent framework will reduce complexity and help manufacturers comply efficiently.
- **Food Safety Framework:** A clear food safety certification system is needed for recycled materials in food packaging. The dairy industry cannot risk compromising on food safety, so the chain of custody and verification of recycled materials is essential to ensure that no harmful or counterfeit materials are introduced into the packaging system.

Q. Under Option 1, what, if any, education for businesses and consumers would improve packaging reform outcomes?

Option 1 is not the preferred choice for the Australian dairy processing sector as it does not align with achieving the packaging reform outcomes.

However, we do note that education remains critical across all options. There must be a concerted effort to educate both consumers and industry stakeholders on the importance and practicality of the new packaging requirements:

- **Consumer Education:** A nationwide campaign is essential to inform consumers that packaging made from recycled materials may appear or feel different, but they do not compromise the quality or safety. This is especially important for food products, such as dairy, as changes in packaging might lead consumers to mistakenly associate it with lower quality. Consumer education will help ensure market acceptance of new packaging materials.
- **Business Guidance:** Comprehensive guidance must be provided to businesses, especially smaller companies on best practices for packaging design and improving recyclability. Clear, accessible materials will support businesses in making informed decisions and transitioning to sustainable packaging.

Q. Under Option 2: Would an industry organisation be needed to support businesses and, if so, what would its role be?

Option 2 is not the preferred choice for the Australian dairy processor sector.

However, an industry organisation would play an important role in this option, as they can act as a liaison between businesses and government, helping ensure that sector-specific needs are understood, particularly around the challenges in sourcing food-safe recycled materials. Additionally, this organisation can provide technical support and resources to businesses, such as sharing best practices for designing more recyclable packaging and ensuring compliance with new labelling and recycled content requirements.

Q. Do you support the proposed progressive bans based on packaging recyclability measured by total weight? If not, what alternative do you suggest?

We note, Option 2 is not the preferred choice for the Australian dairy processing sector. However, whilst the intent behind progressive bans based on recyclability are understood, there are significant concerns:

- **Food safety and functionality:** Certain materials are used in dairy packaging because they are critical for food safety and product integrity (e.g., nutrition quality and maintaining shelf life). The current market does not offer adequate food-safe recycled content for materials like PP and flexible plastics.
- **Availability of Materials:** As an example, until there is a sufficient supply of food-grade recycled materials, progressive bans would be infeasible for the dairy industry. This would leave companies unable to comply without risking food safety or packaging performance.

Instead of outright bans, we propose a phased approach that offers realistic and extended timelines for industries like dairy, along with financial incentives to encourage innovation in packaging design. We propose bans should only be introduced once the market can provide safe and reliable recycled content for all material types used in food packaging.

Q. Under Option 3: What functions could potentially be performed by an EPR scheme administrator?

It is noted under this proposed option, that the scheme administrator will be responsible for the day-to-day management and delivery of the scheme, achieving the outcomes specified by the government, and monitoring the compliance of the Regulated Entities. ADPF and our members ask for further detail on how appointments of the scheme administrator will be made and over what term, to ensure a fair and transparent governance process.

The ADPF considers that the scheme administrator should fulfill the following functions:

- **Setting transparent eco-modulated fees:** Setting eco-modulated fees in a transparent manner to account for the varying degrees of recyclability and material availability across different sectors, is crucial. We suggest a representative advisory group is established to guide co-design and ongoing review.
- **Compliance monitoring and data collection:** Establishing robust systems for data collection, capture and reporting and ensuring regulated entities comply with recycled content thresholds, labelling requirements and recyclability standards through regular audits and transparent reporting mechanisms.
- **Collecting and disbursing funds:** Overseeing the collection and distribution of funds in accordance with an agreed strategy and plan that aims to direct funding to areas of critical need. This is to include recycling infrastructure development by directing a portion of the EPR fees toward infrastructure developments and improvements, such as advanced sorting technologies.
- **Auditing downstream materials management and flows:** Providing oversight of fates and destinations of waste packaging and material streams (including mass balance reporting for the scheme as a whole).

Q. Which EPR fee modulation approach (as outlined in Box 6) do you prefer?

Preliminary feedback from dairy processors indicates support for an advanced eco-modulated fee system, but strongly emphasize that it must reflect the real-world availability of recycled content, particularly for food packaging. It must differentiate based on packaging design efforts, material choices, and circularity potential. For materials like polypropylene and flexible plastics, where food-grade recycled content is not yet available, lower fees or temporary exemptions should be applied until the market can support these transitions. Collected funds should be reinvested back into areas of market failure including packaging collection and reprocessing of packaging, uptake of domestic recycled content, packaging innovation, and household education and behaviour change programs.

Q. What other actions to improve packaging should be incentivised using eco-modulated fees?

ADPF and our members recommend that eco-modulated fees be structured to actively incentivise key areas of innovation and supply chain development, ensuring that the transition to sustainable packaging is both practical and aligned with food safety standards.

Specifically, we propose the following actions be prioritized for incentivisation:

- **Research & Development (R&D) into Food-Safe Recycled Materials:** Eco-modulated fees should be designed to encourage R&D efforts focused on improving the safety, functionality, and availability of recycled materials suitable for food packaging. Given the unique challenges faced by the dairy sector in meeting recycled content thresholds without compromising food safety or product quality, investment in developing food-safe recycled materials is critical. Incentivizing R&D would support faster progress in creating safe, reliable alternatives that align with industry standards and regulatory requirements.
- **Trial Programs for Sustainable Materials and Packaging Designs:** To promote the adoption of new materials and innovative packaging solutions, eco-modulated fees should include financial incentives for businesses conducting trials of sustainable materials. The high costs associated with implementing new packaging designs are a significant barrier, particularly for smaller processors. By offsetting trial costs, businesses will be better positioned to test, refine, and scale up the use of sustainable materials, leading to faster adoption of recyclable and recycled content in food packaging.
- **Supply Chain Innovation and Traceability Systems:** Investment in traceability and verification systems for recycled content should be a key area incentivized by eco-modulated fees. This will ensure that all materials used in food packaging meet strict safety and quality standards, maintaining consumer trust and compliance with food safety regulations. Enhanced traceability would also provide greater transparency across the supply chain, helping to prevent contamination risks and ensure the integrity of food-grade recycled materials.

Q. What activities could EPR scheme revenue be used for to support material circularity, noting that there may be limitations on what activities can be funded due to legislative or other constraints?

The ADPF and our members recommend that EPR scheme revenue could be utilized for activities that directly enhance material circularity and align with the legislative constraints. We propose, the initial focus should be on:

- **Strengthening Domestic Recycling Infrastructure:** Investment should prioritize enhancing recycling capabilities, particularly for materials essential to food packaging. This will help ensure that the infrastructure can handle increased recycling demands and produce high-quality, food-grade recycled materials.
- **Establishing Food-Safe Certification Programs:** It is crucial to support certification programs that ensure recycled materials meet food safety standards and can be safely used in dairy packaging. This will help foster trust in recycled materials while enabling manufacturers to meet regulatory requirements. These actions will ensure that EPR funds are effectively used to support the circular economy while addressing the unique challenges of food packaging safety and compliance.
- **Supporting Packaging Collection and Reprocessing:** Funds should be directed toward improving collection systems and reprocessing facilities to ensure that materials are efficiently collected, sorted, and reprocessed into high-quality recyclates.
- **Uptake of Domestic Recycled Content:** Incentives should be provided to encourage the use of domestically recycled materials in packaging, which will reduce reliance on imported recyclates and stimulate local recycling markets.

- **Promoting Packaging Innovation:** EPR revenue can be used to fund research and development of new, sustainable packaging materials and technologies, driving innovation across the packaging industry.
- **Household Education and Behaviour Change Programs:** Investment in education initiatives will help inform consumers about proper recycling practices and the benefits of sustainable packaging, encouraging responsible behaviour that supports circularity.

Q. Under Options 2 and 3: If some regulations could be introduced early to provide industry certainty, would you support a two-stage approach to regulation? What early requirements would you support?

Preliminary feedback from dairy processors indicates strong support for a two-stage approach to regulation, as it allows for a more manageable and gradual transition towards compliance, over an appropriate period of time.

In the initial phase, we suggest implementing a framework that encourages companies to prioritise packaging design for improved recyclability, while identifying materials that hinder recycling and working towards safe and viable alternatives. Establishing a single, mandatory recyclability logo system in Australia that is straightforward, transparent, and free from marketing influences will also be essential to building consumer trust and confidence in new packaging (allowing for an adequate transition period, where required).

This initial phase should be complemented by nationally consistent standards for packaging design, Material Recovery Facilities (MRFs), and kerbside recycling systems, which will provide businesses with clear guidelines and reduce regulatory complexity. Moreover, the first stage should prioritize the enhancement of recycling infrastructure, especially for food-grade materials, to ensure capacity can meet future demand.

Questions on the packaging obligations.

Q. How supportive are you of the proposed packaging obligations on design, labelling and recycled content as outlined in sections 5.9 to 5.11?

Preliminary feedback from dairy processors, indicates support for the proposed packaging obligations on design, labelling, and recycled content. It is the view, that these obligations will lead to the desired outcomes provided that the efforts are supported with appropriate levels of consumer and industry education, appropriate and robust systems than can cater for market fluctuations, and that industry obligations are enforced by the Regulator.

It should be noted that the inclusion of recycled content will, in some instances, change the appearance of packaging. Therefore, widespread education (both consumer and industry) is needed to allay concerns that the minor changes in packaging are not reflective of an inferior product.

Furthermore, the availability of quality recycle is a challenge in Australia, especially for materials such as polypropylene and flexible plastics where supplies are very limited.

The dairy industry holds the following concerns on the proposed packaging obligations which need to be addressed:

- **Recycled Content:** While the industry acknowledges the importance of incorporating recycled content, there are significant challenges in securing the necessary quantity and quality, especially for polypropylene and flexible plastics, where the recycled content market is underdeveloped. A primary concern is the food safety risk associated with using recycled materials, as Australia lacks a consistent framework to ensure the safety and functionality of food-grade packaging made from recycled content. It is crucial that recycled content does not compromise food safety, container integrity, or product quality, particularly when we consider the challenges for dairy products. Additionally, laboratory testing capabilities in Australia are currently insufficient to ensure that food safety and quality are maintained when using recycled content. For export markets like China, where recycled content in plastics is prohibited, manufacturers may face inefficiencies if required to produce multiple SKUs to accommodate different market standards which may require duplication of manufacturing production lines and the associated loss of economies of scale.
- **Recyclate markets:** As part of the impact modelling, it is imperative that the government undertakes capacity modelling to ensure supply and demand for recyclate moves in sync, so that industry participants can meet their set obligations. The proposed reform, if successful, will see a significant growth and competition for recyclate markets – a factor which needs to be accounted for when the packaging scheme is to be implemented.
- **Labelling:** The industry supports establishing a single, mandatory recyclability logo system in Australia, such as the Australasian Recycling Label (ARL), to improve consumer awareness and transparency – allowing for an adequate transition period, where required. However, it is critical that any additional labelling information is carefully considered to prevent consumers from misinterpreting messages, particularly regarding recycled content availability. If packaging cannot meet recycled content targets due to supply shortages, it must be communicated effectively without damaging consumer trust in the brand. Further work is also likely to be required to ensure that tools such as the Packaging Recyclability Evaluation Portal tool (PREP), if used, is reflective of ‘real world’ outcomes, rather than algorithmic ones. The role of digital technology to complement on-pack information, must factor.
- **Design of Packaging:** The industry supports design obligations to improve recyclability, but there are pressing concerns about the impact on food safety and packaging functionality. Packaging design plays a crucial role in maintaining product quality and shelf life, particularly in the dairy sector, and any changes must not compromise product integrity or lead to perverse and unintended outcomes.

Q. How effective do you think each of the packaging obligations would be in delivering the objectives of the reform?

The ADPF and our members believes that the packaging obligations have the potential to be effective in transitioning to packaging circularity, but only if the following considerations are taken into account:

- **Regulatory Power and Enforcement:** The obligations will only be effective if they are properly enforced and backed by strong regulatory power. The government must therefore ensure that there is a clear, transparent framework for compliance that includes penalties for non-compliance. If obligations are not enforceable or the regulator fails to monitor and robustly enforce obligations, then the outcomes will be severely eroded, and in the worst-case scenario undermine public confidence in the scheme.

- **Supply Chain Accountability:** For the obligations to be successful, all stakeholders in the supply chain—including recyclers, collectors, and reprocessors—must be held accountable. If recyclers receive cleaner plastics, their recycling efficiency improves, which ultimately benefits the entire circular economy. Obligations should therefore be placed on the entire supply chain, not just manufacturers.
- **Availability of Recyclates:** A major challenge is the availability and affordability of recycled content, particularly for materials like HDPE and PET, where competition for recyclates will be high. The lack of sufficient supply could make it difficult for some businesses to meet recycled content thresholds, and this must be accounted for in the government’s modelling. The cost of recyclates may also be prohibitive, especially for smaller businesses, and the eco-modulation fees will need to be structured in a way that minimizes financial burden.
- **International Markets:** The effectiveness of these obligations may be hindered by international market constraints. As touched on previously, by way of example, some jurisdictions (including China) do not allow recycled content in plastics. This can act as a barrier for Australian exporters, which has a significant detrimental impact on our domestic economy. If manufacturers are required to produce different SKUs to comply with different markets, then assistance should be provided by the government or the scheme administrator to offset this cost imposition.
- **Infrastructure and Capital Investment:** Significant capital investment will be required to meet the packaging obligations, especially in the area of recycling capabilities and capacities. Strategic investments must therefore be made by industry with support and facilitation from federal and state governments. Incumbent in this is that clear scenario planning takes place and that funding models are designed to ensure obligations are met and businesses are not left behind.

Furthermore, for the proposed model to fulfil its objectives it will be necessary that:

- The Scheme Administrator and Regulator close off non-conforming pathways that avoid costs for Regulated Entities.
- That there are stable and profitable markets for recyclate offtake and that packaging manufacturers can consistently procure fit-for-purpose and made to standard recyclate for newly manufactured products.

Q. What percentage of the packaging you placed on the market would need to change to meet the proposed obligations?

Preliminary feedback from dairy processors estimates that between 50% and 100% of the packaging products that they place on the market would need to change – noting this percentage is dependent on individual businesses. Therefore, a significant amount of packaging would need to be redesigned to comply with the proposed packaging obligations.

Q. What activities would you need to undertake to prepare for the proposed packaging obligations? Do you anticipate these activities will be the same or different across the packaging obligations? Why?

The activities to prepare for the proposed packaging obligations for Australian dairy processors will vary across the different obligations, but will generally involve the following activities:

- **Sourcing Recycled Materials:** Ensuring the availability of food-safe recycled content is critical, especially for dairy products. This will involve extensive engagement with suppliers and recyclers to secure high-quality materials that meet food safety standards.
- **Testing for Food Safety and Quality:** Extensive testing will be needed to ensure that recycled content does not impact food safety, shelf life, or product quality. This testing will vary depending on the material being used.
- **Infrastructure Upgrades:** Investment in new machinery and packaging lines may be required to accommodate new materials. This will involve significant capital expenditure, which will vary depending on the type of packaging changes required.
- **Compliance and Labelling:** Businesses will need to ensure that their packaging meets the new labelling requirements, and this may involve redesigning packaging or updating product labels to reflect recyclability information.
- **Business Resource and Capability Building:** The need for appropriate resources and skills to deliver against the proposed packaging business obligations, considering costs and availability – as we all transition.

Q. How soon do you think your business would be able to meet the proposed packaging obligations?

A sufficient transition timeframe for the full supply chain to make whole-of-system related packaging changes, is necessary. Compliance with the proposed packaging obligations will require significant investments in machinery, infrastructure upgrades, and sourcing of recycled materials.

Preliminary feedback from ADPF members estimates that it could take three to six years to fully comply with the proposed packaging obligations. This timeline depends on the availability of recycled materials, capital investment in new equipment, and the time required for testing and certification. For simpler changes, such as labelling, businesses may be able to comply sooner, but more complex requirements like recycled content thresholds will take longer.

To avoid financial strain, government support through tax incentives, grants and other funding initiatives is essential, alongside clear and adequate timelines that align with the sector's capacity to meet new requirements.

Q. What would your major anticipated costs and risks associated with the proposed packaging obligations be?

Based on preliminary feedback from dairy processors, we anticipate several major costs and risks under the proposed Option 3, driven by the need to meet new packaging obligations, particularly in securing food-safe recycled content.

These include:

Major Anticipated Costs:

- **Sourcing High-Quality Recyclates:** Obtaining sufficient quantities of food-grade recycled materials, such as polypropylene and flexible plastics, remains a significant challenge. This is likely to result in increased procurement costs, especially given the limited availability and high demand across sectors.

- **Capital Investment in Equipment and Infrastructure:** Meeting the proposed standards will require substantial capital investments in new machinery, infrastructure, and packaging lines. This is necessary to accommodate recycled materials while maintaining and tracing food safety and product integrity. This also includes people and capability.
- **Food Safety Testing and Certification:** Additional testing will be needed to ensure that recycled materials used in packaging do not compromise food safety, shelf life, or product quality. The lack of a consistent national framework for certifying recycled materials further complicates this process, adding both time and cost burdens.
- **Compliance with Labelling and Design Requirements:** New labelling standards and packaging redesigns will impose compliance costs. This includes updating labelling systems, modifying packaging artwork, and conducting audits to ensure adherence to regulations.

Major Anticipated Risks:

- **Limited Availability of Recyclates:** The insufficient supply of food-grade recycled content could prevent manufacturers from meeting required thresholds, leading to potential non-compliance. This poses a significant risk to businesses that depend on consistent material availability.
- **Escalating Costs of Recycled Materials:** The high competition for limited recycled content could drive up costs, making it economically challenging for dairy manufacturers to remain competitive, particularly against international imports.
- **Potential Impact on Product Quality and Shelf Life:** The use of recycled materials must not compromise product safety or integrity, particularly for perishable food products such as dairy. However, current testing capabilities and lack of reliable food-safe recycled content raise concerns about maintaining shelf stability, nutrient integrity, and product quality.
- **Export Market Barriers:** The need to produce multiple SKUs to accommodate differing international standards (e.g., markets like China, which restrict recycled plastics) could lead to inefficiencies, duplication of production lines, and higher operational costs. This complicates the supply chain, reduces economies of scale, and limits competitiveness in global markets.

Q. What would be the major anticipated benefits associated with the proposed packaging obligations and who will receive them?

We consider that the major anticipated benefits of the proposed packaging obligations include a significant reduction in packaging waste and a greater contribution to the circular economy, helping to create more sustainable packaging systems (and in turn secure food supply). Consumers will gain trust in brands due to clear and transparent labelling, which will enhance brand loyalty by ensuring consumers understand how to recycle packaging correctly. For brand owners, meeting these obligations will give them the social licence to continue operations and communicate fact-based product attributes. For recyclers, the obligations are expected to lead to increased efficiency, as they will receive cleaner, higher-quality materials that are easier to process. Ultimately, the benefits will be shared across the entire packaging value chain.

Q. Are there any other anticipated risks, costs and benefits to you under the different options not covered by the questions above?

A significant concern for the dairy processing sector is the potential for cross-contamination between food-grade and non-food recycled materials, which poses a serious risk to food safety and

consumer confidence. The introduction of new packaging requirements may also disrupt the vital role of packaging in preserving product quality, nutrient integrity, and preventing spoilage, which is particularly critical for dairy products.

Additionally, there is a risk that imported packaging could fail to meet Australian standards, undermining local compliance efforts and creating inconsistencies in the market. This could place domestic manufacturers at a disadvantage, as they would need to meet stricter requirements compared to imported products.

Another critical issue is the export of high-quality recyclates, which could limit the availability of food-grade materials within Australia. This could make it difficult for local dairy processors to meet the recycled content thresholds, especially if alternative food-safe materials cannot be sourced domestically. The shortage of suitable recyclates could impact compliance efforts and increase costs for the industry.

Q. What other obligations should be considered to support a circular economy for packaging?

To fully support a circular economy for packaging, the government should establish obligations for collectors, recyclers, and reprocessors. These obligations could include setting performance standards for Material Recovery Facilities (MRFs) to ensure high-quality recycling outputs, as well as implementing robust data reporting systems to track material flows throughout the recycling process. This comprehensive approach would ensure accountability at each stage of the recycling chain, thereby enhancing overall system efficiency and effectiveness.

Q. Should mandatory obligations be placed on collectors, recyclers and reprocessors? If so, what should they be, and do you have supporting evidence?

Yes, the ADPF and our members support the inclusion of mandatory obligations for collectors, recyclers, and reprocessors within the EPR scheme. These obligations could include:

- Performance benchmarks for recycling quality and efficiency to ensure that materials are processed to high standards.
- Data sharing requirements to enhance transparency in recycling and reprocessing, facilitating better tracking of material flows.
- Material purity standards, particularly for food-grade plastics, to prevent contamination and ensure the safety of recycled packaging materials.

This approach would help create a more accountable and transparent recycling system, supporting a true circular economy throughout Australia.

Q. Should obligations be imposed to incentivise the uptake of packaging reuse systems?

- **Which industries or packaging formats should be prioritised?**
- **Should uptake be mandated or incentivised through eco-modulation?**
- **Should reuse standards be introduced for suitable reuse packaging formats?**

The ADPF and our members believe that obligations to incentivise packaging reuse systems should be approached cautiously and backed by sound evidence, such as through comprehensive life-cycle assessments (LCAs).

Historical LCAs have sometimes shown that plastic packaging can provide better overall environmental outcomes than reuse systems, particularly in the B2C landscape. Therefore, any shift toward reuse systems should be based on clear evidence from LCAs to ensure that it leads to improved environmental performance, rather than unintended consequences.

In terms of implementation, the B2B sector appears more suited for reuse systems, given its existing use of reusable bulk containers, pallets, and crates. Before prioritising any packaging formats or industries, full LCAs must confirm that reuse systems provide a net positive environmental outcome compared to current plastic packaging solutions. This will help identify where reuse offers genuine sustainability benefits and prevent misguided transitions.

Questions on scope and liability for reforms.

Q. Should packaging regulations be applied uniformly to both business-to-consumer (B2C) and business-to-business (B2B) packaging?

No. Preliminary feedback from dairy processors indicates that while both B2C and B2B packaging should be subject to packaging regulations, they should not be treated identically.

The B2B packaging landscape is different in terms of functionality, logistics, and reuse potential. B2B packaging, such as bulk packaging used in supply chains, often has a longer lifespan and can be reused, whereas B2C packaging is more likely to be single-use and directly disposed of by consumers. Regulations should reflect these differences and address reuse potential, logistical needs, and material flow in each sector. B2B packaging is needed to be considered separately to fully capture its unique characteristics and challenges.

Q. Do you have packaging that could not comply with the proposed obligations on design, labelling and recycled content as outlined in sections 5.9 to 5.11? Why is this? For example, are there conflicting obligations?

Yes. Dairy processors face challenges in complying with the proposed packaging obligations due to conflicting requirements, material availability issues and the use of formats which are designed for food safety and handling, rather than recyclability. The current lack of food grade recycled polypropylene and chemically recycled resin for flexible plastics makes it difficult to meet the recycled content thresholds for these essential materials. These materials are critical for food-grade packaging in the dairy sector, as they ensure shelf stability and food safety. Unfortunately, suitable alternatives that meet both food safety standards and shelf-life requirements are not readily available.

Additionally, conflicting regulations in export markets, such as China, where recycled content in food packaging is not permitted, add further complexity. This could require manufacturers to introduce additional SKUs for international markets, reducing operational efficiency and leading to increased resource wastage, including product loss and energy consumption.

Q. What point in the supply chain is the most effective point to apply the proposed packaging obligations on design, labelling and recycled content as outlined in sections 5.9 to 5.11?

Dairy processors have identified that the most effective point in the supply chain to apply the packaging obligations stated in sections 5.9 to 5.11, is at the level of the producers, importers, and

dairy processors – those who have direct control over packaging design, material selection, and labelling decisions.

However, it is crucial that recyclers and material reprocessors are also held accountable, as their role in ensuring material purity and the quality of recyclates directly impacts the ability of producers to meet these obligations. Obligations should be applied across the entire supply chain to create shared responsibility and promote collaboration.

Q. How should liability thresholds be set to ensure packaging reforms achieve their intended outcomes while minimising impacts on businesses?

Dairy processors believe that the liability thresholds should only be determined once Option 3 is more thoroughly considered and defined, and the EPR model, governance structure, and fee modelling have been clearly outlined.

It is essential to first understand how the entire system will function before determining appropriate thresholds. However, interim feedback from dairy processors suggests that liability thresholds should be based on the amount of material placed on the market (volume), rather than on revenue. This approach would more accurately reflect a business's environmental impact and ensure that smaller companies, which may place less packaging on the market but generate significant revenue, are not disproportionately burdened.

A clear and transparent process should be used to assess thresholds once the EPR framework is fully developed.

Questions on recyclable packaging design.

Q. What packaging materials or chemical additives impede recyclability or are not recyclable but are necessary for functionality?

- **Why are they necessary?**
- **Are there alternatives?**
- **What are the barriers to adopting the alternatives?**

Dairy processors rely on specific packaging materials like polypropylene, polystyrene and flexible plastics to maintain shelf stability, food safety, and product integrity, which are crucial for dairy products. These materials currently lack established markets for recycled content in Australia and pose challenges for recyclability as they require advanced recycling.

Some dairy processors also rely on materials like carbon black in milk bottles to prevent light degradation of milk. The carbon black in milk bottles is in the middle layer, and in this format does not prevent sorting of these bottles as the bottles are able to be recycled as coloured materials.

Additionally, adhesives, labels, and closures used in dairy packaging, while essential for product functionality, further complicate recyclability. At present, there are no widely available alternative materials that meet both food safety standards and the performance requirements for shelf stability.

Barriers to adopting alternatives include the high cost of testing, limited availability of suitable materials, and food safety risks associated with untested or unapproved materials. Furthermore,

retrofitting existing equipment to accommodate alternative packaging would require significant capital investment, which many manufacturers may not be prepared for.

Q. Is the recovery, reprocessing or reuse of material disrupted by certain packaging materials or chemical additives? What are these materials or chemical additives and what are the impacts?

Yes, certain packaging materials and chemical additives disrupt the recovery, reprocessing, or reuse of materials. Key materials that cause disruption include:

- **Caps and Closures:** These components can be challenging for Material Recovery Facilities (MRFs) to manage due to their small size, which makes them difficult to separate effectively. Additionally, closures are often made from different materials (e.g., LDPE vs. HDPE) or are pigmented, complicating the recycling process and leading to inefficiencies.
- **Adhesives on Labels:** Adhesives used on dairy packaging can accumulate in process equipment, causing blockages in piping and contaminating the recycled material. This makes reprocessing more complex and affects the overall quality of the recyclate.
- **Inks:** Inks used on packaging, particularly milk bottles, can lead to colour contamination of recycled HDPE, reducing the quality and potential applications of the recyclate.

These issues highlight the need for improved design standards and technologies that minimize contamination risks, enhance separation processes, and ensure better compatibility of materials throughout the recycling stream.

Q. Is your packaging required to comply with other mandatory requirements that restrict its design? If so, please list these (e.g., tamper-proof packaging for therapeutic goods).

Yes. Dairy packaging must comply with several mandatory requirements, particularly related to food safety and product shelf life. For example:

- Food safety regulations require that packaging materials are suitable for direct contact with food and do not compromise the product's integrity.
- Shelf stability standards mandate that the packaging must provide adequate barrier protection to ensure the product remains fresh and safe throughout its intended shelf life.
- Export market requirements (e.g., China) can prohibit the use of recycled content in food packaging, which limits the ability to meet domestic recycled content targets while still adhering to international regulations.

Q. Do you support a mandatory label on packaging which clearly indicates what can and can't be recycled?

Yes. The ADPF and our members support the implementation of a single, mandatory recyclability logo system in Australia that is simple, transparent, and devoid of marketing influences, allowing for an adequate transition period where required. A consistent, easy-to-understand labelling system will help consumers make informed recycling choices and will enhance public trust in the recyclability of packaging materials.

Q. Have you undertaken share life cycle analysis or related data or modelling demonstrating the environmental impacts of packaging materials?

As we understand, some Australian dairy processors have started conducting life cycle assessments (LCA) on packaging materials to evaluate their environmental impact. However, this practice is not

widely adopted across the industry as this is an expensive endeavour to undertake. Any decision to complete a LCA on packaging materials should remain with individual companies.

Questions on recycled content thresholds.

Q. With reference to Error! Reference source not found. , what do you think about:

- **The designated material categories used.**
- **Differentiating between non-food and food grade packaging?**
- **The proposed thresholds for year 1 and year 3?**

Dairy processors recognise the importance of recycled content thresholds to promote a circular economy for packaging but have significant concerns regarding the thresholds outlined in Table 17.

For materials like polypropylene and low-density polyethylene particularly in food-grade applications, there is currently little to no available recycled content. Additionally, for materials such as HDPE and PET, which do have recycled content, the competition to secure these materials is intense, and businesses without significant financial resources may struggle to access them at a reasonable cost.

Capacity modelling is essential to determine whether all sectors, including the dairy industry, can realistically meet these thresholds, especially as the high demand for recyclates is expected to further limit availability.

Without addressing these material-specific challenges, meeting the proposed thresholds may be unrealistic.

The proposed thresholds for year 1 and year 3 also raise concerns, as achieving these targets will likely be unfeasible without significant improvements in recycling infrastructure and material availability – let alone the capital investment required. Furthermore, Australia currently lacks a consistent framework to ensure that recycled materials meet food safety standards, which is critical for the dairy sector.

Differentiating between food-grade and non-food-grade packaging is essential, given the strict safety and regulatory standards that food packaging must meet. While incorporating recycled content is important for sustainability, it cannot compromise food safety, container integrity, or product quality.

Q. What requirements, further to those outlined in the National Framework for Recycled Content Traceability, would need to be specified to support traceability and verification for mandatory recycled content thresholds in packaging?

To ensure traceability and verification of recycled content, we recommend:

- Accreditation and certification of suppliers to verify that recycled materials meet food safety standards and are authentic.
- Chain of custody systems that trace recycled content from the point of collection through to its incorporation into new packaging, ensuring transparency and quality control.
- Third-party auditing to ensure compliance with food-grade standards for recycled content.

Given the food safety risks associated with recycled materials, especially in food-grade packaging, it is critical that a robust system is put in place to prevent the use of counterfeit or non-compliant materials. Testing capabilities in Australia need to be developed and scaled to ensure that all recycled content meets the necessary safety and quality requirements.

Q. Which approach to mass balance claims (free allocation, fuel exempt, polymer only, or proportional allocation) outlined in Section Error! Reference source not found. do you support? Why?

At this stage, the ADPF and our members do not have a specific preference for any of the proposed mass balance claim approaches outlined in Section 5.11. We recognize that each approach aligns with the National Framework for Recycled Content Traceability (NFRCT) and could be viable.

Given that Australia's packaging framework is still developing, and the local processing and recycling sector may currently fall short of international best practices, it may be prudent to begin with a simpler implementation approach. This approach can be progressively enhanced and aligned with higher standards over time as the industry evolves and infrastructure improves.

Q. Do you support a mandatory recycled content label for packaging? If so, what level of detail should be included?

Dairy processors believe that the introduction of a mandatory recycled content label should be approached cautiously.

Consumer education is critical before supporting a mandatory recycled content label, as consumers need to understand the differences in recycling capacity across various materials and the impact on packaging appearance. For example, polypropylene currently cannot include recycled content, whereas PET can, but consumers may not grasp the differences between these polymers. Without this understanding, consumers could form unrealistic expectations, potentially leading to incorrect judgments that certain brands are not making enough effort, resulting in brand boycotts for issues outside their control.

Furthermore, consumers need to understand that food safety standards may require lower recycled content in food-grade packaging compared to other packaging types. Without clear communication, there's a risk that consumers could misinterpret lower recycled content as a lack of commitment to sustainability, when in reality it may be due to regulatory and safety requirements.

Ultimately, before fully supporting mandatory recycled content labelling, the intent and realities of recycled content must be communicated to ensure that consumers are informed, and the labelling system works as intended.

Moreover, if QR code systems are used to provide additional information, considerations around the frequency of content updates, maintenance, and associated costs must be addressed to avoid imposing excessive burdens on manufacturers.

Questions on why packaging reform is needed, its objectives and outcomes.

Q. Do you have any additional information or data on the problems outlined in Chapter 3?

In 2021, ADPF, working alongside DA and the Australian Packaging Covenant Organisation (APCO), launched the 'Australian Dairy Sustainable Packaging Roadmap to 2025', which outlines a range of strategic actions that the dairy industry can voluntarily undertake to contribute to delivery of key national packaging targets and outcomes by 2025.

Proudly, the Australian dairy processing sector is making significant strides toward a more sustainable packaging future and more circular economy, from reducing single-use plastics, designing packaging for end-of-life recycling, and integrating recycled content where possible.

A copy of the Packaging Roadmap can be found [here](#).

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Q. How important is it to you that packaging is designed to be recycled or reused and then recycled or reused in practice?

The ADPF and our members believe that packaging designed for recycling or reuse must have verifiable outcomes. If packaging claims to be recyclable or reusable, these claims should be backed by a transparent, evidence-based, auditable system to ensure that recycling or reuse is occurring as intended. It's important to maintain transparency to build consumer trust and ensure that packaging is contributing effectively to a circular economy.

However, in cases where packaging is designed for purposes that make recycling challenging—such as preventing food spoilage or maintaining product integrity—this information should be communicated clearly to consumers. This ensures consumers understand the trade-offs between recyclability and essential packaging functions, such as food safety and quality preservation.

Q. Do you support the proposed packaging reform objective outlined in Section 4.1?

The ADPF and our members broadly support the packaging reform objective, particularly its focus on reducing the environmental impact of packaging, supporting the transition to a circular economy, and establishing clear, national, and mandatory regulation.

However, the sector emphasises that achieving these objectives requires addressing several critical concerns:

- **Recycled content availability:** There are significant challenges in sourcing the correct quantity and quality of recycled content, particularly for food-grade materials like polypropylene and flexible plastics. Without improving the availability of these materials alongside other recycled content, it will be difficult to meet the objectives of reducing the environmental impact of packaging.
- **Food safety:** As the dairy industry heavily relies on packaging to ensure product quality and shelf stability, it is crucial that any transition to recyclable materials or increased recycled content maintains strict food safety standards. A clear regulatory framework that balances sustainability with food safety is necessary.
- **Harmonisation:** The industry's support is contingent on the implementation of nationally consistent regulations that eliminate the current fragmentation between states. The lack of a unified approach adds complexity and increases compliance costs for manufacturers.

Q. Do you support the proposed packaging reform outcomes outlined in Section 4.1?

The ADPF and our members support the proposed packaging reform outcomes.

However, as previously highlighted, there are significant challenges that need to be considered and addressed. The availability of recycled materials, especially for food-grade remains a key concern. The sector also emphasizes the importance of maintaining food safety and packaging integrity, especially as new materials are introduced. Investment in recycling infrastructure and harmonized standards across the sector will be critical to achieving these outcomes.

Additionally, while the elimination of problematic packaging and chemicals of concern is supported, any alternatives must not compromise food safety or product performance. Overall, while the outcomes are aligned with the industry's goals, addressing these challenges is essential for successful implementation.

We recommend a representative government and industry advisory group is established from the outset, to enable genuine and comprehensive consultation in co-designing next steps of this packaging regulatory reform.

Conclusion.

The ADPF strongly supports the overarching goal of promoting sustainable packaging and increasing circularity within the packaging sector – seeking to address inefficiencies without introducing significant new regulatory burden.

Option 3, an Extended Producer Responsibility scheme, holds promise for delivering meaningful outcomes if designed and implemented effectively.

However, its success hinges on addressing the specific challenges faced by the dairy industry as we manage a highly perishable product, particularly those related to material sourcing, food safety, regulatory clarity, and cost distribution across the supply chain.

The ADPF acknowledges the complexities associated with transitioning to more sustainable packaging formats. It is essential to ensure that the proposed packaging scheme maintains food safety, product and nutrient integrity, and packaging functionality while also allowing for practical compliance timelines that account for supply chain constraints and the need for infrastructure development and investment.

To achieve these aims, the government must adopt a collaborative, phased, and flexible co-designed packaging approach, underpinned by strong governance, equitable fee structures, and consistent regulatory frameworks.

Federal and state funding must be made available to support dairy processors with any regulatory transition.

We urge policymakers to continue engaging closely with the dairy sector and other industry stakeholders to refine the proposed packaging regulatory reforms.

We recommend establishing a representative government and industry advisory group to guide next steps and design a robust packaging circularity scheme that is capable of meeting both environmental and economic goals, and operational realities.

Through ongoing dialogue, targeted investment, and well-considered regulations, the dairy processing sector is prepared to contribute to Australia's transition toward a circular economy for packaging.

Ultimately, the successful implementation of the proposed Option 3 will depend on a balanced approach that considers industry-specific needs, promotes innovation, and fosters long-term sustainability across the entire packaging value chain. By taking these steps, we believe the EPR scheme can achieve the desired outcomes while ensuring that all stakeholders, including dairy processors, can comply without compromising safety, quality, or competitiveness in domestic and international markets.

We would appreciate the opportunity to discuss our submission further with DCCEEW and providing more detailed information in future consultation.

Yours sincerely,



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Appendix 1: Overview of Risks and Costs to Australian Dairy Processors.

Risk/Cost to Processors	Associated Recommendations	Mitigation Impact
Increased cost of recycled materials	Provide tax incentives or grants to offset infrastructure upgrades and higher costs of recycled materials (<i>Recommendation 3</i>)	Reduces financial burden by providing dairy processors with financial support to offset higher material costs.
Shortage of food-grade recycled materials	Invest in recycling infrastructure and technology to increase the supply of food-grade recycled materials (<i>Recommendation 6</i>)	Increases supply of food-grade recycled materials, easing transition to compliance with new regulations.
Risk of cross-contamination between food-grade and non-food-grade materials	Implement strict regulations and monitoring systems to prevent cross-contamination in packaging processes (<i>Recommendations 1, 5, 20</i>)	Ensures only certified food-safe recycled materials are used, reducing risks to food safety.
Operational complexity in handling recycled materials	Provide support for new packaging technologies and simplify regulatory requirements (<i>Recommendation 3, 4, 6, 19</i>)	Streamlines operations, reducing complexity and cost of updating packaging lines to handle recycled materials.
Increased consumer costs and resistance to price changes	Launch a consumer education campaign on the benefits of sustainable packaging (<i>Recommendation 16</i>)	Increases consumer acceptance of price changes and reduces financial pressure on dairy processors.
Consumer perception of packaging changes, potentially reducing brand trust	Launch a consumer education campaign on the benefits of sustainable packaging (<i>Recommendation 16</i>)	Helps build consumer trust and reduces resistance to packaging changes, improving acceptance of recycled materials.
Logistical challenges with post-consumer packaging recycling	Invest in post-consumer recycling infrastructure and harmonise recycling standards across Australia (<i>Recommendation 4, 6</i>)	Improves consistency in recycling processes, reducing logistical issues in managing recyclable packaging.
Increased documentation and compliance burdens	Develop streamlined documentation and reporting systems with real-time tracking for traceability (<i>Recommendation 19</i>)	Reduces administrative complexity and costs, easing the compliance burden for dairy processors.
Increased cost of investment in new machinery and infrastructure	Provide grants or subsidies for infrastructure upgrades and packaging machinery (<i>Recommendation 3</i>)	Eases financial strain on dairy processors and supports necessary investments in new technologies.
Potential influx of substandard imported packaging	Implement strict import regulations to ensure imported packaging meets Australian standards (<i>Recommendation 17</i>)	Protects domestic dairy processors by ensuring compliance of imported products with local sustainability and safety standards.
Inconsistent international packaging regulations	Align packaging standards with key international markets through trade agreements (<i>Recommendation 17</i>)	Reduces operational costs and complexity for dairy processors exporting products, by

Risk/Cost to Processors	Associated Recommendations	Mitigation Impact
		harmonising standards across international markets.
Inability to meet recycled content targets due to material shortages	Introduce a phased approach to recycled content obligations and provide support for alternative materials (<i>Recommendation 11, 12</i>)	Provides dairy processors with more time and flexibility to meet recycled content targets, avoiding penalties.
Misalignment between the supply of recycled materials and regulatory timelines	Adopt a phased introduction of recycled content obligations to align with market capacity (<i>Recommendation 11</i>)	Gives businesses flexibility and avoids penalising them due to shortfalls in the supply of recycled materials.
Uncertainty over eco-modulated fee structures	Establish transparent eco-modulated fees that equitably distributes costs across the supply chain, with clear communication on the fee structure (<i>Recommendation 2</i>)	Reduces financial uncertainty by providing clear and fair fee structures, allowing dairy processors to plan effectively.
Supply chain delays and bottlenecks in accessing recycled materials	Improve domestic recycling capacity and incentivise domestic processing of recycled materials (<i>Recommendation 6</i>)	Ensures consistent and timely access to recycled materials, avoiding supply chain disruptions.
Risk of food spoilage due to packaging changes	Financial support to ensure packaging design changes do not compromise product shelf life or functionality (<i>Recommendation 3</i>)	Enables dairy processors to protect product integrity while ensuring packaging remains functional and sustainable.
Increased risk of counterfeit or substandard recycled materials	Implement third-party certification and audits for recycled materials (<i>Recommendation 1, 5, 20</i>)	Reduces the risk of counterfeit materials entering the supply chain, ensuring compliance and safety.
Export of high-quality recyclates, leading to local shortages	Implement policies to limit the export of high-quality recyclates or incentivise domestic recycling capacity (<i>Recommendation 18</i>)	Ensures sufficient supply of food-grade recycled materials for local manufacturers, helping them meet recycled content thresholds.
Complexity in verifying and tracing recycled content	Develop a national traceability and verification framework for recycled materials used in packaging (<i>Recommendation 1, 5, 6, 20</i>)	Provides dairy processors with reliable systems for ensuring compliance and maintaining food safety across the supply chain.