

# Good Food Purchasing Australia

## Briefing Paper

### Local Economic Development

April 2026



## Using public food procurement to strengthen local economies, support farmers and rebuild regional supply chains

This briefing paper draws on the evidence and recommendations captured in *Transforming the Public Plate – A Menu of Options for Public Food Procurement That Nourishes People, Place and Planet*. Its purpose is to provide background for governments, regional development organisations, farmers, processors, food businesses and investors interested in the economic potential of sustainable public food procurement.

Every day, publicly funded institutions, hospitals, residential aged care facilities, long day care centres, correctional facilities and community programs, purchase and serve food to millions of Australians. These purchasing decisions shape supply chains, production patterns and local and regional economies.

When public procurement policies prioritise local sourcing, regional supply chains and fair participation for small and medium food businesses, they can strengthen regional economies, support farmer livelihoods and build more resilient food systems. Public food procurement is therefore not just a purchasing function – it is a regional and economic development strategy.

### The scale of the opportunity

For the first time our report has mapped the significant value of public food procurement, \$2.13 billion annually, \$6 million per day, across Australian institutions and programs. Annual public food procurement in Australia includes:

Setting	Estimated spend
Residential aged care	\$1.07 billion
Public hospitals	\$345 million
Long day care	\$332 million
Correctional facilities	\$158 million
Defence	\$78 million
Meals on Wheels	\$65 million

This represents something rare in food markets: **stable, predictable demand, unlike other commercial opportunities.**

For farmers, processors and local enterprises this kind of demand reduces risk, enables investment and supports long-term planning. With the right policy settings, this purchasing power can strengthen regional supply chains and create reliable markets for Australian food businesses.



### The opportunity – what can leaders do now

Consistent with the report's recommendations, you can provide leadership that improve economic and livelihood outcomes, through practical steps such as advocating for and delivering demonstrations that:

- **Embed regional economic goals in procurement policy** – Include local sourcing criteria and regional supplier participation targets in food contracts.
- **Support the *missing middle*** – Invest in regional aggregation, processing and distribution infrastructure.
- **Enable participation for smaller producers** – Design procurement processes that allow small and medium food businesses to compete.
- **Invest in *coordination infrastructure across government and supply chains*** – Align procurement with regional development, agriculture and food security strategies.
- **Invest in long-term supply relationships** – multi-year purchasing commitments provide certainty for farmers and processors.

### Why a new approach to public food procurement matters.

Despite its potential, Australia's current food system creates significant economic challenges for farmers and regional communities. Key indicators include:

- 32% of Australian vegetable growers are considering leaving the industry, highlighting the fragile economics of farming.
- 22% of food losses occur on farms and 16% in manufacturing, representing lost income and wasted resources across supply chains.
- Australia's food system has only 2.8% circularity, meaning valuable biological materials and nutrients are lost rather than reused.

At the same time, institutional food supply chains are often highly consolidated and dominated by large wholesalers and multinational suppliers. This de-localised approach can cause supply disruptions and make it difficult for regional farmers, processors and smaller distributors to participate in institutional markets .

The supply chain challenge is a "**missing middle**" in Australia's food system, limited infrastructure, aggregation, processing and distribution capacity linking farms with institutional buyers.

## The missing middle in Australia's food supply chains

A key finding of the report is there is a lack of *connection infrastructure* that links producers, processors, distributors, institutional procurers and food service kitchens.

This missing middle includes:

- coordination to *join the dots* in the food system
- regional aggregation and food hubs
- small-scale and mid-scale processing facilities
- cold storage and logistics networks
- distribution systems connecting farmers to institutional kitchens.

Without this infrastructure, many farmers and small food businesses are effectively locked out of institutional markets. Strategic public procurement can help rebuild this middle layer by providing the demand signals needed to justify investment in regional food infrastructure.

## How can procurement strengthen regional economies?

International experience shows that economic approaches focused on relocalising food systems can generate strong economic multiplier effects (up to 1:4) and job creation (1:3) in regional economies when compared with trade only approaches. Coordinated procurement reform could amplify economic multiplier effects for farming communities and city and regional economies, while strengthening local food systems and their resilience. By aligning procurement policies with regional and economic development goals, governments can:

- create stable markets for local farmers and processors
- support diverse producers and small-to-medium enterprises
- encourage investment in regional processing and distribution infrastructure
- strengthen local supply chains and food system resilience, contributing to food security
- enable farmers to transition to more sustainable production systems with reduced financial risk.

These benefits emerge not from isolated projects, but from coordinated policy, investment and collaboration across the food system.

## Coordinated procurement approaches

International and Australian examples highlighted in the report demonstrate how coordinated procurement policies can support regional food economies.

These initiatives typically combine:

- procurement targets and criteria for local and regional sourcing
- collaboration between government agencies and food businesses
- investment in supply chain infrastructure
- partnerships between institutions, producers and distributors.

These coordinated approaches have shown that public food procurement can stimulate regional economic activity while improving food quality and resilience.

## Coordination and collaboration challenges



The biggest barriers to reform identified in the report are fragmentation across government departments and supply chains. Current challenges include:

- procurement responsibilities spread across multiple government portfolios
- short policy and funding cycles
- limited visibility of total food expenditure
- under-investment in *coordination infrastructure* connecting producers and buyers to opportunities.

**Australia already spends more than \$2 billion annually on institutional food procurement, \$6 million per day. With coordinated leadership and investment, this spending could become a powerful driver of regional prosperity and food system resilience.**

Addressing these barriers requires coordinated leadership and collaboration across governments, institutions and food system actors. The report identifies **five pathways to action**, including leadership, coordination infrastructure, governance partnerships, measurable targets and long-term investment. Together, these approaches can unlock the economic potential of public food procurement.

## A powerful economic development lever

Public food procurement represents one of the few policy levers capable of influencing the food system at scale. When aligned with regional development goals, this purchasing power can:

- support the livelihoods of farmers, producers and food businesses
- strengthen regional economies
- rebuild resilient local supply chains
- enable investment in regional food infrastructure.

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**Have a question or would like to know more? Please get in touch**

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