



National
Farmers
Federation

Annual Wage Review 2022/2023

Submission to the Fair Work Commission

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NFF Member Organisations



CANEGROWERS





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 85,000 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

Economic >

In 2022-23, the agricultural sector is expected to contribute approximately 2 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2022-23 to reach \$90 billion.

Workplace >

The agriculture, forestry and fishing sector employs approximately 318,600 people, including full time (239,100) and part time employees (79,500).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 26 per cent of the employed workforce is casual.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 51 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.4 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the National Farmers' Federation together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national programme with bipartisan support.

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Executive Summary

The National Farmers' Federation (**NFF**) support the principle that every Australian worker should be entitled to earn a fair and livable wage. We also recognise the incredibly challenging economic environment that workers are facing, one which is characterised by high inflation and subsequent interest rate rises that are actively compounding the existing cost of living pressures for the most vulnerable of our society. These factors need to be carefully considered alongside the current circumstances faced by farmers.

In recent years, Australian farmers have battled through a range of serious challenges that have plagued sustainable and profitable outcomes for their businesses. These include severe floods across Northern Australia, shortages and rising input costs such as fertilizer, diesel and chemicals, and labour. The resulting pressure on Australian production systems and supply chains has translated to significant price volatility at supermarket shelves, with 83% of Australian's now concerned about the cost of food and groceries.¹

With many of the world's major economies expected to fall into recession in 2023², the agricultural industry is concerned about the likelihood of contracting global demand for our produce. As currently 80% of our agricultural products are exported, the industry's exposure to international economic factors should not be understated.

Workforce costs make up significant proportion of the costs of doing business, labour is comparatively more expensive in Australia than international exporting counterparts.

Our industry is unique in the way that the need for workers fluctuates with seasonal demands and the geographical remoteness of the work. These factors have given rise to circumstances in which demand for workers (including permanent, skilled workers) often far outstrips supply.

It is for these reasons that we urge the Commission to take a cautious and considered approach to the 2022/2023 Annual Wage Review that appropriately weighs the concerns of both workers and business, particularly at a time of great uncertainty in the global economy.

¹ CHOICE, *Consumer Pulse Survey*, 2022.

² Rabobank, <https://www.rabobank.com.au/media-releases/2023/230209-rabobank-agribusiness-outlook-2023/>

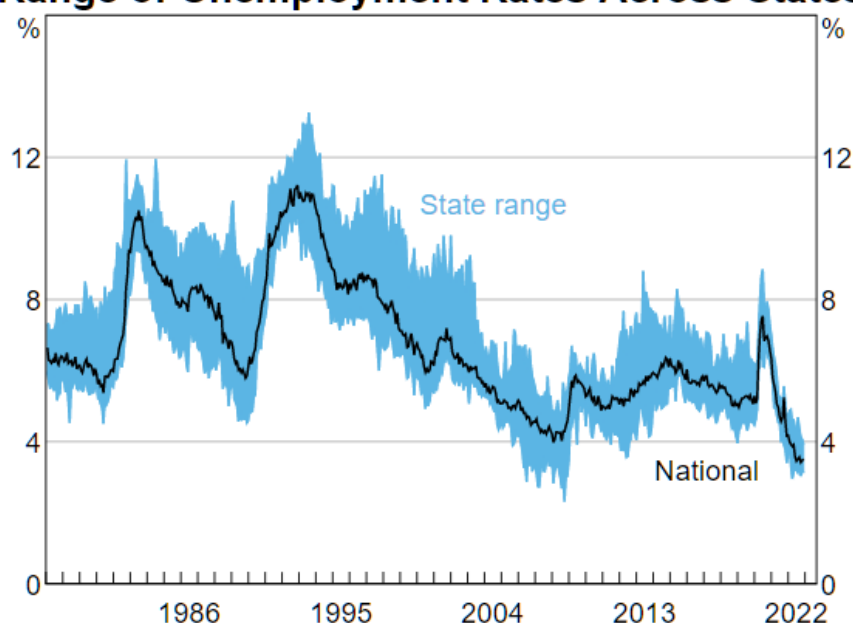
Economic Outlook

Whilst inflation is likely to have peaked, it remains high driven by strong domestic demand and high costs of inputs. Food price inflation remains high, although the price of some major agricultural commodities such as wheat have decreased recently in response to global markets. Domestic consumers still face tough decisions, as the increased cost of non-discretionary items such as basic food staples particularly impacts low-income households and many low-paid workers.

Global challenges continue to contribute the domestic economic environment. Russia's invasion of Ukraine has disrupted global energy markets, with continued ramifications felt domestically. Whilst easing, Covid-19 also continues to plague the efficiency of many supply chains that are key to both agricultural imports and exports. Both issues culminate into high prices internationally for a range of key commodities and inputs.

According to the RBA, wages growth has picked up, especially in the private sector, which is consistent with the increasingly tight labour market.³

Range of Unemployment Rates Across States

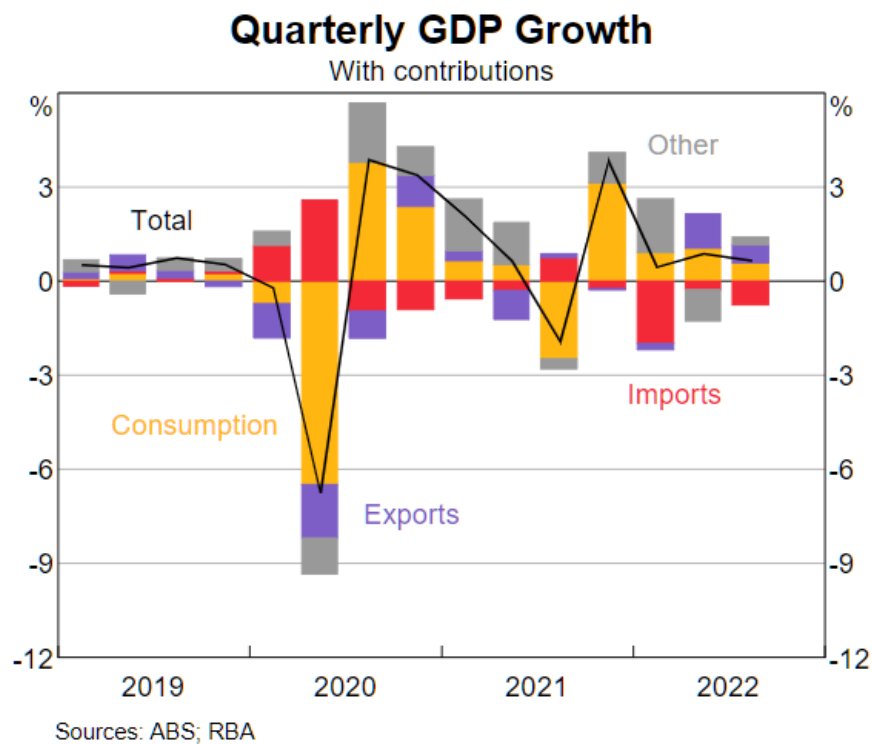


Sources: ABS; RBA

³ RBA, Statement on Monetary Policy, February 2022.

Aggregate wages growth is expected to pick up further over the course of 2023, with growth in the Wage Price Index forecast to peak at around 4.25% late in the year.⁴ Whilst the recent labour market statistics suggest that the labour market is cooling, the unemployment rate persists at record lows below 4%.⁵

The Australian economy has continued to grow over the September quarter at 0.6%, this reflects a strong growth in services and rural exports. With a likely downturn in global demand, it is unexpected that the strong exports growth continue at the current rate.

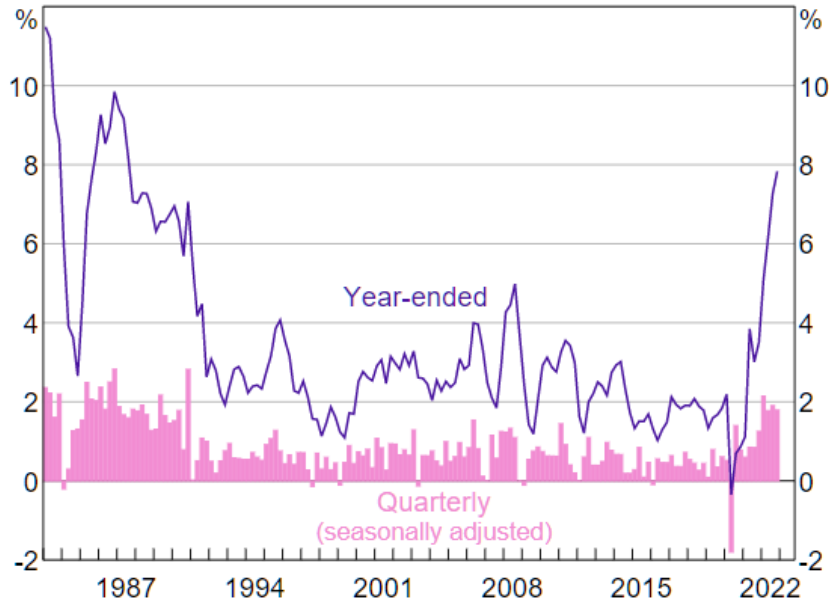


Feedback from NFF members suggests that the realities of the current labour market are aligned with the data above. Finding labour is a major challenge for farms due to the tightness of the labour market. As seen below, there are almost as many job vacancies in the economy as there are unemployed people.

⁴ RBA, Statement on Monetary Policy, February 2022.

⁵ RBA, Statement on Monetary Policy, February 2022.

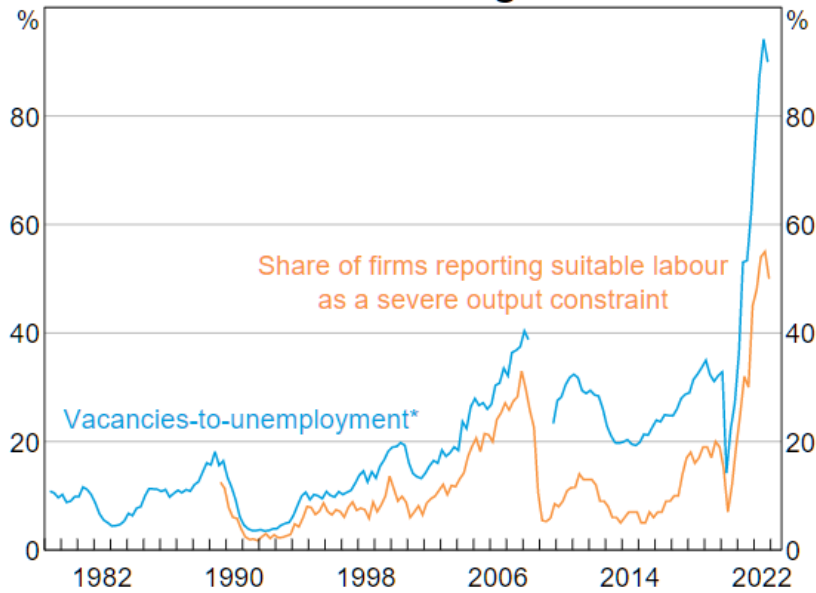
Consumer Price Inflation*



* Excludes interest charges prior to the September quarter of 1998; adjusted for the tax changes of 1999–2000.

Sources: ABS; RBA

Labour Market Tightness



* The ABS vacancies survey was suspended between May 2008 and November 2009.

Sources: ABS; NAB; RBA

Wages in Agriculture

The agricultural industry employs around 280,000⁶ and is a major source of work for people regional and rural Australia.⁷ 2021-22 saw labour costs continue to rise steadily, whilst labour scarcity was an increasingly prevalent issue among labour reliant industries such as wool, meat processing, broadacre and horticulture.

The industry needs to be able to employ an affordable and flexible workforce. The seasonality of the industry leads to fluctuating labour demand, and results in the need for a casual workforce to supplement the permanent workforce during peak periods. The return of backpackers into the country and the increased number of PALM scheme workers has been welcomed by the industry.

A common solution offered to the labour shortages experienced in agriculture is to simply offer better wages. The tight labour market has itself driven many farmers to offer wages well above the award, with broadacre farmers in WA offering \$50 per hour for seasonal harvest workers, and still not finding enough workers. This simplistic approach also fails to consider the unique conditions of running a farm, as opposed to other types of small business. Farmers are known to be ‘price takers’ as previously accepted by the Fair Work Commission,⁸ with little ability to pass on costs.

Indeed, the wage bill is already the highest cost input farms face by a significant margin. ABARES report that, based on ABS data, “wage costs are the most significant cost incurred by the agricultural sector”. On average, wages account for almost 25% of farm costs, almost double that of the second highest cost, marketing, at 14%.⁹ In certain sectors, the proportion is even greater. In horticulture, for example, wages are roughly one third of total costs.

Maintaining a competitive price of labour is critical to ensure Australia is competitive with other major agricultural exporters. Whilst Australia continues to remain one of the least subsidised agricultural industries in the world, our cost of labour (minimum wage) is the highest in the world¹⁰.

⁶ According to ABS data which may not encompass different employment types in the industry including seasonal, labour hire, and contractors.

⁷ <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/agricultural-workforce>

⁸ [2017] FWCFB 3541 at [749]

⁹ ABARES, Farmers’ terms of trade, March 2020, p 12

¹⁰ World Population Review, <https://worldpopulationreview.com/country-rankings/minimum-wage-by-country>

Economic Challenges in Agriculture

The agriculture industry has continued to grow to \$90 billion in 2022-23 despite challenging economic and climatic conditions.

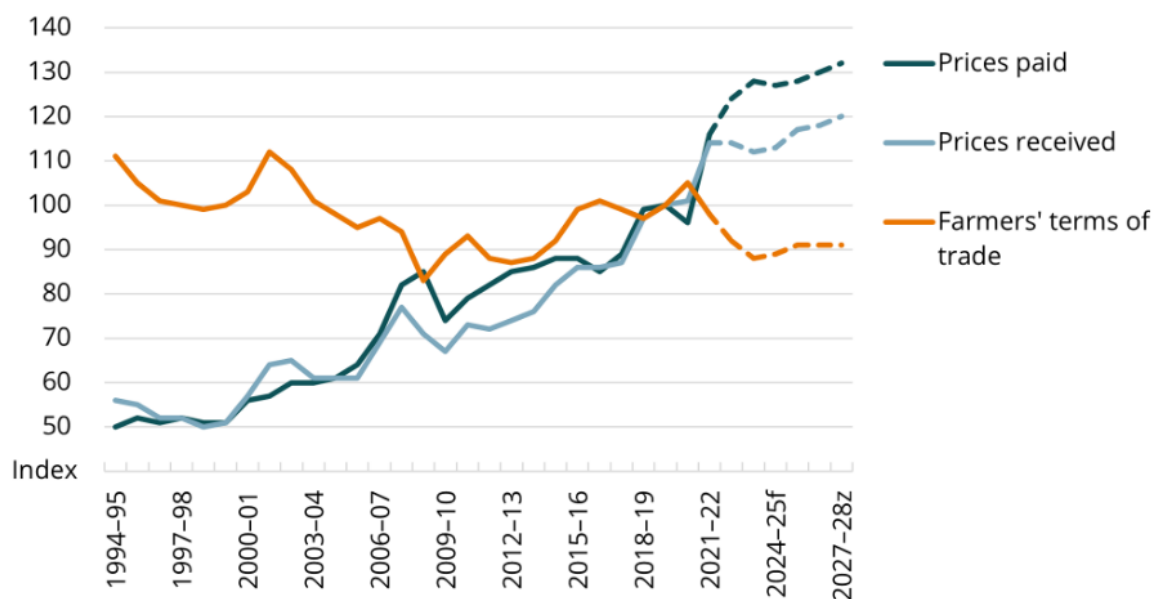
The high levels of inflation globally pose problems for both producers and consumers. For producers, it inevitably leads to higher input costs, such as such as fertilizers, fuel, animal feed and fodder, transportation and labour. Whilst supply chain disruptions have continued to ease, cost and timeliness are yet to return to pre-pandemic levels. For consumers, they face increased costs of agricultural produce, and reduced real income stifling demand.

High interest rates have also stymied investment for agricultural businesses as borrowing becomes more expensive. Internationally, the expected upward pressure on the Australian dollar is likely to make Australian exports less competitive.

ABARES predicted outlook for agriculture in 2023-24 is a fall in production and export values, driven by easing commodity prices and drier conditions. Rabobank has warned that the highs of the 2022 season are unlikely to be repeated, and the industry should move cautiously with its expectations.

ABARES has documented the Australian Farmers Terms of Trade (FtoT) index. The headline commodity price increases have largely been offset by a rise in input costs. Forecasts show that prices paid are likely to exceed prices

Figure 1.4 Prices paid, prices received and terms of trade, Australia, 1994-95 to 2027-28



f ABARES forecast. z ABARES projection.
Sources: ABARES; ABS

received in the years to come, reducing farmers' terms for trade in the medium term.

Market access is an ongoing challenge to be managed for the agriculture industry, with only recently renewed dialogue with our major trading partner and several tariff disputes yet to be resolved. Supply chain disruptions continue to add pressure to businesses already suffering from increased cost of inputs.

Whilst growth in agriculture has been strong in recent years, it is driven by the largest, most productive farms in the most profitable sectors.¹¹ Lifting a minimum wage entitlement will inevitably have a larger impact on farms operating in less favourable market conditions. Whilst almost all farmers are price takers, many operate in supply chains with differing levels of competition, leaving some industries far more exposed to wage increases as these costs are unable to be passed on to wholesalers, retailers or exporters. Those with less favourable competition frameworks are often in labour intensive industries, and these conditions inevitably impact the employment conditions afforded to workers.

For many farmers, particularly in horticulture, labour is a significant expense, as it accounts for up to 70% of total cost of production.¹² The differing market environments that farmers operate in create a dichotomy in the industry. An increase in the minimum wage will see many businesses struggle as they continue to absorb rising input costs.

The industry data as whole can be somewhat misleading due to the non-homogenous experiences of each region and commodity. For example, ABARES have noted the highly profitable past seasons due to the seasonal climate conditions in both Western and South Australia, however, the same climate patters causing extreme weather events in much of NSW and Victoria. The Australian Crop Report estimates that crop abandonment will account for 16% of planted area in NSW, 7% in Victoria and 5% in Queensland.¹³ Lack of field access and damaged/reduced quality products lead to quality downgrades, and infrastructure damage such as roads have caused delays and restricted access to certain areas.

The persistent inflationary pressures challenging the economic environment in Australia also continue to create trying circumstances for farmers to

¹¹ ABARES, <https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/agriculture-overview#export-value-to-set-record-in-202223-and-decline-in-mediumterm>

¹² CSIRO Data61, *The Future of Australia's Agricultural Workforce* - <https://data61.csiro.au/en/Our-Research/Our-Work/Future-Cities/Planning-sustainable-infrastructure/Future-of-Australias-agricultural-workforce>, p18

¹³ ABARES, <https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/australian-crop-report>

navigate. Meanwhile, with energy, labour and other costs surging, agricultural commodity prices remain sky high – at about 50% higher than in pre-pandemic times.¹⁴ The increased cost of business inputs, have to a varying degree depending on the capacity to pass on those costs, adversely impacted farm profitability.

Global consumption is also exposed to downside risks as demand for a number of agricultural products may decrease if interest rate rises continue in order to control persistent inflation. Rabobank expects global GDP to drop 2% in 2023 with many of the world's major economies heading into a recession.¹⁵ This economic downturn, leading to decreased demand has many bearish on agricultural commodities in 2023. As Australian agriculture exports 80% of its produce, the industry is particularly concerned by this development.¹⁶

Conclusion

The NFF recognises the extraordinarily challenging and uncertain nature of the global and domestic economic environment. In the medium-term, Australian farmers face a decline in gross production value, with a return to drier conditions and weakening global commodity prices. The NFF recommends that the Commission seriously considers these issues when making their determination until economic conditions for agriculture have stabilised, market volatility decreased, and the level of financial risk reduced.

¹⁴ Rabobank, <https://www.rabobank.com.au/media-releases/2022/221117-global-food-price-volatility-to-remain-acute-in-2023/>

¹⁵ Ibid.

¹⁶ Ibid.