FAIR WORK AUSTRALIA

2009 FEDERAL WAGE CASE

GROWCOM SUBMISSION
ABOUT GROWCOM

- Growcom is the peak representative body for the fruit and vegetable growing industry in Queensland, providing a range of advocacy, research and industry development services. We are the only organisation in Australia to deliver services across the entire horticulture industry to businesses and organisations of all commodities, sizes and regions, as well as to associated industries in the supply chain. We are constantly in contact with growers and other horticultural business operators. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

- Growcom (Queensland Fruit and Vegetable Growers) is a Queensland registered Union of Employers.

QUEENSLAND HORTICULTURE – A SNAPSHOT

- Queensland is Australia's premier state for fruit and vegetable production, growing one-third of the nation's produce, with around 2,800 horticulture farms in Queensland with a total area under production of approximately 100,000 hectares.

- The fruit and vegetable industry is made up of small, medium and large enterprises operating within a range of business models and markets. The environment in which these enterprises operate is highly commercial and extremely competitive.

- Labour is the most critical factor in ensuring the smooth running of field preparation, planting, maintenance, harvesting and packing activities. Despite advances in technology, the horticulture industry continues to be heavily reliant on manual workers and such a workforce is associated with considerable costs and risks.

- From a commercial aspect, there is a concentration of the domestic fresh food market within the two major retailers, with serious concerns being raised about their increasing market power. The clear trend of these retailers is to use their market power to push costs, risks and responsibilities back down the supply chain to the grower. Anecdotally, ten years ago growers worked on a rule of thumb of farm gate return being around 50% of the retail price. Today, this margin is generally less than 20%. Growers’ profit margins continue to decrease, while the profit margins of the major retailers remain at record highs.

LABOUR IN THE QUEENSLAND HORTICULTURE INDUSTRY

- A key feature of labour in the industry is that, due to the seasonal and often unpredictable nature of horticulture, it is characterised by a high proportion of casual and part-time employment. While no solid figures are available, information from growers suggests that, during peak season, up to 90% of labour is seasonal/casual, with a significant number of those employees being Working Holiday Makers (‘backpackers’).
Queensland Horticulture employs around 25,000 full time, part time, and regular or long term casual employees, in addition to a large number of aforementioned backpackers as casual and seasonal workers throughout the year;

Horticulture is the most labour intensive of all agricultural industries, with farm labour representing the most significant cost (up to 50% - 60% of operation costs).

Availability of work at any given time is dependent upon factors including weather, crop yield, and point of harvest (early/mid/late).

**The Impact of the New ‘Modern’ Award**

While the final form of the new Horticulture Industry Award is as yet unknown, Growcom has been directly engaged in consultations and drafting of the new award and remains seriously concerned at the apparent trend of the AIRC to include provisions which have not been a feature in the existing Queensland award/NAPSA. These include the introduction of weekend penalty rates; a new five-level classification structure, increase of the casual loading from 23% to 25%; increased allowances. Any one of these things, if implemented, will increase costs for the employer, a combination of a number or all the elements has the real potential to increase an employer’s wage bill by 15 to 40%.

Our financial modelling (using real-life examples) clearly demonstrated the cost effect of the proposed award terms. To then add any significant wage increase on top of this may well send enterprises to the wall.

**Summary**

1. Horticulture is an important industry sector. The farm gate value to the State and National economies of fruit and vegetable industry produce is estimated at $6 billion.

2. The industry must continually confront cost pressures, adverse climatic situations, seasonal variation and global competition in order to maintain the valuable contribution it makes to the State.

3. There are many communities that are highly dependent on the economic wellbeing of fruit and vegetable producers in their communities.

4. Within the sector many activities are labour intensive. Employment generated by the industry is estimated at 25,000 with an additional significant proportion of casual and seasonal (mostly ‘backpacker’) labour. Employment costs have a significant impact on total costs of production.

5. There has been a declining trend on average of producer incomes over the last 5 years while the trend for input prices, including labour, has persistently increased:
a. Percentage changes in indexes of prices paid by Australian farmers between 1997 and 2006 illustrate the increasing costs faced by growers:
   i. Fuels and lubricants – 108.7%
   ii. Insurance – 35.1%
   iii. Rates and taxes – 28.8%
   iv. Maintenance (plant, equipment and structures) – 28.6%
   v. Capital items – 29.5%
   vi. Selling expenses – 25.4%
   vii. Labour 29.7%*

   *does not include 2007 or 2008 federal wage increases

   (from ABARE Indexes of Prices Paid by Farmers in Australia 1997/98 to 2005/06; ABARE Australian Commodity Statistics 2006, p.91)

6. The impact of drought, and now flood conditions has had an ongoing profound effect on this industry sector.

CONCLUSION

Growcom urges the Fair Pay Commission to keep these facts in mind when determining any increase to the federal minimum wage. Horticulture employers are already operating under the narrowest of profit margins. By and large horticulture employers have found it necessary to pay a premium just to attract workers to the industry and they are not averse to recognising and rewarding skills development.

But a combination of award modernisation and the costs that will be associated with that, increasing farm input costs, and any significant wage increase will not only put serious financial pressure on horticulture enterprises but will, in our view, lead some to question their commitment to an industry which no longer supports them and and their families.

Alex Livingstone
CEO
Growcom
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