



National
Farmers
Federation

Annual Wage Review 2021/2022

Submission to the Fair Work Commission

Prepared by Nathan Pennetta

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NFF Member Organisations





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 2018-19, the agricultural sector, at farm-gate, contributed 1.9 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2018-19 is estimated to have reached \$62.2 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 NFF will always support the principle that every Australian should have the opportunity to earn a fair and liveable wage.

According to ABS statistics, Australian farms employed more than 326,000 workers on average during 2018-19, including full-time, part-time, casual and contract workers. All of those employees depend on their employment in the sector for their income¹. The agriculture sector also provides the vast majority of Australia's domestically consumed food and fibre². As such, it is imperative that the minimum wage strike a balance between supporting the agricultural workforce and financially sustainable businesses.

Given that all of Australia relies on our farms for produce, it is even more important to consider that Australian farms have faced serious challenges in the last few years, challenges that threaten productivity and business sustainability. Drought, catastrophic bushfires, devastating floods, and, of course, the COVID-19 pandemic³ and subsequent labour shortages. More recently, we face the uncertainty in global markets and supply chains because of Russia's invasion of Ukraine. These factors are compounded by near record levels for fuel, fertiliser, herbicides and other input costs for farmers.

These are all factors which have contributed to an environment of uncertainty and have created additional and compounding financial pressures that have left many farm businesses vulnerable to further disruption.

Workforce costs make up a very significant proportion of total expenditure for agricultural businesses. In many cases, it is the single highest recurring expense for a farm. This is particularly true for fruit and vegetable growers, for whom labour expenses account for up to 70% of total cost of production⁴.

Our industry is unique for the way that demand for workers fluctuates with seasonal demand 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.

¹ <https://www.agriculture.gov.au/abares/products/insights/snapshot-of-australian-agriculture-2021#employment-on-australian-farms-is-significant-and-varies-throughout-the-year>

² Department of Agriculture, *Food* - <https://www.agriculture.gov.au/ag-farm-food/food>

³ NFF, 'Farm sector braces for coronavirus impact' - <https://nff.org.au/media-release/farm-sector-braces-for-coronavirus-impact/>

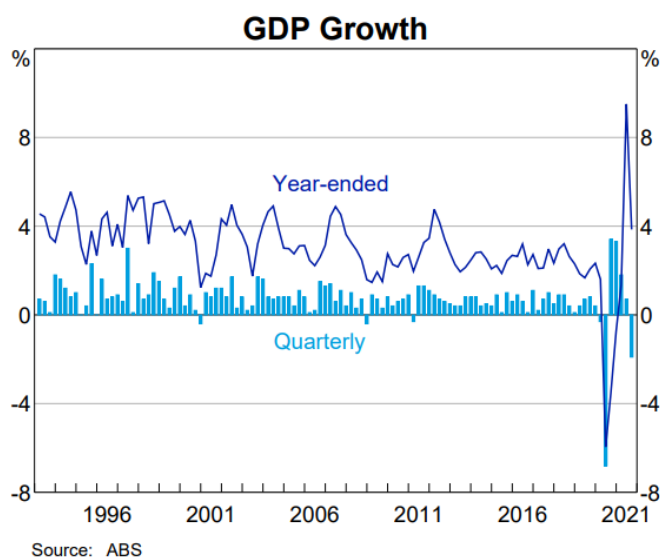
⁴ CSIRO Data61, *The Future of Australia's Agricultural Workforce* - <https://data61.csiro.au/en/Our-Research/Our-Work/Future-Cities/Planning-sustainable-infrastructure/Future-of-Australias-agricultural-workforce>, p18

It is for these reasons, that we urge the Commission to take a measured approach in the 2021/2022 Annual Wage Review; and consider farmers and other small businesses operating on narrow margins in already challenging times, despite what the overarching macroeconomic conditions may indicate.

Economic Outlook

In considering the broader economic outlook for Australia, it is important to consider both the long-term outlook for Australia’s economic prospects (based on the latest reliable figures) as well as the economic impact of more immediate, acute factors — particularly the ongoing effects (global and domestic) of the COVID-19 pandemic and other market volatility factors such as the invasion of Ukraine⁵.

The Australian economy has bounced back strongly from the lockdowns associated the new variants of COVID-19 including Delta and Omicron in 2021. The RBA is estimating that GDP is expected to have grown by 5 per cent over the year despite these lockdowns, with it to continue to grow by around 4¼ per cent over 2022 and 2 per cent over 2023.⁶



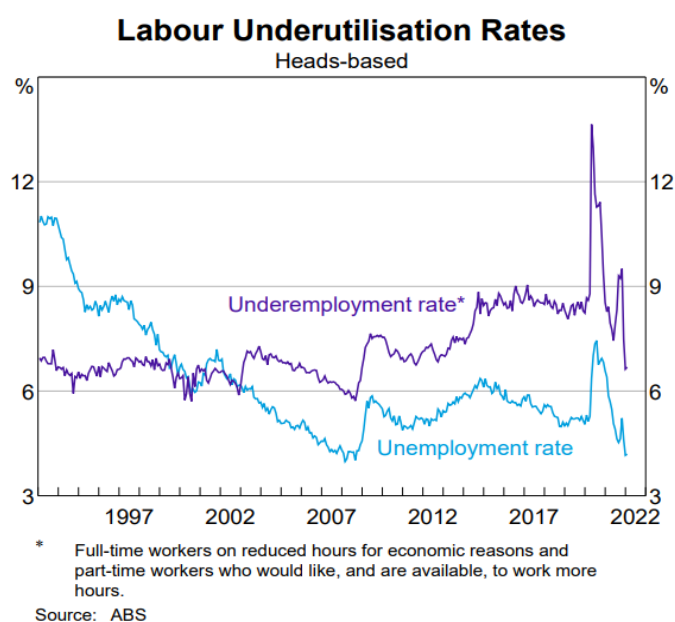
⁵ Note that the broader, significant effect on agriculture of the COVID-19 novel coronavirus pandemic, in addition to the impact of other recent events, are considered under the heading 'Challenges in Agriculture'.

⁶ Statement on Monetary Policy February 2022 Page 1, Reserve Bank of Australia.

The figures above show that the economy is continuing to recover from the major risk posed by the COVID-19 pandemic, despite new variants and sub variants.

The impact of the pandemic upon the agricultural sector, however, has been particularly pronounced – disrupting supply chains, forcing the closure of workplaces such as processing and packing facilities, and constricting the inflow of both temporary and permanent migration – depriving the industry of candidates for skilled work and the necessary numbers for peak seasons.

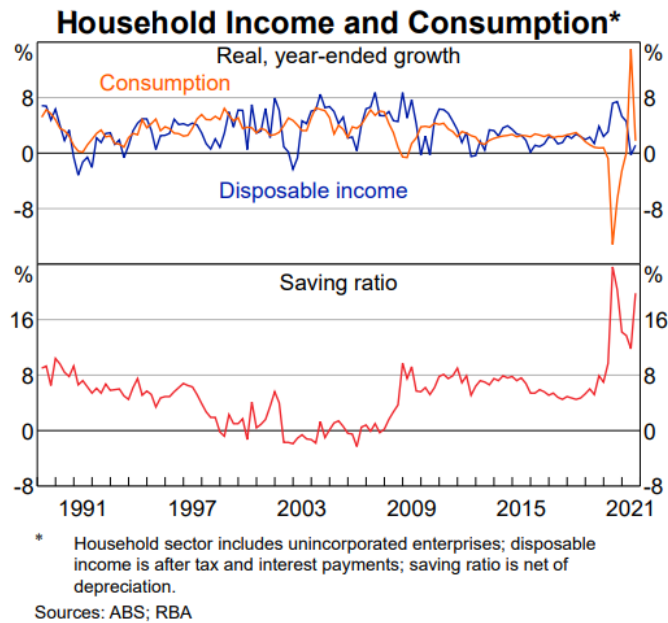
Unemployment and underemployment continued to decline also, with underemployment reaching a 13-year low. Job vacancies and labour demand remains strong, and according to the RBA will continue to be so into 2023, with unemployment expected to fall to below 4 per cent.⁷



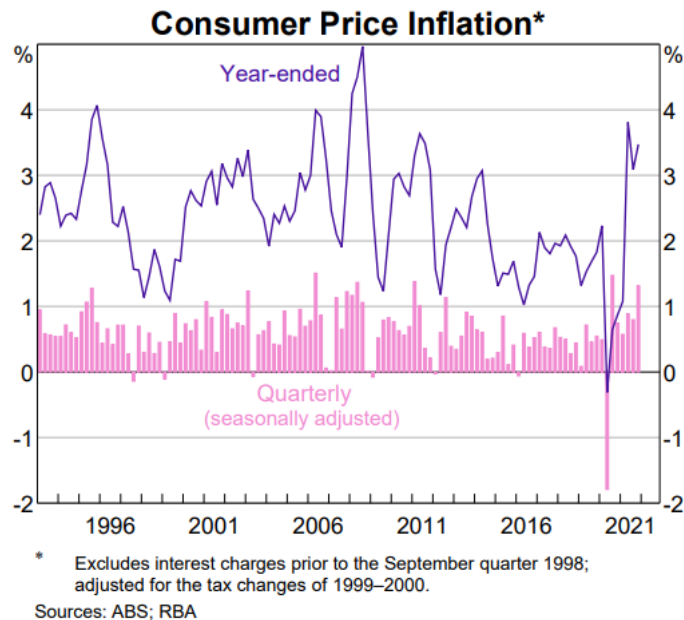
These numbers match member feedback from the ground and at farms. Extremely low levels of unemployment and high job vacancies are especially pronounced in the agriculture industry, which was already faced with a

⁷ Ibid.

labour crisis before the strong economic recovery. Farmers are having to pay above and beyond in order to attract enough staff just to continue operating.



RBA, *The Australian Economy and Financial Markets- Chart Pack March 2022* - <https://www.rba.gov.au/chart-pack/>



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The RBA reported that consumer spending recovered quickly, and is supported by a strong labour market, household finances and household wealth in response to growth in the housing market and limited opportunities to spend during lockdowns.⁸

Wages in Agriculture

It is occasionally claimed that the workforce challenges faced in agriculture, particularly regarding labour and skills shortages, could be overcome by simply offering better wages.

This conclusion is overly simplistic and does not consider the unique conditions of running a farm, as opposed to other types of small business.

Farmers very commonly operate on tight margins and are “price takers” for their product, meaning that they have little or no capacity to pass on labour costs.⁹ Much like labour demands, crop or other yields can often vary drastically year on year, based on factors outside of the farmer’s control, such as weather conditions or international markets.

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%.¹⁰ In certain sectors, the proportion is even greater. In horticulture, for example, wages are roughly one third of total costs.

Even if farmers were at liberty to offer drastically higher wages, it is not obvious that this would meaningfully change or improve the size or quality of the labour pool in agriculture. In an NFF Farm Workforce Survey in 2018, it was found that 70% of the respondents were paying significantly above award rates, and 80% of the respondents noted that local permanent residents were not applying for available jobs. Evidence from our members also demonstrates that such is the shortage of labour available, that farmers are already paying above and beyond award just to attempt to attract any workers to fill what vacancies they can. The NFF have already been notified by our members, that a farmer in Queensland went from paying one of their workers as per the Pastoral Award, to \$35 per hour to remain competitive and keep the worker at their farm. Whilst this is only one specific example,

⁸ Statement on Monetary Policy February 2022 Page 1, Reserve Bank of Australia.

⁹ per the Full Bench of the Fair Work Commission: [2017] FWCFB 3541 at [749]

¹⁰ ABARES, Farmers’ terms of trade, March 2020, p 12

the practice is far more widespread, with further declining unemployment rates and a lack of international and migrant worker availability.

Economic Challenges in Agriculture

Farmers continue to struggle with the repercussions of the COVID-19 pandemic and the various governments responses.

Agriculture has traditionally employed many migrant and temporary workers in order to cover for chronic domestic labour shortages. The lockdowns and bans on international travel in Australia severely affected farmers' access to labour, and the effects continue to be felt. With international borders only reopening in February 2022 and many other nations still battling with the virus, the return of international workers to Australia has been sluggish.

Additionally, ongoing supply chain challenges due to COVID-19 and the Russian invasion of Ukraine have led to an increase in market volatility. Indeed, while this may create some additional opportunities for Australian exports, the volatility and uncertainty can be difficult to navigate for farmers working within slim margins in already trying times.

It, therefore, shows that despite the generally positive economic outlook there are still significant economic challenges to be faced. As Philip Lowe, in his Monetary Policy Decision paper on 1 March noted, there is still, 'uncertainty about the behaviour of labour costs at historically low levels of unemployment'.

In addition, there is a legitimate case to be made that current unemployment levels, household consumption and GDP statistics show that the conditions are such that the market will be able to effectively self-regulate, with regard to wages. Demand for skilled and unskilled workers is increasing steadily based on projections,¹¹ wages will naturally follow, as they must, for employers to remain competitive in the market.

Farmers, industry bodies, governments, research and development corporations and more have attempted to attract workers and migrants, and continue to run various incentive programs such as AgMove (a program by which the Government will provide reimbursement of up to \$6000 for workers to relocate to regional areas and work on farm).¹²

¹¹ Per Statement on Monetary Policy February 2022 Page 1, Reserve Bank of Australia.

¹² See AgMove web page: <https://www.dese.gov.au/harvest-trail/agmove>

Whilst industry has always supported Government action which is intended to address labour challenges, there have been no resounding successes to date. In light of these factors, the notion that the solution to agriculture's labour shortages is simply a compensatory issue becomes far less salient.

It, therefore, must be attributed to more systemic issues. Such as a lack of public knowledge about agriculture generally and its career opportunities, diminishing populations in the regions and consistent, one-sided negative media campaigns on work conditions in the agriculture industry.

It is far from obvious then, having considered all the above, that an increase to the award would have a positive effect for workers and the industry. Instead, it appears to have the risk of harming farmers and further hindering their operations as a business, which would stifle productivity, potentially leading to business closures. Such circumstances are crucial to avoid as one of Australia's key industries is currently on the edge of a remarkable post-COVID recovery, or the mere continuation of issues which had plagued it prior and have since been exacerbated by the pandemic.

Conclusion

The NFF recommends that the Commission seriously considers the above, when making their determination, and continue with a conservative approach in relation to wages until such time as conditions for agriculture have improved, market volatility has decreased, and the level of financial risk reduced.