Annual Wage Review 2023/2024

Submission to the Fair Work Commission

27 March 2024

NFF Member Organisations

AGFORCE

ACGC
Australian Chicken Growers' Council

Australian Dairy Farmers

Australian Forest Products Association

ALEC
AUSTRALIAN LIVESTOCK EXPORTERS COUNCIL

ALPA
AUSTRALIAN LIVESTOCK & PROPERTY AGENTS ASSOCIATION LTD

Australian Organic

AUSTRALIAN Pork

AVA
AUSTRALIAN VETERINARY ASSOCIATION

BEECHWORTH HONEY

Corporate Agriculture Australia

CA CATTLE AUSTRALIA

COTTON AUSTRALIA

farmers for climate action

GICA
Goat Industry Council of Australia

AWGIC
Australian Wild Game Industry Council

Grain Growers

National Farmers Federation Horticulture Council

NRM REGIONS AUSTRALIA

NSWIC
NEW SOUTH WALES IRRIGATORS' COUNCIL

nsw FARMERS

NORTHERN TERRITORY CATTLEMEN'S ASSOC
N.T.C.A

The Pastoralists' Association of West Darling

PET
PRIMARY EMPLOYERS TASMANIA

ppsa PRIMARY PRODUCERS SA

TasFarmers
A UNITED VOICE FOR TASMANIAN FARMERS

RGA
RICEGROWERS' ASSOC.
of Australia Inc.

SHEEP PRODUCERS AUSTRALIA

SoilsForLife

WAFARMERS

QFF
QUEENSLAND FARMERS' FEDERATION

Seafood Industry Australia
The Voice of Australian Seafood

Victorian Farmers Federation

WOOLPRODUCERS AUSTRALIA

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

Agriculture plays a vital role in Australia, contributing to our social, economic, workplace and environmental sustainability

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, causing 94% of Australians to be concerned about rising costs of household products in 2023[1].

However, 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, labour, and the broader flow-on effects of the COVID-19 pandemic. The resulting pressure on Australian production systems and supply chains has translated to significant price volatility at supermarket shelves, with 87% of Australian's now concerned about the cost of food and groceries, an increase from 83% in 2022.[2]

Workforce costs make up a significant proportion of the costs of doing business. Labour is comparatively more expensive in Australia than international exporting counterparts. Many farmers fear this high cost of labour will make their exports uncompetitive in international markets. Moreover, with continuously changing industrial relations and awards requirements, farmers are struggling to keep up pace.

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. In addition, the regional housing crisis is further stressing the already heavily reduced workforce.

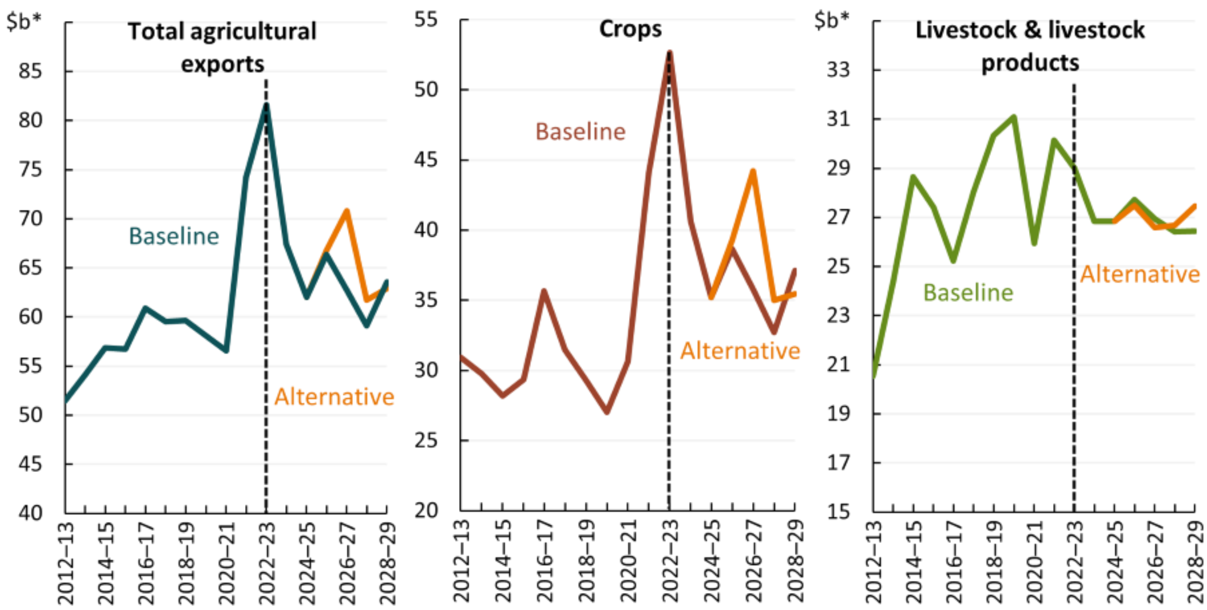
It is for these reasons that we urge the Commission to take a cautious and considered approach to the 2023/2024 Annual Wage Review that

[1] CHOICE, *Worries about energy and grocery prices reach new highs*, 2023.
[2] CHOICE, *Worries about energy and grocery prices reach new highs*, 2023.

appropriately weighs the concerns of both workers and business, particularly at a time of great economic uncertainty.

Agriculture Industry Overview

In an unfavourable economic environment for agriculture, the 2023–24 period has been marked by significant declines in agricultural production values, as projected by recent forecasts. The nominal gross value of agricultural production, inclusive of fisheries and forestry, is anticipated to decrease by 15% to $80 billion, a substantial decline from the record production value witnessed in the preceding year[3]. This downturn is largely attributed to less favourable weather conditions, particularly during winter and early spring, which have negatively impacted winter crop production. The winter crop yield is expected to decrease by 32% to 46.7 million tonnes, aligning with the 10-year average, while the summer crop is forecasted to exceed the 10-year average despite a 17% reduction to 4.3 million tonnes[4]. Although late spring and summer experienced unexpectedly high rainfall, boosting crop production prospects, a decrease in average prices due to rising global production contributes to the overall 18% decrease in the nominal gross value of crop production to $48 billion[5].

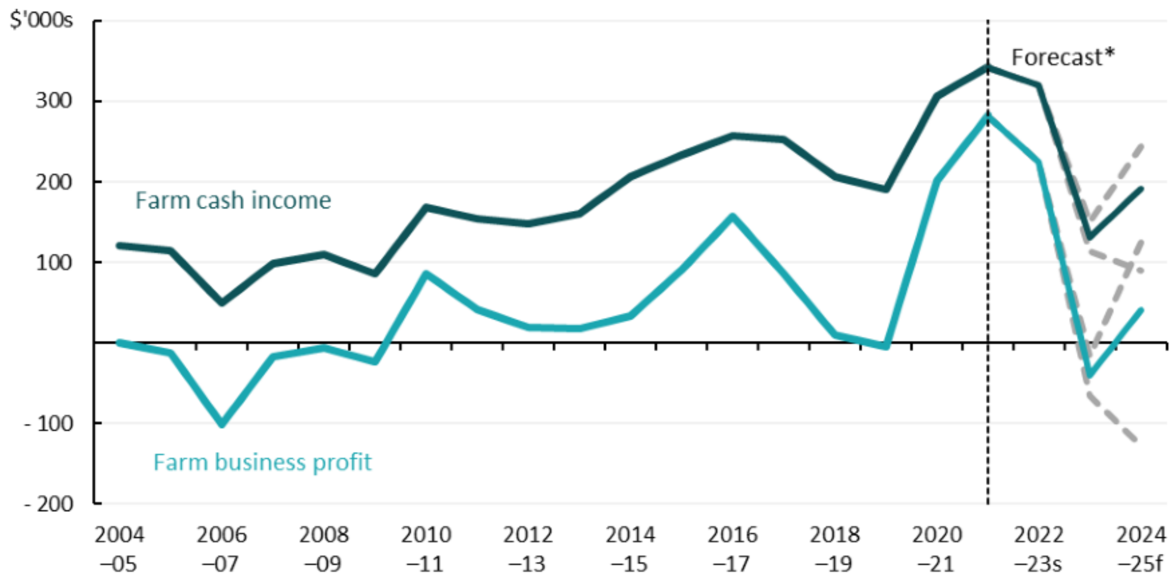


The livestock sector has not been spared from these challenges. The onset of drier conditions in early spring, coupled with diminishing pasture growth,

[3] *ABARES*, Department of Agriculture, Fisheries and Forestry
[4] *ABARES*, Department of Agriculture, Fisheries and Forestry
[5] *ABARES*, Department of Agriculture, Fisheries and Forestry

led to a substantial increase in cattle and sheep slaughtering. This surge in livestock volume through stockyards resulted in a rapid drop in prices, especially for sheep. Although there has been a partial price recovery, February 2024 prices were still approximately 15% below the 10-year average in real terms. Despite an increase in meat production volumes, the nominal gross value of livestock production is predicted to decrease by 10% to $32 billion, a trend driven by the reduced prices of cattle and sheep[6].

This decline in agricultural production value comes after three years of strong production and returns for farmers. Nonetheless, the forecasted 7% decrease in prices received for agricultural production in 2023–24 is concerning[7]. While the prices paid for farm inputs are expected to slightly decrease by 2% in 2024–25, the costs of fertilizers, chemicals, fuel, freight, labour, and contracting services remain high, with only a moderate reduction anticipated in the following year[8]. This ongoing high cost of operation, alongside rising interest rates and loan servicing costs, has resulted in a downward trend in the ratio of prices received to prices paid since 2020–21, negatively affecting farmers' terms of trade and, consequently, farm profitability.



Another critical aspect impacting the agricultural sector is productivity. Historically, Australian broadacre farm productivity has seen an average

[6] *ABARES*, Department of Agriculture, Fisheries and Forestry
[7] *ABARES*, Department of Agriculture, Fisheries and Forestry
[8] *ABARES*, Department of Agriculture, Fisheries and Forestry

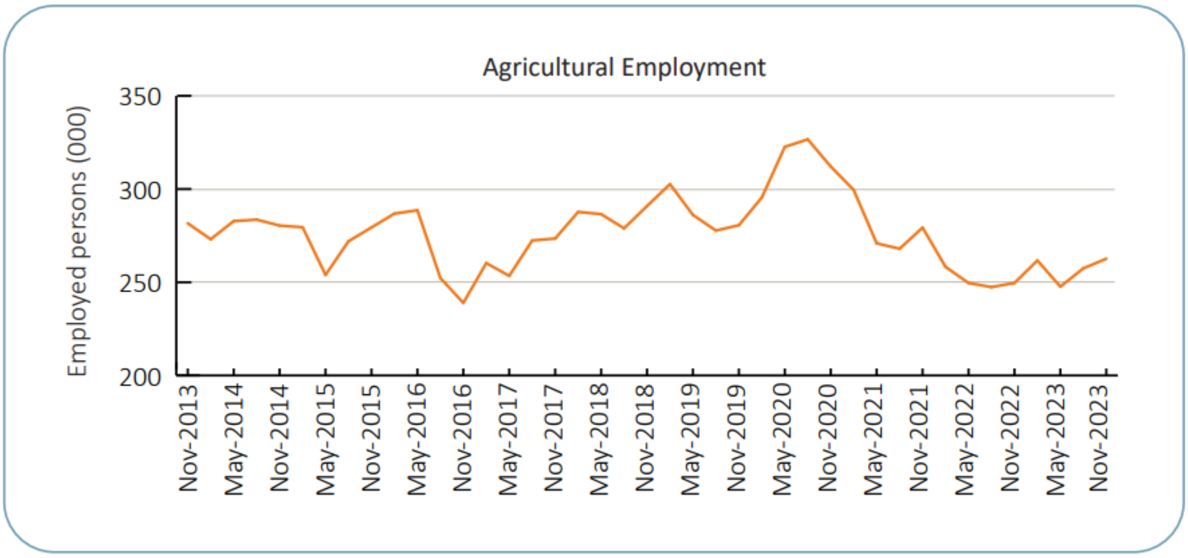
annual growth of 1.0% since 1977-78[9]. However, this growth rate has decelerated in recent years compared to the substantial gains achieved during the 1980s and 1990s, a period marked by structural adjustments and the adoption of labour-saving mechanisation. Presently, broadacre productivity is increasingly volatile due to fluctuating prices and unstable climatic conditions. Achieving productivity growth is becoming more challenging as traditional growth avenues yield diminishing returns. Both farmers and policymakers need to explore new ways to foster productivity growth and maintain competitiveness.

[9] *ABARES*, Department of Agriculture, Fisheries and Forestry

Employment and Wages in Agriculture

Labour remains a crucial input in Australian agriculture. The Australian Bureau of Statistics reports that the agricultural sector employed 257,000 people on average in the four quarters leading up to November 2023, indicating a 2.4% increase from the previous year but a 0.7% decrease from a decade ago[10]. Broadacre farming continues to be the largest employer in the industry, followed by fruit and tree nut growing, dairy farming, and mushroom and vegetable growing.

As of November 2023, 262,600 people were employed in the agriculture sector, representing 1.8% of the Australian workforce[11]. The number of agricultural workers has decreased in recent years, from above 300,000 people employed during 2020. That said, employment in November 2023 was at its highest level in two years[12].



Source: ABS

It is worth noting, however, that these employment figures are somewhat unreflective of the reality of agricultural employment. This is due to the industry's reliance on contract workers and labour hire, non-resident, and family non-employed workers.

[10] *ABARES*, Department of Agriculture, Fisheries and Forestry
[11] *ABARES*, Department of Agriculture, Fisheries and Forestry
[12] *ABARES*, Department of Agriculture, Fisheries and Forestry

As of August 2023, the average weekly earnings of a worker in the agricultural workforce are $1,099. As of June 2023, the minimum weekly earnings for an adult worker in the Horticulture and Pastoral Awards are $859.30[13].

[13] *ABARES*, Department of Agriculture, Fisheries and Forestry

Industry Perspectives

The connection between the challenges faced in various Australian agricultural sectors and the concerns regarding wage increases must be scrutinized, particularly through the lens of declining productivity in agriculture.

Notably, production values are decreasing while operational costs escalate. Wage hikes could exacerbate these issues by putting additional financial pressures on farmers. This perspective is widely shared across diverse agricultural sectors.

In the farming industry, the apprehension towards wage increases is significant due to many farmers are already paying above the award wage in order to attract workers to an industry already facing worker shortages. A substantial wage increase could worsen this situation, potentially leading to reduced staff engagement and consequent safety issues. This financial strain is already so severe that some farmers contemplate exiting the industry, especially since they cannot pass these costs onto consumers.

The horticulture sector faces a triad of exit-inducing factors: input costs, retail processes, and labour costs. The latter accounts for 70% to 80% of expenses. A wage hike in this context could directly inflate pricing, impacting the sector's already fragile balance.

The pork industry is experiencing rising labour costs, particularly with the rise in costs for Pacific Australia Labour Mobility workers (which is also true in horticulture), along with decreasing production levels per worker (as reported by NFF members), amplifying concerns. The industry's limited capacity for automation and mechanization, coupled with increased costs related to food safety and workplace health, make wage increases particularly problematic. Such increases could deter hiring at the lower end of the pay scale, undermining strategies to navigate challenging times.

For grain growers, while NFF members reported that most workers earn above award wages, increased wages could especially impact introductory roles, dissuading the employment of new talent.

However, a significant minimum wage could prevent new operators from entering the industry due to high entry costs, low productivity, coupled with the need for skilled workers to mitigate risks. Given the high entry wage, coupled with the low productivity, the risk of damage to multi-million-dollar equipment and crops, and high supervision required (critically in terms of managing WHS) with inexperienced staff, employers are already running short-staffed in a chronically short-staffed and therefore time-poor environment. This is detrimental to productivity and even worse for (especially young) people who want to enter agriculture.

In cotton farming, smaller farms struggle to manage or absorb cost hikes. Elevated wages have already spurred a move towards increased automation, potentially reducing employment opportunities. Since the COVID-19 pandemic, productivity in this sector has notably stagnated.

In summation, given the economic trials faced by the Australian agricultural sector—such as declining production, high operational costs, and external influences like climate change and global markets—it is crucial to carefully consider wage increases. The unanimous view across agricultural industries is that while fair compensation is essential, wage hikes must be balanced against the overall sustainability and viability of the sector. Any increase in wages, particularly in an environment of decreased agricultural productivity, could lead to a critical destabilization of these industries.

Conclusion

In summary, the NFF, on behalf of its members, recommends that any increase to the minimum wage be considered in the context of falling production.

Without a subsequent increase in production accompanying a minimum wage increase, farmers will simply be unable to continue employing and be forced to restrict their labour force to existing employees or consider automation. This would in-turn affect the rate of growth for the industry, which is still recovering from the COVID-19 pandemic and continuing worker shortages.