



Seasonal horticulture labour demand and workforce study

Public report

September 2020



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Ernst & Young ("EY") was engaged on the instructions of Horticulture Innovation Australia ("Client") to conduct a study to build a foundational understanding of the "casual labour" requirements in the horticulture sector for the period between July 2020 and December 2021 ("Project"), in accordance with the engagement agreement dated 02 July 2020 ("the Engagement Agreement").

The results of EY's work, including the assumptions and qualifications made in preparing the report, are set out in EY's report dated September 2020 ("Report"). You should read the Report in its entirety including any disclaimers and attachments. A reference to the Report includes any part of the Report. No further work has been undertaken by EY since the date of the Report to update it.

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“As growers, we overcome challenges and just get on with it by coming up with practical solutions to fix things - we need to keep supplying food to Australia.”

Grower

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Key limitations of our work

Ernst & Young (EY) has prepared this report for the benefit of Hort Innovation Australia Limited as agreed on 02 July 2020. EY has not been engaged to act, and has not acted, as advisor to any other party on this matter. Accordingly, EY makes no representations as to the appropriateness, accuracy or completeness of the report for any other party's purposes. Specifically, where submissions were collected during the course of the project and reproduced in the report, the submissions have not been verified for accuracy or completeness or for any other purpose.

Labour Demand

- ▶ As per our scope of work, the study encompasses a detailed quantitative modelling of horticulture short term labour demand over the next 18 months; it relies on bottom-up and top-down analyses and provides labour demand forecasts across commodities and SA4 regions:
 - The bottom-up analysis is based on actual grower estimates of labour requirements captured through the survey and interviews. It is important to note that the sample of 456 grower data collected is not a full scale representation of the horticulture industry as they represent 23% of total horticulture production volume
 - The top-down analysis looks to summarise issues with labour demand and issues facing industry by building a detailed month-by-month view of the sector through a series of analytical assumptions based on the grower survey results; an iterative review of survey results has been conducted to refine these assumptions on a best effort basis
- ▶ No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by growers ("grower input"). We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report
- ▶ The casual labour requirements provided are an estimated number of worker effort required at a specific point in time (in this case a month) and, cannot be aggregated on an annual basis to derive a total number of people employed in the industry given that many workers continue to work across different months and locations

Labour Supply

- ▶ As per our scope of work, the study does not include a detailed quantitative review of casual labour supply. The high-level analysis of casual labour supply and subsequent labour gaps provided aim to give a high-level estimate of the magnitude of labour gaps as a result of COVID-19 to help inform discussions that will support the industry

Stakeholder inputs

- ▶ Various stakeholder groups have been consulted to provide inputs into the study including growers, peak industry bodies, government departments and labour hire companies (please see detailed list of stakeholders consulted in the methodology section). Inputs were provided in the form of phone interviews, grower survey responses and relevant documents to consider as part of the study where relevant
- ▶ This report also provides observations from stakeholder consultations with regards to potential approaches raised by growers that could support their business; however, these observations do not represent in any way recommendations of what is appropriate to support the sector

Scope and definition of key terms used in the study

Scope of study

- ▶ The scope of this study is to build a foundational understanding of the “casual labour” requirements in the horticulture sector, focus is on roles in horticulture which are:
 - **Short term:** often existing only when crops need to be picked (i.e. 6 weeks to 6 months), as opposed to permanent / year round roles
 - **Seasonal in nature:** labour requirements fluctuate pending growing stage; however, the term “seasonal” is intentionally not used not when it can cause confusion with SWP (Seasonal Worker Program) workers and to reflect the fact that the workers themselves do not exist only during seasons or are employed only to do seasonal work (i.e. harvesting)
 - **Regional and remote:** production is not located close to a major capital city

Data collection

- ▶ The study collected data from a range of sources including grower input, industry data and external research. Key pieces of data collected include:
 - **Grower input:** estimate of historical and forecast production (relevant production unit for commodity), casual labour requirements and worker profile, qualitative insights on the impacts of COVID-19 on growers’ business
 - **Industry data:** structure of industry, seasonality of commodities and production regions, historical and forecast data on production (where available), historical and forecast data on casual labour requirements (where available), relevant reports on casual labour requirements in horticulture, qualitative insights on industry context
 - **External research:** data on working holiday makers and seasonal worker program visas granted, international reports and articles on the impacts of COVID-19 on the horticulture sector overseas
- ▶ **Data not collected** as part of the study:
 - Detailed data on permanent workforce in horticulture as focus is on casual labour roles
 - Detailed location and movements of casual labour force across states and regions
 - In-depth view of casual labour supply, as focus is on casual labour demand requirements

Definitions

- ▶ **Casual labour demand / requirements:** Forecast of casual labour headcount needed in a given time period
- ▶ **SA4 region¹:** Statistical Area Level 4 are the largest sub-State regions in the Australian Statistical Geography Standard as defined by the Australian Bureau of Statistics (ABS) and have been used to represent casual labour requirements by regions
- ▶ **Casual labour supply:** Forecast of casual labour headcount available in a given time period by worker type
- ▶ **Monthly headcount:** Number of roles required on a monthly basis, note this is not equal to the number of people employed in a given month



Executive Summary

Background & objectives of the study

Hort Innovation exists to drive a **prosperous and healthy Australia** by providing the **best knowledge and solutions** to create a **world-class horticulture sector**.

To serve this purpose and help respond to the early challenges driven by COVID-19, Hort Innovation has launched a study to **understand the impacts of COVID-19 on the horticulture sector in accessing and securing their casual workforce**. Indeed, the historical reliance of the sector on casual labour, among which international labour represents a significant share, is being challenged by COVID-19 restrictions, such as international border closures, restricted mobility and workplace safety requirements.

As a result, Hort Innovation has engaged Ernst & Young (EY) to conduct **extensive stakeholder consultation** across the sector and help **build a foundational understanding of the horticulture labour market** to inform discussions and potential actions to proactively support growers in a changing landscape. The study provides an **18-month outlook** on the casual labour demand across **different regions, to support industry discussion on longer term COVID-19 response**.

EY would like to acknowledge the **significant contributions made by all who participated and shared their perspectives on the casual workforce** in the horticulture sector. Stakeholders were generous with their time and contributed valuable insights into the study. We would like to take the opportunity to **thank everyone involved for their contribution to this important initiative**.



Key study findings

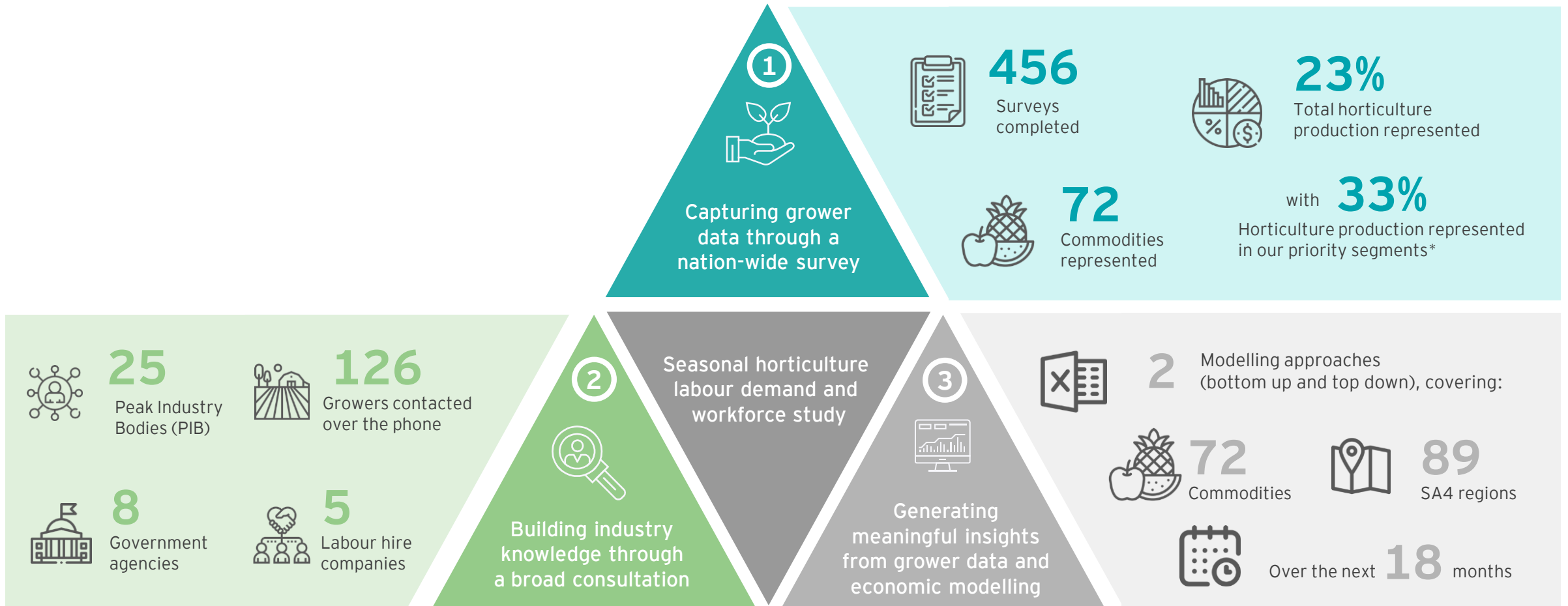
Labour Demand

- ▶ This study aims to build an understanding of **expected casual labour demand** across the **horticulture sector** over the next 18 months; it relies on **bottom-up and top-down analyses** to provide **casual labour demand forecasts** across commodities and SA4 regions:
 - The **bottom-up** analysis is based on actual grower estimates captured through the survey and representing 23% of total production volume. It suggests a monthly national demand for casual labour varying from **6.4k to 10.2k headcount** over the next 18 months
 - The **top-down analysis** extrapolates labour demand using a reference dataset on production volumes and applying the productivity ratios (tonnes per headcount) captured from a national survey for each commodity. It suggests a national monthly demand for casual labour varying from **11.4k to 36.8k headcount** over the next 18 months.
- ▶ The study forecasts **high fluctuations** in monthly national casual labour demand **across states**, driven by the **seasonality of the major horticulture commodities** that each state produces. While horticulture products are grown throughout Australia, the study highlights the following **7 production regions** constitute the majority of the total casual labour demand:
 - QLD: Cairns, Wide Bay
 - VIC: North West Victoria, Shepparton
 - NSW: Coffs Harbour - Grafton, Murray
 - SA: South Australia South East
- ▶ When annualising casual labour demand (c. 254,000 annualised roles*) over a full year to account for differences in seasonality; the study shows that:
 - **Fruit commodities** are forecast to make up c. 85% of demand, driven on average by a higher labour intensity and a higher reliance on casual labour
 - **VIC, QLD and NSW** are forecast to represent c. 80% of demand, driven by the combined effect of several labour intensive commodities, produced in these states
 - **Two major peaks** are forecast to occur over the next 18 months, respectively in Jan-Apr 21 and Oct-Dec 21 reflecting simultaneous peak harvest times in VIC, QLD and NSW

Labour Supply & Supply Gap

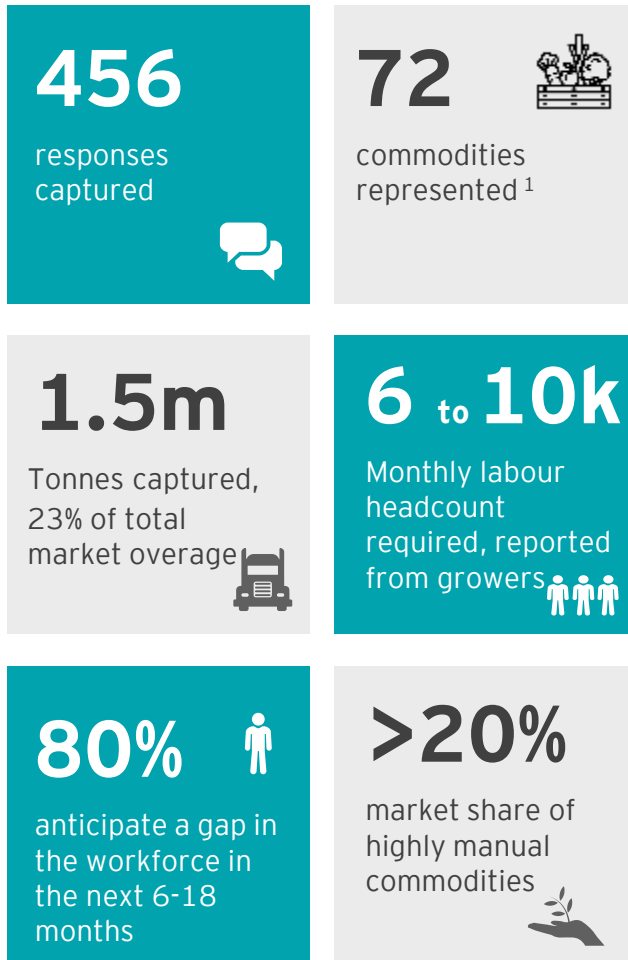
- ▶ Current scenario projections indicate that the casual labour gap will increase from November 20 and reach a peak in March 21 likely to represent a gap ranging between c. **20k-26k roles**
 - This would represent a **36-59% labour supply shortage** over Nov 20 - June 21, this translates to a net gap of 20-33% over the next 18 months i.e. only 67 - 80 out of every 100 casual roles can be filled
 - The **labour shortage may be most acutely felt in VIC and TAS** which exhibit two characteristics likely to make them more vulnerable: (i) large producer of high volumes of very labour intensity products (e.g. table grapes, berries), (ii) locations where internal borders could restrict mobility
 - The **deficit could be even greater if international border reopening is deferred** past our current assumption of the borders opening by Mar 21

This study aims to understand the impacts of COVID-19 on the horticulture sector in accessing casual labour based on an extensive engagement with growers and other industry stakeholders

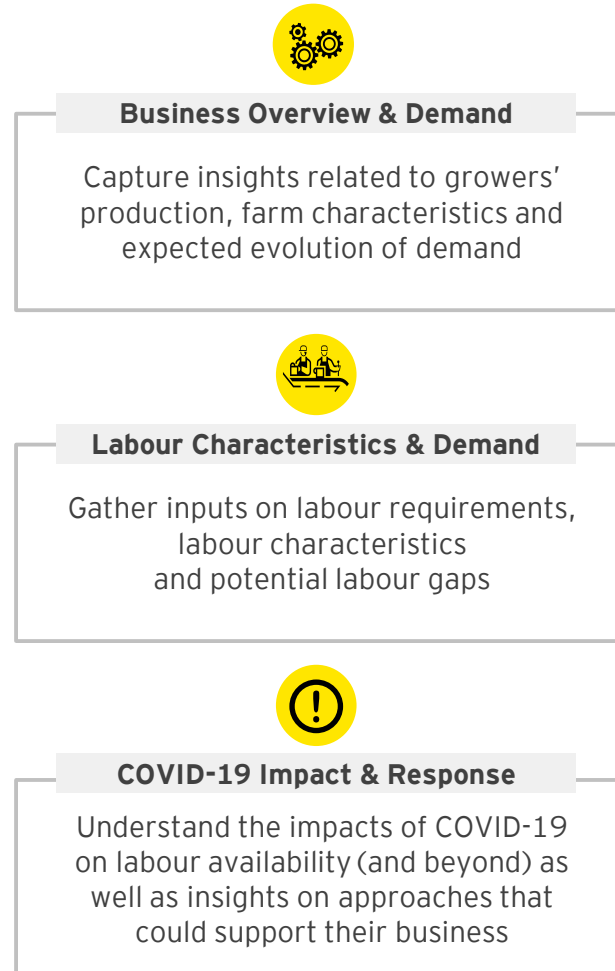


Grower input was captured through a nation-wide survey, capturing insights on their production, their casual labour requirements and how COVID-19 has impacted their business

National survey snapshot

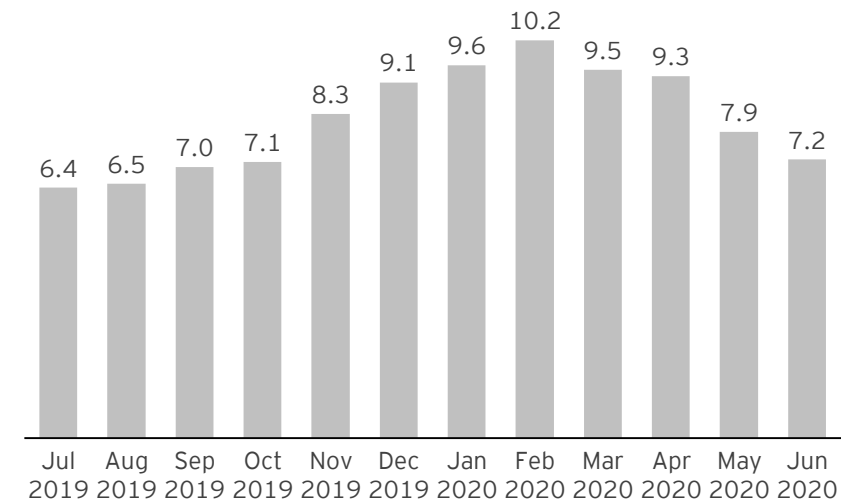


Key survey topics



National historical casual labour requirements

How many casual workers did you employ by month during the 2019-20 financial year? ('000s headcount, Jul 19 - Jun 20)

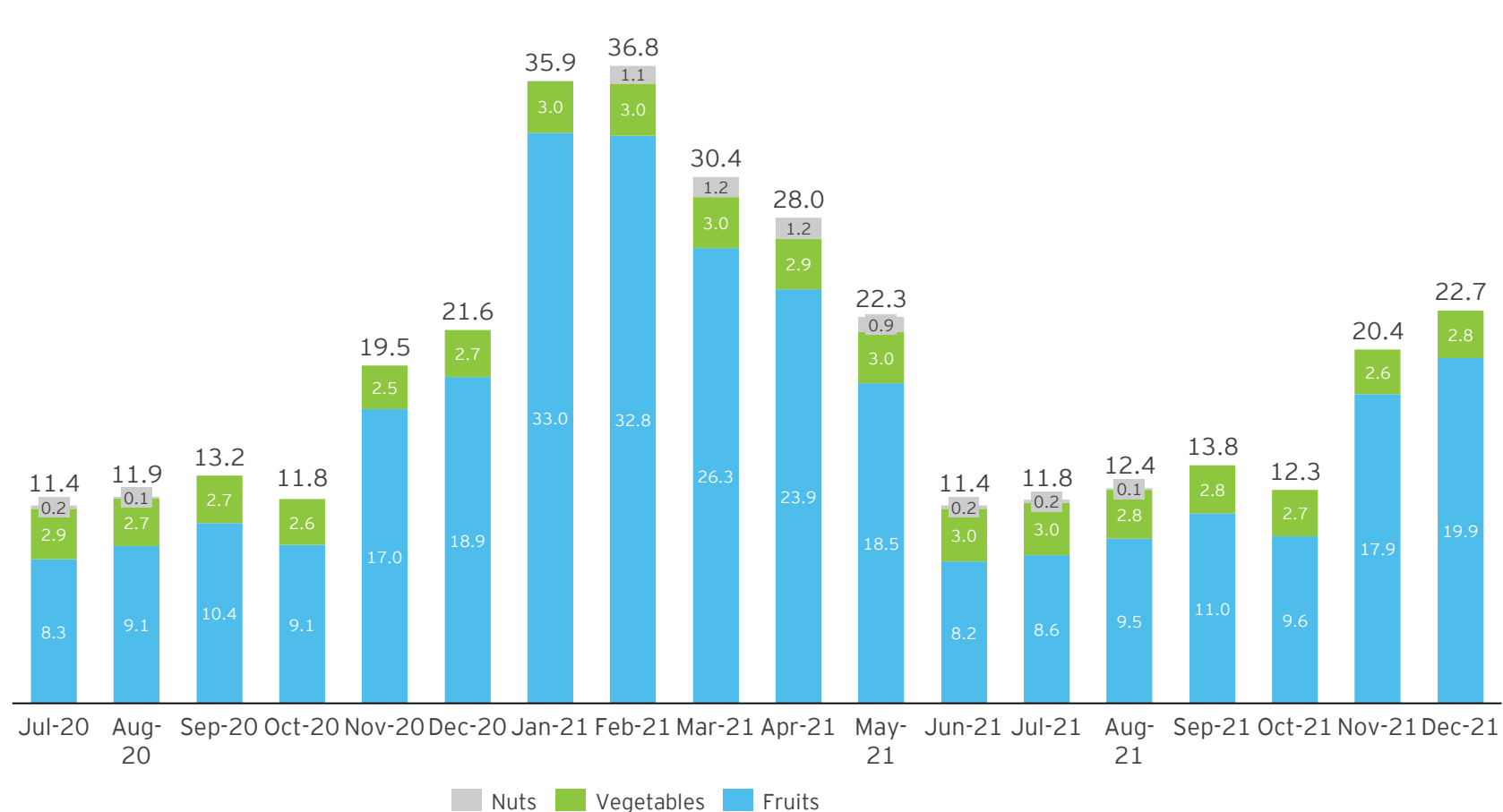


Key insights

- ▶ Historically, growers have employed an average of c. 8,200 casual workers per month with a peak occurring in Nov 19 - Apr 20
- ▶ The highest demand requirements correspond to peak harvest months for summer and spring commodities

Building on the growers' input, we forecast monthly casual labour demand to vary from 11,400 to 36,800 over the next 18 months, dominated by fruits making up c. 85% of demand

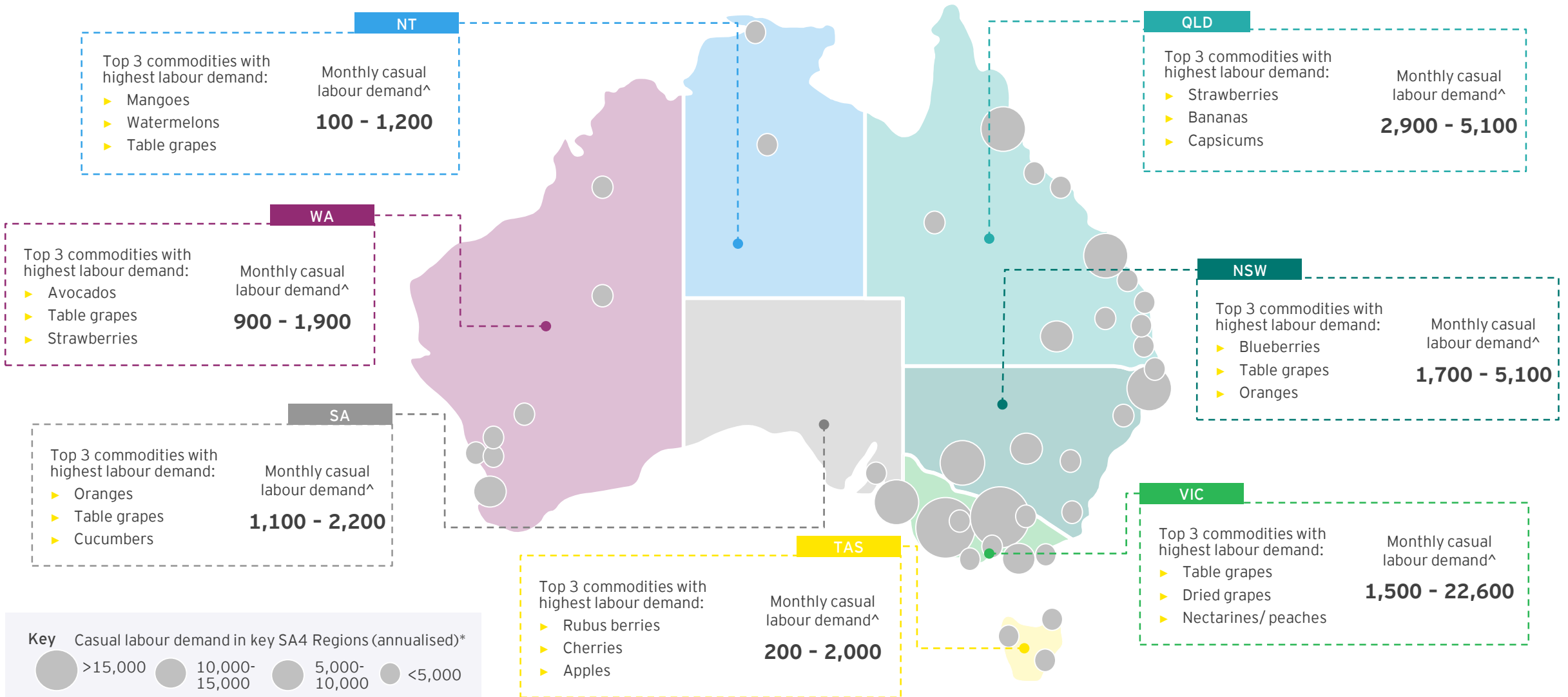
National forecasted casual labour requirements, by commodity group ('000s headcount, Jul 2020 - Dec 2021)



Labour demand or casual labour requirements measures the total effort required in each month to support the harvest of commodities

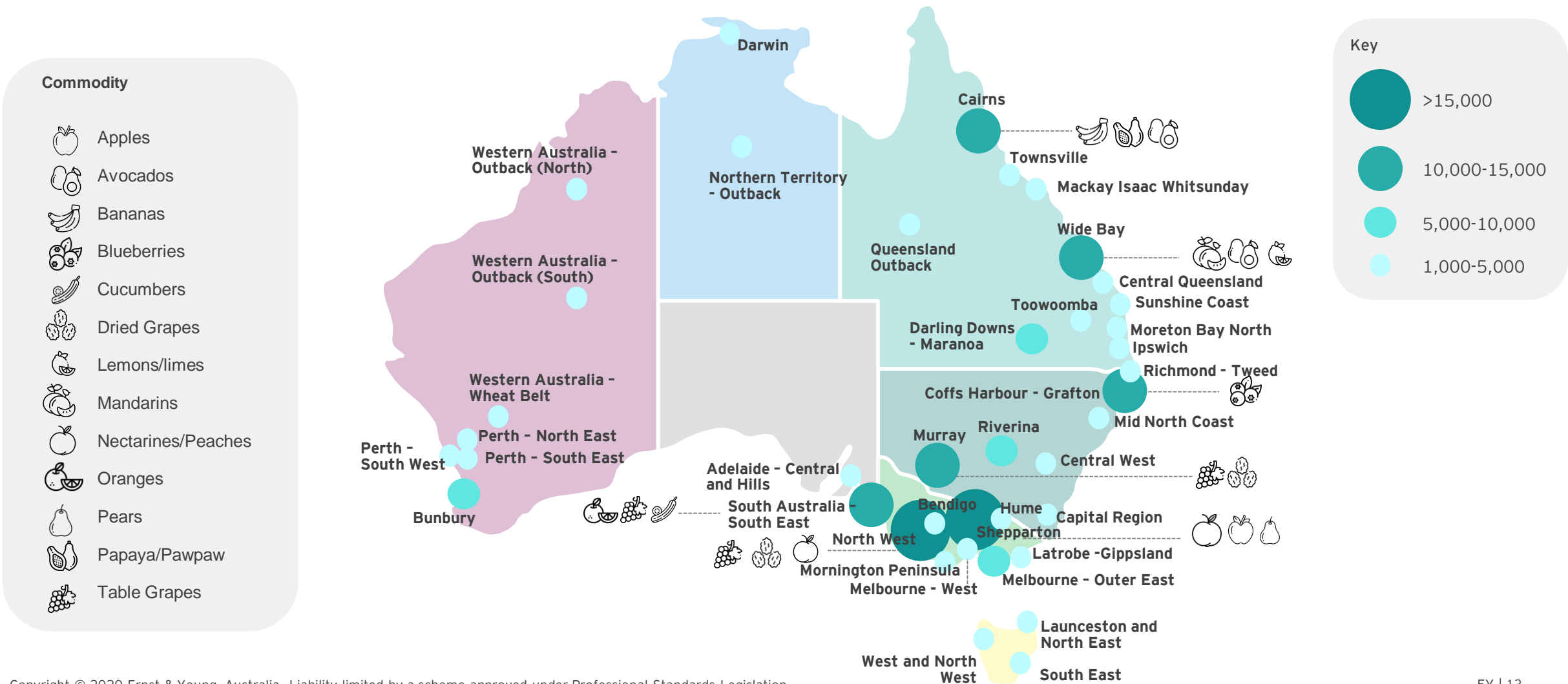
Note: people typically work multiple months, however not the entire year, and so annualised labour demand does not represent the headcount required by the sector for the entire year

Monthly casual labour demand is expected to exhibit strong variations across states depending on their seasonality ranging from 100 to 1,200 in the NT and 1,500 to 22,600 in VIC over the next 18 months



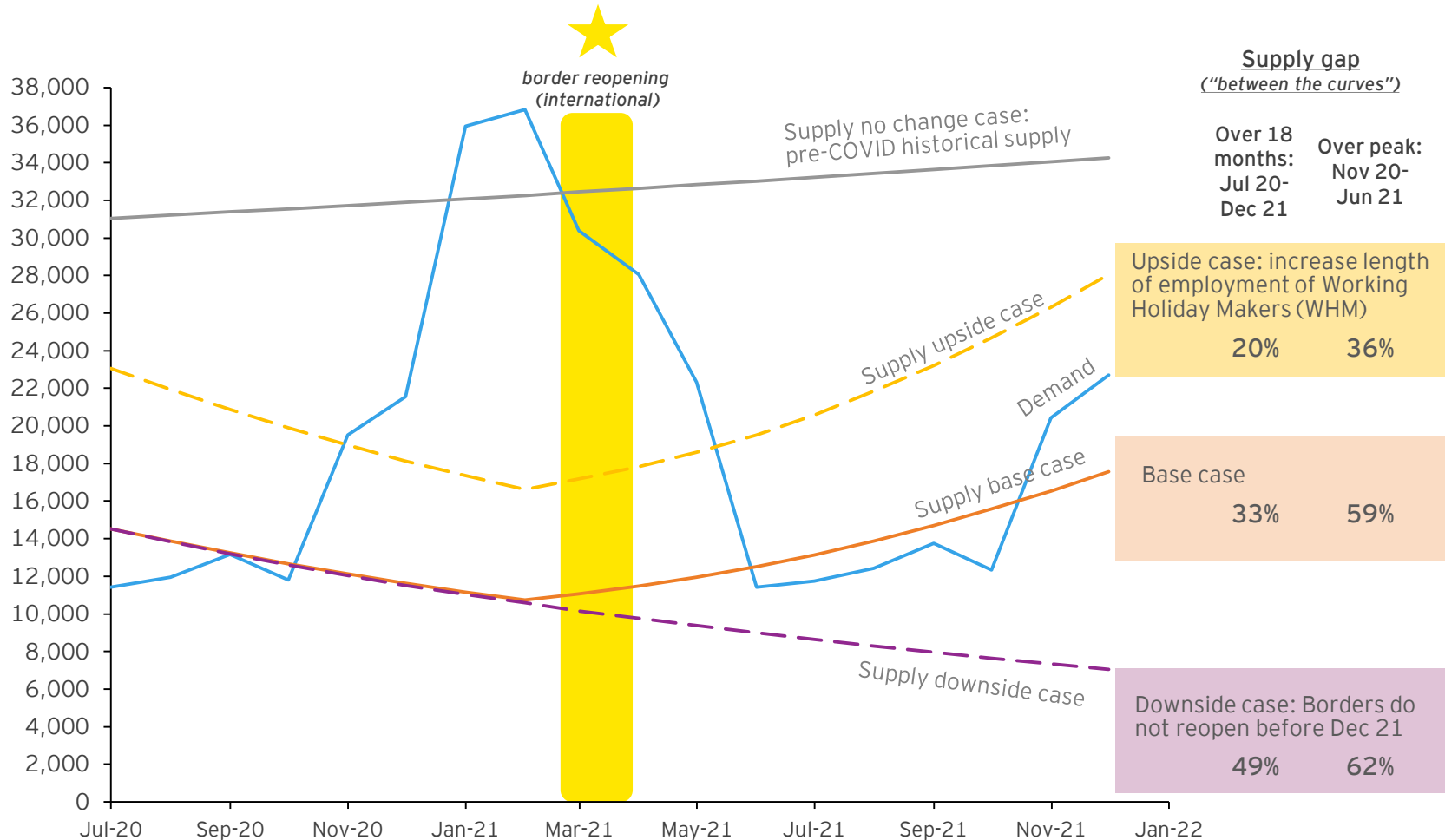
Seven production regions stand out with forecasted annualised casual labour demand over 10,000 headcount, among which 2 are in VIC, 2 in QLD, 2 in NSW, 1 in SA

Total forecasted casual labour requirements, by SA4 ('000s headcount, Jul 20 - Jun 21)*



Current scenario projections indicate that the monthly casual labour gap will ramp up from Nov 20 to Jun 21, reaching c. 20k-26k roles at peak and representing a 36-59% labour shortage over the period

Total forecasted casual labour demand and supply, by month (headcount, Jul 2020 - Dec 2021)



Consultation observations on where casual labour gaps are more likely to materialise



Remote or less attractive areas

Remote locations, considered less attractive in terms of living conditions, and with limited accessibility



Specific commodities

Characterised by very high labour intensity (e.g. berries), time-sensitivity (e.g. apples/pears) and/or hard picking conditions (e.g. mangoes)



Impacted by border closure

Locations where internal borders could restrict mobility such as VIC, TAS and NT, thus impacting commodities produced locally (e.g. citrus, table grapes)



Smaller growers

With less sophisticated recruitment channels, fewer options to access workers, low cost business models or lower volume of work



Study Methodology

This study aims to build a foundational understanding of the horticulture labour market and potential impacts of COVID-19 in accessing casual labour









456	Surveys completed	23%	Total production represented	25	Peak Industry Bodies	126	Growers contacted over the phone	2	Modelling approaches	89	SA4 regions
72	Industry segments	33%	Production represented in our priority segments*	8	Government agencies	5	Labour hire companies	72	Commodities	18	Months forecast

1

Growers input was collected using a national survey, capturing insights on their production, the types of casual labour they typically need and how COVID-19 has impacted their business




Survey snapshot

<p>456 responses captured</p> 	<p>72 commodities represented¹</p> 
<p>1.5m tonnes captured (23% of total market coverage)</p> 	<p>6 to 10k Monthly labour headcount required, reported from growers</p> 
<p>80% anticipate a gap in the workforce in the next 6-18 months</p> 	<p>>20% market share of highly manual commodities</p> 

Survey coverage based on volume of production (as per the Hort Stats Handbook)

Commodity covered ¹	>60% coverage	Pistachios, Celery, Mandarins, Rubus berries, Lemons/Limes, Pineapples, Oranges
	>30% coverage	Avocados, Cherries, Ginger, Grapefruit, Table grapes, Sweet corn, Bananas, Broccoli/Baby Broccoli, Blueberries, Apples, Mangoes, Leafy Salad Vegetables, Zucchini, Strawberries
	>20% coverage	Beans, Pears, Cabbage, Sweet potatoes, Head lettuce, Muskmelons, Brussels sprouts, Eng. Spinach/Silverbeet/Kale
	>10% coverage	Watermelons, Almonds, Cauliflower, Prunes, Nectarines/Peaches, Plums, Persimmons, Lychees, Cucumbers, Tomatoes
	>5% coverage	Papaya/Pawpaw, Pumpkins, Custard Apples, Kiwifruit, Capsicums, Apricots

Key survey topics

 <p>Business Overview & Demand</p> <p>Capture insights related to growers' production, farm characteristics and expected evolution of demand</p>
 <p>Labour Characteristics & Demand</p> <p>Gather inputs on labour requirements, labour characteristics and potential labour gaps</p>
 <p>COVID-19 Impact & Response</p> <p>Understand the impacts of COVID-19 on labour availability (and beyond) as well as insights on approaches that could support their business</p>

2

Different stakeholder groups were interviewed to understand the casual labour market dynamics in the horticulture sector and build a foundational understanding of casual labour demand



Peak bodies

25
Interviews

Fruits

- ▶ Apple & Pear Australia
- ▶ Australian Banana Growers Council
- ▶ Australian Lychee Growers Association
- ▶ Australian Mango Industry Association
- ▶ Australian Melon Association
- ▶ Australian Table Grape Association
- ▶ Avocados Australia
- ▶ Berries Australia
- ▶ Citrus Australia
- ▶ Dried fruits Australia
- ▶ Summerfruit Australia
- ▶ Persimmon Australia

Vegetables

- ▶ Australian Mushroom Growers Association (AMGA)
- ▶ Ausveg
- ▶ Onions Australia

Nuts

- ▶ Almond Board of Australia (ABA)
- ▶ Pistachio Growers Association

Amenity

- ▶ Turf Australia

Farmer Federations

- ▶ Australian Fresh Produce Alliance (AFPA)
- ▶ AusVeg SA
- ▶ Growcom Australia
- ▶ National Farmers Federation
- ▶ NSW Farmers' Association
- ▶ NT Farmers
- ▶ VegWA



Growers

126
Phone calls

Survey over phone

- ▶ Costa Group
- ▶ Driscoll's
- ▶ Fresh Produce Group
- ▶ Fresh Select
- ▶ LaManna Premier Group
- ▶ Montague
- ▶ Perfection Fresh
- ▶ Pinata Farms
- ▶ Rugby Farm
- ▶ Freshmax / ValleyFresh Australia
- ▶ 2PH Farms

Phone contacts

- ▶ 114 phone calls to growers to encourage survey participation



Government agencies

9
Interviews

- ▶ Department of Agriculture, Water and the Environment
- ▶ Department of Education, Skills and Employment
- ▶ NSW Department of Primary Industries
- ▶ NT Department of Primary Industry & Resources
- ▶ Queensland Department of Agriculture and Fisheries
- ▶ SA Department of Primary Industries and Regions
- ▶ Tasmanian Department of Primary Industries, Parks, Water And Environment
- ▶ WA Department of Primary Industries and Regional Development
- ▶ VIC Department of Jobs, Precincts and Regions



Labour hire companies

5
Interviews

- ▶ Agri Labour
- ▶ Connect Group
- ▶ MADEC
- ▶ Owen Pacific Workforce
- ▶ The Job Shop

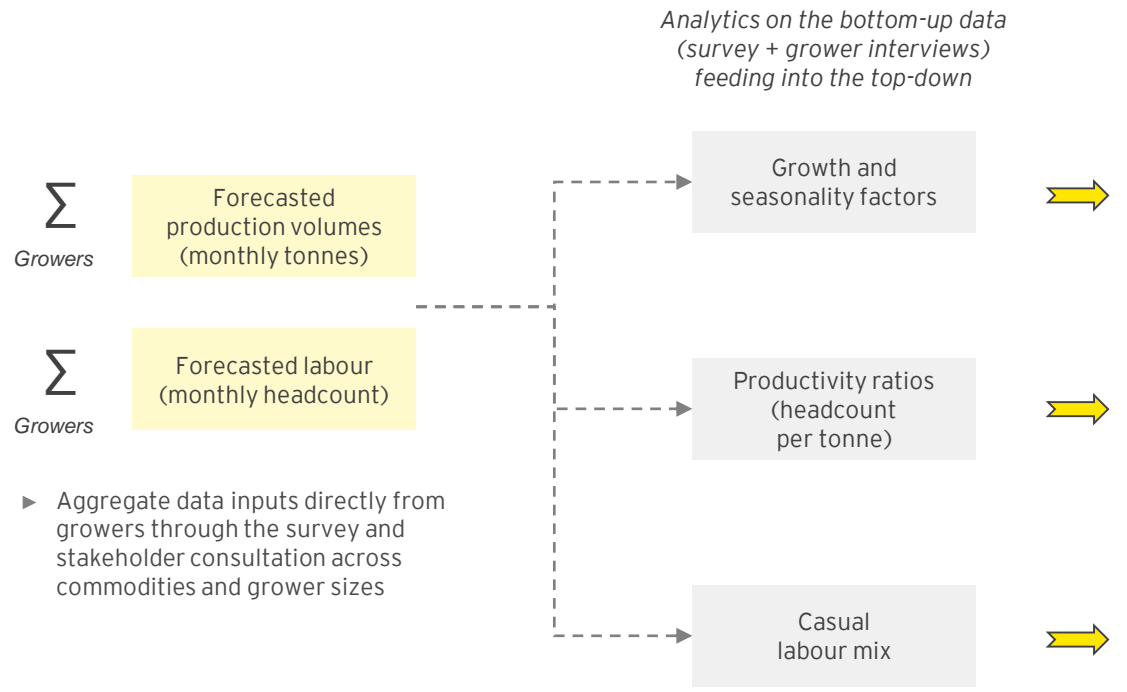
3

Using this industry data, a model was developed using bottom-up and top-down approaches to forecast casual labour demand across all commodities and SA4 regions for the next 18 months



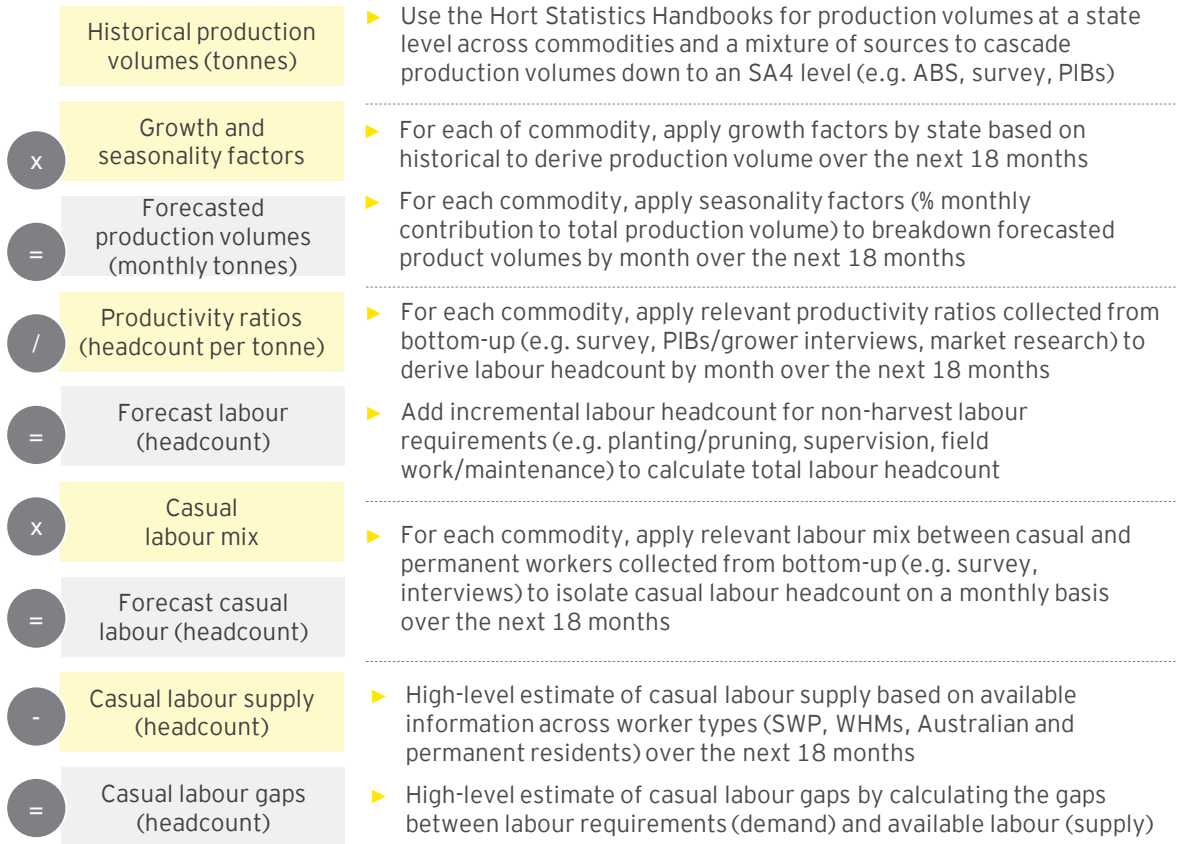
Bottom-up

Collect and aggregate **data inputs** from **growers** through the survey and stakeholder consultation as a **representative sample of the sector**



Top-down ¹

Use an **industry-wide reference dataset** on production volumes and apply **analytics on bottom up data to build a detailed month-by-month view of the sector**





**Horticulture
industry context**

Horticulture is Australia's third largest and fastest-growing sector in agriculture with relatively high casual labour intensity, which makes it specifically vulnerable to COVID-19



HORTICULTURE

Total production value ('18-'19)

\$14.4bn¹

20% of agriculture by value

Third largest sector in agriculture by value²



Fruits¹
38%



Vegetables¹
33%



Amenity¹
21%

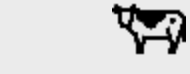


Nuts¹
8%



AGRICULTURE

\$69bn³



Livestock & livestock products
47%



Crops
53%⁴

CAGR over last 5 years

+5.6%²



+40% over 5 years

Fastest growing sector in agriculture

+1.5%³



+8% over 5 years

Labour ('19-'20)



c. 23,800⁵

Average estimated monthly casual labour demand

c. 95%⁵
casual

Less mechanised and more seasonal vs. agriculture



c. 230,000⁶
People employed

c. 70%⁶
permanent

Export value ('19-'20)

\$2.85bn¹



18% of the total horticulture production value
Stronger domestic sales focus vs. the rest of the agriculture sector

\$49bn³

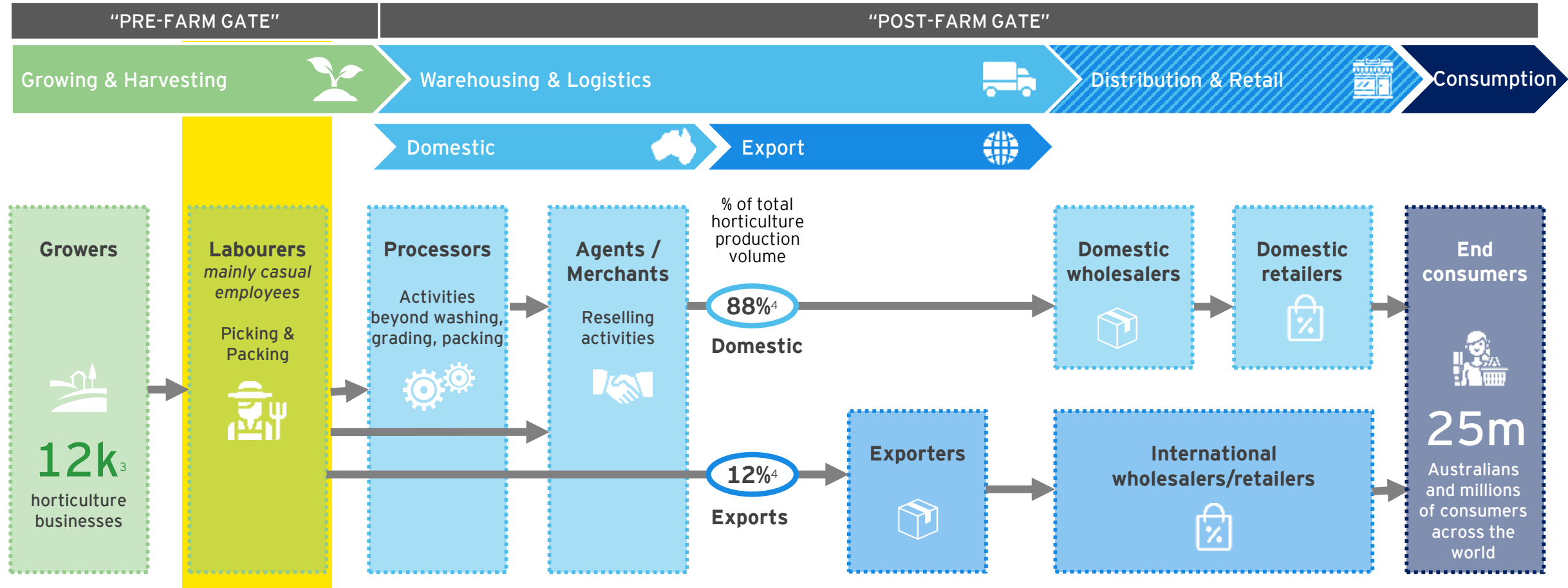


70% of the total agriculture production value

Source: ¹ Hort Innovation, Horticulture Statistics Handbook 2018/19; ² Hort Innovation, Strategic Plan 2019-2023, ³ As per ABARES Insights - Australian Agriculture 2020, total agriculture production value can be by commodity group include: Livestock (33%), Grains, Oilseeds & Pulses (18%), Horticulture (17%), Livestock products (15%), Industrial crops (cotton, sugar cane, wine grapes) (5%), Fisheries (5%), Forestry (4%), Other crops (4%), ⁵ EY - Seasonal horticulture labour demand model, ⁶ ABARES - Snapshot of Australia's Agricultural Workforce 2018 (based on 2016 figures), Note: ⁴ Crops include grains and oilseeds, horticulture, forest products and fisheries,

Economic activity and employment is dependent on harvesting seasons; thus any difficulty in accessing casual workers can cause significant downstream disruption

Value chain for horticulture produce (illustrative) ^{3,4}



Harvest labour in the horticulture sector is highly mobile and comprised mainly of international workers as they are a highly mobile workforce

Characteristics of the casual labour market



Heavy reliance on international workforce

- ▶ The majority of casual workers used by growers come from overseas and are on a temporary basis
- ▶ Historically, it has been difficult to attract and retain a local workforce in horticulture; this has been attributed to a number of factors relating to the nature of the work (incl. temporary tenure associated with the harvest season period) and the often remote location of fresh produce production



Demand is dependent on seasonality

- ▶ Most growers experience significant variations in their labour requirements across the season, with high labour demand during peak season
- ▶ However, certain crops such as tree crops need additional labour in the off peak season for ongoing pruning, field work and maintenance



Highly transient labour force

- ▶ Due to the seasonal nature of the roles offered, workers need to be mobile and tend to relocate based on the needs and seasonal patterns across Australia
- ▶ However, Working Holiday Makers tend to show preferences for more touristic areas/regions



Location is a driver of labour supply

- ▶ The location and accessibility of a grower's farm has significant influence on labour access as well as the labour profile/s they have access to
- ▶ Growers located closer to cities and large towns, are more likely to rely on Working Holiday Makers

Main categories of casual workers

Casual workers are made of four different types of workers where approximately **95%** of these workers are from overseas based on our study

Seasonal Workers Program (SWP)

- ▶ Program provides agriculture sector roles to workers from neighbouring Pacific Island countries
- ▶ Temporary Work (International Relations) visa (subclass 403)
- ▶ 9 months stay with a temporary change introduced to allow SWP workers to stay for up to 12 months¹

Pacific Labour Scheme (PLS)

- ▶ Complements the SWP to match business demand with workers
- ▶ Temporary Work (International Relations) visa (subclass 403)
- ▶ Scheme is broader and includes all sectors across rural and regional Australia²

Working Holiday Makers (WHM)

- ▶ Visa holders who are given working rights for 12 months in Australia³
- ▶ Working Holiday (subclass 417) visa and Work and Holiday (subclass 462) visa
- ▶ Top participating countries: UK, France, Germany³

Australian Citizens/Permanent Residents

- ▶ Local residents employed on a casual basis
- ▶ Proportion of local workers depend on the commodity e.g. mangoes have almost no local Australians whereas mushrooms employ only locals

Typical casual labour practices



Labour recruitment channels

- ▶ Labour hire companies
- ▶ Direct (Seek, Harvest Trail, etc.)



Average on farm contract duration

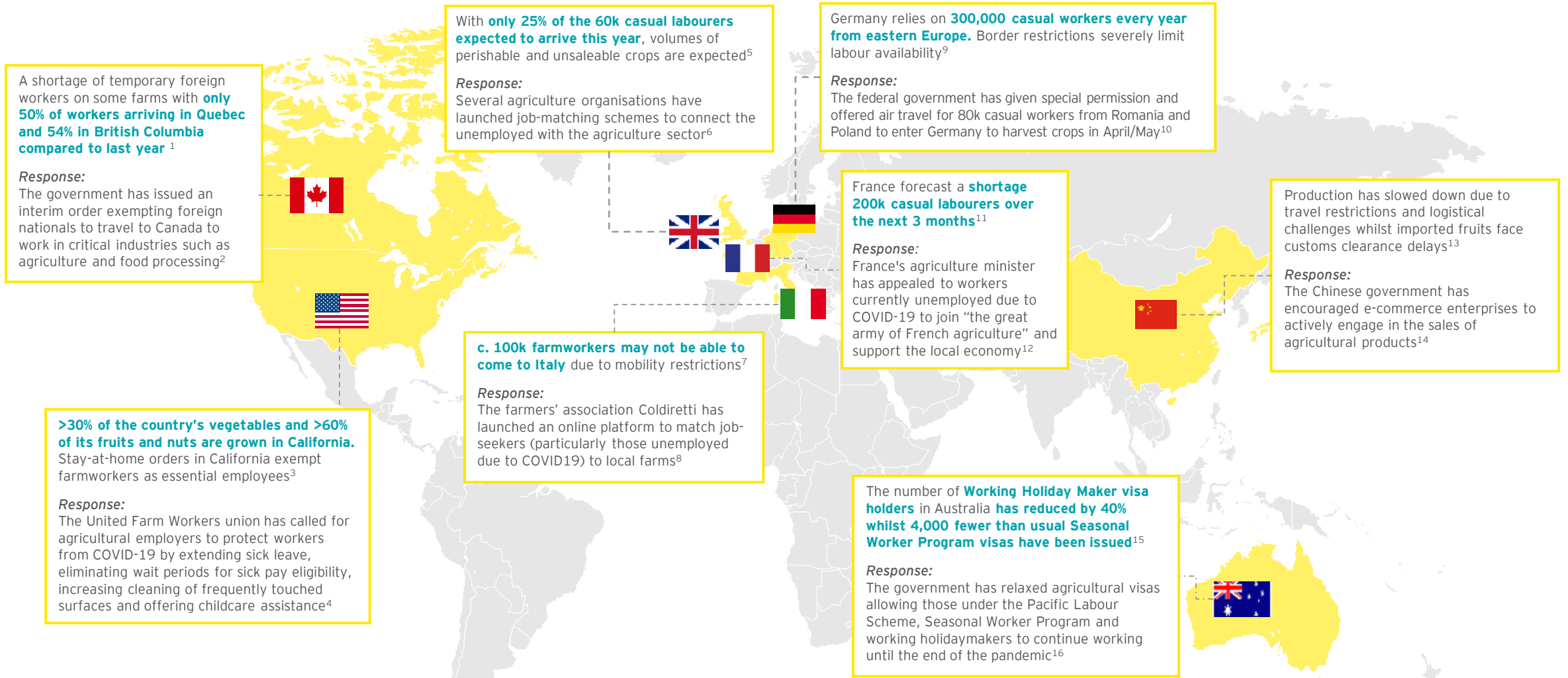
5 months, depending on worker type



Average hours worked

30-50 hours per week

COVID-19 has caused rapid and unprecedented disruptions to labour practices across global markets, leading to targeted responses to address casual labour issues



Source: ¹ The Producer, 'Horticulture Council of Canada continues to warn of labour shortages'; ² Lexology, 'Food For Thought: COVID-19 Impacts on Food and Agriculture'; ³ Lexology, 'Food For Thought: COVID-19 Impacts on Food and Agriculture'; ⁴ Farm Policy News, 'Covid-19 Impacting Food Purchasing Dynamics as Ag Labor Concerns Persist'; ⁵ Reuters, 'Europe's new jobless urged to pick fruit amid huge farm labour shortage'; ⁶ Ibid; ⁷ Ibid; ⁸ WFO 'What Italian farmers need to address COVID 19 challenges? Coldiretti's Highlights'; ⁹ NPR, 'Germany Struggles To Fill Its Farm Labor Shortage After Closing Its Borders'; ¹⁰ Ibid; ¹¹ Reuters, ¹² Ibid; ¹³ Fruitnet 'Covid testing disrupts China's fruit imports'; ¹⁴ FAO 'Local food systems and COVID-19: A look into China's responses'; ¹⁵ PMA 'Common sense solutions will ease looming horticulture labour shortage'; ¹⁶ Farmonline 'Federal Government makes changes to agriculture visa programs'

Key themes have emerged from international research with regards to COVID-19 impacts on horticulture and can provide some insights to the Australian context

Heavy reliance on foreign casual workers

- ▶ Many growers across all countries rely on casual workers and backpackers to harvest fruit and vegetables
- ▶ With border controls and travel restrictions in place, there is a widespread concern on how the sector will access the labourers they need, notably for the peak season

The human-intensive nature of some commodities

- ▶ Some commodities such as apples require large groups to plant and prune trees. With more and more casual workers struggling to cross borders, the neglect of orchards can result in losses for future harvest seasons¹
- ▶ Commodities such as strawberries require a large group working at the same time. Social distancing measures have resulted in less efficient pickings and crop wastage

The challenge of appealing to domestic workers

- ▶ Growers across multiple countries highlight the historical challenge they face to attract their domestic workers to relocate and undertake agriculture jobs
- ▶ More recently, some farmers in Germany are even sceptical of introducing domestic employees due to the heightened risk of coronavirus infection and higher costs through training and induction sessions²

Increase in fresh produce sales

- ▶ With more people cooking at-home meals, fresh produce retail sales have increased significantly in some countries, such as the US which experience over +30% growth vs. last year³
- ▶ In China, fresh produce sales via online platforms such as Missfresh and Dingdong have grown massively by 300% and 220% respectively³

Disruption of international supply chains

- ▶ Horticultural growers selling abroad are subjected to challenges surrounding border closures, port lockdowns, clearance controls and safety measures, causing significant logistical delays and additional costs
- ▶ Logistical uncertainties for exports is relatively high, further affecting an already volatile market

Disruptions in the food service industry has led to more retail focused distribution channels

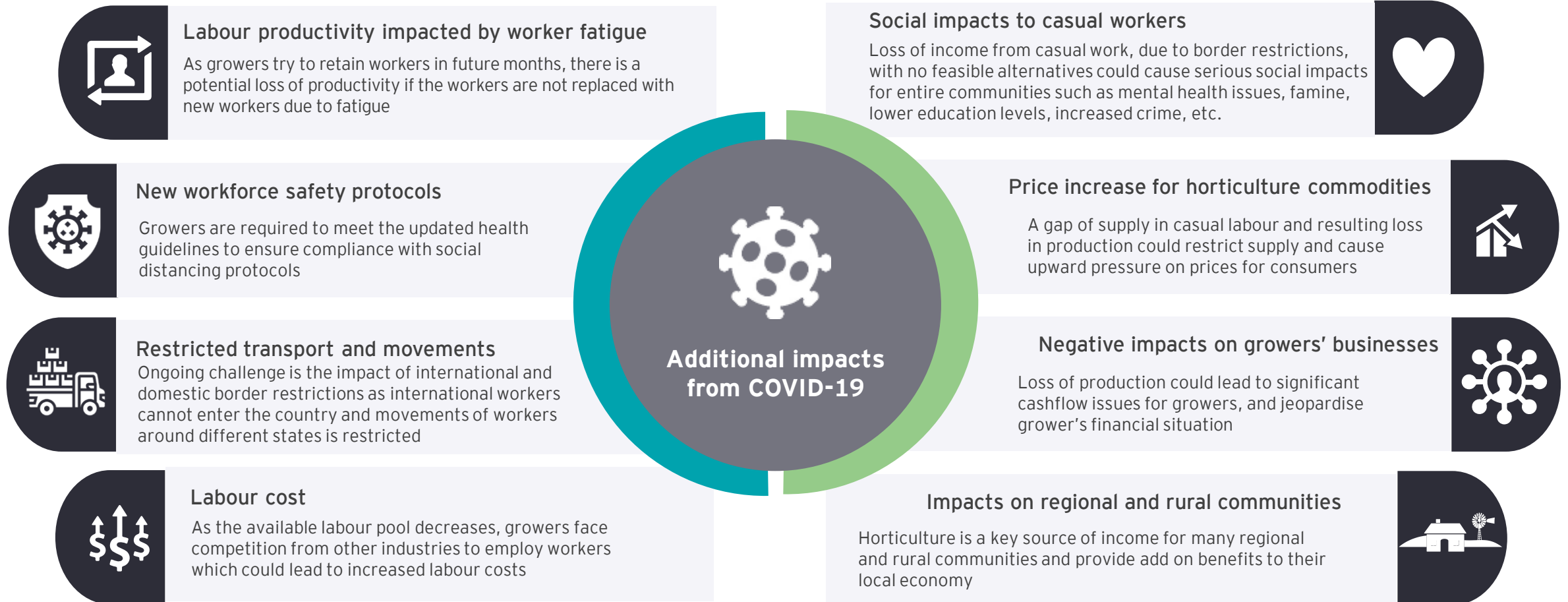
- ▶ Consumer demand for food has shifted away from the food service industry to food consumed at home⁴
- ▶ At the same time, retail demand for food has soared. In Australia, volume of pre-packed fruits and vegetables sold has ranged between 2.1% - 11% for fruits and 6.7% - 18.8% for vegetables, between March 2020 and June 2020⁵
- ▶ This has led to major changes in the food supply chain as logistical challenges and different consumption patterns emerge and online distribution channels are pursued



Stakeholder consultation confirmed that impacts of COVID-19 go beyond labour availability and as the situation continues, it could severely impact horticulture businesses and workers wellbeing

Labour impacts and challenges

Other impacts and challenges





**Grower
survey results**

Finding #1: The horticulture sector relies heavily on casual workers comprised primarily of Working Holiday Makers who are mainly sourced by word of mouth

How many workers did you employ in FY19/20?

(aggregate)

12,103

Permanent workers employed



76,965

Casual workers employed

based on our survey responses



33%

Coverage of production volume across priority commodities*



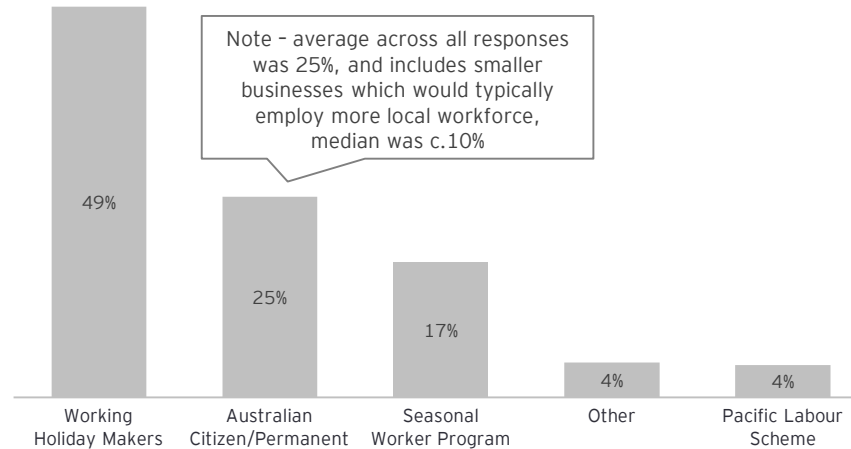
38-45

hours worked in a working week in FY19/20

(dependent on type of task and commodity picked)

What is the breakdown of your casual workers?

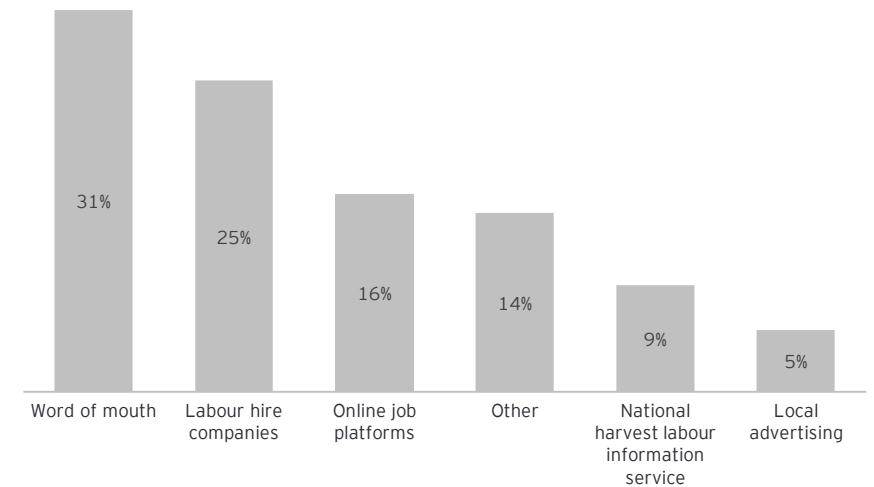
Average % breakdown from grower responses



Key insights

- ▶ A majority of casual workers are Working Holiday Makers, attributing to 49% of the labour force
- ▶ For smaller farms who are also geographically closer to towns, a proportion of Australian casual workers tend to be more heavily relied on

What is the main way you source labour?



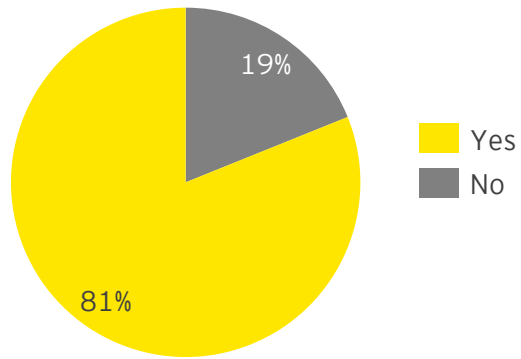
Key insights

- ▶ Word of mouth has been an effective way for growers to source their labour, particularly relying on backpackers to share their experiences with others and provide a constant stream of labour
- ▶ Many growers have indicated they have formed a relationship with local backpacker hostels to source labour

Sample size (n=456)

Finding #2: Due to COVID-19, a majority of respondents foresee a significant labour gap in the next 6-12 months, largely attributed to border closures and visa restrictions

Do you expect to experience a casual labour force gap in the next 6-18 months?



- ▶ Although 58% of respondents indicated they have not experienced labour gaps in the last 6 months, 81% stated they expect to experience a gap in the next 6-18 months
- ▶ This coincides with the spring/summer harvest for many fruit and vegetables
- ▶ This highlights that the majority of the respondents may not have been recently used to operate with labour gaps, and thus may not be prepared to tackle this issue

What is the expected labour gap in the next 6-12 months?

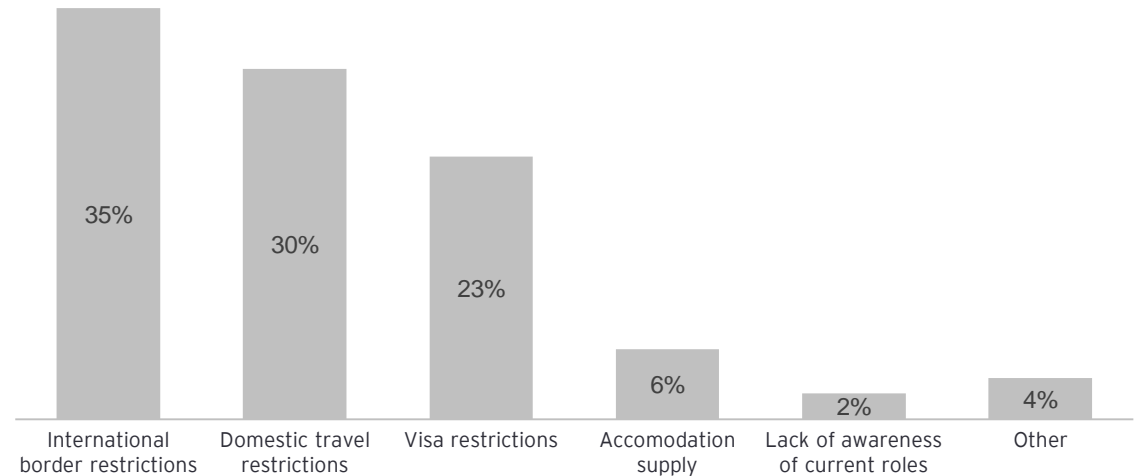
40%

expected labour supply gap for casual workers
(average)



On average, growers expect that they will be able to fill 6 out of every 10 short term roles in the next 6-12 months

Factors that will impact gaps in casual workforce 6-18 months

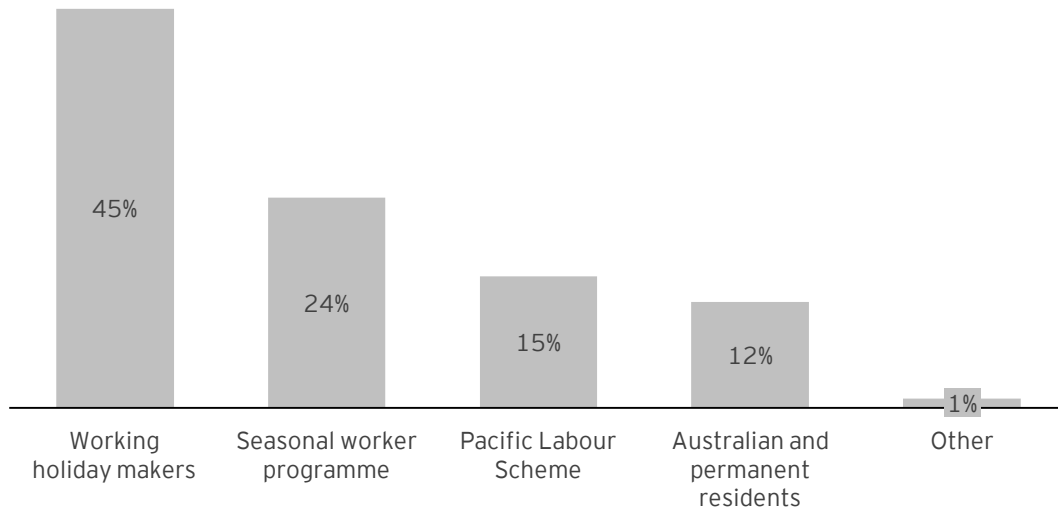


Key insights

- ▶ Limited labour availability due to COVID-19 border closures and restricted mobility remains the highest concerns for growers over the next 18 months
- ▶ Many respondents have expressed concerns for visa restrictions for SWP and WHM holders, reflecting heavy reliance on these groups of workers during the harvest season

Finding #3: Over 60% of respondents are expecting that workers from overseas will be primarily missing in the next 18 months and are concerned about what this means for their business

Types of casual worker that will be primarily missing in the next 6-18 months?



Key insights

- ▶ Over 60% of respondents have indicated that the main category of workers that will be missing are working holiday makers and seasonal worker program workers
- ▶ These categories of workers are most impacted by visa and international border restrictions as a result of COVID-19

How confident are you to secure your target labour profile in the next 6-18 months? What are your biggest concerns with securing labour?

“50% confident, biggest concern: enough people available to do the work and the [competition with other commodities](#)”

“[Domestic travel restrictions](#) will also limit the [ability for seasonal labour to follow the seasons and the work](#).”

Australians haven't shown themselves to be interested in harvest work in general. I think the economic situation will need to be quite dire before unemployed people in cities have the impetus to look for work in the regions and relocate as needed

“[40% confident, concerned about increased competition amongst producers for workers](#) that pushes labour costs and food prices up. Some crops will not be harvested leading to lower food supply”

“Biggest concern is [securing staff who are willing to work](#).”

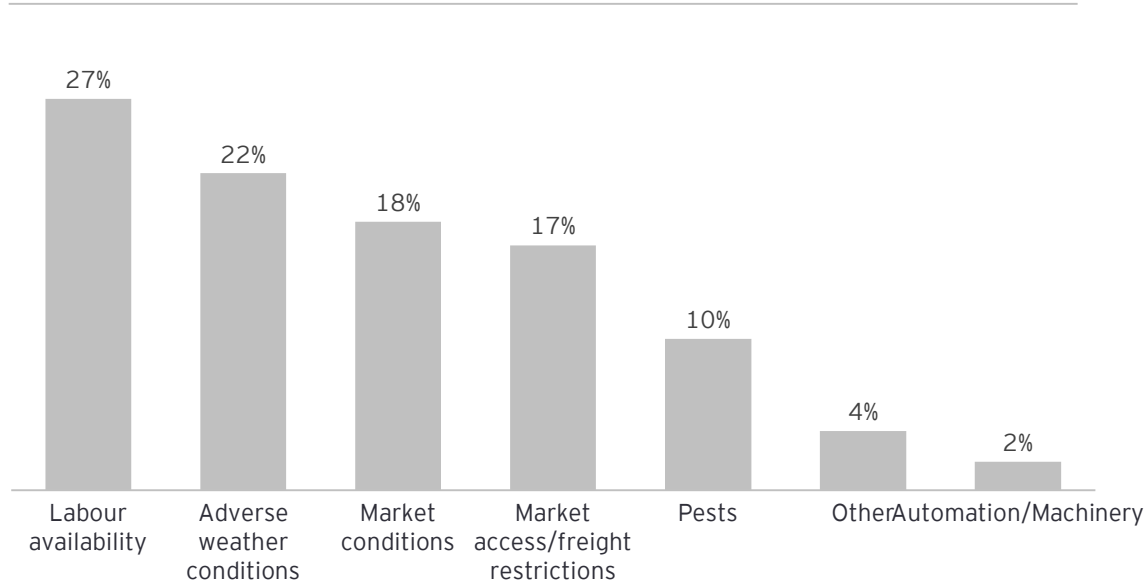
The reason why we have utilised SWP in the past is because of the eagerness and productivity of the staff. We were unable to get our normal staff from Vanuatu this year which has meant the SWP staff that we have been able to secure physically are less able to conduct the tasks

“Think we will be ok this season but it will be [next season 2021/22](#) that I am more concerned about if the [international borders are not opened up](#)”

“Main concern is the international border closures. The [workers here now would like to start going home](#) as they are now operating on visa extensions under the seasonal workers scheme and they have [been in Australia longer than they had planned](#)”

Finding #4: Labour availability is identified as the top factor likely to impact production over the next 18 months while previous experience is considered as the first driver for labour productivity

What are the factors you see impacting your production over the next 18 months?



Key insights

- ▶ Labour availability due to COVID-19 border closures remains the highest concern impacting production for growers over the next 18 months

What has the greatest impact on productivity levels?

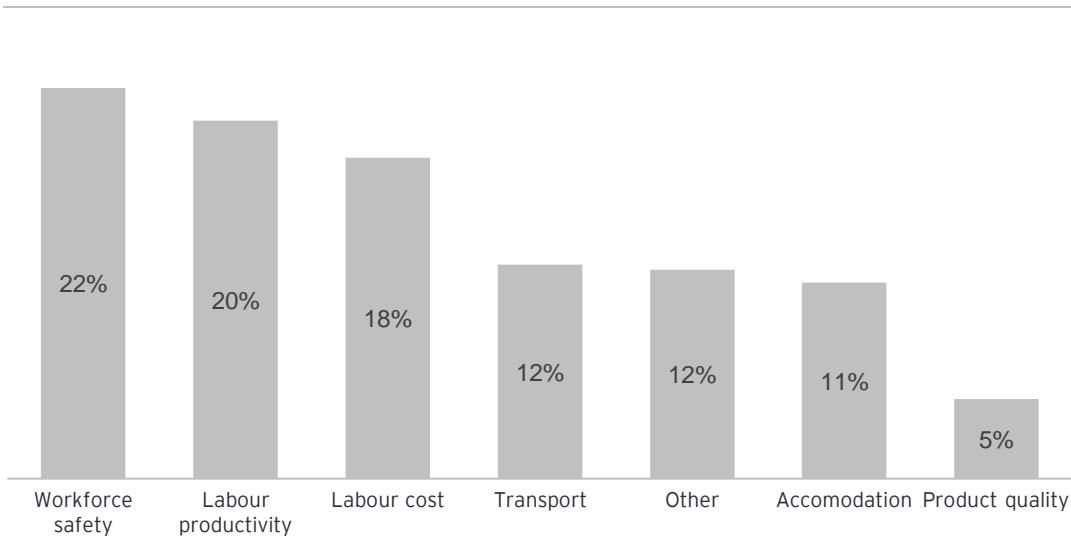


Key insights

- ▶ A majority of growers have stated that although previous experience can be beneficial, the training they provide onsite is straightforward, and does not require significant investment in time and cost

Finding #5: Complying with COVID-19 regulations and border restrictions has been challenging for growers with many calling for targeted support in the next 18 months

Challenges faced due to COVID-19



Key insights

- ▶ Additional costs incurred to comply with COVID-19 social distancing regulations such as provision of masks and lower efficiency (picking produce in close proximity are required for certain commodities) have been significant challenges
- ▶ A primary challenge faced by respondents was border community restrictions, severely limiting mobility of casual workers in harvest area

Sample size (n=456)

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Source: Grower survey results

In your view, what types of responses would support your business during this time over the coming 18-month period?

“Opening international borders for the seasonal workforce program and to access Pacific Islanders

“Being kept up to date with latest COVID restrictions and being aware of any changes that need to be made to protect the safety of our workers and our business

“A bit more cooperation between the states with interstate travel for seasonal workers

“Extensions to SWP and WHM visas for workers who want to continue working

“Introduce a quarantine station to allow the SWP to get up and running again

“A better planned Govt incentive for our Australian residents to work in the industry

“Encourage temporary replacement of workers with certain people who are unemployed i.e. work requirements done under the jobkeeper program

“Allow Pacific Islanders to enter the country

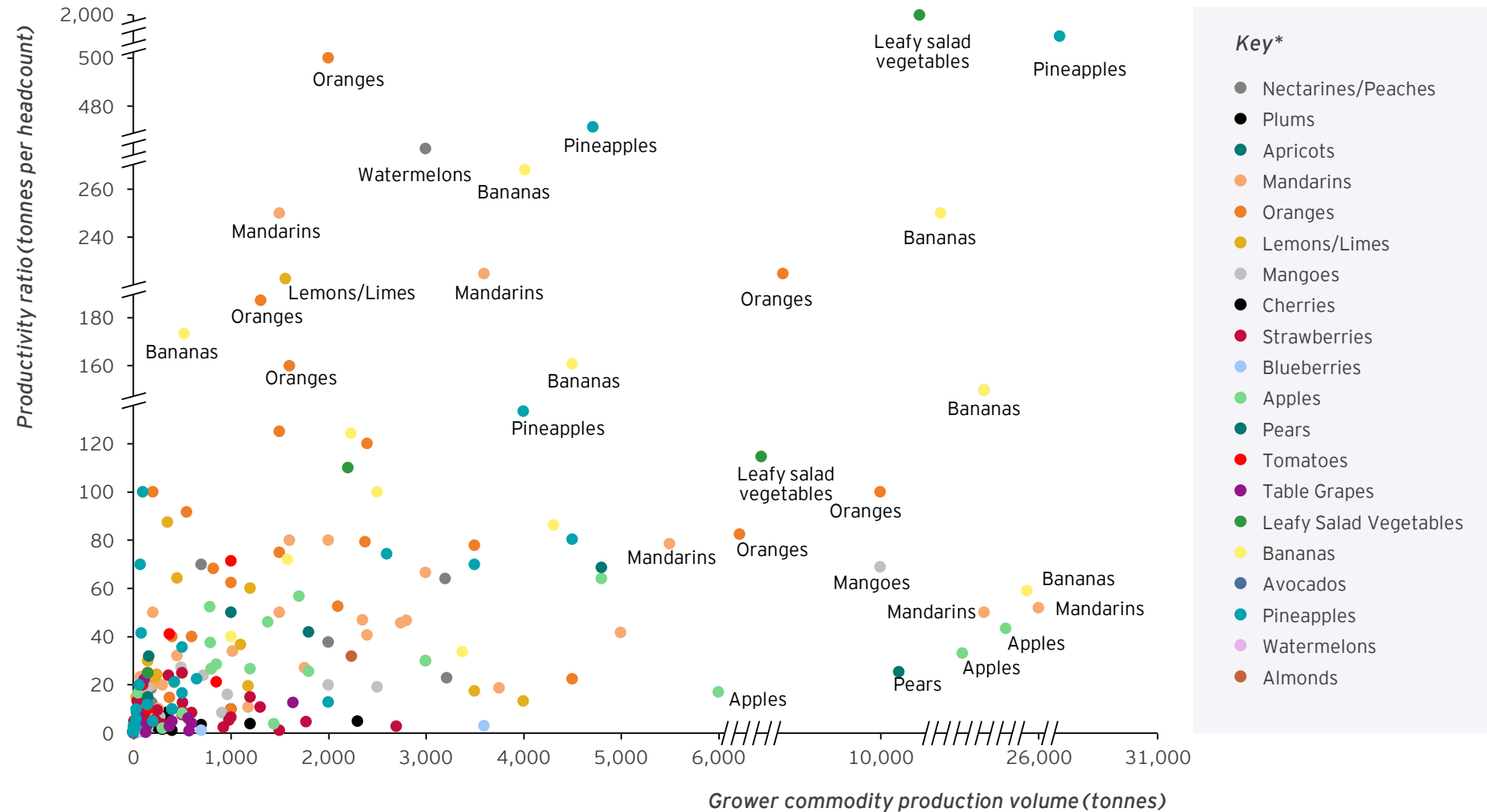
“A more strategic industry focused harvest working visa

“Allowing staff to do more than 38 hours at the usual rate rather than overtime rate

“A practical and area specific look at regulations, rather than state wide blanket solutions

Finding #6: Productivity ratios (in tonnes per headcount) in horticulture tend to vary significantly with the grower's size (in production volume) across all commodities

Distribution of productivity ratios by grower production volume



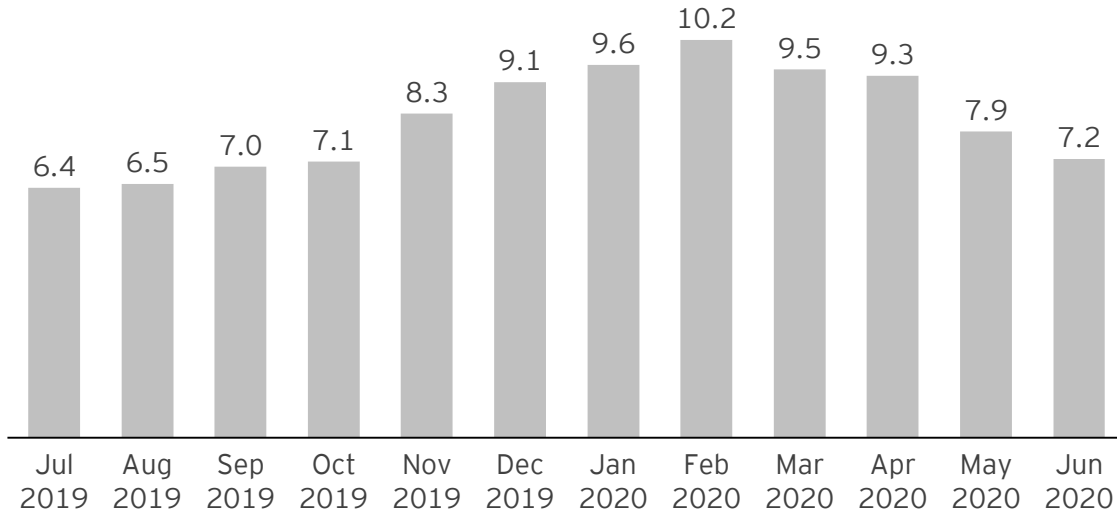
Key insights

- ▶ Growers were asked about their production volume and casual labour requirements for the commodities they produce
- ▶ The chart shows the relationship between productivity ratio on the y axis (in tonnes per headcount) and the production volume from growers on the x axis
- ▶ There is a lot of variety in productivity ratios in the horticulture industry as it varies by growers size and the particular commodities they produce

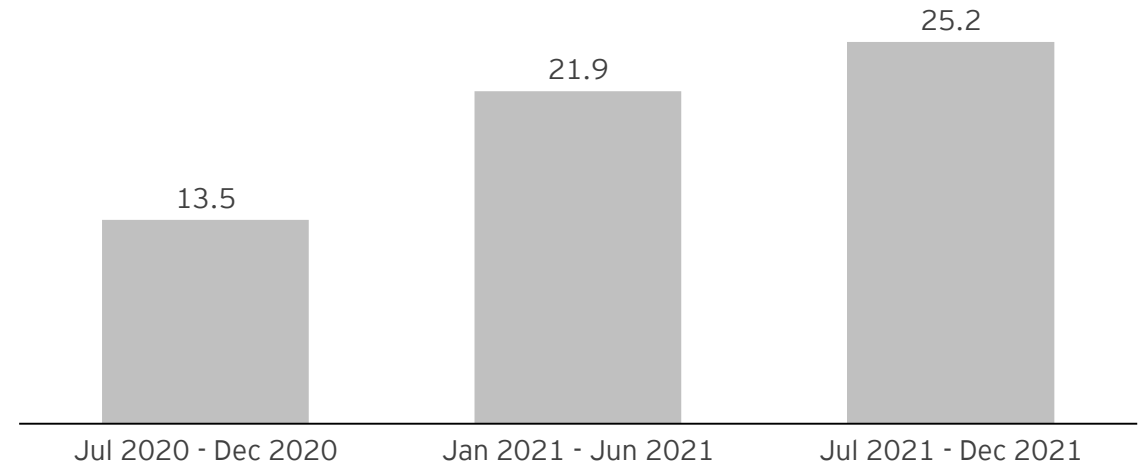
Finding #7: Growers indicated that they employed an average of c. 8,200 casual workers by month last year and expect an increase in their labour requirements over the next 18 months

Total production volume captured in survey: 23%^

How many casual workers did you employ by month during the 2019-20 financial year? ('000s headcount, Jul 19 - Jun 20)



How many casual workers do you expect you will need in the next 6, 12 and 18 months? ('000s headcount, Jul 20 - Dec 20 to Jul 21 - Dec 21)



Key insights

- ▶ Historically, growers have employed an average of c. 8,200 casual workers per month with a peak occurring in Nov 19 - Apr 20
- ▶ The highest demand requirements correspond to peak harvest months for summer and spring commodities

Key insights

- ▶ Growers expect that their casual labour demands will increase in the next 18 months, with the highest increase in labour demand in Jul 21 - Dec 21 with c. 25,200 workers needed

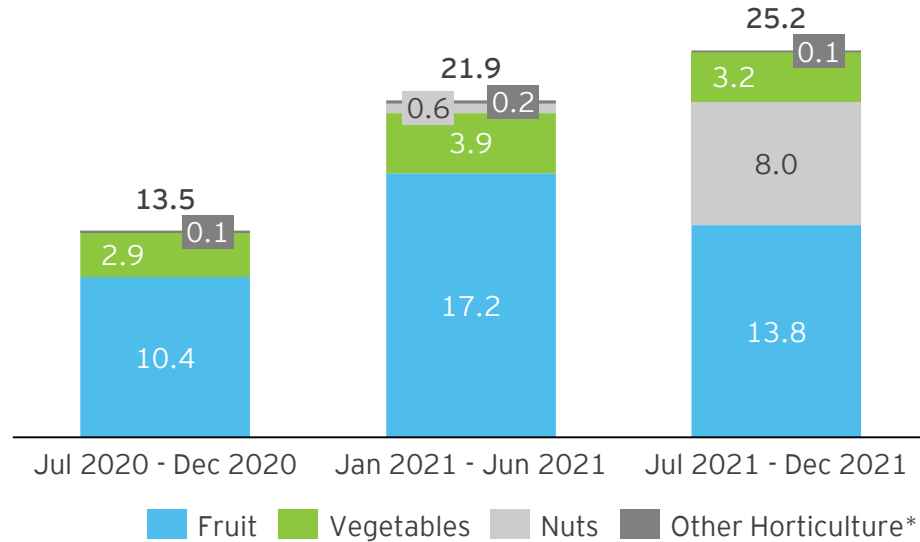
Sample size (n=456)

Finding #8: Growers producing fruit commodities are expected to make up over 70% of casual labour demand over the next 18 months

Total production volume captured in survey: 23%^

Fruit production volume captured in survey: 40%^

How many casual workers do you expect you will need in the next 6, 12 and 18 months? By commodity type ('000s headcount, Jul 20 - Dec 20 to Jul 21 - Dec 21)



Key insights

- ▶ Fruit commodities are expected to make up the majority of casual labour demand need making up more than half of total demand for growers
- ▶ Vegetable and other horticulture commodities casual labour demand needs are expected to be fairly consistent in the next 18 months
- ▶ Nut commodities are expected to be low between Jul 20 - Jun 21, with an increase in Jul 21- Dec 21

Horticultural product	Casual labour represented in survey	Production captured in survey (tonnes)	2019-20 Production coverage (%)
Apples	2,180	56,080	19%
Avocados	420	8,730	10%
Bananas	870	76,930	22%
Blue berries	2,450	5,430	25%
Rubus berries	3,950	4,740	41%
Strawberries	4,240	15,980	23%
Cherries	2,280	5,940	29%
Grapefruit	220	1,770	17%
Lemons/limes	880	18,840	39%
Mandarins	2,100	99,870	67%
Oranges	910	54,450	10%
Mangoes	690	18,390	24%
Nectarines/peaches	550	2,570	8%
Table grapes	1,690	4,640	2%
Total	23,430		

Sample size (n=456)

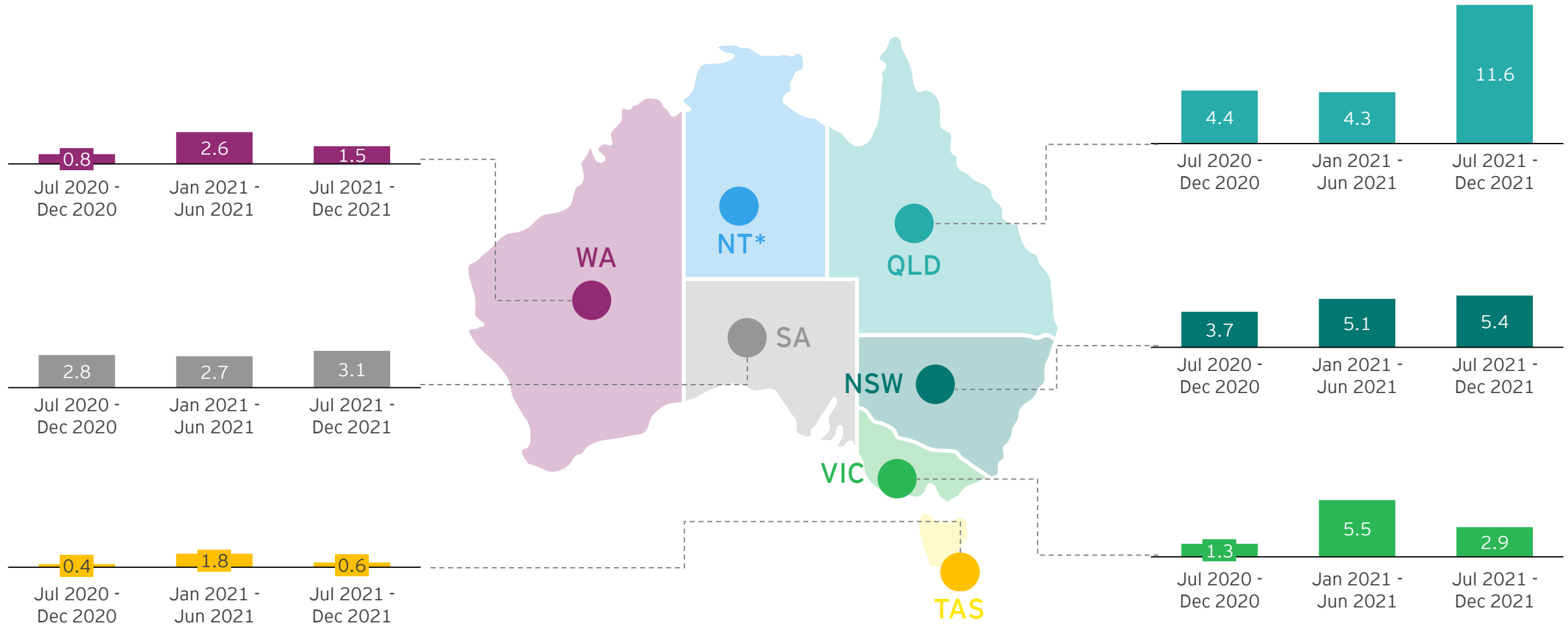
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Note: *Other horticulture includes turf, cut flowers and nursery growers; ^ Total production volume is taken from Hort Stats Handbook, Commodity results are included for commodities with a sample size greater than 10 and others commodities have been excluded to ensure individual grower data could not be identified from the sample; Source: Grower survey results

Finding #9: Growers anticipate significant fluctuations in casual labour demand over the next 18 months, reflecting the seasonality of the commodities they produce

Total production volume captured in survey: 23%^

How many casual workers do you expect you will need in the next 6, 12 and 18 months? By state ('000s headcount, Jul 20 - Dec 20 to Jul 21 - Dec 21)



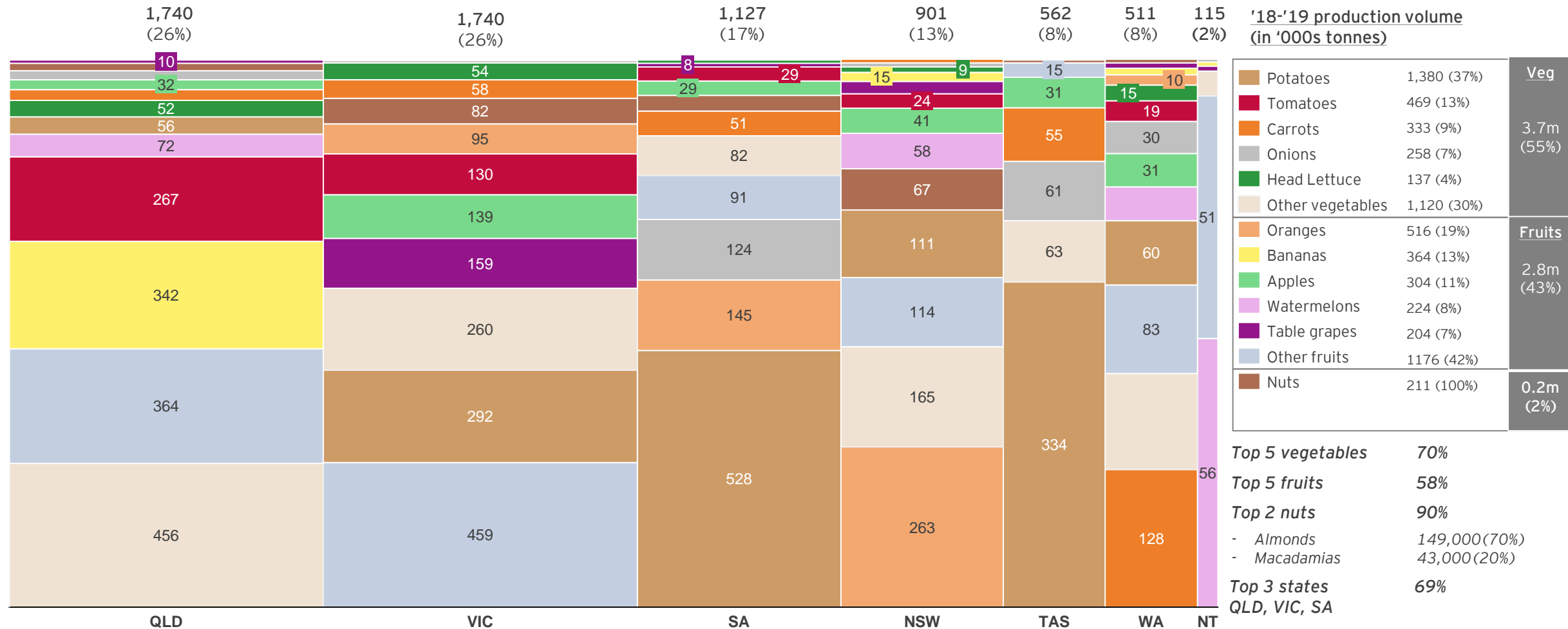
Copyright © 2020 Ernst & Young, Australia. Liability limited by a scheme approved under Professional Standards Legislation.
 Sample size: 456; Note: ^ Total production volume is taken from Hort Stats Handbook; *NT data not included as not sufficient data points to aggregate and de-identify grower data Source: Grower survey results



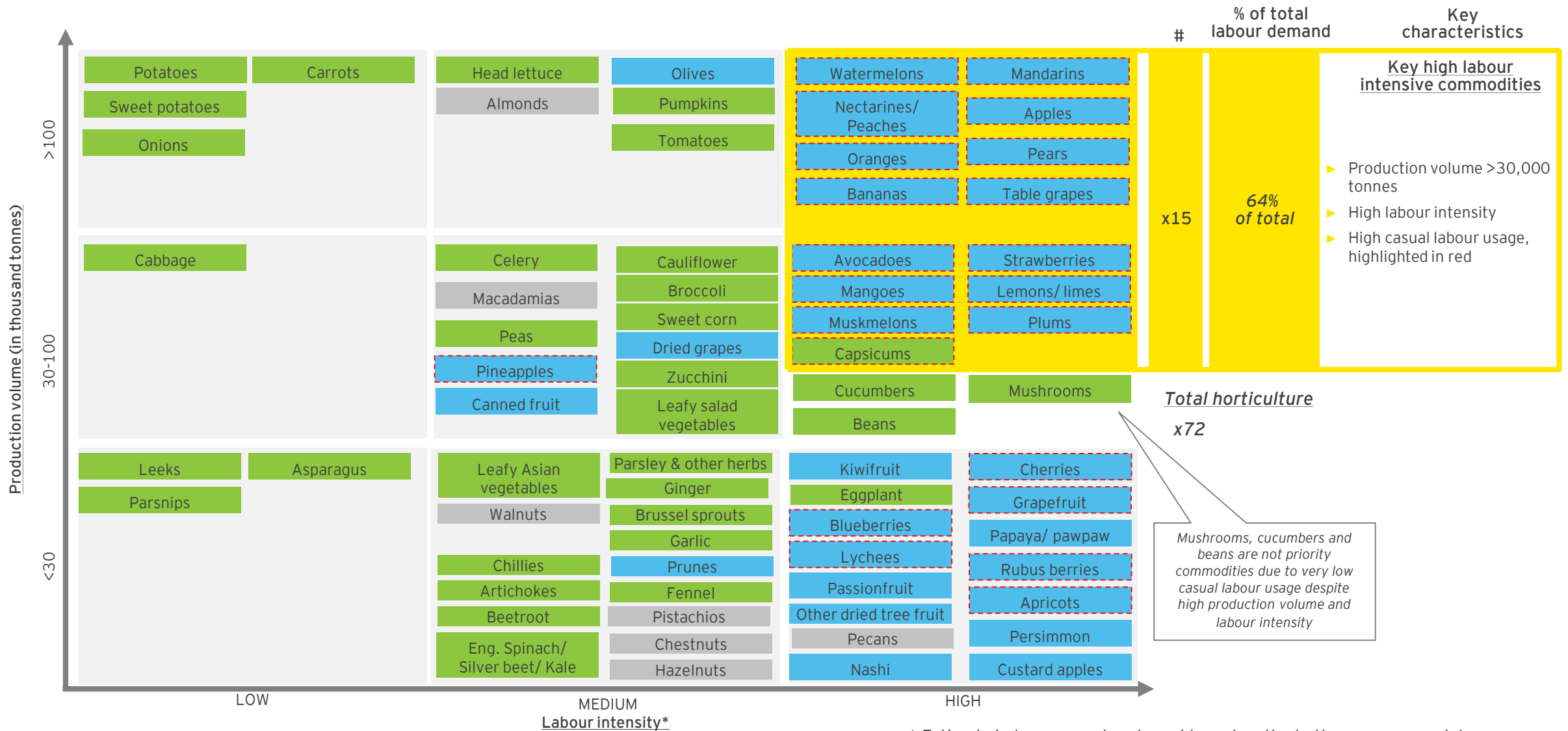
**Horticulture labour
demand**

Total production volume of the horticulture sector was 6.7m tonnes in '18-'19 comprised mainly of vegetables (55%) and fruits (43%) and dominated by 3 states (70%)

Total production volume of the horticulture sector ('000s tonnes, 2018/19)^

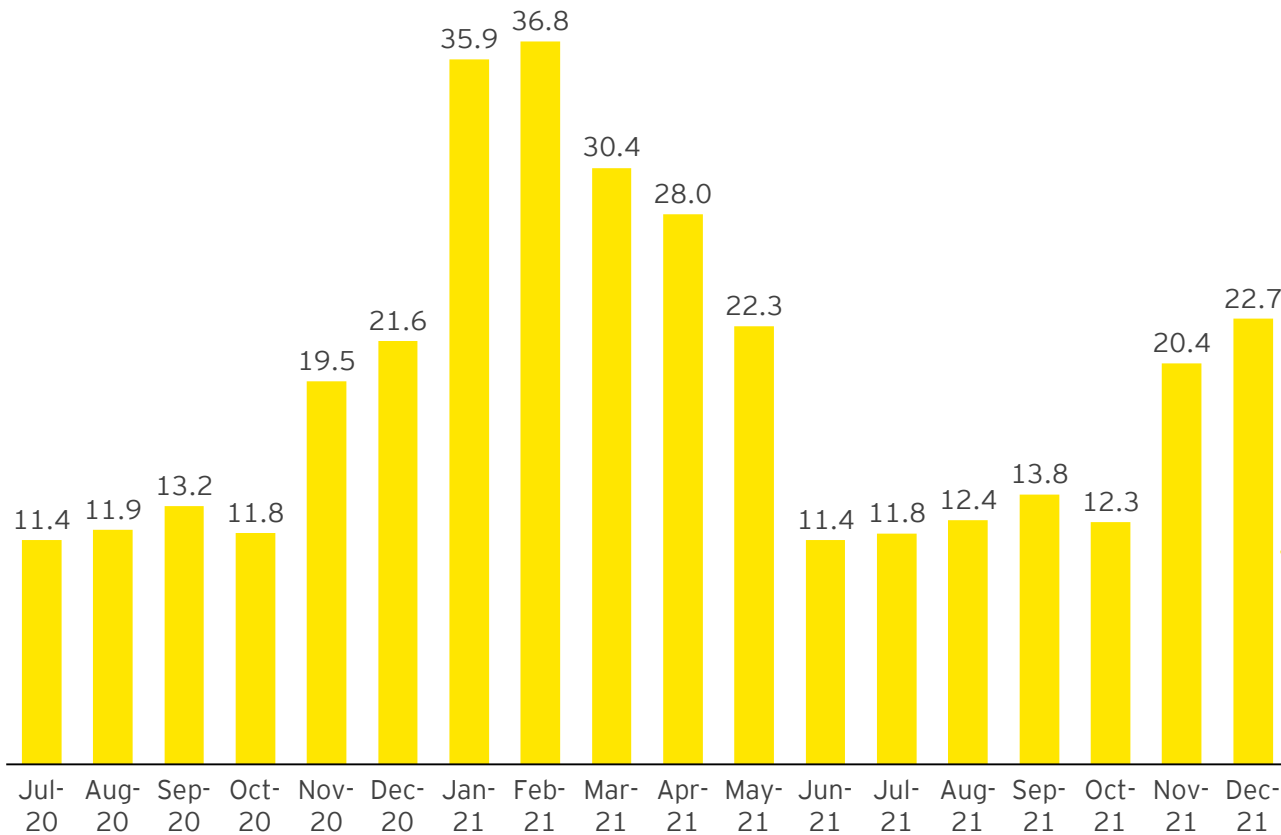


We analysed all commodity profiles and identified 15 priority commodities due to their high production volume, high labour intensity and high casual labour usage, making up over 60% of total labour demand



Our top down modelling indicates that monthly casual labour demand is forecast to vary from 11,400 to 36,800 over the next 18 months (c. 254,000 annualised roles*)

National forecasted casual labour requirements, by month ('000s headcount, Jul 2020 - Dec 2021)



Key highlights

Labour demand or casual labour requirements measures the total effort required in each month to either support the harvest of commodities or undertake other tasks such as maintenance and pruning

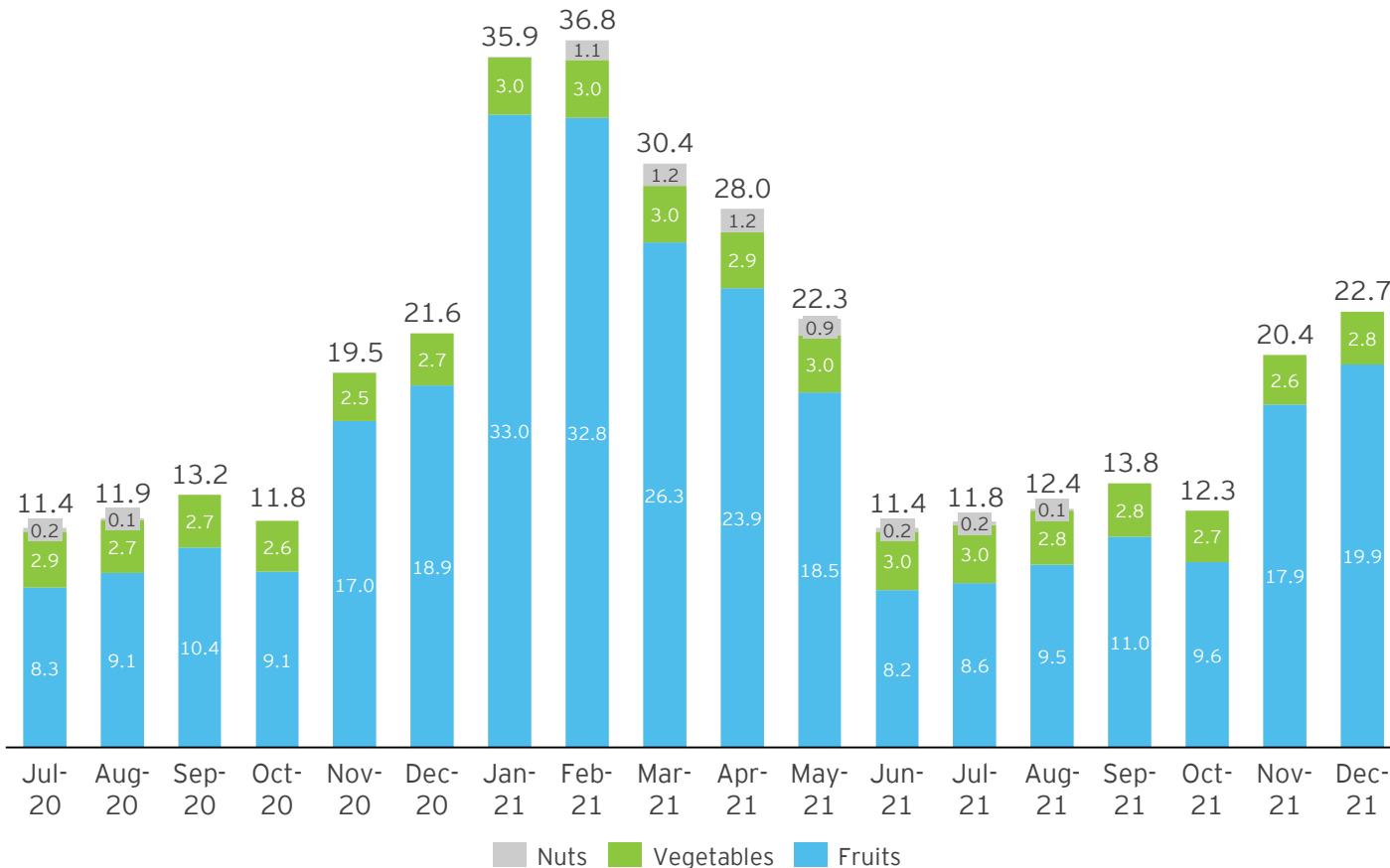
Note: *it is assumed people typically work multiple months, and not the entire year, and so annualised labour demand does not represent the headcount required by the sector for the entire year. There are also mixed levels of utilisation of workers over the months, which creates significant peaks in harvest period*

The study includes a detailed and quantitative modelling of casual labour demand for horticulture over next 18 months, combining bottom-up and top-down approaches:

- ▶ Labour requirements are computed on a **monthly** basis over **18 months** (Jul 2020 - Dec 2021)
- ▶ Bottom-up data collected is based on a **nation-wide study** enabling to get **significant coverage** across the sector (23% of total production represented) and **all grower sizes**
- ▶ Bottom-up analysis combined the data collected in the bottom up and modelling expected labour demand using forecast production volume. The resulting national aggregate demand is shown here
- ▶ The granularity provided include **commodities** and **SA4 regions**

Fruit commodities are forecast to make up c. 85% of monthly casual labour demand, with peaks in demand occurring between January 2021 - April 2021

Total forecasted casual labour requirements, by commodity group ('000s headcount, Jul 2020 - Dec 2021)

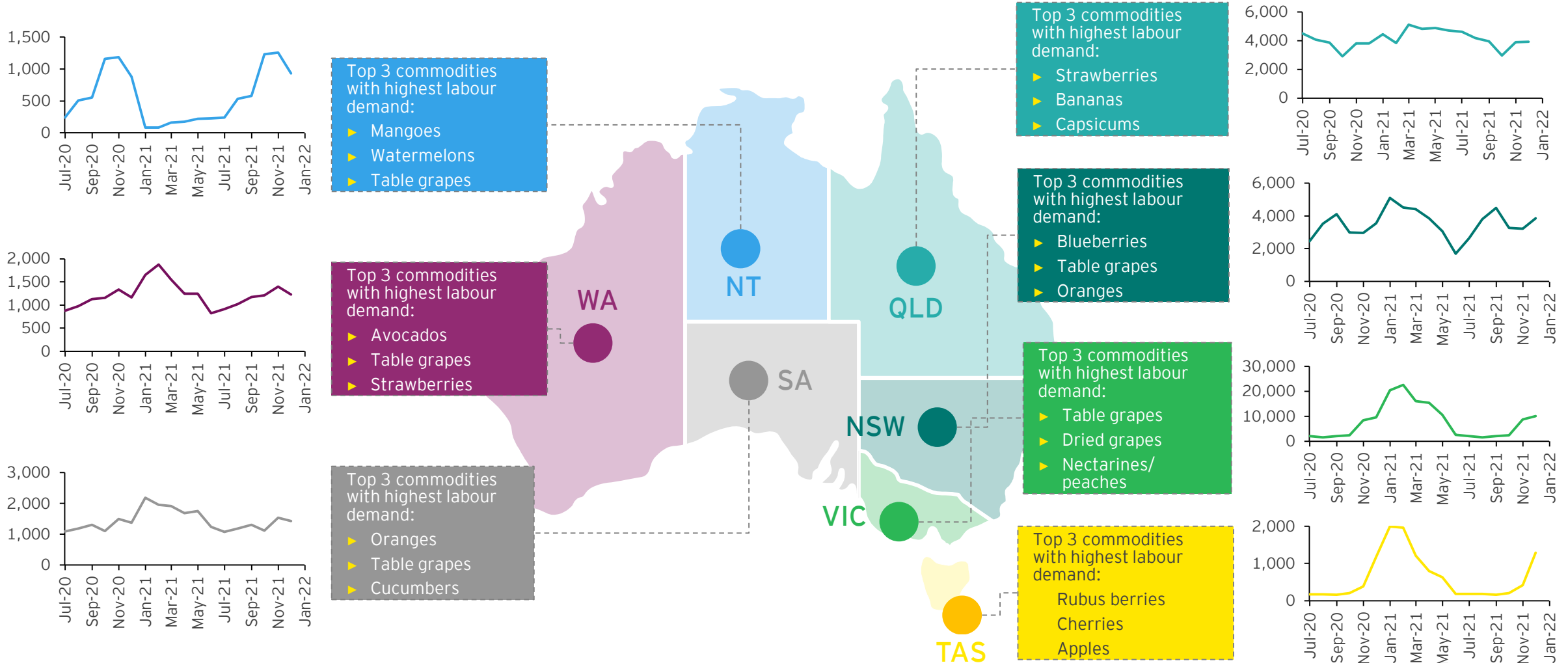


Key highlights

- ▶ Peak demand for casual labour is expected to occur between February 2021 and May 2021
- ▶ For vegetables, casual labour requirements are consistent throughout the year as some commodities can be harvested all year round
- ▶ The peak of demand is expected to occur between April 2021 - July 2021
- ▶ Casual labour demand is expected to be highest for fruit commodities
- ▶ Peak in demand for casual labour is expected to occur between January 2021 - April 2021, corresponding to peak harvest for commodities such as table grapes, berries, melons, apples, pears and mangoes

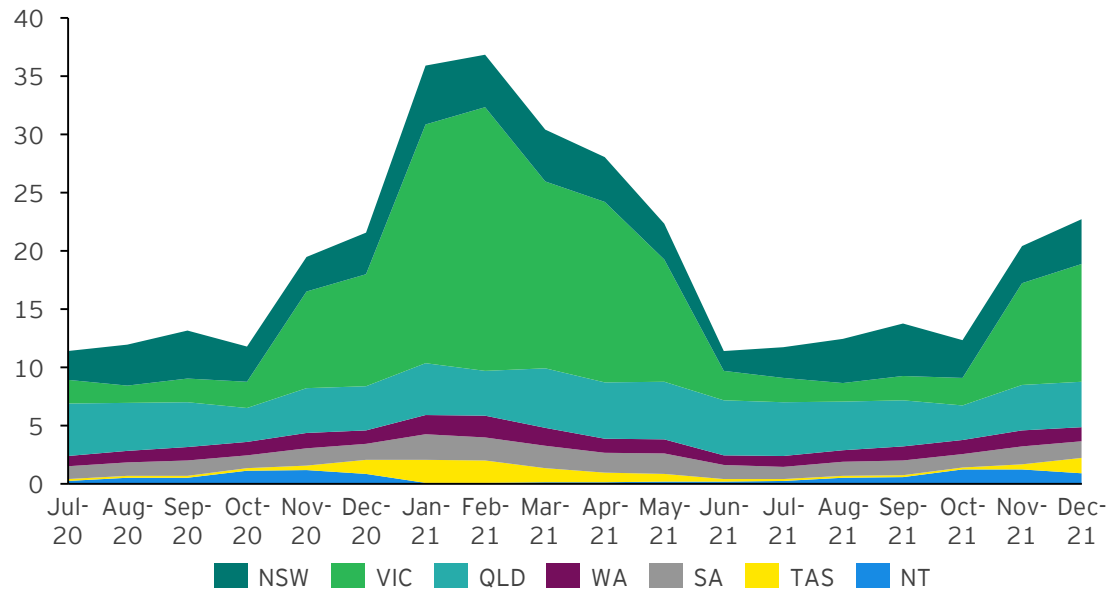
Casual labour demand is forecast to exhibit very different profiles across the states over the next 18 months, driven by the seasonality of their top commodities

Total forecasted casual labour requirements, by month and by state (headcount, Jul 2020 - Dec 2021)



Two major peaks in casual labour demand are forecast to occur over the next 18 months, respectively in Jan-Apr and Oct-Dec reflecting simultaneous peak harvest times in VIC, QLD and NSW

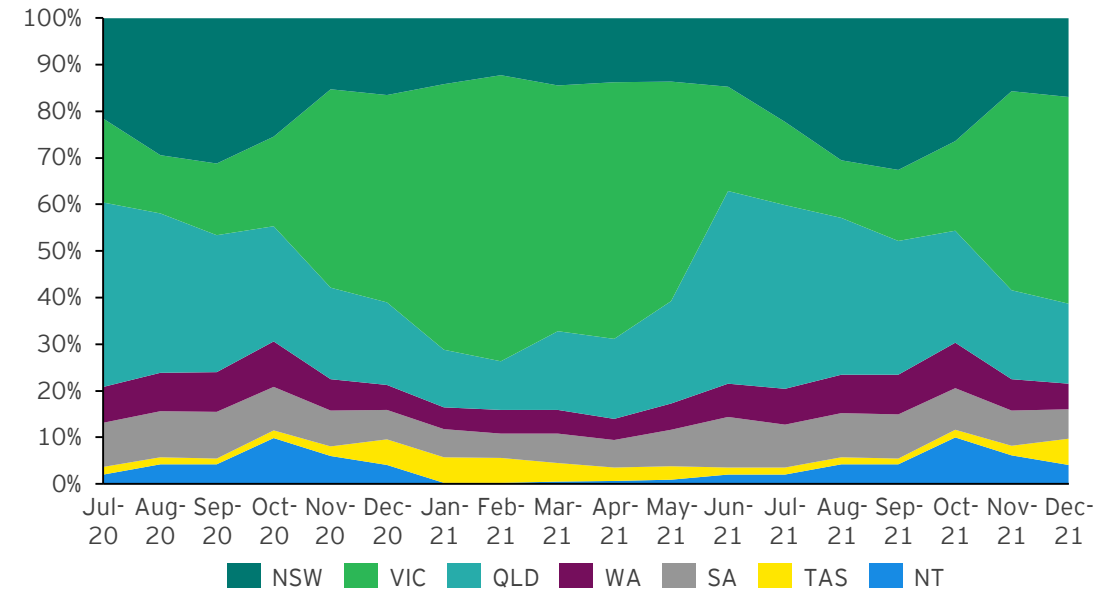
Total forecasted casual labour requirements, by state ('000s headcount, Jul 2020 - Dec 2021)



Key highlights

- ▶ **Two major peaks** forecasted for casual labour demand:
 - ▶ **Between Oct 20- Dec 20:** corresponding to peak harvest times for commodities such as mangoes, summerfruit, cherries; this is assumed to be repeated again in Oct 21- Dec 21
 - ▶ **Between Jan 21- Apr 21:** corresponding to peak harvest times for commodities such as table grapes, berries, apples, pears and melons
- ▶ **Third small peak** forecasted in Aug 21 -Sep 21: corresponding to peak harvest times for commodities such as citrus and vegetables

Total forecasted casual labour requirements, by state (% of total headcount, Jul 2020 - Dec 2021)

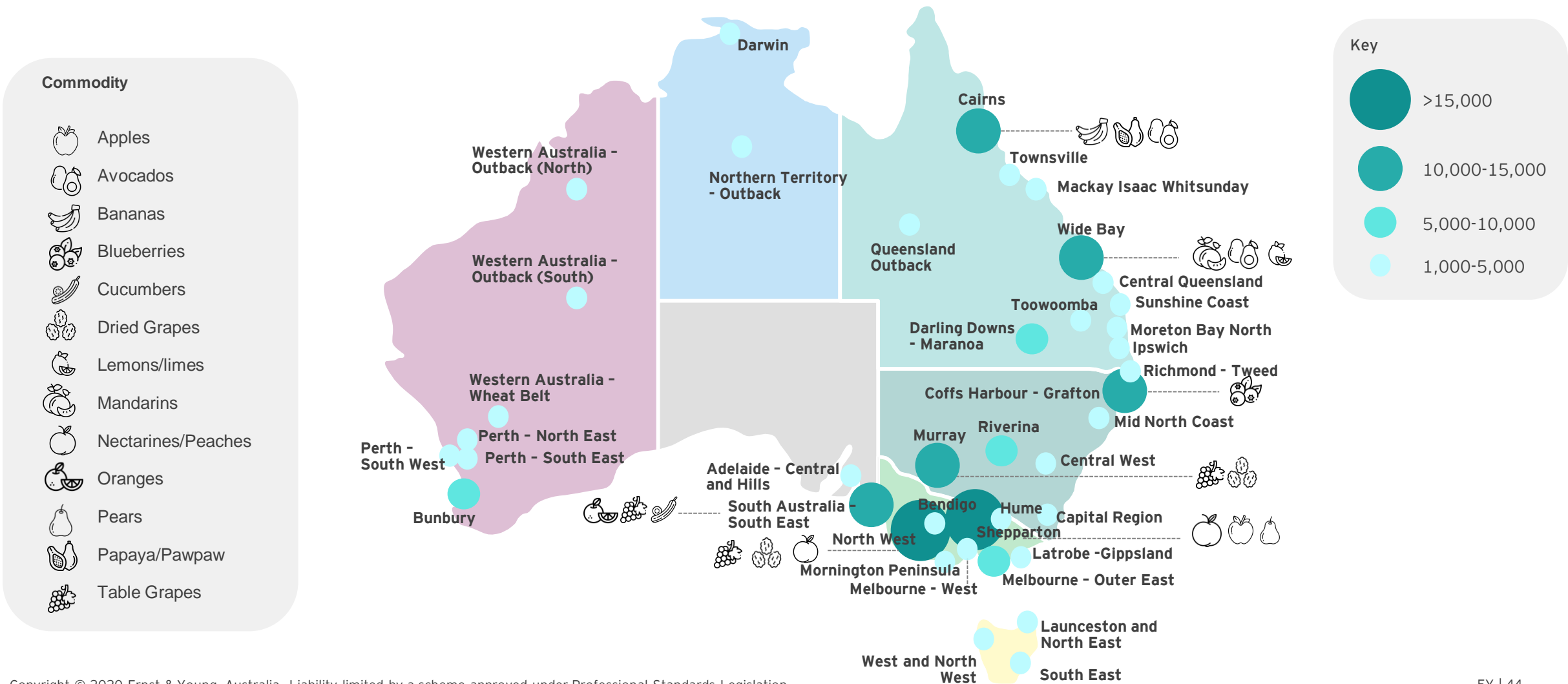


Key highlights

- ▶ Fluctuations in casual labour demand as a % of total evidence the peaks in harvest for key commodities by state:
 - ▶ **NSW:** strongest labour demand in July - Nov, reflecting peak harvest of berries and oranges
 - ▶ **VIC:** strongest labour demand in Nov - Jun, reflecting peak harvest of table grapes, summerfruit, apples and pears
 - ▶ **QLD:** strongest labour demand in Jun - Oct, reflecting peak harvest of bananas, mandarins, berries and avocados

Seven production regions stand out with forecasted annualised casual labour demand over 10,000 headcount, among which 2 are in VIC, 2 in QLD, 2 in NSW, 1 in SA

Total forecasted casual labour requirements, by SA4 ('000s headcount, Jul 20 - Jun 21)*



A close-up photograph of a human hand, palm up, dripping water onto three small green seedlings growing in a row on dark soil. The background is a soft, out-of-focus green. The text 'High-level overview of labour supply & supply gaps' is overlaid in white on the left side of the image, next to a vertical yellow bar.

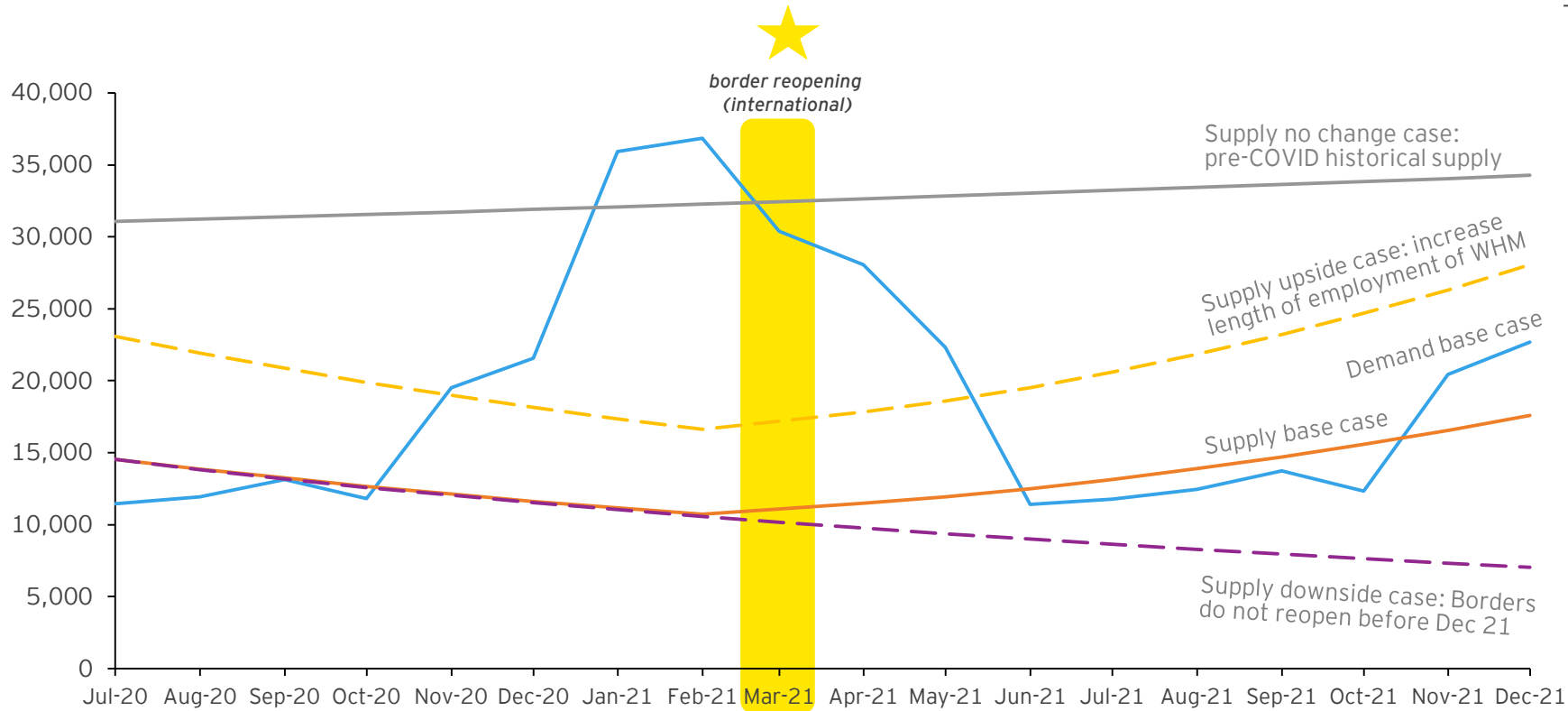
**High-level overview of labour
supply & supply gaps**

The horticulture labour market relies heavily on casual labour, which represents the vast majority of the workforce and is composed of three main worker types

	Description	Characteristics	Preferences	% in horticulture casual labour market ^{1^}
Seasonal Worker Program (SWP) and Pacific Labour Scheme (PLS)	<ul style="list-style-type: none"> Horticulture workers that are part of the Seasonal Worker Program (SWP) and Pacific Labour Scheme (PLS) who work in short term roles across the industry Holding Temporary Work (International Relations) visa (subclass 403) Both programs have been grouped due to the lower usage of the PLS 	<ul style="list-style-type: none"> Recognised as the most productive workers with c. 20% higher productivity ratios compared to WHMs Considered physically more robust and “sun-hardened” (able to tolerate hot and sunny conditions) Reliable with predictable contracted employment Work as a form of income and to provide for their families and communities Typically undertake range of low and unskilled work in the horticulture industry and may take up more advanced tasks if they more experienced and return to the same farm every year 	<ul style="list-style-type: none"> Pastoral care is typically required therefore preferences of workers are driven by the labour demand Often placed in rural areas, hot climates and with more labour intensive commodities (e.g. Bananas and Mangoes over Berries) 	22%
Working Holiday Makers (WHM)	<ul style="list-style-type: none"> Horticulture workers holding a Working Holiday (subclass 417) visa and Work and Holiday (subclass 462) visa and either; <ul style="list-style-type: none"> Working in short term roles as a source of income Working their 88 days of farm work to satisfy additional 2nd or 3rd year stay requirements 	<ul style="list-style-type: none"> Considered less productive and less reliable as they are not motivated to continue employment Typically working for shorter periods with the majority of workers are motivated to satisfy their 88 days therefore high turn over Physically less robust and less acclimatised to Australian extremes in comparison to Seasonal workers - tend to do more basic work (packing sheds) 	<ul style="list-style-type: none"> Typically populated around metropolitan cities and high tourism areas Often have their own transport and housing Usually travelling around Australia to visit tourist landmarks and locations 	72%
Australian & permanent residents (PR)	<ul style="list-style-type: none"> Australian or permanent residents who work in short term roles across the industry 	<ul style="list-style-type: none"> Unskilled or low skilled local residents seeking local jobs Perceived lack of motivation to work in the industry due to lucrative Australian Government welfare and support Typically engaged in small grower businesses 	<ul style="list-style-type: none"> Within close range of their residence Seek out opportunities with attractive pay rates, thus usually preferring skilled jobs Likely to return to the same employers each season 	6%

Monthly casual labour gap at peak ranges from c. 20k roles (upside case) to c. 26k roles (base case) and could be even greater if international borders reopening is deferred beyond Mar 21 (downside case)

Total forecasted casual labour demand and supply, by month (headcount, Jul 2020 - Dec 2021)



Key highlights

- ▶ Monthly casual labour gap at peak ranges from c.20k roles (upside case) to c. 26k roles (base case) and could be even greater in a potential downside case where reopening of international borders is deferred beyond Mar 21
- ▶ The larger gap between Dec 20 and Apr 21 coincides with peak harvest for commodities such as table grapes, berries, melons, apples, pears and mangoes
- ▶ Assuming that borders will not reopen until Mar 21[^], forecast supply is not expected to be greater than forecast demand until Jun 21 as new workers slowly trickle back into the country
- ▶ In a “non-COVID” world, casual labour supply would be sufficient to accommodate demand over the next 18 months¹

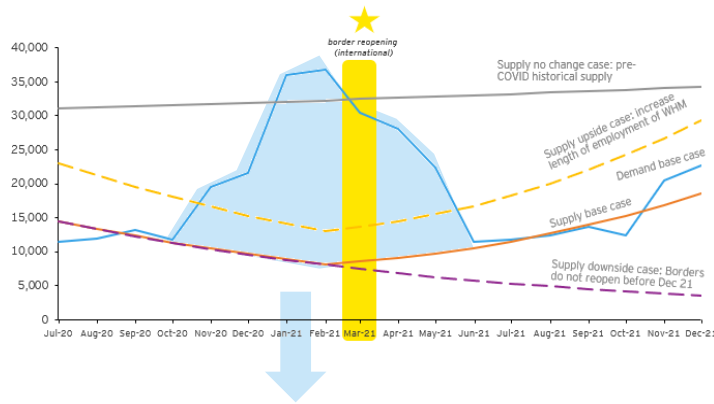
^NOTE: The reopening date of international borders has been set to March 2021 as agreed with Hort Innovation as a key variable to forecast potential impacts on short-term labour roles. However, the labour gaps could be much longer/of higher magnitude if the border reopens at a later stage

% of casual labour gap

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Upside case	0%	0%	0%	0%	-3%	-16%	-52%	-55%	-44%	-36%	-17%	0%	0%	0%	0%	0%	0%	0%
Base case	0%	0%	0%	0%	-38%	-46%	-69%	-71%	-64%	-59%	-46%	0%	0%	0%	0%	0%	-19%	-23%
Downside case	0%	0%	0%	0%	-38%	-47%	-69%	-71%	-67%	-65%	-58%	-21%	-27%	-33%	-42%	-38%	-64%	-69%

The casual labour gap is forecast to represent c. 33% of demand over the next 18 months, but it is anticipated to be unevenly impacting regions, commodities and growers

Estimated magnitude of the forecasted casual labour gap (as a % of demand) over the next 18 months*



Supply gap and demand ('000s headcount)

		Upside case	Base case	Downside case
Over peak: Nov 20- May 21	Supply gap ("between the curves")	70k	114k	120k
	Demand	194k	194k	194k
	% supply gap	36%	59%	62%
Over 18 months: Jul 20- Dec 21	Supply gap ("between the curves")	70k	114k	170k
	Demand	348k	348k	348k
	% supply gap	20%	33%	49%

Consultation observations on where casual labour gaps are more likely to materialise



Remote or less attractive areas

- ▶ Remote locations, considered less attractive in terms of living conditions, and less accessible (e.g. far from cities, not well connected to transport) are expected to be more impacted by casual labour shortages



Specific commodities

- ▶ "Sensitive" commodities, characterised by very high labour intensity (e.g. berries), time-sensitivity / specific harvest window (e.g. apples/pears) and/or hard picking conditions (e.g. mangoes), are expected to be more vulnerable



Impacted by border closure

- ▶ Casual labour gap is expected to be more significant in locations where internal borders could restrict mobility such as VIC, TAS and NT, thus impacting commodities produced locally (e.g. citrus, table grapes)



Smaller growers

- ▶ Smaller growers with less sophisticated recruitment channels (e.g. limited access to labour hire companies), fewer options to access workers, low cost business model where labour rates will remain under pressure or lower volume of work

This is aligned with survey results with 80% of respondents anticipate an average 40% gap in the casual workforce for the next 6-18 months, driven by several factors

International border closures

Considered the **primary factor impacting casual labour supply** in the next 6-18 months with **60% of respondents** selecting this option

57% of survey respondents anticipate that **Working Holiday Maker** will be the primary worker type missing from their casual labour workforce

49% of survey respondents also anticipate a gap in their workers from the **Seasonal Worker Program and Pacific Labour Scheme**

Domestic movement constraints and restrictions

61% of survey respondents believe domestic mobility constraints will change the **available casual labour pool in the next 6-18 months**

A frequent issue raised is the **inability, for casual workers currently in Australia, to freely move** around the country to where the demand is in the horticulture sector

Maintaining workplace safety was the number one challenge for 34% of survey respondents, driven by **mandatory and costly quarantine** of workers

Competition from other industries to attract workers

With recent changes to the definition of “specified work” in the Working Holiday Maker visa program, as a result of the bushfires and COVID-19, there are now **other working options (such as healthcare and rural rebuild efforts) for WHMs to be granted a 2nd or 3rd year on their 417 or 462 visa**

General commentary from survey respondents indicated that typically WHMs only worked in casual horticulture jobs to satisfy conditions of their 417 or 462 visa additional year requirements and **after the 88 days of work, they would return to metropolitan cities for work in other industries**

40%
Average expected gap
of casual workers¹



Government welfare and stimulus payments (Job Seeker)

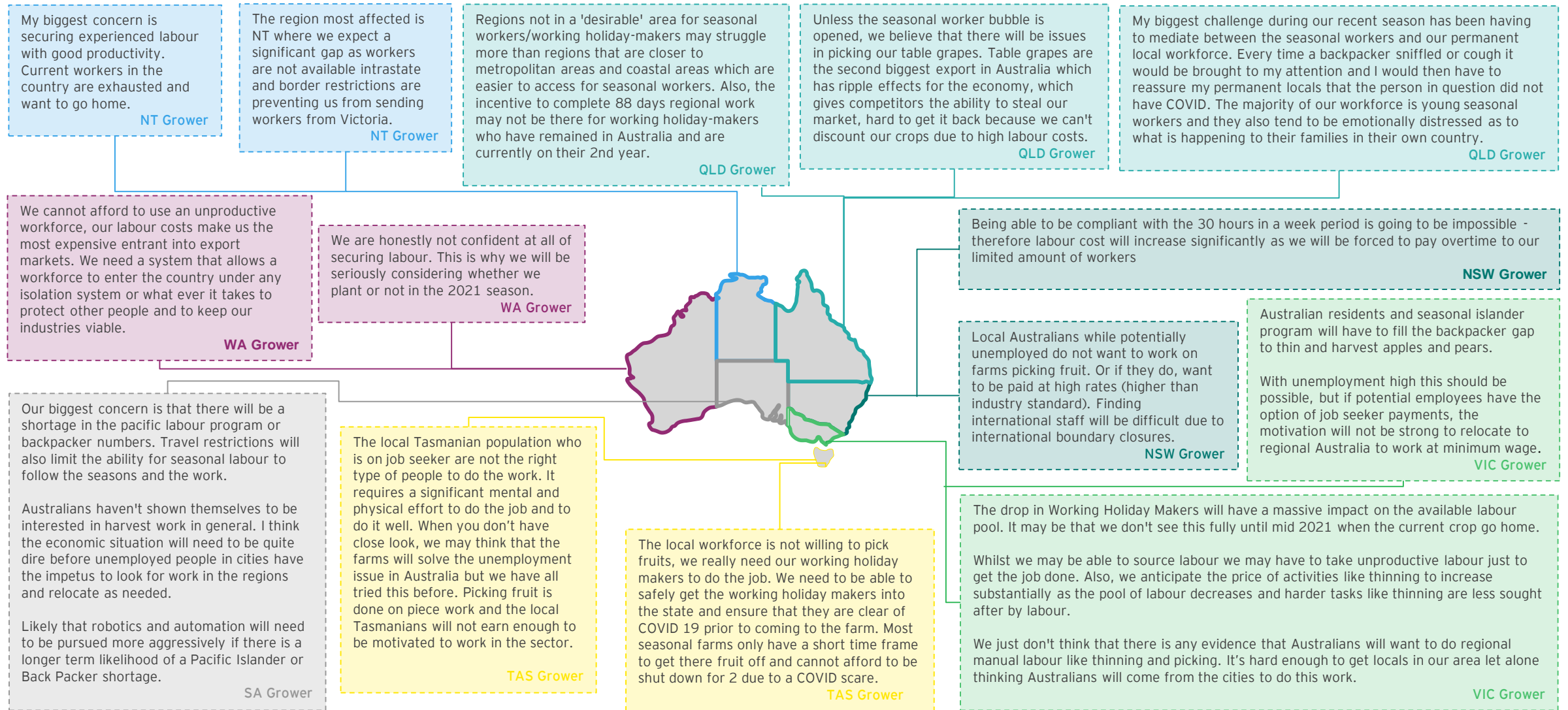
Though only **19% respondents believe domestic unemployment figures** will impact labour supply, Job Seeker payments were clearly called out as an additional factor impacting casual labour supply

Fortnightly **Job Seeker payments** currently range from **\$1,060 to \$1,340²** whilst the Australian Horticulture award **per 80hr fortnight is c.\$1,980³**

15% of respondents are expecting a **shortfall of domestic labour** in their casual workforce in the next 6-18 months, which could be attributed to the lucrative Job Seeker payments on top to the general unwillingness of to undertake casual horticulture work

Source: ¹ Grower survey results, Stakeholder consultation; ²JOBSEEKER - <https://www.servicesaustralia.gov.au/individuals/services/centrelink/jobseeker-payment/how-much-you-can-get>; ³Horticulture award - Work 40 hours per week with 38 hours at hourly rate of \$24.36 with an additional 2 hours per week over time at \$34.11 per hour based on the horticulture award rate for level 1 casual adult employee (Fair Work Ombudsman 2020), ABARES - Labour choice and farm productivity,

Growers also shared some insights on their concerns related to casual labour availability and implications of potential labour gaps on their business



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