

Submission to the Department of Agriculture and Water Resources' Request for Proposal for the Working Holiday Maker Review

Presented by:

Avocados Australia

Level 1, 8/63 Annerley Road

Woolloongabba QLD 4102

P: 07 3846 6566

CEO@avocado.org.au



Date:

2 September 2016

Introduction

Avocados Australia would like to thank the Government for the opportunity to provide a submission to the Working Holiday Maker Visa Review.

The avocado industry has grown significantly since its emergence as a commercial industry in the 1980s. The industry's Gross Value of Production (GVP) has increased from \$130-million in 2007/8 to \$464-million in 2015/16. In 2007/8 our growers produced 39,394 tonnes and this has increased dramatically to 66,716 tonnes in the 2015/16 period.

Our annual production over the past two years originated predominantly from Queensland (49 per cent) and Western Australia (37 per cent.) However, avocados are grown in most States and Territories and as a result; our farms supply households all year round. Australians are some of the highest avocado consumers in the world – eating their way through almost 3.2kgs per person annually.

Our growers from our main production areas have made it clear to Avocados Australia they rely heavily on backpackers with 417 and 462 visas, and their workers have indicated to them that if there is any increase to the tax, they will find alternative holiday destinations.

This will leave our growers without a reliable, stable and affordable workforce and more than 95 per cent of our growers surveyed have indicated this will have a negative to catastrophic impact on their business, with many saying they will be left with fruit rotting under their trees.

Background

Avocados Australia is the representative industry body for the Australian avocado industry. We provide a range of services to our members and the broader industry to foster growth and development.

Avocados Australia is a "not for profit" membership based organisation. Our members include avocado growers, associated businesses and industry people.

Avocados Australia seeks to work with all parts of the chain, from production through to the consumer. By working together we seek to continually improve the ability of growers to provide a healthy, profitable and safe product for all consumers

Avocados Australia maintains a database containing the majority of Australian avocado growers who produce the vast majority of Australian production. Of these growers, the majority are members of Avocados Australia and these growers represent more than 80 per cent of Australia's avocado production. Avocados Australia has a grower-based Board currently with 9 representatives elected across each of the 8 main avocado production regions in Australia from far north Queensland to the south west of Western Australia. This Board oversees the industry leadership, and ensures a mechanism for industry wide consultation and communication on key issues for the industry.

Avocados Australia is a member of the Voice of Horticulture and shares its concerns regarding this proposed tax. As a part of the Holiday Maker's Visa Review, Avocados Australia conducted a grower survey to investigate what type of impact this would have on our industry.

Discussion

Australia as a destination

Much work has been done over many years trying to “showcase” Australia as a must see destination. The implementation of such a tax rate on these workers would hugely affect Australia’s reputation and desirability as a travel destination, and ultimately have a damaging impact on our industry, hugely reducing its productivity and potentially crippling many growing operations. Any suggested growth in exports without labour to harvest the crop will also be put into question.

The Coalition Government has previously declared agriculture to be one of the ‘five pillars’ of the Australian economy. It promised to support a vibrant, innovative and competitive agriculture sector. It also promised to engage with the sector better, to better understand how to reinvigorate agriculture and build farm and agribusiness profitability. Working holiday makers (or backpackers) are a vital element of the Australian agricultural workforce.

Each year, about 40,000 backpackers come to regional areas to work on farms. The agriculture sector relies on these workers to harvest its crops and to fill the labour shortages that are common in rural areas.

Without these workers, the sector will not have the workers they need for harvest. Research shows that backpackers come to work on farms almost entirely because they can then stay and work in Australia for two years instead of one.

Research also shows that backpackers only address labour shortages in relation to regional agricultural work. In all other areas of the economy they compete with local workers for jobs.

Avocado Industry feedback

Avocados Australia asked its growers to complete a survey in order to provide us with some statistics on how vital backpackers are to our industry.

Our largest growing regions are Queensland and Western Australia, with Queensland producing 49% and Western Australia, 37%. Combined, growers from these regions totalled 73 per cent of our respondents to our survey.

According to our figures, 82 per cent of those who responded to our survey employ backpackers. Of those, 42 per cent employ between 6-20 backpackers, 43 per cent employ up to 5 back packers and 11 per cent employ 21-50 backpackers during peak season. Two grower respondents employ more than 100 backpackers.

Most backpackers are used for picking (nearly 95 per cent) while they also perform various farm operations (66 per cent) and just under half of those will be packing (45 per cent).

More than 90 per cent of those surveyed indicated the proposed backpacker’s tax would have a negative to catastrophic impact on their farming.

Growers' main reasons for hiring backpackers

Our growers have specific reasons they have indicated for hiring backpackers. These focus on backpackers' easy availability and flexibility, their willingness to work and their reliability.

Many have also indicated the backpackers they hire often tend to bring other skills with them including experience in farm work. They are also happy to work short term – something they say many locals are not.

Growers said they employ backpackers because;

"(They) Offer flexibility and are normally very good workers."

"They are good workers, reliable and smart generally."

"Because we find backpackers to be more reliable and willing to work a full 37.5 hour week."

"They need to work to pay for their holiday around Aussie."

"They are the only ones in our area who are willing to perform seasonal work."

"Because we cannot get locals to do seasonal work and the backpackers we employ are intelligent and quick to learn and have many different skills. We enjoy their company."

While our growers have said they try to hire local workers to support the regional economy, they have also indicated the reasons they prefer not to hire locals, saying they are often lazy and unproductive, are unreliable and there are usually still more jobs available than there are local workers during peak seasons. They also indicate locals are not interested in short term work.

Their comments include;

"Not enough local people interested to work during the December/January holiday season."

"Locals are our first choice, but we cannot find even half of the workers we need to fill picking and packing jobs."

"Local workers are not reliable and/or available. Australian citizens get the welfare so they are too lazy to work hard instead they bludge or do cash jobs or both at the same time."

"Locals do not want to work & they are not reliable. One phone call 20 - 40 reliable workers instead of 40 phone calls & not knowing who will turn up for work."

"Insufficient reliable / keen local labour available."

Backpacker feedback to growers about changes to the Working Holiday Maker Visa

Backpackers have mostly reacted very negatively to their grower employers when discussing the impact any tax increase may have on them. According to our survey, 72 per cent of growers reported negative feedback from their backpacker employees.

The standard feedback was that they would simply choose to holiday elsewhere and would not come to Australia.

Feedback to our growers from their backpacker workers included;

"They will be leaving/won't come to Australia. Their friends have said they will go to Canada or New Zealand."

"That backpackers won't come to Australia, they will go to other countries where they can earn more. Australia would only get the wealthier backpackers many of whom will not want

or need to work.”

“They are not very happy, with the high cost of living in Australia, especially in WA, they need every cent they can make.”

“They are concerned that it will make it hardly worthwhile working.”

“It is ridiculously high, they will go elsewhere.”

“They feel that the proposed rate is unreasonable.”

“Many have stopped coming to Australia because of higher tax levels they though would be implemented July 1. Amount of enquiry from backpackers for seasonal work has already dropped significantly.”

The likely impact on our growers

Backpacker feedback has in turn sparked grave concern amongst our growers who now see themselves facing an uncertain future.

More than 94 per cent of those surveyed indicated the proposed backpacker’s tax would have a negative to catastrophic impact on their farming. Impacts range from not being able to harvest fruit in time for market, to higher production costs, to closing or selling their business.

Comments include:

“I will not be able to get the fruit harvested or packed. Meaning I might as well stop farming.”

“Significant financial and production impacts.”

“Extra pressures of employer's trying to find good workers. Less efficient.”

“Possibility of fruit not being harvested at the optimal time.”

“Fruit will not be picked as quickly as required. Jobs will not get done and it will impact my business.”

“We would struggle to operate. Local labour just isn't reliable enough.”

“We would NOT be able to fill our work force with suitable workers, but would either have to pay extraordinary wages above the \$22.61 we pay now, or accept sub-standard local employees who don't meet normal standards.”

“Very likely some of the crop will remain on the trees un-picked. Tree health will be severely affected.”

“We will gradually produce less and probably sell up.”

“Fruit will not be harvested and my business is at risk.”

“Difficulty getting picking and packing done.”

“We really don't know until it happens. We believe there will be delays in harvest due to reduced productivity. There would also be a decreased ability to compete with foreign suppliers, eg. NZ.”

“We will struggle to supply the market on time with fruit. The cost of production will increase with loss of fruit not being picked quickly enough.”

“Will reconsider any expansion or reduce the area grown to a level where family can handle with minimal outside labour.”

“We will have to close our business down.”

More than 65 per cent of our grower respondents believe the proposed 19 per cent flat tax rate is appropriate as long as it is competitive with similar taxation rates in other competing countries, while the remainder believe the rate was still too high and should be closer to 13 per cent. A relative few suggest they should be charged the standard Australian tax rates.

More than 75 per cent of our grower respondents believe backpackers should not be paid superannuation.

Summary

Avocados Australia believes any proposed increase to the Working Holiday Makers Visa taxation needs to be reconsidered urgently.

The likely impact on Australia's larger avocado growing areas will be huge, and will leave Australian consumers with potentially poor quality, expensive fruit rather than the reasonably priced, premium product our households have come to rely on.

It will probably see a lot of the larger farms in our main growing regions lose business or close.

This will also have a direct impact on the industry's fine reputation, detracting from the decades of hard work the industry has done to build our reputation for producing a premium, healthy product.

Recommendations:

1. In order to rebuild that positive image of Australia and return the confidence to our international markets we believe the government needs to scrap the current proposed tax policy.
2. Avocados Australia believes all workers in Australia should pay a level of tax that is fair, consistent and competitive and any future Government proposal should be internationally competitive, be supported with modelling, and should include in-depth industry consultation.
3. A compromise taxation rate of around 15 per cent to match the Seasonal Workers Program would match the expectations listed above.