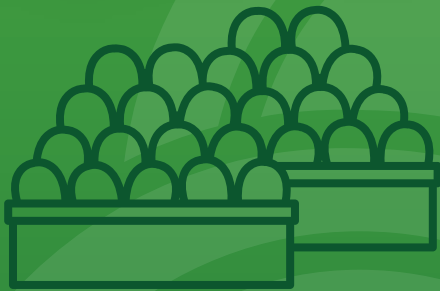


New Zealand Kiwifruit Labour Shortage!!!

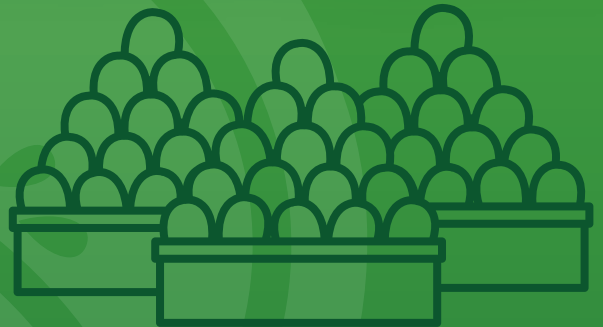


Kiwifruit is New Zealand's largest horticultural export



New Zealand Kiwifruit Production

2018 =
148 million trays



New Zealand Kiwifruit Production

2027 =
190 million trays



\$2.6 billion
Revenue

New Zealand Kiwifruit Industry
in 2018



\$4 billion
Revenue

New Zealand Kiwifruit Industry
by 2027



New Zealand Kiwifruit Growers Incorporated (NZKGI)

NZKGI is the representative body which advocates for New Zealand's 2,800 kiwifruit growers. NZKGI commissioned this Kiwifruit Industry Seasonal Labour Analysis, recognising that severe labour shortages were likely over the next decade. As it happened, the New Zealand kiwifruit industry was 1,400 staff short at the start of the 2019 harvest – the predicted labour shortage has hit our industry earlier and more severely than anticipated. Without intervention, the shortages are going to become even more severe as the kiwifruit industry strives to take advantage of increased global demand. This document outlines the challenges the industry faces in securing staff and possible opportunities for the industry and Government to work together to ease the shortage.

Critical labour shortage could hinder growth in New Zealand's kiwifruit industry

The New Zealand kiwifruit industry is braced for enormous expansion in the next decade – growers are investing big to double industry value by 2027 to meet extraordinary global demand. A Waikato University report predicted GDP contribution from kiwifruit would reach \$6 billion by 2030.

However, a critical labour shortage could severely hamper industry growth. New Zealand kiwifruit growers may fail to make the most of the remarkable opportunity before us because of an inability to find seasonal staff.

In 2019, we were 1,400 workers short at the start of harvest. Growers struggled to find pickers to get their valuable crops off the vines at the optimum time. Packhouses had hundreds of vacancies. And growers are looking to next season

and into the future with deep concern: will there be enough staff around when their valuable fruit reaches pick-ready perfection?

The 2018 and 2019 seasons have been worrying enough. But extrapolate the worker shortage out over the next decade, as numerous new orchards come into production to meet growing global demand for New Zealand kiwifruit, and it is plain the labour shortage could seriously hinder industry growth.

Situation critical:

Our research reveals the New Zealand kiwifruit industry will require an additional 8,000 seasonal workers by 2027.

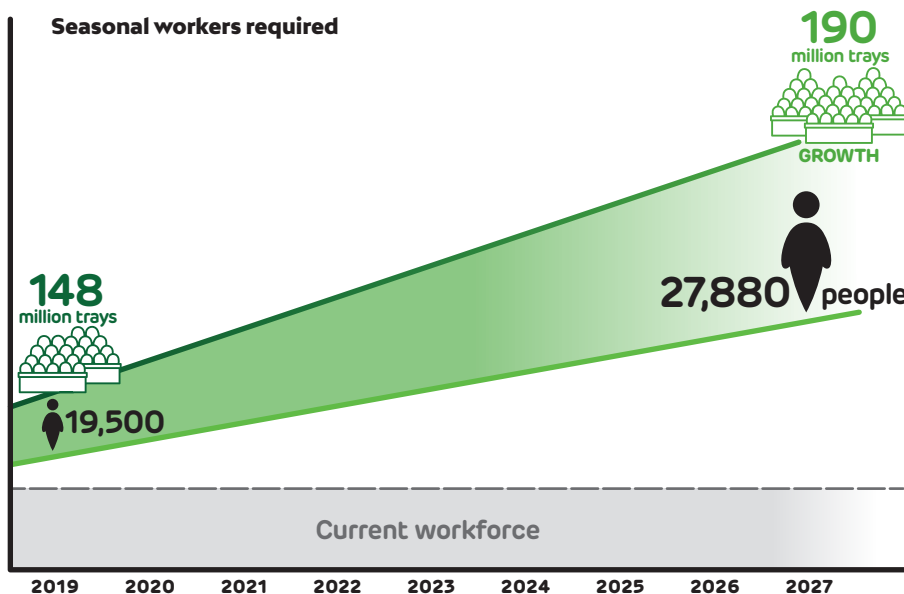
The industry is eager for government assistance in preventing this shortage from worsening.

NZKGI's labour analysis has found staff shortages are due to:

- ▶ **Low unemployment rates**, which show no sign of abating.
- ▶ **Fewer people on working holiday visas** choosing to work in the industry.
- ▶ **The short-term nature** of the roles on offer.
- ▶ **Outdated preconceptions** around pay rates and worker welfare.

The industry is working to rekindle interest in seasonal kiwifruit work. These efforts include:

- ▶ Improved worker welfare and pay rates.
- ▶ Planning for increased accommodation and transport to attract employees.
- ▶ Working with the Ministry of Social Development to employ New Zealanders, particularly those who are under-utilised in the workforce.
- ▶ Initiatives to improve attractiveness of roles including improved flexibility (part-time work), reliability of work hours and extended seasonal work contracts.
- ▶ Increased training, qualifications and pathways into the industry through schools and tertiary organisations.
- ▶ Investment in research and technology to ease the burden of future staff shortages.



The industry's efforts need to be complemented by government initiatives to fill job vacancies, so the booming kiwifruit industry can make the most of the growth opportunities ahead.

The kiwifruit industry's labour crisis is likely to continue

Strong demand for New Zealand's Zespri kiwifruit has led to increased production. In the 2018 season, almost 160 million trays were produced – up from 126 million trays in the 2017 season. This figure is forecast to increase to 190 million by 2027.

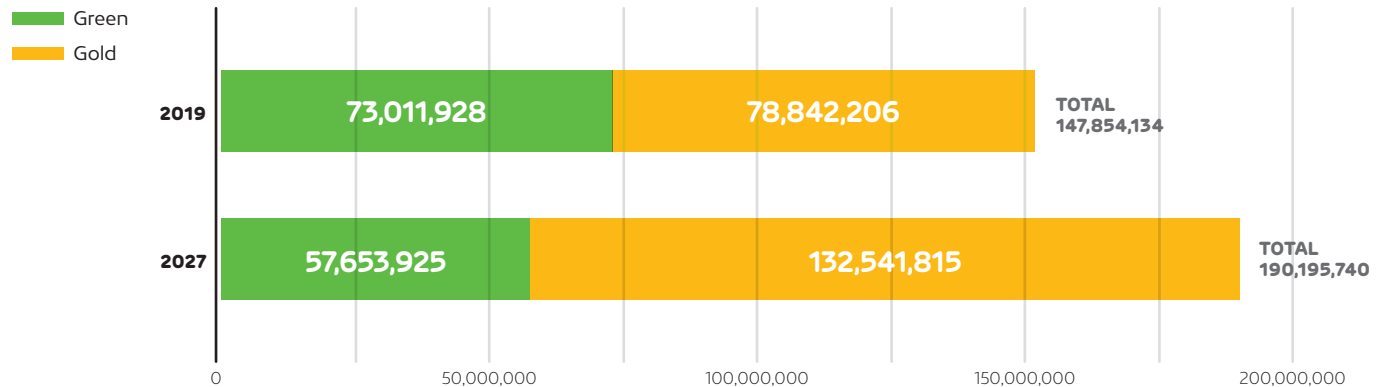
The Ministry of Social Development declared a seasonal labour shortage in April 2019, with estimates of the potential labour shortfall at peak around 3,550 people in the Bay of Plenty's kiwifruit industry.

The increased production of kiwifruit combined with a severe shortage of labour in New Zealand has created the perfect storm for a crisis. It is concerning to note that without swift intervention from the kiwifruit industry and Government, this crisis will continue.



Looking ahead

Growth plans (trays)



What's behind the shortage?

The current labour crisis has eventuated because of several converging factors:

- ▶ **Low unemployment:** Bay of Plenty unemployment rates are low at 3.8% (Q3, 2019), leaving fewer people available for work than in previous seasons.
- ▶ **Decreases in international students** following the closure of some international schools.
- ▶ **Decreases in employees with working holiday visas**

The last two categories usually fill 20 to 30 per cent of vacancies.

Further challenges complicating the appeal of employment in the kiwifruit industry include:

- ▶ The inconsistency and seasonality of work.
- ▶ Inaccurate perceptions surrounding pay rates and worker welfare.
- ▶ The types of employees the industry attracts with vastly varying efficiency rates.

This places a greater dependence on the Recognised Seasonal Employer (RSE) scheme, which attracts workers from the Pacific Islands, but is currently capped at 14,400 for 2019/20 nationally.

The kiwifruit industry labour shortage: a closer look

New Zealanders are a priority workforce

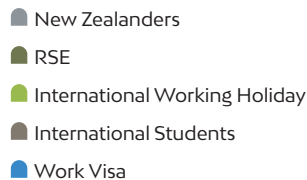
The kiwifruit industry is working hard to attract New Zealanders and it is our priority to employ Kiwis. Various initiatives are underway to build the profile and accessibility of the industry.

One of the five challenges from the Minister of Immigration, Hon Iain Lees-Galloway is to do more to employ New Zealanders.

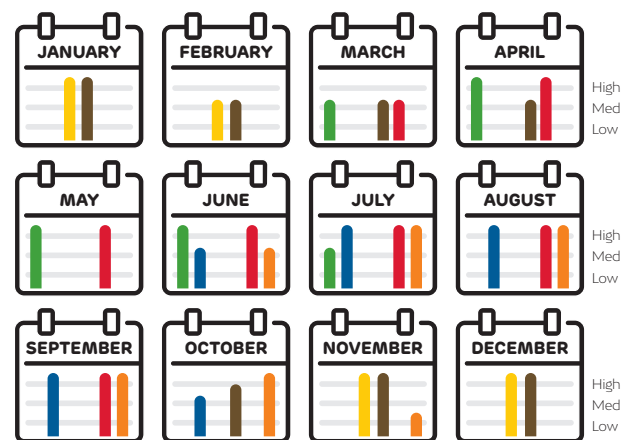
The four other challenges include considering paying workers more, considering automation, building accommodation for additional workers when extra crops are planted and to take responsibility for supply chains to stamp out exploitation.

NZKGI has these five challenges at top of mind, not only for the labour attraction strategy, but also in further work undertaken by the organisation.

Source of workers
(combined orchard and packhouse)



Orchard/Packhouse pressure timeline
Activity by month



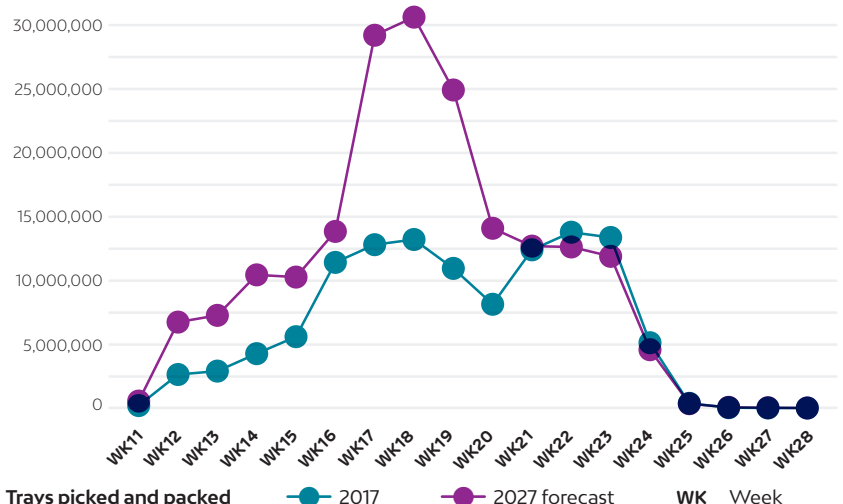
Over the next 10 years, New Zealand kiwifruit production is scheduled to grow rapidly. Gold kiwifruit, which is more labour intensive than Green, will account for two-thirds of the industry by 2027. Not only will the industry require more workers in 2027, there will also be an extreme peak of workers required during the Gold harvest. This will be challenging for the industry to resource.

Inconsistency and seasonality of work

For many people seeking full-time work, the kiwifruit industry does not appeal because full-time work is not available all year. More consistent employment options in other industries, such as hospitality and construction, are often deemed more attractive.

There is also a very short window – a matter of days or weeks – for picking kiwifruit before winter weather takes hold. New Zealand's \$2.6 billion kiwifruit industry is centred around the Zespri brand being associated with high quality fruit. If kiwifruit are left on the vine too long, or if they become affected by frosts or hail, the quality changes, and the fruit becomes unsuitable for export.

Weekly picking and packing demand (2017)



Trays picked and packed

This forecast is calculated as a percentage increase upon 2017 volumes and does not take seasonal or storage variables into consideration. 2017 is an indicator of a normal year.

The kiwifruit industry labour shortage: a closer look

continued

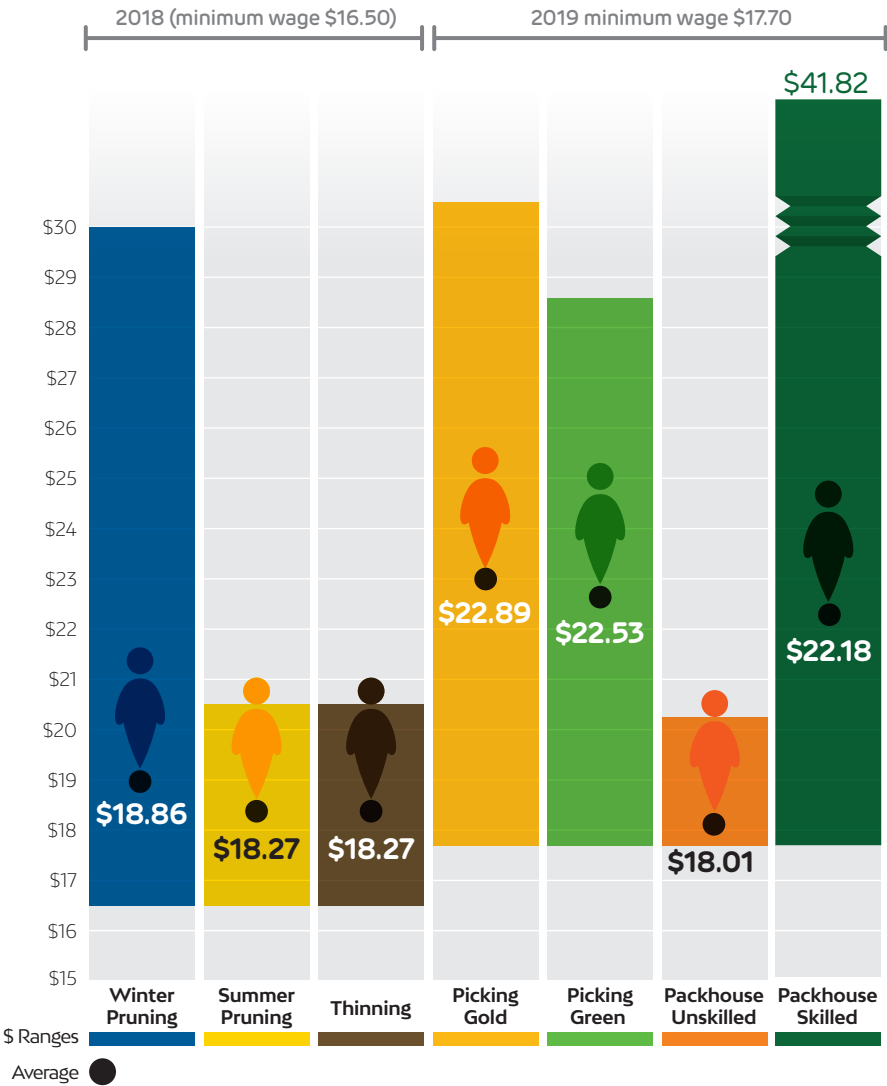
Pay rates

NZKGI’s Labour Needs Analysis found that 2019 pay rates for picking averaged \$22.71. While this is a notable increase on previous years, many potential workers appear unaware of these improved rates and maintain the perception that kiwifruit work is poorly paid.

Packhouse work is more consistent and less physically demanding, with an average hourly rate for unskilled workers of \$18.01. In addition, there are a wide range of seasonal skilled packhouse roles earning on average \$22.18.



Average and range of pay rates for seasonal workers in 2018/19



Recognised Seasonal Employer scheme (RSE)

The RSE scheme is critical to the kiwifruit industry. While providing only 13.5 per cent of the seasonal workforce in 2018, these workers are extremely efficient and reliable. They are relied upon as critical labour for nightshift and weekend work, as well as winter pruning – all of which have proven difficult roles to recruit New Zealanders into. As the numbers of RSE workers allocated to kiwifruit does not meet demand and fluctuates year-on-year, the kiwifruit industry lacks the certainty it needs to invest in areas such as accommodation to utilise this resource.



The kiwifruit industry labour shortage: a closer look

continued

Accommodation

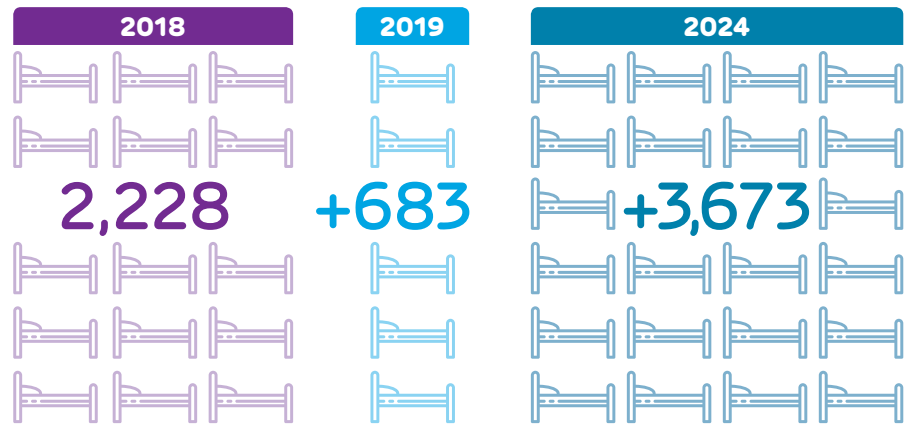
The Bay of Plenty region has an accommodation shortage, particularly the Western Bay of Plenty towns where the bulk of the kiwifruit orchards and packhouses are found.

As a consequence, kiwifruit industry employers have considered building or converting existing buildings to create accommodation facilities for their staff. This is largely driven by the need to house RSE workers.

However, the cost of acquiring consents for new builds is prohibitive, which leaves smaller contracting businesses struggling to fund the upfront costs of approvals. In several cases, sewerage and water consent fees have also been prohibitive.

There are currently 2,228 beds available for seasonal workers in the BOP. There are plans for 3,673 additional beds by 2024.

Plans to increase accommodation in 1 and 5 years



Worker welfare

In the past, the kiwifruit industry has faced issues around worker welfare, particularly around pay. Since 2018, all employers must be registered and audited through the internationally-recognised GLOBALG.A.P (Good Agricultural Practice) and GRASP (GLOBALG.A.P Risk Assessment on Social Practice) programmes¹.

While these compliance systems are now compulsory and significant worker welfare improvements have been made, lingering misconceptions continue to deter potential employees from kiwifruit work.

Research and development

Research is underway on the potential for automation in both orchard and packhouse operations. However, there is very little practically available in the near future which will have a significant impact on the burden of labour shortages.



The two activities that require the highest labour input on orchards are harvesting and pruning. A mechanical harvester is being trialled but is several years away in terms of practical implementation. An automated solution for winter pruning is even more difficult and is unlikely within the near future.

Transport

During our research NZKGI interviewed kiwifruit industry employers who believe offering transport will not attract more staff. Many workplaces have offered transport to get workers to and from orchards and packhouses, but the number of employees utilising the service has generally been inconsistent and/or uneconomic.



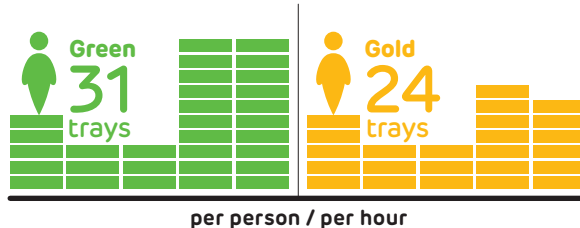
¹ These programmes ensure that safe and sustainable systems and standards are being demonstrated by growers – not just on their orchards but also within their labour force. This places a particular focus on ensuring employees are receiving their legal entitlements, which includes provisions such as employment contracts, minimum wage requirements and holiday pay. The monitoring and compliance requirements within these programmes involve in-season audits to ensure industry standards are being met.

Key findings – NZKGI labour needs analysis

We conducted our worker shortage research prior to the 2018 harvest, gathering a representative body of information from across the industry. The analysis revealed a number of issues, as outlined in the preceding pages, and provided detail for a number of interesting graphs. Here are three that show the basis for our seasonal worker requirements.

2018 packhouse operations

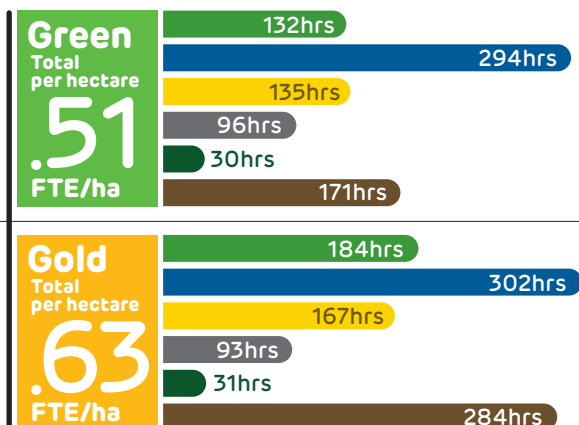
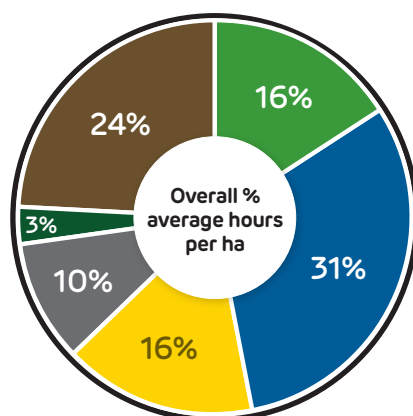
Packing capacity / per person (Grading, Packing, Tray Prep, Re-Packing)



2018 orchard operations

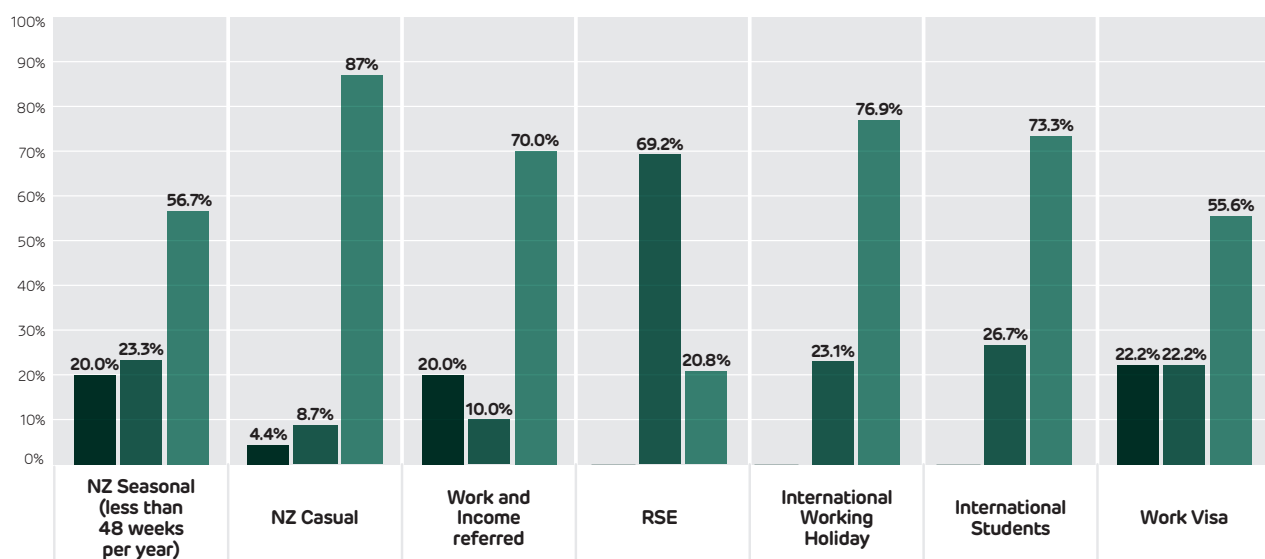
Total hours / per task / per hectare

- Picking
- Winter Pruning
- Summer Pruning
- Male Pruning
- Girdling
- Thinning



Type of Employment contract

■ Permanent ■ Fixed Term ■ Casual



Seasonal Worker Average Length of Employment (weeks)

