F&B FARMS AND NURSERY

Testimony before the House Committee of Labor and Business
Relating to SB 1532-A (Minimum Wage)
By Leigh Geschwill, Owner
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Chairman Holvey, Vice-Chairs Kennemer and Buckley, members of the committee, my name is Leigh Geschwill. Thank you for the opportunity to speak on this issue.

We have come to a point in this state where we are being held hostage by looming ballot measures. Seeing this unfortunate reality, the Executive Committee of the OAN (Oregon Associations of Nurseries) authorized Jeff Stone, our Executive Director, to participate with other stakeholders in the Governor's work group on the issue of minimum wage. We saw it as an opportunity to have the voice of agriculture present in the discussion of wages and their impact on both urban and rural economies, and employers throughout the state. At that time we presented a variety of options that tried to ease the impact that a substantial minimum wage has on commodity and traded industries, including a training wage, rebate, tax credit, longer timelines, and lower wages for rural areas.

This current bill before you does not acknowledge the economic reality in this state for the agricultural businesses, which is why we must oppose it.

The nursery industry that I represent is a traded sector. We export 75% of our products into other states and countries, bringing much needed revenue dollars back into our state. Many of our national and global competitors pay lower wages and smaller benefit packages.

Agriculture, as with other highly competitive commodity industries, is a price taker not price maker. Commodities are historically low margin operations. It is difficult to pass on additional labor costs to our buyers.

Under the existing CPI model (with an average increase of 2.28% per year), we have been able to incorporate reasonable increases in labor costs into our pricing. But under current proposals, my members would see a jump in base labor costs of 5.5 % every year for the next seven years – even more for farms inside the Urban Growth Boundary.

These increases are on top of the new Sick Leave legislation, the Affordable Care Act, and fee increases from state agencies dealing with PERS that many employers are already struggling with.

How will we deal with costs that outpace our prices and income?

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- We will reduce hours and number of employees where possible. At my nursery (which is a small to mid-size greenhouse operation), we will have to discontinue carrying over employees in slow times, and lay them off instead. This could result in the reduction of 2800 staff hours.
- Operations will change or eliminate crops. In the Willamette Valley there are virtually no broccoli producers left. On our own farm, we discontinued this crop because lack of labor drove up costs – eliminating over 2400 hours of work. Not to mention that locally produced broccoli is being replaced with imported product from Mexico.
- Larger operations, with sufficient capital available, will turn to automation to increase productivity. Again, at our business, we do not anticipate hiring any additional staff. Instead we are investing in automation to increase our productivity. When we first started out we would not have been able to make these kinds of investments, and like many small businesses relied on more low skilled laborers to get the work done. We would not have survived had these increases came when we started.
- Businesses will reduce benefits. We are an employer that is under 50, and as such are not required to supply health care. In looking at the costs, it would be $2.62 / hour per employee to cover them. This bill, and the resulting increase, will make it impossible for me to achieve that goal of providing health care. I simply cannot do both.
- Lastly wage compression will ensue. In our nursery, like many others in our industry and agriculture, we currently pay low skill or entry level positions about 15% above minimum wage. More skilled employees typically make 50% (1-1/2 times) over minimum wage. We give a cost-of-living increase each year. Under the current proposal my entry level positions will be at (not above) minimum wage by 2019. By the time the wage is fully implemented to $13.50 in 2022, my skilled workers will see their wages erode to just 17% over minimum wage.

The business climate in Oregon is poor at best. A shortage of labor in agriculture, lack of housing, poor transportation infrastructure and funding, a diminishing education system, and now skyrocketing labor and regulatory costs will keep this state in a permanent recession.

Thank you for your time and consideration of my testimony.

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