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Oregon, the most expensive place to farm

COVID-19 has brought difficult challenges for food producers. It has also brought a heightened realization by the public of how essential food production is and how important farmers and farmworkers are. What I wish more people realized is how burgeoning labor and regulatory costs are driving Oregon family farmers out of business.

Even before these challenging times, underlying economic problems have been increasing, particularly for family farms in Oregon that raise labor-intensive crops like vegetables, fruit, wine grapes, nursery stock, and dairy products. On these farms, labor can cost 60% of total farm expenses. While market forces impact producers in most states about the same, government-imposed costs have made Oregon the most expensive state in the U.S. to farm in if you have employees.

Farmworkers certainly deserve a decent living wage for the hard work they perform, and also for the incredible contributions they make to our vibrant, abundant, and sustainable food supply. USDA determines the "regional weighted average hourly rate for crops and livestock" (prevailing wage) annually. It found wages paid in Oregon and Washington were the highest in the U.S. for the last three years pushed up by our minimum wage. Oregon wages at \$15.83 for 2019 were a full \$2.00-per-hour more than the U.S. average for farmworkers — and even \$4.00-per-hour more than some states.

This prevailing wage is what the Dept. of Labor uses to set the wage rate or Adverse Effect Wage Rate (AEWR) for the agricultural guestworker program for the next year. From 2010 to 2020, the AEWR increased 50% in Oregon, making \$15.83 the starting wage for guestworkers and the minimum wage for any farmworkers working on a farm with an H2a guestworker program. During the same period, wage growth was only 25% across the U.S. economy. Unfortunately for farm employers, commodity prices are not increasing to cover these enormous labor costs.

Base wages are only part of the cost of farm labor. Other Oregon-mandated programs, such as Paid Sick Leave, add additional costs to our farms and are not paid in most other states. Also because of housing shortages and the high cost of housing in Oregon, many farmers are providing housing rent free with utilities paid, which equates to an employee benefit (and employer cost) of up to \$10.00 per hour.

Further undermining farm profitability is the cost of regulatory compliance. Regulation is important to ensure safety to employees, our food supply, and our environment. But the continual onslaught of new and revised regulations imposes such challenges that many are leaving farming. Fifty mandated local, state, federal, and international regulatory programs are required for farmers. Many of these programs are unique to farming and are not a burden on other businesses. Annual costs for a medium-sized farm can be between \$50,000 and \$100,000 per year for compliance materials, supplies, and particularly a farmer's time, much of that unpaid. Even modest family farms now need to hire HR, tax, and regulatory professionals to keep up.

This hostile regulatory environment hurts family farms in Oregon. Oregon had the greatest increase of all Western states in farm bankruptcies in the last year. Most Western states have higher on-farm income than Oregon, and Oregon's individual farm income is much less than the average for U.S. farms. USDA data shows Net Cash Income for Oregon farms was less in 2019 than in 2015.

Further burdening farms, the state legislature over this same period imposed a tax on gross income in Oregon.

Farmers can seldom, if ever, push these additional costs up the "food chain." Some farms can help profitability with direct or niche marketing, but these are small markets for only a few farmers.