



House Committee on Business and Labor

February 15, 2016

Oregon Farm Bureau Opposes SB 1532-A

Chair Holvey and Members of the Committee:

I am writing to ask you to oppose SB 1532-A. Raising Oregon's minimum wage by the schedules and regions outlined in SB 1532-A will kill jobs in agriculture and related businesses and is a blow many family farms will not be able to survive.

Agriculture is the second largest traded sector industry in Oregon. The "farm gate" value of Oregon's total ag production is around \$5 billion per year. This is what farmers get for their raw product. According to Oregon State University, agriculture's economic footprint in Oregon is over \$34 billion annually. Any negative Impacts on farm production have an enormous multiplier effect, nearly seven-fold, throughout the economy.

Approximately 80% of Oregon commodities are exported nationally and internationally; farmers must compete in the global market. How would low-margin, price-taker farm families pay for this increase? The vast majority of family farms in Oregon cannot raise their prices to offset this enormous increase. Most do not have the resources to mechanize enough of their operations to offset this increase by reducing payroll costs. Further, many farm families do not have the resources to replace labor-intensive crops with less labor-dependent plantings. Even those who could afford to transition to less labor-intensive crops do not have soil or growing conditions to allow for a change. Cornerstones of agriculture like dairy and tree fruit orchards will be significantly impacted by the proposed increase in SB 1532-A.

When then Labor Commissioner Dan Gardner and then Rep. Rosenbaum sponsored 2002's Ballot Measure 25, the promise was that the substantial increase in the measure and the automatic cost of living bumps would "solve" the perceived lag of the minimum wage behind cost of living growth. The amendments in front of the committee essentially paint the Measure 25 approach as a failure. Unfortunately, SB 1532-A takes exactly the same approach to solving societal problems that the best research says are not best solved by minimum wage increases. Supporters are in effect saying, "It didn't work before, so let's try it again."

As it is, the use of the urban-based CPI to calculate annual increases overstates the cost of living in most of Oregon's 36 counties. Home prices are depressed, and jobs are few and far between in rural Oregon. The proposed increase will likely result in additional layoffs for those businesses that cannot afford to pay the increase and subsequent indexing to the CPI.

I have heard the concern for cities, counties and special districts: how are public sector employers going to afford to pay for this huge increase in the bottom wage rate? I ask you the same thing about our farm and ranch families. Commodity prices are falling. A strong dollar pushes prices even lower for exported products, which make up over half of all Oregon ag products. Frankly, this may be the worst time in years to impose an additional increase in the minimum wage.

Farming and ranching are pillars of our rural communities and most small towns. When farm families are hurt, those communities hurt as well. As farmers try desperately to stay afloat in the face of this increase, other employment areas such as food processing, trucking, marketing, and others will suffer.

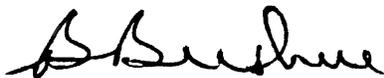
SB 1532-A would increase minimum wage without tying it to productivity, compressing all wages. An employee who has worked hard over a number of years to get herself up to \$13.00 per hour will not see it as fair that an inexperienced employee is paid the same rate on the first day of employment. Employers from the public and private sector are scrambling to calculate this wage compression effect and how to pay for it. Farm and ranch families are doing the same, and the math does not add up. The weight of all of these regulatory burdens is cumulative.

Employers are already facing significant cost increases, including implementing a sick leave mandate for all employees. There will undoubtedly be other costs employers are struggling with when SB 1532-A ties the minimum wage increase to inflation. These unknown costs, coupled with an unknown economy, create concern and uncertainty for Oregon's farmers and ranchers.

The cost impact on farm families does not end at the increased wage rate. Raising the Oregon minimum wage would increase employer payroll and unemployment tax payments since these rates would now be applied to higher wages. These added costs, coupled with the wage rate increase itself and the non-wage benefits provided by agricultural employers, could be particularly harmful to Oregon's farmers.

SB 1532-A puts Oregon's financial future in uncharted waters. Imposing this risky experiment on a state will harm family businesses, public and non-profit sector employers, and employees. However, no one will be hurt more by this proposed minimum wage hike more than Oregon's farm and ranch families.

Respectfully submitted,



Barry Bushue
President
Oregon Farm Bureau Federation

