## Summary—Impact of 40-hour Overtime Threshold on Oregon Farm Viability and Farmworker Income

Our coalition of agricultural organizations has released an economic report by Highland Economics, LLC ("Economics of Agricultural Overtime Pay in Oregon: Potential Effects on Farms and Farmworkers") to assess the potential impact of the proposed changes to overtime requirements on Oregon agriculture. The results of the Highland Economics report indicate negative effects on Oregon's farm production and farmworkers' incomes.

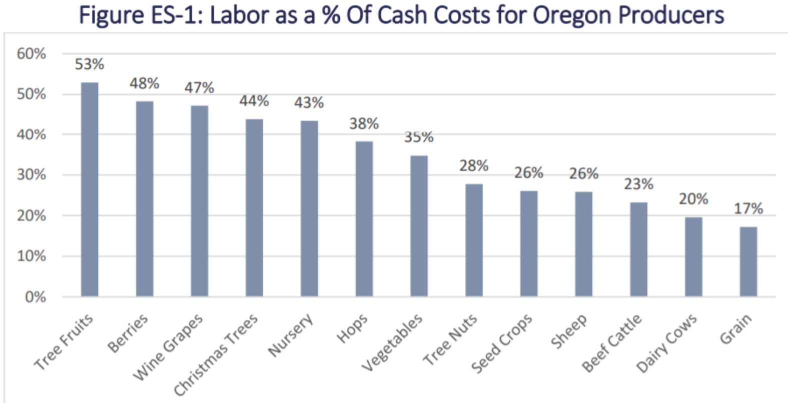
### Oregon Agriculture

- The total market value of Oregon agricultural is valued at over $5 billion.
    - Approximately 2/3s from crop production and 1/3 from livestock, poultry, and animal production (including dairy).
- Approximately 5.7% of Oregon's workforce works on a farm or ranch.
- Over 8% of Oregon employment is linked to agriculture.

### Potential Impacts of Overtime to Farms and Ranches

- **Labor costs represent a large part of operating costs for growers of major Oregon commodities.** Nearly 70% of the economic value of crop production in Oregon is from specialty crops, which rely on farm labor more than other types of crop production. Other top agricultural commodities include cattle and calves and milk production, and compared to other farm types, dairy farms nationally have the next highest hired farm labor expenses. **Because of the share of labor-intensive specialty crops and the size of our dairy sector, Oregon agriculture is more labor-intensive than agricultural production elsewhere in the U.S.**

Figure ES-1: Labor as a % Of Cash Costs for Oregon Producers




*Source: Highland Economics survey of Oregon farm operators conducted for this study.*

- **Farm costs have increased significantly over the last 10 years, but farm income hasn't kept pace.**
    - **A majority of Oregon's farmers and ranchers have faced significant challenges over the last 18 months that resulted in lost farm income:** drought and severe weather conditions, market access (due to trade relations and the COVID-19 pandemic), shortages of skilled agricultural labor, agricultural land use and conversion of Oregon farmland, and farm succession as farmers and ranchers age.
    - **Nationwide the prices of ag inputs and farm labor costs are rising faster than the prices received for farm products**.
        - In the last 10 years, prices received by farmers have increased by approx. 9%, while prices paid by farmers for feed, seeds, fertilizer, chemicals, machinery, services, rent, etc. have increased by 16%, cutting into farm profit margins.

        - Labor wage rates have increased the most in the last 10 years, increasing by 41.5% nationally. Oregon farm labor costs follow that trend.
- **Farms will generally not be able to pass on much, or in some sectors any, increased costs to customers.** Many agricultural commodities are traded on national and global markets where producers are price takers.
- Facing changes to agricultural overtime, as well as increasing costs of production and challenges over the last 18 months, farm employers may seek to maintain the viability of their operations by controlling labor costs:
    - **Employers will attempt to reduce hours qualifying for overtime pay to the extent possible** through mechanization, crop switching, and switching to piece rate pay versus hourly to increase productivity with fewer hours**.**
    - **Employers will try to hire additional laborers to reduce overtime pay**.
    - **Employers may try to reduce standard wage rates** to at least partially offset increased compensation from overtime pay.
    - **Consolidation of farms due to farms reducing operation size or ceasing farming is a potential outcome.**
    - **Increased costs and decreased profits may lead to increased development of farmlands.**

<u>Potential Impacts of Overtime to Farmworkers</u>

- **The majority of Oregon farmworkers are paid at a rate well above the state minimum wage.**
    - Data from the Farm Labor Survey for Oregon and Washington indicate that average hourly wage rates across all hired farmworkers in 2021 were between $16.87 and $17.44 per hour.
    - The survey of Oregon producers conducted found a similar but slightly higher average pay rate for agricultural workers of approximately $18 per hour.
        - 1.5 times this pay rate is $27, which is not economically feasible for many family farms.
    - Pay of 1.5 times the regional minimum wage rate is already received by many farmworkers.
- **The seasonality of farm work translates to lower overall annual income for many farmworkers.** According to the NAWS survey for the Northwest region of the U.S., the average farmworker was employed for 35 weeks (67% of the year).
- **To date, data from California suggests that farms are reducing worker hours as a response to agricultural overtime pay.** California's experience indicates that the overtime law is contributing to changes in the industry that were already underway: farm consolidation, a switch from high-labor to low-labor crops, increased mechanization, increased use of farm labor contractors and H-2A guest workers, and reduced agricultural production.
    - In a 2020 survey of California farmworkers, over half of the surveyed workers reported that their hours had changed because of the overtime requirement, and 40% said they felt more pressured at work after the overtime law passed.
- **All data sources suggest that farmers will use a variety of means to reduce worker hours and minimize overtime wages**; the impacts will be varied. Some farmworkers will see their compensation rise (data suggests more skilled/ higher paid workers), some will see compensation stay the same with fewer hours worked (but potentially higher pressure for high productivity on the hours worked), some will see their compensation fall or their jobs eliminated through increased mechanization/automation.
- Across farms total cash costs could rise from 6-12% on average. Using ODA and USDA data, **an increase in 10% of farm cash costs would reduce statewide net farm cash income by 32% - 47%.**
- If hours were reduced as much as expected by farmers to control costs associated with ag overtime pay, **the majority of workers would face a pay decline of 3% - 16%.**

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