Farm employment, worker availability, and cost

Some 11,000 farms in Oregon report hiring outside employees for some portion of farm work. However, about 1,700 farms incur over 75 percent of the cost of hiring workers. Like much of Oregon agriculture, production is concentrated and labor follows production.

The number of on-farm employees fluctuates from approximately 30,000 during the winter months to over 90,000 during peak harvest seasons. This does not include family members associated with the employees. Many of today's agricultural workers are regionally based in Oregon and a good portion work year-round in nurseries, dairies, and other sectors. It is estimated that 50 percent to 70 percent of the workers may be undocumented for legal residence in the US. However, because growers must accept any documentation presented to them that appears legal or face discrimination lawsuits, the workers are employed. Even with the ability to check Social Security numbers, it is difficult to determine legal status.

Oregon's on-farm employment wages have ranked near the top of all states in the country for the past decade. In fact, Oregon's total compensation paid to farm workers, estimated at more than $880 million in 2005, is the highest single cost category for growers, and ranks fifth of all US states. Contrast this with the fact that the number of employees on Oregon farms rank about 10th of all states, and the value of Oregon's total agricultural output ranks 26th of US states.

JAN JACKSON/For the Capital Press

QUICKER CUKE PICKER — Making short work of cucumber picking is one of 13 harvesters owned by Staffanson Harvest Company of Mount Vernon,Wash. In one pass through the field, the harvester cuts the vines, pulls them through a shaker and a roller to get the cucumbers off, shoots the vines back into the field and the cucumbers into the bin. It sells new for $250,000 and replaces 100 people.

Agriculture operates, for the most part, in a global marketplace. Oregon's cost of production, including wages, competes across international boundaries. The wage differential between Mexican and US agriculture is enormous. The daily wage for eight hours of farm work in Mexico was about $3.60 in US currency, compared

As noted in the Capital Press photo of the cucumber picker, mechanization is being accelerated due to labor costs and availability concerns. Similar machinery is available or being developed for asparagus, caneberries, wine grapes, and other crops. While fresh market produce—which brings a higher premium than products destined for processing—may retain more hand labor, much of the production will shift to mechanization in coming years as global forces continue to grind away at agriculture's ability to remain profitable.

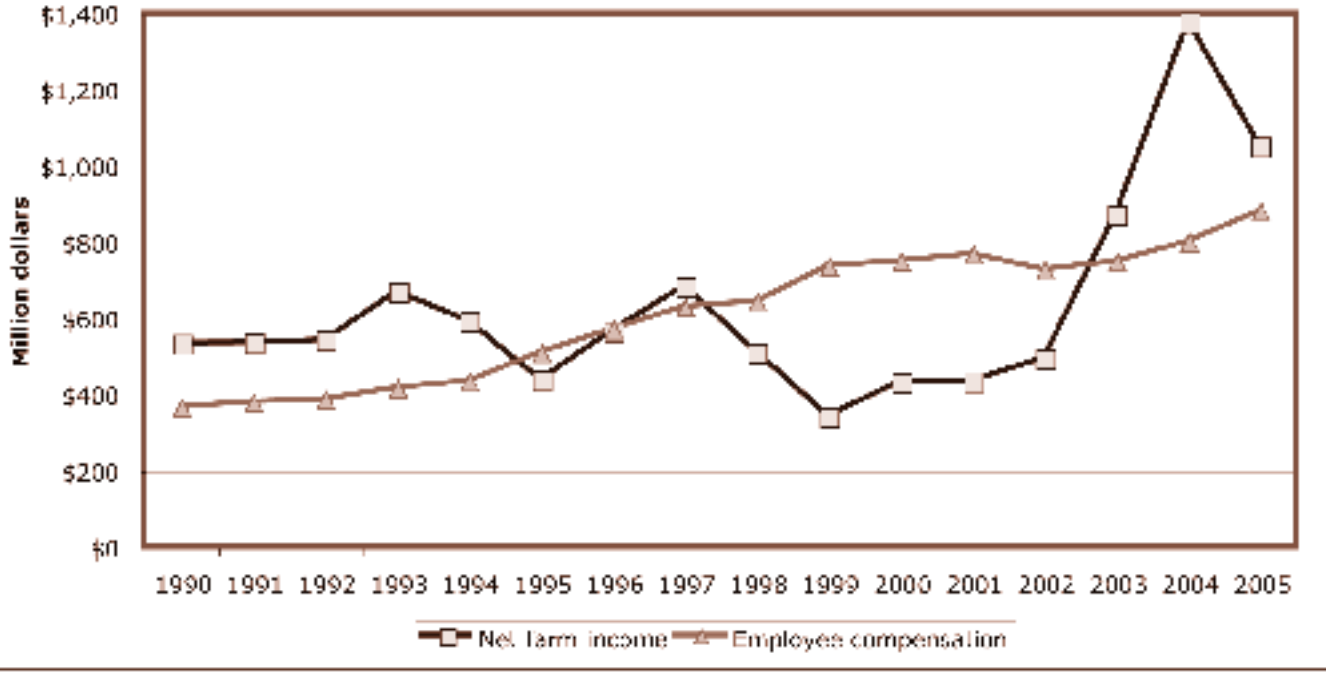
with the US average of $66.32 in October 2000, according to a USDA study. This disparity pulls workers into the US, many without going through proper immigration channels. Of course the cost of living in Mexico is lower than in the US, but the economic reality is that the input cost for production is much less south of the border, creating a growing disparity with Oregon. Even the neighboring state of Idaho, which uses the federal minimum wage, has a significant cost advantage for labor inputs.

Employment compensation

With the diversified production that exists in Oregon, there are multiple harvest schedules, methods, and marketing windows, usually restricted to a very short period of time based on the perishable nature of many crops, such as cherries, pears, apples, strawberries, blueberries, raspberries and other caneberries. Some of these crops end up in processed goods and can be harvested by machines. But the fresh market segment generally requires hand labor to meet higher quality standards. Other sectors of the industry, such as dairy and nursery production, are less perishable but still labor intensive.

Taken as a whole, employee compensation is the single largest expense for Oregon farmers. Total labor costs have risen from $367 million in 1990 to over $880 million in 2005, increasing every year but one (nominal dollars, not adjusted for inflation). Net farm income—what's left from the operation to growers after other

Net farm income vs. on-farm labor expenses in Oregon: 1990-2005



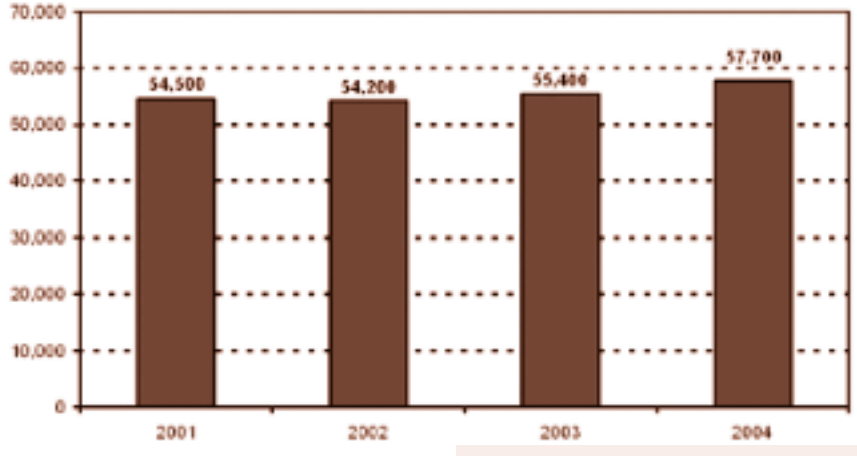
expenses are paid—have fluctuated significantly over this same period.

Labor compensation in total dollars (or as a percentage of net farm income) is virtually equal to net farm income over the past 15 years, with only one-half of 1 percent difference (0.55 percent) between the amounts—total net farm income was $9.8 billion in accumulated returns, and payment to labor was $9.78 billion. To state this another way, farm employees in aggregate have received virtually equal compensation over the past 15 years as have all farmers, in aggregate, over that same period. The returns or payments aren't evenly distributed among farm types or sizes of operation, and there are slightly more workers than there are farm operations (54,000 compared to 40,000 in 2002, latest Census of Agriculture data).

Year	Change in farm income	Change in employee compensation
1991	0.19%	3.56%
1992	1.29%	1.79%
1993	23.20%	8.04%
1994	-11.27%	3.87%
1995	-26.07%	17.28%
1996	29.61%	12.22%
1997	20.30%	10.14%
1998	-25.14%	2.11%
1999	-32.67%	14.61%
2000	26.00%	1.81%
2001	0.60%	2.39%
2002	13.33%	-5.35%
2003	76.49%	2.99%
2004	57.72%	7.00%
2005	-23.68%	9.83%

Labor compensation has increased from 15.8 percent of total farm costs in 1990 to 23.2 percent in 2005. The nursery sector is partially responsible, as its growth has led to an increased number of workers hired with the associated

Oregon Agricultural Employment is Looking Up
2001-2004* Annual Average Farm Employment

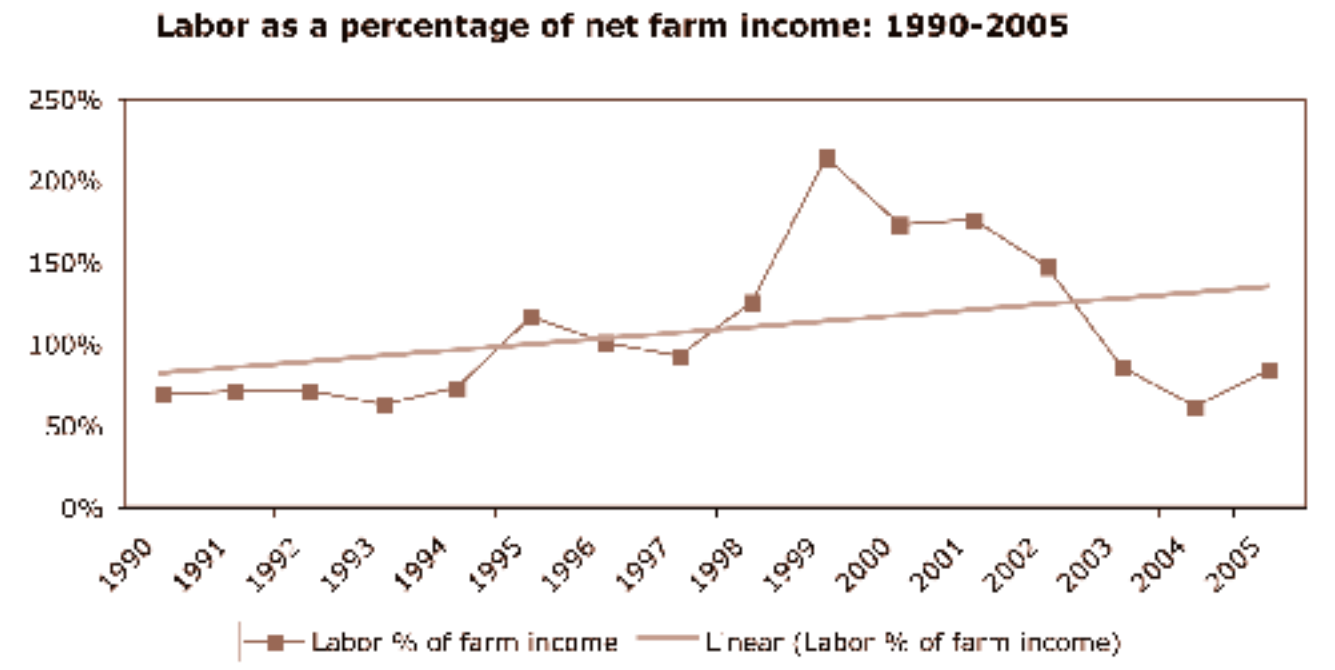


These estimates from the Oregon Employment Department show on-farm employment declining slightly in 2002, then increasing in 2003 and 2004.

Only one year in the past 15 (2002) did total farm employee compensation decline from the previous year. Some of this was due to a decline in on-farm worker numbers as shown in the graph (left) from the Oregon Employment Department.

Over the same period, net farm income declined five years out of 15 and was stagnant in others. The overall net income increase from 1990 to 2005 for growers doubled (197 percent). Over the same period, employee compensation increased 2.5 times (247 percent).

The destiny of farmers and farm employees are inextricably linked. But this relationship also exists in a global economy of market pressures, technological changes, weather dynamics, and trade agreements.



increases in compensation. The indexed minimum wage has also had an effect on compensation, as has an increasingly competitive market for labor (construction, landscaping, food service, hospitality, etc.), and more enforcement of border crossings.

As economic pressure continues to increase for overall employment costs, growers will continue to evaluate cropping options, mechanization and other technologies, and labor availability. The unfortunate reality is that agriculture competes in a dynamic global marketplace against other nations with lower labor costs. Segments of the industry that have some ability to pass costs along to consumers and less pressure from imports, such as nursery and greenhouse, have more flexibility related to employee compensation. Fruits, vegetables, and some livestock products are less able to pass costs along and face significant pressure from imports, making employee compensation a key issue in determining farm financial viability.

A final key issue that remains for the state is to resolve collective bargaining in agriculture. Secret ballot elections, open dialogue, and fair process are components imperative to resolving this issue.