N.J. State Board of Agriculture's Position on

New Jersey Minimum Wage Increases

The New Jersey State Board of Agriculture offers the following comments with respect to additional increases to the New Jersey minimum wage through A-15.

The Board applauds awareness by the New Jersey Senate and New Jersey Assembly with respect to the vulnerability of New Jersey farmers and other small businesses to additional increases in the state minimum wage beyond those already mandated by the 2013 constitutional amendment. Concern for the most vulnerable job providers is of equal relevance as concern for the most vulnerable job holders – realizing that no one gains when businesses close and jobs are lost.

To that end, the New Jersey State Board of Agriculture encourages additional legislative considerations for New Jersey's most financially vulnerable job providers – particularly family-owned farms as detailed below.

Overview – Unique Vulnerabilities, Unique Circumstances

New Jersey's agricultural operators are in a uniquely vulnerable position when it comes to their ability to pay a steadily rising minimum wage for numerous reasons, including:

- ***Lack of economies of scale*** – In other states where agriculture, as it is in New Jersey, is dominated by fruit and vegetable production, as well as nursery and greenhouse operations (states such as California and Florida), the farms typically are large (as defined by the USDA) and encompass thousands of acres. New Jersey's 9,100 farms average only79 acres. This smaller size, combined with being located in a heavily urbanized state leaves individual farms little room to grow and constrains their ability to achieve economies of scale.
- ***Difficulties in mechanizing*** – The size limitations mentioned above result in a further constraint on being able to adapt to higher mandated wages by replacing farmworkers with machines. Whereas larger farms in other states have significantly more collateral to borrow money to pay for mechanization, the smaller average size of New Jersey farms severely limits that option.
- ***Competition in the marketplace*** **–** New Jersey's overall size limitations mean that the marketplace of retail grocers must reach outside the state to augment the agricultural products they offer their customers. This puts extreme pressure on New Jersey farmers to

maintain competitive prices for their products. Faced with the prospect of higher prices for New Jersey grown products, retailers, already having existing supplier relationships, can easily shift to securing from out-of-state producers what they currently buy from New Jersey growers. Thus, New Jersey growers are effectively blocked from raising prices to cover the increased cost of significant wage increases, which invariably reach beyond the minimum-wage workers to those in higher-wage categories through a ratchet effect.

- ***Perishability of agricultural products*** -- The stiff competition from out-of-state growers is further exacerbated by the nature of agricultural products being highly perishable. A New Jersey grower who does not immediately find a workable price point for his products cannot simply "wait out" the competition, as the products quickly become unsellable due to perishability.
- ***Supplemental earnings*** – Many farms offer workers earnings incentives. To the extent that "tips" have allowed for special minimum wage considerations for restaurant employees, these bonus earnings for farmworkers can likewise significantly supplement base pay wages.

Existing Acknowledgement of Agriculture's Unique Position

- ***Public policy elsewhere acknowledges agriculture's dilemma*** – Recognizing this same vulnerability, seventeen other states, having higher-than-federal minimum wages, have a separate minimum wage rate in place for agriculture.
- ***Evidence in New Jersey's existing law*** – Being rurally situated, the cost of living for farm employees is considerably less than urban-based workers.
- ***Farmers' additional contributions to workers***: Base wages aren't the only way New Jersey farmers compensate their employees. Unlike most businesses in the state, farmers typically provide production pay incentives, along with non-wage benefits such as housing and transportation, that significantly supplement the hourly wage rate. Additional increases in the minimum wage beyond those already mandated put these valued benefits in jeopardy.
- ***Farm revenue is unique from other businesses*** – This is due to the uncertainty of crop yields and the unpredictability of market-driven prices. This unparalleled "ag risk" places farmers into a uniquely precarious business position. Adding to this risk with a debilitating labor cost mandate puts agricultural production, including "Jersey Fresh" products, in jeopardy. At the same time, it undermines other state policies supporting the sustainability of an important component of the Garden State's third-largest economic sector, such as the quality of life for all New Jersey residents as a result of active, productive farmland preventing runaway residential, commercial and industrial development.
- ***Past legislative experience in New Jersey*** – With past legislation, elected leaders have long acknowledged the uniquely consequential impact of New Jersey minimum wage

increases on farm families and their employees. This has included grant programs to enhance farm efficiency as a way of offsetting the weight of mandated increases in the minimum wage.

Unique Considerations

While the impact of any increase in the minimum wage beyond that prescribed by the 2013 constitutional amendment is of serious concern to farmers, New Jersey agriculture recognizes the political reality of current discussions. Mindful of that, the New Jersey State Board of Agriculture recommends and endorses the following allowances to address the singular vulnerability of farm business:

- That only the "first step" of any graduated increase apply to agriculture, and that any future increases be limited to the increase in the core rate of the CPI.
- That either an offset against hourly wages be allowed, or a refundable tax credit be established, to account for the unique non-wage contributions many farmers make to their employees' benefit, including housing and transportation.
- That a separate and lower "youth wage" be instituted for those at, or under, the age of 18.
- That a separate and lower "training wage" be instituted for newly-hired seasonal employment.
- That a review process be created whereby a panel co-chaired by the Secretary of Agriculture and the Commissioner of Labor would annually review the new minimum-wage law's impact upon the state's agricultural industry. The state of the national economy would likewise be considered. Subsequent reports to the Governor and Legislature will provide a basis for any necessary reconsiderations.

Response to Berkeley Study on Increasing New Jersey's Minimum Wage

1. The University of California, Berkeley CWED study questionably equates the ability of large California farms to deal with minimum wage increase to that of much smaller New Jersey farms that operate ***without those same economies of scale***.

2. The study initially recommends farmers deal with rising labor costs by adopting more mechanization of their operations. However, later, it acknowledges that the technology for such mechanization (e.g. machines that can safely pick crops like blueberries for the fresh market) ***does not currently exist*** and shouldn't be expected anytime soon. It does not acknowledge that mechanization means **lost jobs**.

3. The study does not, take into account the ***most vulnerable farms*** that operate on ***disconcertingly thin margins***.

4. The study does not show evidence of understanding the dynamics of the fresh produce market ***as it exists in New Jersey***, where surrounding states and others even farther away will be able to undercut New Jersey produce prices to New Jersey retailers if those states don't also raise their minimum wages. California, being the largest produce-growing state in the nation, does not face the kind of ***close-in competition for its produce*** that New Jersey does ***within its own borders***.

Questions on the Validity of Calculations in the Berkeley Analysis

At multiple points in the Berkeley CWED analysis, calculations either overlook or do not match up with the experience of longtime farmers in New Jersey. They include:

- ✓ Page 3, Paragraph 4: The study states that the 2016 median hourly wage among "*crop, nursery and greenhouse farmworkers and laborers was $11.54 while the state's minimum wage was $8.38*" and later on Page 4, Paragraph 1, states "…*a minimum wage increase of $1 in New Jersey agriculture* ***will increase actual median wages by 25 percent***." This 25 percent increase in median wages calculates to $2.89 ($11.54 x 25 percent), for a resulting total of $14.43 per hour. Using this multiplier, a $6.62 increase in the minimum wage from $8.38 to $15 per hour would result in the 2016 median wage increasing to $30.92 per hour by 2023. This actually supports the concern of farmers as to how dramatic the ripple effect of an increase in the minimum wage to $15 per hour would be on all farmworker wage scales. Equally unstated is the added cost of other farming inputs that will result from the higher wages paid by businesses that supply the farmer. The study also utilizes a standard that doesn't relate to farm production when it states that "*numerous credible minimum wage studies find that a $1 increase in the statutory minimum wage increases average wages in low wage sector – such as food service by about 20 cents*." This is an apples-and-oranges comparison, as food-service base wage requirements allow for the supplementary effect of tips, whereas that does not currently apply in the agricultural sector. This is evidenced by the separate considerations for the food service industry in A-15.

- ✓ Page 4, Paragraph 2: The study states that "*labor costs account for about* ***30 percent*** *of operating costs*" based on California studies of fresh berries and fresh tomato production. In contrast, New Jersey Farm Bureau studies have shown that seasonal, labor-intensive crop farms (fruits and vegetables, nursery and greenhouse) in New Jersey can have labor costs that are as high as ***40 to 45 percent*** of total operating costs. Easy to understand snapshots of how wage increases actually impact farms can be found in Appendix A of this document, entitled "Farm Profiles to Evaluate the Effect of a $15 Minimum Wage Rate on New Jersey's Farm Employers." This larger impact for New Jersey growers is to be expected considering that our state's smaller farms do not lend themselves to the wide use of harvest aides that bolster the efficiency of larger California berry and tomato farms.

- ✓ The Berkeley study speaks to a 50% increase in the minimum wage by 2023 when comparing the newly projected minimum of $15.00/hour to the currently projected minimum of $10.10/hour. This overlooks the original increase to $10.10 that will be attributable to the minimum wage increases currently in effect from the 2013 Constitutional amendment. In total, this actually amounts to a 79 percent increase in the New Jersey minimum wage over the time period under analysis.

- ✓ In summary, valid calculations and more appropriate New Jersey data do not support the Berkeley study's conclusions as to a minimal negative effect on New Jersey farmers – particularly those family operations that are currently in a highly vulnerable financial circumstance.

- ✓ Put succinctly by a South Jersey farmer: **"*A minimum wage increase would be catastrophic. We in the farming industry have seen our everyday costs to run our farms increase at least fourfold since the 1980s, while the prices we receive for our produce have stayed flat, if not decreased. An increase in the minimum wage will put many of us out of business. We would not mind an increase if we could pass the cost on, but that is not the way things work in this industry.*"**