



Agricultural Council Of Maine

E-mail: info@maineagcom.org

In Support of

LD 543 An Act to Provide That the Minimum Wage Increases by the Cost of Living Every 3 Years

April 12, 2021

Senator Hickman, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing:

The Agricultural Council of Maine - established in 1990 – is the central forum for communication among agricultural groups in Maine. Our mission is to share information and provide leadership and advocacy on agricultural issues that impact all sectors of Maine agriculture. Membership in AGCOM is open to producer groups and statewide non-profits that service agriculture. In addition, businesses and smaller agricultural groups can become non-voting associate members. Non-voting ex-officio members include the University of Maine, Cooperative Extension, federal and state agricultural agencies, and representatives from Maine's congressional offices.

At our March 23, 2021 meeting, AgCOM members voted to support LD 543. This bill is symbolic of the economic challenges facing Maine farms as it relates to employment costs and we urge the Committee to take these comments and apply them as needed to other related bills.

Labor is one of the largest cost categories on Maine farms. Efforts to artificially adjust the starting wage levels have significant ripple effects throughout the employment market. Currently, a shortage of farm labor is one of the major challenges facing Maine farms. One of the incentives to find and keep workers is the ability to offer a more attractive wage, along with the inherent benefits of working in an agricultural setting. Farm labor is absolutely necessary in order to produce food and fiber and the lack of such labor greatly inhibits the ability to feed our families, neighbors, and those in need in our state.

Each time the mandated minimum wage is increased, the economic stress for farms is dramatically increased because it increases the number of jobs that are in direct competition with farm positions in terms of economic compensation. As minimum wages increase, it raises the starting wage level for all jobs – on and off the farm, pushing expenses for the farm higher. Mandated minimum wage increases raise the starting wage level for jobs – which includes impacting farm work/wages - but it does not always transfer to existing employees. For example, when the most recent state minimum wage increased to \$12.15 per hour took effect, farmers were forced to offer a higher starting wage for new employees in order to find workers in a very competitive labor market, but because the income to the farm hasn't increased, farmers were unable to offer any wage increase to existing employees. One farmer described the difficult and painful process of hiring a new employee at a very competitive wage level that resulted in the new employee being paid almost the same as another employee who had been working on the farm for over 16 years.

In addition, the cost of good and services required by the farm often increase as the increase in minimum wage is passed along by the business to their customers – the farmers. Maine farmers already pay higher costs for goods and services because of our location and the

distance specialty good need to travel. Most farms operate on razor-thin margins that prioritize employee wages over income for the owner/operator. Most farmers cannot greatly increase their income through price setting because the public will not pay more for food. Farmers are price takers, not price setters. So the only way farmers can make farming financially sustainable is by reducing expenses. They pay as much as they must for hired labor because it is necessary. They pay themselves only what is left over after ALL the bills are paid. There is no minimum wage guarantee for the farmers who make sure that we have good, healthy food available that people can afford to buy. There is definitely something wrong with this system.

For your better understanding, I have also submitted AgCOM's "Needs of Maine Agriculture" document that was the result of a multi-year process to identify and summarize the ongoing necessities for make farming financially sustainable in Maine.

Thank you for considering AgCOM's views on LD 543, the overall economic impacts on agriculture of minimum wage policies, and the business dynamics of farming.