

OCTOBER 2018

Agribusiness Wage + Land Rent Survey



Survey Structure

Aldrich CPAs + Advisors LLP developed its third annual edition of the Agribusiness Wage + Land Rent Survey focusing on compensation, employee benefits and land rents. The survey was constructed to provide agricultural business owners and stakeholders with new insights and information to assist in day-to-day decisions. In 2018, Aldrich extended the survey beyond Oregon across the Pacific Northwest region to capture a larger geographic dataset.

The Agribusiness Wage + Land Rent Survey was designed to focus on areas that are most important to our community.

Employee wages, including national benchmarks and data from previous years.

In most businesses, wages are usually the highest expense. By understanding how a company stands within the industry, farm owners and stakeholders can adjust accordingly to maintain talent.

Employee benefits, including national standards.

With new regulations and increasing pressure from a competitive market, business owners can gain an advantage with prospective employees by adjusting their employee benefits.

Land rents in various Pacific Northwest regions.

To address an ongoing concern with farm owners, this survey provides an overview of what is happening across the industry to better prepare Aldrich clients. This year, we delivered more in-depth benchmark information with a wider demographic.

Survey Participants

A total of 98 businesses from California, Oregon and Washington participated in the survey. The majority of respondents had revenues between \$1 million and \$10 million. Survey participants were involved in the cultivation and production of more than 70 agricultural commodities.

Grass Seed



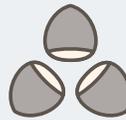
14.5%

Berries



3.9%

Hazelnuts



13.7%

Nursery Stock



6.3%

Wheat



5.1%

Grapes



3.1%

Hops



2.4%

Dairy



0.4%

Specialty Seed Crops



8.2%

Cattle



4.3%

Cherries



2.0%

Other Row Crops



8.2%

Specialty Crops



8.6%

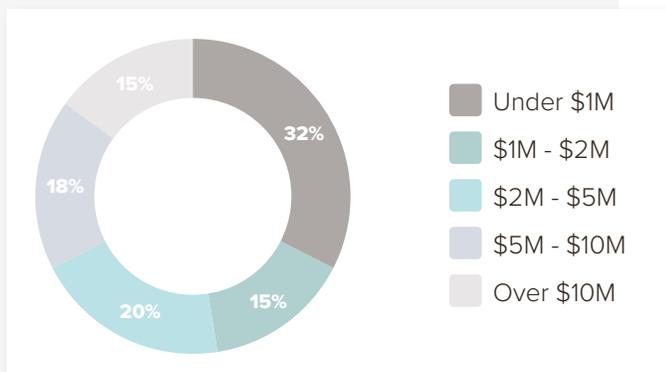
Other



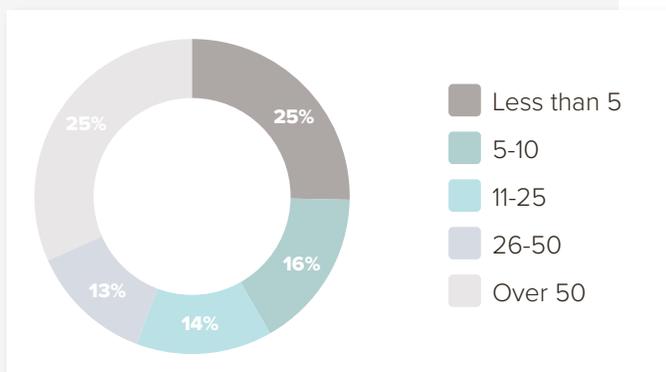
19.3%

Operation

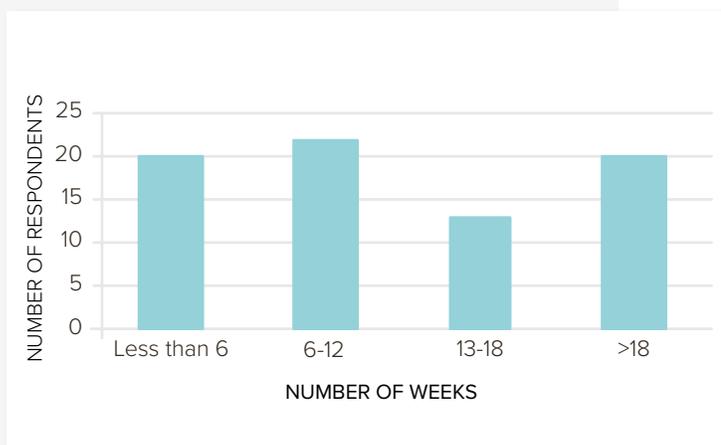
Gross Revenues from Farming Operations



Number of Employees During Peak Employment



Average Number of Weeks of Employment



Farm owners and stakeholders need to understand the issues that can influence operations each year, such as changes in soil composition, water sources and climate change. These issues cause volatility that can be mitigated through the use of fertilizers, pesticides, technology and labor. Two of these, fertilizers and pesticides, drew the greatest number of responses from our survey participants. When looking at the largest variable category of expenditure, 43% said fertilizers were their greatest expense and 29% of our respondents identified pesticides as the next largest variable expenditure within their operation.

When asked about their gross revenue from farming operations, respondents reported minimal changes compared to 2017 data. Farms generating less than \$1 million annually now make up 32% of respondents, an increase of 7% that reflects the new respondents. Another 20% remained in the \$2-\$5 million range. On the large end of the revenue scale, 15% of respondents generated more than \$10 million, a 1% increase from last year. This can be due to the minimal environment changes that the Pacific region experienced last season.

Today, agribusiness relies heavily on farm workers to plant, cultivate, harvest and prepare crops for market or storage. National statistics from the U.S. Bureau of Labor show that in 2017, California and Washington employed between 170 and 1,420 workers per farm, while Oregon ranged from 30 to 50 workers per farm. Survey respondents stated that during peak season, 25% of farm owners hire fewer than 5 farm laborers, 14% hired 11-25 workers, and 31% hired more than 50. While our survey results indicated a small increase in employment, research projects a decrease in employment as regulations increase and business owners struggle to maintain qualified employees in the workforce.

Survey results showed minimal changes in seasonal employment duration. Consistent with previous years, 26% employ workers for less than 6 weeks. Another 29% retained seasonal labor for 6-12 weeks, an increase of 5%. An additional 17% employed workers for 13-18 weeks, a decrease of 8%. Lastly, 26% employed seasonal workers longer than 18 weeks, 3% higher than in 2017. Last year, the highest number of respondents kept their seasonal workers 13-18 weeks, while this year's participants selected the same employment duration the least. This could be due to climate change or crops produced that require employers to adjust their farm workers' schedule to accommodate the needs of the business.

Compensation

As minimum wage increases, business owners must plan accordingly. The United States Department of Agriculture (USDA) stated that the average wage for all hired workers increased by 3% annually. While an increase in minimum wage requirements can be a challenge to business owners, establishing a competitive wage can help farm owners retain loyal workers. According to the national Agribusiness Human Resource report, 47% of human resource professionals are most concerned with maintaining a fair and competitive compensation system for employees.



As depicted below, starting minimum hourly wage ranges between \$10 to a maximum hourly wage of \$120 depending on role and responsibility. According to 2017 national U.S. Bureau of Labor Statistics, the average agricultural worker's hourly wage was \$12.78. Our respondents met national standards in most positions.

According to our respondents, the starting hourly wage for new employees in processing plant positions began at \$10.25 and peaked at \$50, depending on the role. The U.S. Bureau of Labor Statistics shows that the average starting wage in this category is \$21.60. Only some of our respondents met this national standard.

Entry Level Position Starting Wages

Position	Minimum Wage	Median Wage	Maximum Wage
Field/General Laborer	\$10	\$11.84	\$15
Supervisor/Crew Supervisor	\$12	\$16	\$25
Mechanic	\$12.50	\$21	\$50
Truck Driver	\$11.25	\$17.50	\$32
Tractor/Equipment Operator	\$10	\$14.25	\$19.75
Farm Manager	\$16	\$35	\$110
Field Spraying Operator (Herbicide/Pesticide Applicator)	\$12.75	\$16.25	\$50
Receptionist/Administrative Assistant	\$12	\$16.50	\$22.25
Accounting Clerk/Staff	\$14	\$20	\$40
Office Manager	\$14	\$24	\$50
Controller	\$16	\$43	\$85
Sales Staff	\$15	\$26	\$50
Sales Manager	\$20	\$60	\$120
Floor/General Labor	\$10.25	\$11.50	\$15
Plant Mechanic	\$16	\$22	\$26.51
Floor/Line Supervisor	\$13	\$16.50	\$19.58
Quality Control Supervisor	\$12	\$18.79	\$22
Food Safety Manager	\$20	\$30	\$40
Maintenance Manager	\$29.80	\$31	\$40
Head Seed Cleaner	\$16	\$19	\$24
Plant Manager	\$18	\$25	\$40
General Manager	\$16	\$35	\$50

The highest paid existing employees at our respondents/ companies were managers, who ranged from \$14 to \$150 per hour, depending on the responsibilities.

Experienced Hire Position Wages

Position	Minimum Wage	Median Wage	Maximum Wage
Field/General Laborer	\$10	\$13.38	\$30
Supervisor/Crew Supervisor	\$12.50	\$19.18	\$30
Mechanic	\$9	\$24.14	\$60
Truck Driver	\$15	\$21.50	\$65
Tractor/Equipment Operator	\$11	\$17.50	\$30
Farm Manager	\$19	\$34	\$110
Field Spraying Operator (Herbicide/Pesticide Applicator)	\$15	\$19.25	\$58
Production Manager/Propagation Manager	\$15.50	\$36.75	\$100
Receptionist/Administrative Assistant	\$15	\$17.75	\$40
Accounting Clerk/Staff	\$16	\$24.45	\$45
Office Manager	\$14	\$28	\$35
Controller	\$25	\$42.50	\$85
Sales Staff	\$15	\$28	\$64
Sales Manager	\$20	\$64.20	\$120
Floor/General Labor	\$11	\$12.64	\$50
Plant Mechanic	\$22	\$26	\$65
Floor/Line Supervisor	\$16	\$17.50	\$21.78
Quality Control Supervisor	\$13.75	\$17.77	\$21.78
Food Safety Manager	\$20	\$20	\$20
Maintenance Manager	\$31.77	\$36.89	\$42
Head Seed Cleaner	\$17	\$20	\$25
Plant Manager	\$20.80	\$47.38	\$95
General Manager	\$30	\$41	\$150



Employee Benefits

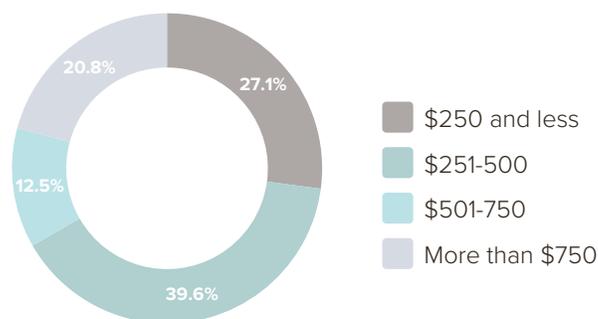
Federal laws on employee benefits have strengthened over time and business owners must comply to avoid penalties. Currently, 60% of agricultural workers are foreign-born, according to a federal survey. Due to shortages in the workforce and strict regulations, business owners often need to increase employee benefits to attract new talent.

An increase in health insurance is a common perk for employees, and business owners acknowledge that this can be a competitive advantage in their organization. According to our results, 27% of our respondents contributed \$250 or less to health insurance per employee, a decrease of 11% from last year. Increasing 3% from last year, 39% contributed \$251 to \$500. Another 12.5% offered \$501 to \$750 per month per employee, down 2%. Lastly, 20% offered more than \$750, an increase of 10% from the previous year. It is likely that the larger organizations may have decreased their health benefits to strengthen their finances, while smaller organizations increased to stay competitive in the market. However, the overall increase in monthly healthcare contributions shows the rising role of benefits packages in the hiring process.

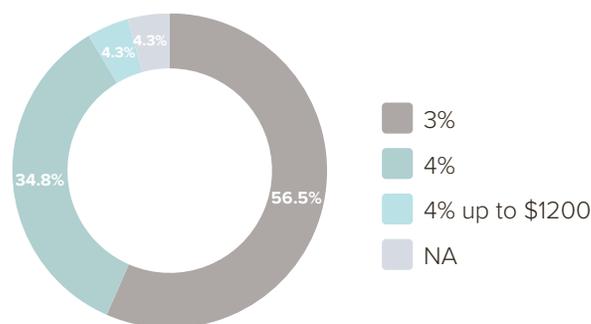
Farm owners also have to take into account the new retirement law that passed early this year, stating that employers must offer employees a retirement plan or fund their retirement plan at a state level. Compliance penalties can cost the organization thousands of dollars. In response to this change, survey data indicates that about half of our respondents (56%) contribute at least 3% to employees' 401k plans, which meets the national benchmark.

Some employers offered alternative forms of compensation. For example, nearly a quarter of respondents (22%) offer some form of housing even though 45% of respondents do not offer alternative benefits. This is especially noteworthy since housing costs continue to rise each year.

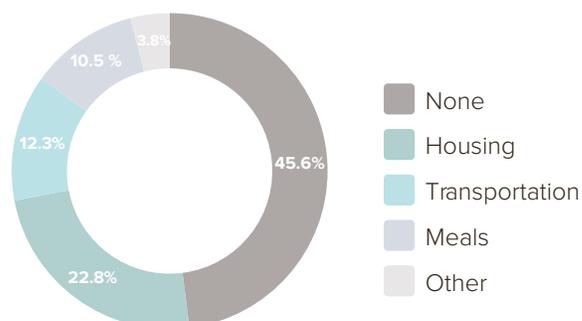
Employer Health Spend per Employee



Maximum Matching Contribution as Percentage



Alternative Compensation



Land Rents

Land rents also continue to be a key conversation with farm owners. At the end of a business day, profits must be greater than rent expense to sustain the business. By understanding your cost per acre, farm owners can negotiate and decide whether or not to lease land.

According to a 2017 report by the USDA, irrigated land rents in the Pacific Northwest region increased from 2016 to 2017.

The below table represents the average per-acre cost with irrigation by commodity.

The USDA also reported an increase in rent on non-irrigated land. Washington, on average, increased by 3.8%, Oregon by 5% and California by 7%.

Irrigated

Commodity	Minimum	Median	Maximum
Grass Seed	\$125	\$213	\$675
Hazelnuts	\$200	\$238	\$600
Nursery	\$200	\$375	\$1,000
Row Crops	\$125	\$238	\$420
Hops	\$250	\$588	\$930
Other	\$150	\$200	\$500

Non-Irrigated

Commodity	Minimum	Median	Maximum
Grass Seed	\$100	\$160	\$210
Hazelnuts	\$200	\$700	\$1,015
Other	\$105	\$151	\$175



Summary

On average, employment during peak season increased slightly. This could be due to the weather changes that required business owners to adapt to the environment. As for compensation, most of our participants met national standards and increased their hourly employee salary from 2017. This could be contributed to the annual minimum wage increase that occurs across states. Business owners also increased their overall retirement plan offerings and met the national benchmark contribution of 3%. Lastly, irrigated and non-irrigated land rents rose in the past year.

Our vision at Aldrich is to be a long-lasting resource to the agribusiness community by providing a unique blend of agribusiness industry knowledge, technical expertise and valuable solutions that focus on addressing the production, operations and regulatory demands of our clients. We spend time diving deep into our industries and are active members within key committees of many associations.

Aldrich CPAs + Advisors LLP is ranked in the Top 100 Accounting Firms nationally, providing tax, accounting, advising and consulting services to businesses and individuals. Recognition includes Top 100 Accounting Firms by Inside Public Accounting, Best Places to Work and Healthiest Employer.

Serving clients throughout the west from locations in Oregon, California, Washington and Alaska, Aldrich has industry expertise working with agribusiness, food processing, manufacturing, construction, healthcare, nonprofit, telecommunications and a variety of privately-held companies. Affiliates include Aldrich LLP, CPAs and Business Consultants, Aldrich Wealth Advisors LP, Aldrich Benefit Advisors LP, and Aldrich Retirement Plan Services LP.

If you have any questions or would like us to assist your business in any way, please feel free to contact any of our team members at agribusiness@aldrichadvisors.com.

We spend time diving deep into our industries and are active members within key committees of many associations.





Alaska | California | Oregon | Washington

aldrichadvisors.com