

# Part 5: THE COST OF DOING BUSINESS

**R**OD PARK ONCE met a cattleman. The nurseryman and OAN past president was attending a conference years ago, talking to aggies from other sectors. The rancher reported that he had grown from raising 500 head of cattle to 1,000 head, but he was making the same net income.

It was, essentially, double the risk, double the costs, and the same profit.

“I hope the nursery industry never does that,” Park told himself.

It illustrated why, even with the time demands of his business, Park has invested so much of his time in having a strong association with an effective government relations program.

“You can spend all your time at the nursery producing the best crop, doing your sales, and something will come along and knock it out from underneath you,” Park said. “Or, you can spend some of that time helping the association plug the leaks in the bottom of the cup. It’s not what you make, it’s what you get to keep. That’s where the association comes along, trying to figure out how to keep more of it.”

## More of what you make

One of the greatest challenges for nurseries is added non-discretionary business expenses.

“We’re in a political environment where my fear is a lot of our legislators are not business owners themselves,” OAN legal counsel Steve Shropshire said. “They don’t understand the cumulative impact that years of tax policy, labor policy and the like have on a business’s ability or even desire to remain in business in Oregon. There’s a good reason we only have one Fortune 500 company headquartered in the state. If the ties that Nike has to Oregon were not as important as they are to its founder (Phil Knight), I don’t think they would be here, either.”

Mark Bigej, an owner at Woodburn-based retailer-grower Al’s Garden & Home and a past president of OAN, has seen a steady erosion of profit due to taxes and regulations.

“In the past five years, our revenues have grown and we’ve added another store, but our expenses have increased at a rate 11% faster than our revenues have,” he said. “That goes to all the costs of doing business.

“Certainly, labor is part of that. We’ve seen the cost of labor going up. Taxation increases get passed on to us, minimum wage increases get passed on to us for products as well as our own labor,

and it’s exceeding our pace at which we can grow our revenue.”

A few miles down the road, fellow past president Leigh Gescwhill of F & B Farms & Nursery has observed the same thing as Bigej.

“Over the past 5–6 years at least, I’ve been watching our profit margins just erode,” she said. “Even with increasing sales, they just keep eroding away. I increase sales, I increase pricing and still my profit margins keep eroding.”

## Bit by bit

Several components are part of this overall picture.

In the past several years, the Oregon Legislature has increased its minimum wage, added a family medical leave requirement, passed a statewide transportation package (which OAN supported), and passed a corporate activities tax (CAT) to fund stronger schools, among others.

The CAT, passed in 2019, applies to business revenue above and beyond the \$1 million per year level. The OAN said it was unfair to nurseries, which often operate with high volume and low margins. “In a small margin business such as ag, it’s not that hard to cross over the \$1 million threshold, even if you aren’t making much profit at all,” Shropshire said.

The advocacy team told legislators that if they insisted on a new tax, they should at least tax profit rather than revenue. They didn’t listen.

“The CAT tax is going to be a lasting problem,” Simnitt said, noting that it will affect supply and fuel costs even for those nurseries that won’t be directly liable for paying the tax themselves. “We’re going to pay for it in higher cost of our goods.”

Implementation has been a mess.

“The CAT tax was effective immediately, before rules even came out,”

Geschwill said. “We have no idea. We just

know we have to pay something.”

The OAN heads off as many cost increases as it can, to the degree that the political landscape allows. “Some of them don’t even see the light of day,” OAN President Jim Simnitt said.

A proposed hoop house tax is one example. About a decade ago, county assessors in Oregon made a move to tax hoop houses as if they were real property, which would have cost growers \$1,000–\$2,000 per structure just for starters.

“That would have been devastating to any container grower,” he said. “It’s not just what you would have paid (initially), but that tax was going to go up. It would have become a tax grab.”

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— Jeff Stone, executive director of the OAN





### COVID-19 costs

More recently, Oregon OSHA (Occupational Safety and Health Administration) has added worker protection rules designed to head off the spread of the COVID-19 pathogen in the workplace. Growers don't disagree with the objective, but say the new regulations are inflexible and, in nursery production environments, not necessarily helpful.

"It's things like having to add extra bathrooms," said Kathy LeCompte, an OAN past president and co-owner of Brooks Tree Farm in Salem, Oregon. "We had to buy three new bathrooms at \$5,000 each and they have to be cleaned three times a day. We have to document when and who, and we have to provide the supplies, which promptly got stolen because nobody could find the sterilizing

wipes on any grocery shelf .... It wasn't helpful, and now it looks like it's going to become permanent law."

The OAN is working to prevent that from happening, arguing that regulations should end when the pandemic does.

"I wish the legislators would believe us when we tell them we are tapped out with regulation and the cost of regulation," LeCompte said.

### Strong return on investment

The OAN may not win every battle. That's seldom in the cards for anyone engaged in the political arena. However, it makes a difference, and nowhere was that more clearly seen than this past spring with a possible coronavirus-related shutdown.

"The members had every right to say, 'You need to protect us. I have no sway

whether or not the state of Minnesota or the state of Michigan is open. I grow plants. I sell plants and I need to be able to do it,'" Stone said.

It was a do or die situation where the OAN prevailed by working around the clock. The result benefited everyone in the Oregon nursery industry — not just those who make the dues investment — but without member support, it couldn't have happened. "It is in our DNA to work tirelessly to protect the industry," Stone said. "Do I wish everyone was a member? Yes. The membership allows us to protect them. I would be flabbergasted if people said the return on investment for the association this year was not sufficient. I would venture to guess that without the OAN, we would look radically different as an industry." ☺



## Oregon Nurseries' Political Action Committee

Separate from the OAN, but also important to nurseries, is the Oregon Nurseries' Political Action Committee (ONPAC). The committee raises money through the annual Duffers Classic golf tournament and a silent auction at the annual OAN Convention.

The proceeds are then used to support nursery-friendly candidates for office through campaign contributions.

ONPAC isn't partisan. It typically endorses candidates from both parties, and has a strong track record for endorsing candidates who go on to win office. The endorsement is often as valuable as the campaign cash. As member Rod Park noted, "Our former contract lobbyist, Ted Hughes, had a saying: 'It's not our job to get Democrats elected or Republicans elected. It's our job to get our friends elected.'"

As the election approaches, ONPAC conducts interviews with selected candidates for the Oregon Legislature, as well as other offices that are strategically chosen.

"Picking candidates is sort of like picking stocks,"

ONPAC member Leigh Geschwill said. "Sometimes we choose wisely and sometimes we think we've got a good choice and we don't."

OAN Executive Director Jeff Stone helps coordinate the interviews, which allow the candidates to become familiar with the nursery issue and its concerns.

"The ONPAC process helps surface why we care about a particular issue," he said. "You get to earn that endorsement through a conversation, not based on whether you agree with us on the issue necessarily. There is not a solid red line between policy and the endorsement process of the ONPAC, but they are married."

New candidates don't have a track record and ONPAC can only go by the interview. If the candidate is running for another term, then past votes do matter.

"If you do everything you can to hurt the industry, we're going to ask you why," Stone said.