



Center for Cooperatives  
UNIVERSITY OF WISCONSIN-MADISON

# Coordinating Farm Labor Across Farms: A Toolbox for Diversified Farmers and Farmworkers

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### **Many diversified farmers seek more flexible labor options**

A diversified farm's labor needs can be even more diversified than their operations. As the skills and experience, type of work, number of workers, and number of hours needed vary on a single farm, diversified farmers often struggle finding workers who meet their farm's precise needs.

### **The issue of labor affects diversified farms at all stages**

Whether small or large, established or brand new, no farm is immune from the challenge of meeting its labor needs. While more established farms might have one or a few full-time employees, extra seasonal help might be needed. Owners of small to mid-sized diversified farms can sometimes manage the work load themselves; however, they might need hired help at the height of the season or for more intensive tasks. They must then sacrifice time and money to manage recruitment, payroll, training, and other HR obligations—all while they would often rather be out in the field or running other aspects of their operation. Labor shortages in the community can make it difficult to find this extra help.

“No farm is immune from the challenge of meeting its labor needs.”

### **Farm labor is a significant financial factor**

When considering all the time and costs involved, diversified farms often pay a hefty price to meet their farm labor needs. Bad hiring decisions can also be expensive.

### **Farmworkers struggle too**

Given the seasonal nature of diversified fruit and vegetable farms, few year-round and full-time employment opportunities exist. Seasonal farmworkers must piece together year-round work to make a living. Summer work might be okay for those who are in school or who are pursuing another career. It can be wearisome year after year for those who are seeking an enduring livelihood in farming. In addition, competitive positions often lack livable wages or benefits, and few opportunities are available for farm workers to gain upward mobility and career advancement.

## Workers on diversified farms want more consistency and predictability in their work

Many also aspire to have an ownership stake or some level of vested interest in their livelihood.

### Farmworker Survey Says:

When we surveyed farmworkers on diversified fruit and vegetable farms in Wisconsin, 95% of respondents said that year-round work was an important factor when seeking farm employment opportunities; yet, only 18% had a year-round position. When asked about their long-term goals, including pursuing non-farming careers, over 60% of respondents said they ultimately want to own their own farms or become managers for another farm.

“If farmers come together to aggregate their farm labor demands, they can potentially attract a more qualified workforce, share the costs of training and compliance, and streamline various HR operations.”

### Possible solution: Coordinate!

Do the challenges described above sound familiar? If you are a farmer or farmworker and the above rings true for you and others in your farming community, this guide is for you. It explores one potential option for farmers and farmworkers to address some of their farm labor needs and desires: coordination.

### Terminology: Farmers and Farmworkers

While it is not a perfect fit, this guide uses the term “farmers” when referring to farm owners, or the individuals who make the farm’s hiring and other HR decisions. It uses the term “farmworkers” when referring to workers on farms, whether they are employees, interns, apprentices, managers, full-time, part-time, seasonal, and so on (even though these individuals may rightly consider themselves “farmers”).

### Coordination through a collective venture

If farmers come together to aggregate their farm labor demands, they can potentially attract a more qualified workforce, share the costs of training and compliance, and streamline various HR operations. By coordinating key aspects of farm labor through a collective venture, each farmer would not necessarily have to acquire the skills and knowledge, legal and otherwise, required to navigate the complexities of hiring and managing farm labor. This could save farmers

significant time and money, not to mention headaches. Coordinating could also create more consistent, attractive employment opportunities for farmworkers, including upward mobility through ownership interests.

Such a collective venture could happen in a wide variety of ways. It could be initiated by the farmers, by the farmworkers, or both. It could be done informally, or through a formal business structure such as a cooperative or LLC. The graphic below illustrates some of the different tasks that a collective venture could do and the roles that farmers and/or farmworkers could play.

**Figure 1**

## Farmers

**MOTIVATIONS:** Farmers need a reliable availability of trained workers throughout the season. Managing recruitment, payroll, training and other HR obligations on their own is costly and time-consuming.

**FARMER—OWNED:** Farmers own the venture, make governance and management decisions, and make initial investments to launch the venture.

### Collective Venture

- Recruit and hire workers/find farms that need workers
- Schedule workers
- Provide centralized training
- Manage payroll, associated taxes, and ensure employment law compliance
- Provide benefits like insurance; establish a payscale
- Could work with intermediaries to find skilled labor

**MOTIVATIONS:** Farmworkers want regular work during the season; a reliable wage; access to certain benefits; training to ensure a productive and safe work environment; and opportunity for advancement.

## Farmworkers

**FARMWORKER—OWNED:** Farmworkers own the venture, make governance and management decisions, and make initial investments to launch the venture.

### More Terms: Cooperative and LLC

**Cooperative:** Cooperatives are owned by and operated for the benefit of the people or businesses who use them. Cooperatives begin with a community of people coming together around a shared goal—such as addressing farm labor issues. Democracy is a defining characteristic as cooperatives are governed by the principle of one member, one vote. This means that no single member can dominate the decision-making process. In the case of addressing farm labor issues, a cooperative could be owned by the farmers (farmer cooperative), the farmworkers (farmworker cooperative), or both (multi-stakeholder cooperative owned by farmers and farmworkers). A cooperative's profits are distributed to its members based on their use of the cooperative. Use can be defined in several ways depending on who the members are and how they interact with the cooperative. Examples include the number of hours a worker works or the monetary value of cooperative services a farmer uses. Profit that is returned to members based on use is known as a patronage dividend under Subchapter T of the IRS tax code, which offers some tax benefits.

**Limited Liability Company (LLC):** The LLC is a formal business entity that offers a wide range of flexibility for structuring and managing a collective venture. For example, like a cooperative, an LLC could be structured to reflect democratic principles (one member, one vote). Profits can be distributed in any number of ways as well; however, there may be tax implications.

### Where does one start?

**This toolbox is designed to help farmers and farmworkers who are interested in coordinating farm labor determine what approach or model might be best for them.** One thing is certain, there is no one-size-fits-all answer! Deciding which approach is best is no easy feat. Each option presents unique opportunities and challenges, costs and benefits, pros and cons. First and foremost, is coordinating farm labor within your community even feasible?

This toolbox divides the process of assessing feasibility into four steps, or four overarching questions:

- Operations: What aspects of managing farm labor are farms in your community looking to coordinate?
- Ownership: Who will drive the development process and eventually own the collective venture (i.e. farmers or farm workers)?
- Structure: What is the most appropriate legal structure for the collective venture—cooperative or LLC?
- Financial viability: Will the benefits of coordination outweigh the costs?

“The best solution to a community’s farm labor needs is one created by and for that community.”

**The series is meant to be completed sequentially and collectively.** Reflective questions or exercises are included at the end of each section to provoke discussion and help farmers and farmworkers determine what overall approach, if any, might be best for them. While the sections are designed sequentially, it is not a perfect progression as many factors are interrelated. For example, financial considerations will likely arise for each section. It may be necessary to circle back to each section for a second iteration after all the sections have initially been reviewed. Ideally, farmers and farmworkers in a given community will go through this brainstorming process together, in a face-to-face meeting, over the phone, through a shared online platform, or in some other fashion. After all, the best solution to a community’s farm labor needs is one created by and for that community.

**Now let’s get started!**

## Part 1: Operations

### What aspects of managing farm labor are you looking to coordinate?

Various operational and human resources functions that farms ordinarily do on their own could be shifted to a collective farm labor venture. This might be attractive to farmers who find themselves buried in the paperwork and logistics of hiring and managing employees when they would rather be out in the field.

The list below includes some of the services that a collective venture could offer. Each function includes the corresponding opportunities, systems for streamlining labor operations, and challenges to keep in mind when deciding which functions are ideal given the needs and desires of farmers and farmworkers in your group.

“Recruiting and selecting workers is a skill that many farmers do not have the time or interest to develop; yet, bad hiring decisions can result in wasted time and money.”

## Recruitment

### Opportunities

A lot of time goes into recruiting a single employee, not to mention the cost of running help wanted ads, doing background checks, and spending time interviewing at the expense of work that needs to get done on the farm. By going through a collective venture, a farm can outsource recruitment. Recruiting and selecting workers is a skill that many farmers do not have the time or interest to develop; yet, bad hiring decisions can result in wasted time and money. There are also legal issues that come into play when making hiring decisions, such as state and federal anti-discrimination laws, migrant worker laws, and so on. It can be cost effective to pay for the expertise or allow a collective venture to specialize in the practical and legal aspects of recruitment.

### Systems

The collective venture runs a recruitment campaign; it leverages full-time, diverse opportunities on multiple farms to attract more skilled farmworkers to the community.

### Challenges

Farmers must be reliant upon the collective venture’s judgment and screening when recruiting farmworkers; they might not have the opportunity to interview on their own or choose their first pick. By recruiting workers for other farms, the collective venture might have to register as a Farm Labor Contractor under federal or state migrant worker laws; any associated costs would likely be passed on to farmers.

## Training

### Opportunities

Farmers and farmworkers could coordinate to provide trainings to build skills such as using complex farm equipment, picking, pruning, handling livestock, and so on. Farmers could design joint trainings to meet their shared needs. Farmers could also benefit from workers who have a broader base of skills. These workers are often critical thinkers and apply innovative solutions to a variety of farm work. A worker who is respected and appreciated for his or her knowledge is likely to stick around. In addition, providing broad skills training is essential to being legally classified as an internship or apprenticeship program. The collective venture could potentially pursue this type of classification on behalf of the participating farmers.



Broad-based trainings would likely be of interest to farmworkers; even those who work predominately in one sector might be eager to expand opportunities by learning the trades of another sector.

### Systems

The collective venture surveys farmers and farmworkers to assess desired skills and organizes trainings to match results.

### Challenges

Some farm-specific trainings will still need to be done. Depending on the sector or type of farm, general trainings may have little or no benefit to the farmer.

## Payroll-Related Employment Law Compliance

### Opportunities

Managing payroll-related employment laws—including minimum wage, taxes, unemployment insurance, and workers' compensation requirements—can be time consuming and costly. The collective venture could handle most, if not all, of these functions. This is beneficial for farmers who only need part-time or temporary work or who do not already have such systems in place. It can also be beneficial to farmers with larger and/or year-round workforces. Certain payroll-related legal requirements change as a farm business grows, making it difficult to track the legal obligations. These farmers can take advantage of a collective entity that stays abreast of and handles various threshold triggers, including carrying workers' compensation when required.

### Systems

The collective venture hires an accountant or signs up for an online payroll and benefits system—which can range from \$40 to \$75 per month, depending on the number of workers—to administer payroll for workers across multiple farms, saving farmers time and money.

### Challenges

Farmers who already have full-time workers and are only seeking to fulfill part-time or temporary labor needs already have systems in place for adhering to payroll-related employment law, so this service might not save them much time or money. The collective venture might be required to carry workers' compensation to cover worker injuries and/or need general liability insurance to cover liability risks. These costs would likely be passed along to farmers.

State laws vary on who is required to carry workers' compensation when a temp agency is providing employees to a client, which is similar to the situation proposed here. Some require the temp agency to carry it, others require the client to carry it. Be sure to check the regulations in your state.

## Scheduling

### *Opportunities*

By joining forces, farmers and farmworkers could efficiently coordinate their schedules to best match farm labor supply and demand in their region or community. In the ideal scenario, a farmer could simply make a phone call to get their farm labor needs filled—whether last-minute, temporary, full-time, part-time, or project-based. A collaborative venture could also provide significant savings to farms that expand but continue to hire seasonal help. These types of farms are hit hard by the cost of unemployment insurance. By creating year-round positions, the collaborative venture could provide significant savings for these farms.

### *Systems*

Participating farmers fill out a survey each year describing their labor needs (e.g., timing, number of hours, type of labor, and preferred skills). The collective venture coordinates the scheduling, assigning farmworkers to match the farmers' needs.

### *Challenges*

The demand for farmworkers peaks during high season, so there may not be enough supply to go around. Farmers may be left without labor when they need it most. The collective venture will have to establish a system for determining how farms are prioritized. Similarly, the collective venture will have to prioritize which farmworkers get off-season work if there is not enough to go around.

## Health and Safety

### *Opportunities*

Farmers often spend a lot of time training employees on safety issues or may be reluctant to assign employees certain tasks given the risk of injury. The cost of workers' compensation or other insurance policies covering worker injuries is heavily dependent on the types of tasks assigned to an employee as well as proactive actions taken by the employer to prevent injuries. A collective venture could invest in developing expertise in this area to help farmers shape positions to keep these costs low. It could also offer joint safety trainings. In addition, it could advise farmers on legal standards for providing a healthy, safe workplace—including requirements related to providing housing, posting warning signs about dangerous equipment or toxic substances, and establishing protocols for emergencies.

**Systems**

The collective venture stays abreast of health and safety legal requirements, organizes general safety trainings for farmworkers, and offers on-farm consultations to help farmers provide safer workplaces and comply with laws.

**Challenges**

Some farm-specific trainings will still need to be done. The farmer may have to spend as much time doing farm-specific trainings each time a new worker comes.

**Food Safety**

**Opportunities**

Farms must take food safety seriously, which includes offering training to employees on sanitation and other on-farm food safety protocols. The collective venture could invest in learning about and staying abreast of complex and constantly changing food safety laws, which would reduce the costs of participating farmers. For example, the venture could provide general food safety trainings or advise farms on what to include when holding their own trainings. The collective venture could even advocate on behalf of its members for advantageous ways of interpreting, implementing, and changing food safety laws—whether at the local, state, or even federal level. Each farmer could see a reduced cost in terms of learning about and complying with food safety laws as well as advocating for their interests.

**Systems**

The collective venture gathers legal requirements and best practices for on-farm food safety protocols, holds general food safety trainings for farmworkers, and helps farmers develop their own farm-specific food safety trainings.

**Challenges**

Some farm-specific trainings will still need to be done.

**Retention**

**Opportunities**

Many farmers struggle to retain skilled workers for longer than a season or two. This occurs partly because skilled farmworkers often desire a managerial role or more of an ownership stake in their work, which many farms cannot provide. A collective venture could improve farmworker retention by providing benefits and perhaps offering management or other career advancement opportunities.

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 “The collective venture could invest in learning about and staying abreast of complex and constantly changing food safety laws, which would reduce the costs of participating farmers.”  
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### Systems

The collective venture offers farmworkers vested ownership interest after a probationary period. Benefits could include distribution of profits based on contribution, decision-making power to protect their interests and influence the focus of the venture, incentives for further education, health insurance, paid time off, retirement plan, and so on.

### Challenges

From the farmer's perspective, workers who are assigned to farms sporadically (i.e., not on a consistent basis) may not be as committed to the farm's objectives. The farm may not have as much opportunity to build its team and worker morale to retain workers over the long haul.

### Reflection

Brainstorm the operational functions that farmers in your community need most. Here are some ways to get you started:

- Have each farmer list the biggest HR- or labor-related operational challenges they face. For example, which HR-related functions or activities are the most time consuming, expensive, or nagging?
- Are any of the priority functions or activities your group brainstormed not mentioned in the list provided in Part 1: Operations? If so, brainstorm the opportunities, systems, and challenges for each. If they are mentioned above, are there other opportunities, systems, or challenges that are not listed?
- Which of the group's priority HR- or labor-related functions or activities can you envision sharing or outsourcing?

## Part 2: Ownership

### Who will drive the development process and own the entity?

In addition to determining the types of services a collective farm labor venture would offer, an organizational structure must be created to coordinate the delivery of services. Several different organizational structures can be used to coordinate farm labor. There are two key issues to consider when choosing an organizational structure: who will own the business and how it will be legally structured.

“Ownership also comes with the responsibility to organize the entity.”

This section addresses business ownership. Will the collective venture be owned by farmers, farmworkers, or a combination of the two? With ownership comes the right to residual returns as well as control over decision-making. Ownership also comes with the responsibility to organize the entity. Several factors will influence the decision regarding who will own the venture. Factors might include the specific needs of the local farm community, the size and nature of the local workforce, and the identities and motivations of the organizing group.

The opportunities and challenges of three ownership possibilities—farmworker-owned, farmer-owned, and ownership by multiple stakeholders (owned by both farmworkers and farmers)—are laid out below.

## Worker-Owned

### Opportunities

***Empowers farmworkers.*** As owners, the farmworkers are involved in decision-making about wages, benefits, and other workplace issues that matter to them.

***Coordinated worker-driven trainings.*** Farmworkers can design training to develop skills, including sector-specific skills (e.g., dairy, livestock), to help them diversify their opportunities.

***Potential to increase worker retention.*** Ownership interests and decision-making authority may provide incentives for workers to stay.

***Higher wages for workers, potential to make profits.*** By streamlining the total costs of labor, workers have opportunities for increased wages and/or to make a profit based on their contribution of labor—presuming the venture is profitable.

### Challenges

***Sharing work fairly.*** If work opportunities are scarce, particularly during the off-season, farmworkers would need to establish a system for sharing work.

***Employment laws.*** Farmworkers would take on the liability risks and expenses for following all employment laws, including workers’ compensation, minimum wage, overtime, payroll taxes, etc.

***Building ownership culture.*** Farmworkers would need to find a way to build trust amongst themselves and cultivate an ownership culture. This can be especially difficult when there is not a common worksite. Seasonal fluctuations in workflow could also make this difficult.

## Farmer-Owned

### Opportunities

*Farmers set parameters.* Farmers retain control over qualifications, training, and other requirements for their shared workforce.

*Coordinated farmer-driven trainings.* Farmers can design trainings to meet their particular needs and preferences.

### Challenges

*Sharing labor fairly.* If labor is scarce, farmers would need to establish a system for prioritizing which farms get help when during the high season.

*No vested interest from workers.* Without an ownership stake, workers may not be sufficiently motivated to make long-term commitments.

*Employment laws.* Farmers would need to figure out how to fairly share expenses like payroll taxes, workers' compensation, and other costs for legal obligations related to sharing labor.

## Multi-Stakeholder

In a multi-stakeholder farm labor venture, the farmers and farmworkers would jointly own the business. This model merges the potential opportunities and challenges of both worker-owned and farmer-owned operations. Bringing farmers and farmworkers together in the same cooperative might help them address the very real challenges of providing farms with stable, qualified labor and providing farmworkers a living wage and high-quality working conditions. Unfortunately, this model's greatest asset is also its most significant challenge. The model can be overly complex as it brings together stakeholder classes that may have oppositional goals.

### Opportunities

*Increased stability.* Diversifying the membership base has the potential to increase the stability of the collective venture in terms of start-up financing, planning, and anticipating challenges from both the farmers' and farmworkers' perspectives.

*Ability to solve complex challenges.* Coordinating farm labor is not an easy feat. Including both farmers and farmworkers at the table should increase understanding between the groups and lead to solutions that meet everyone's needs.

## Challenges

**Allocating membership rights.** With more than one class of members, it can be difficult to maintain fairness between classes in terms of decision-making and profit-sharing rights.

**Working across cultures.** When two different groups jointly own a business, there is the potential for cultural differences between membership classes. Effectively navigating this challenge will require cultural competency and a commitment to listening and respecting various viewpoints, including balancing the value each membership class delivers to the co-op and the needs of each membership class.

### Reflection

Discuss in a group the pros and cons, opportunities, and challenges for each ownership model given the farm labor needs and desires of your community. Questions to consider include:

- Who in your community has the capacity to organize and maintain a new venture? More specifically: Who has the time? Who has the resources? Who has the interest?
- What challenges could you overcome by creating a structure that is owned by farmers and farmworkers?
- Are there existing assets or resources in your community that a particular group (i.e., farmers, farmworkers, or both) could draw upon to help with the development process?

## Part 3: Legal Structure

### What is the most appropriate legal structure for collective venture?

The third decision a group needs to make is regarding the legal structure of the collective venture. The two entity types that are most practical for coordinating labor across multiple farms are the limited liability company (LLC) and the cooperative corporation. Table 1 lists the key considerations for using an LLC versus a cooperative. Since businesses are incorporated at the state level, this decision will also be informed by the state-specific laws where the business is being organized.

**Table 1: Cooperative vs. LLC**

	<b>COOPERATIVE</b>	<b>LLC</b>
<b>Governance and management structure</b>	A cooperative is governed by a board of directors that is elected by and from the membership. The board hires and monitors the manager. The success of a cooperative is based on the participation and engagement of its members and hiring a strong manager. Most cooperatives operate on a one-member, one-vote basis.	The LLC structure is flexible regarding how profits and voting rights are distributed. An LLC can be set up to mimic a cooperative's one-member, one-vote structure. An LLC can be structured so one or a few managers handle the day-to-day operations while other members are not directly involved. An LLC can choose to have a board of directors or not.
<b>Legal liability</b>	A cooperative with proper setup and maintenance procedures generally offers its owners protection for their personal assets from business liabilities. However, business assets are always available to satisfy business liabilities.	An LLC with proper setup and maintenance procedures generally offers its owners protection for their personal assets from business liabilities. However, business assets are always available to satisfy business liabilities.
<b>Employment laws and taxation</b>	Unless they qualify as contractors, individuals who work for a cooperative generally must be treated as employees and receive employee protections such as minimum wage, overtime, and workers' compensation. Workers receive W-2s and pay their share of employment tax on their wages (and the co-op pays its share). Workers pay personal income tax on both their wages and any patronage dividends.	Members of an LLC are considered owners with equity interest in the business and are generally exempt from employment laws. The LLC members must pay the higher self-employment tax rate on their share of the revenue, in addition to income tax (unless the LLC elects the S corporation tax status and certain criteria are met). An LLC might be structured in such a way that undocumented workers could participate.
<b>Start-up costs</b>	A cooperative will require start-up costs, including state filing fees and attorney fees for drafting and reviewing documents.	An LLC will require start-up costs, including state filing fees and attorney fees for drafting and reviewing documents.



<b>Capitalization</b>	Cooperatives are financed through the sale of member shares, retained profits, and sometimes outside investors. The one-member, one-vote structure of a cooperative might deter members from contributing capital because a larger investment does not result in any greater decision-making power.	LLCs are financed through member investments and retained earnings. LLCs can be structured in such a way that more investment equates to more decision-making power, which can help the business raise capital.
<b>Profit distribution</b>	Members receive profits in proportion to use; preferred shareholders can receive profits in proportion to investment, up to 8%.	Members generally receive profits in proportion to investment unless otherwise agreed (and clearly set forth in the operating agreement).
<b>Income taxes</b>	Cooperatives are not subject to double taxation if they qualify for Subchapter T status. The cooperative entity pays taxes on non-qualified and unallocated profits. Members pay taxes on profit distributions based on patronage.	The profits and losses of the business pass through to the members, who report them on their personal tax returns just as they would if they owned a partnership or sole proprietorship. LLCs can also elect to be taxed as an S or C corporation.
<b>Administrative requirements</b>	Most states require cooperatives to elect a board of directors, hold an annual meeting, and file an annual report.	In most states, there are relatively few requirements for LLCs; however, to preserve liability protection, LLCs should appoint responsible persons and create an operating agreement.

### Reflection

- What are the pros and cons, opportunities and challenges your group sees for each of the business structures—LLC and cooperative? One thing to consider would be whether your community has undocumented farmworkers. If that’s the case, it might be worth exploring the LLC model.
- What additional questions do you have (legal or otherwise) related to these business structures? Note that at some point the group will need to consult with a lawyer or accountant to have some of these more specific questions answered before deciding on a business structure.

## Part 4: Financial Viability

### Will the benefits of coordination outweigh the costs?

Much like with an individual farm, achieving financial viability is critical for a collective business. This section includes several financial scenarios. These scenarios are a simple tool that can help a group assess the financial viability of a collective business. Each scenario reflects slightly different values for a set of variables. The decisions your group makes around these variables will impact the financial realities of the collective business. The single most important variable affecting financial viability will be billable hours to farms. Simply put, enough farms must commit to enough working hours to make a collective business' existence worthwhile. This is true regardless of the chosen ownership model or business structure.

Financial tools are not perfect; they carry assumptions that may or may not be entirely true for your community. For example, the financial scenarios listed below all assume work hours are averaged over the production season. In reality, the labor needs of diversified farms can fluctuate during a production season. Accordingly, the group is encouraged to do some community-specific research when assessing financial viability to get a more accurate schedule of farm labor needs and farmworker availability throughout the season or even the entire year. This could include issuing a simple survey to farmers and farmworkers in the community. If the group finds that farmers or other farm-related businesses need workers during the winter months, these added work hours will increase overall billable hours. Not only will this help with the financial viability of the business, it will also offer employment continuity for workers.

Here are some additional assumptions embedded in the financial scenarios below:

- Farmworkers who schedule work through the collective business are considered employees of that business.
- The business' primary means of generating revenue is through billable hours worked on farms. The business may also offer services like trainings and charge a registration fee for those.
- The business must have at least one employee (who may or may not also work on a farm) who is responsible for coordination and administration.
- At a minimum, the business must consider the costs of federal, state, and local payroll taxes and unemployment insurance. In these scenarios,

State laws vary on who is required to carry workers' compensation when a temp agency is providing employees to a client, which is similar to the situation proposed here. Some require the temp agency to carry it, others require the client to carry it. Be sure to check the regulations in your state.

the business also pays for workers' compensation insurance and basic liability insurance.

- The scenarios all use the same rate for workers' compensation, liability insurance, and other small business expenses like a computer, a phone, and office supplies. These rates may or may not be accurate for your area.
- Farm work and administrative work are included for just eight months of the year to reflect the inherent seasonality of farm labor on diversified farms.
- The three scenarios reflect a single, average rate of pay for workers (including the administrative employee). Your group may want to consider a pay scale that accommodates different levels of experience, duties, or tenure.

**Scenario 1:**

Number of farms	10
Hours/week/farm	20 hours
Hourly rate for farms	\$17
Hourly rate paid to all employees	\$11
Administrative hours per week	25 hours
Total revenue	\$117,867
Net annual income	\$7,954

In this scenario, the hourly rate charged to farms reflects a rate used by real-life temp agencies that offer temporary workers to farms and other employers. The hourly rate paid to farmworkers and administrative workers is within the range of the hourly wage paid to employees on CSA farms in southern Wisconsin. How these hours are dispersed during the calendar will impact the number of farmworkers needed and the consistency of work that the collective venture can provide to a farmworker. Administrative hours may also fluctuate with the season and could be greatest during the off-season when the business would do planning, recruitment, and marketing.

**Scenario 2:**

Number of farms	10
Hours/week/farm	20 hours
Hourly rate for farms	\$17
<b>Hourly rate paid to all employees</b>	<b>\$12</b>
Administrative hours per week	25 hours
Total revenue	\$117,867
Net annual income	(\$1,029)

This scenario shows how increasing the hourly wage paid to farmworkers has a significant impact on the bottom line. This projected loss could be eliminated by adding more farms or increasing the number of billable hours per farm. With good planning, the business might also be able to increase its administrative efficiency, reducing the expenses allocated to the administrative employee. Offering a range of hourly rates to farms could enable the business to offer farmworkers a range of pay rates based on different levels of experience or tenure. If a business wants to offer a pay scale, these considerations will be particularly important to break even.

**Scenario 3:**

Number of farms	10
<b>Hours/week/farm</b>	<b>15 hours</b>
Hourly rate for farms	\$17
Hourly rate paid to all employees	\$11
Administrative hours per week	25 hours
Total revenue	\$88,400
Net annual income	\$366

This scenario illustrates the impact of reducing the number of billable hours on farms. This scenario still breaks even, but with very little margin for error. The business will have a greater chance of success if it secures commitments from farms prior to launching the business. A lower number of billable hours in the start-up phase could be offset by minimizing office and administrative expenses. The business could also decrease the rate charged to farms and the rate paid to farmworkers as a way of funding the start-up phase. The hourly wage could be increased once the business gains traction.

**Scenario 4:**

Number of farms	10
Hours/week/farm	20 hours
Hourly rate for farms	\$17
Hourly rate paid to farmworkers	\$11
<b>Hourly rate paid to admin worker</b>	<b>\$13</b>
<b>Administrative hours per week</b>	<b>40 hours</b>
Total revenue	\$117,867
Net annual income	(\$2,111)

Scenario 4 reflects increases in the number of administrative hours and the hourly rate for the administrative worker. The administrative worker will likely be responsible for a wide range of operational tasks including payroll, billing, and accounting; scheduling; and marketing to and communicating with farm clients. The administrative worker will need a distinct skillset to manage this side of the business, and may also be responsible for keeping the business in compliance with employment and other laws. In many businesses, this management-type position is paid a higher wage in order to attract and retain a well-qualified candidate. In the first few years as accounting, scheduling, employee recruitment, and other systems are being developed and more marketing and communications are needed to build a list of farm clients, this position may need to work more hours per week.

Additionally, the hourly rate charged to farms will likely be higher than the hourly rate that farms are accustomed to paying employees, and the administrative worker may also need to take time to educate farm owners about the value of outsourcing human resource needs. These additional costs can be offset in a number of ways. The business could reduce fixed costs associated with maintaining an office. The administrative worker could start at the same wage as farmworkers, with a raise incentive being tied to securing certain numbers of farm clients or reaching billable hours benchmarks. The work of education, marketing, and client recruitment could be shared by other individuals in order to reduce the administrative worker's hours.

### Reflection

Take some time to discuss each of these scenarios as a group. Are the assumptions accurate for your region or community? What questions remain? The group will likely need to do some additional research and investigation—including surveying farmers and farmworkers in the community—to get a more accurate depiction of the financial numbers and viability. Some questions to consider during this process include:

- What is the highest rate farmers can afford to pay workers (presuming the cost includes a range of operational and HR functions)?
- Approximately how many farms would be interested in participating? Would these farms be willing to commit to a certain number of hours at the beginning of each season? What are their specific labor needs (amount, timing, and type)?
- What benefits do farmworkers in your community need to stay committed to working on farms in the region? What are the costs associated with these benefits?

### Financial Spreadsheet Available Upon Request

We calculated the results of these four scenarios by changing the variables in an Excel spreadsheet we created that embeds the above assumptions. This can be a useful tool for groups who want to further explore feasibility by using financial data that is more specific to their circumstances. Please contact us if you would like a downloadable version of the spreadsheet: [info@farmcommons.org](mailto:info@farmcommons.org) or [info@uwcc.wisc.edu](mailto:info@uwcc.wisc.edu).

### Now what?

Now that you have reviewed each of the four steps and considered the financial variables, it may be worthwhile to revisit each step again. Has anything changed? Devising the right model and approach for your group will likely be an iterative and intensive process. At some point, you may need to take some questions to an attorney or accountant. Be sure to keep track of key questions as they arise.

### **Be in Touch**

We plan on refining this resource as we learn more. You can find updated versions at [www.farmcommons.org](http://www.farmcommons.org).

Do you have questions or thoughts on how to improve this document? Or, would you like support developing a collaborative farm venture in your community? We want to hear from you. Please email us!

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