

# **Statement by David G. Zittel**

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**To the House Committee on Small Business**

**“Prices on the Rise:  
Examining the Effects of Inflation on Small Businesses”**

**Presented by David G. Zittel**

**Wednesday, June 7, 2023**

Thank you to the Committee on Small Business and to Chairman Roger Williams for inviting me to testify before you today on the impacts of inflation on small businesses like family farms. My name is David Zittel, and my family and I own and operate Amos Zittel & Sons, a fresh market vegetable and greenhouse farm based in Eden, New York. My brother, cousin and I are currently the fourth generation to run the farm. My son, the fifth generation is back on the farm as well. I'm also representing the farming and agriculture community across New York and the country that works hard to produce food and fiber for consumers across the country and globe.

At Amos Zittel & Sons, we produce a wide variety of fresh market vegetables on 350 acres in Western New York including lettuce, strawberries, peppers, cabbage, sweet corn, tomatoes, broccoli, eggplant, squash, brussel sprouts and grape tomatoes. Approximately 95% of our produce is sold through our marketing co-op, Eden Valley Growers, which our farm is proud to be a founding member of. This co-op was created to bring growers in the area together to market and sell our produce. In addition, the farm also consists of a greenhouse operation that produces approximately 4 million rooted liners of geraniums, and other spring annuals that are marketed through brokers nationally, and a retail ready container crop sold to local garden centers. In addition, we grow over 2 million transplants for our field grown vegetables.

The farm employs 40-50 individuals year-round and has approximately 135 employees during the peak of the season. Because we produce fresh market produce, all our crops must be hand harvested and can be very labor intensive. It also means that our business is directly impacted by market forces, and we cannot wait to sell a crop until prices increase. Farmers are price takers, not price makers.

As a small, family-owned business, we feel the direct effects of inflationary pressures and have seen an overall increase in the cost of operating the farm. While farmers have become more efficient over time to help overcome low commodity prices, like increasing production per acre, inflation can quickly take away any efficiency gains. Through the pandemic and even to this day, we continue to feel the impacts of inflation.

Examples of inflation and rising costs that we have seen on our farm include tractor and equipment parts, which have increased 15-30%, with a delay in receiving them on a timely basis. Inflation and supply chain issues have also led to consolidation in the agriculture industry which has decreased available vendors to source goods and services and led to increased prices.

The cost of the boxes used to transport our vegetables is up about 30%, which will cost the farm an extra \$100,000 this year. Fertilizer and most other input costs are up 30-50% for the farm as well, which impacts our bottom line. The cost of feed for dairy farmers is up 25-40% and transportation costs have contributed to much of our inflationary increases. Unfortunately for us the price we are receiving for our product does not cover these cost increases since our markets are no longer local but global resulting in reduced profits and often losses.

The largest negative impact to our bottom line is due to increases in labor cost and regulations imposed on us by NYS and Federal governments. Labor costs account for 50% of our business expenses and continues to rise. Not only have we seen yearly increases in the minimum wage rates in New York, which is currently \$14.20 per hour, the H-2A guest visa rate is \$16.95 per hour, an increase of \$1.41 per hour from the 2022 AEWR of \$15.66 (a 9% increase). A recently released rule by the DOL will further drive the AEWR up as there is now a rule that requires separate wage rates for various job functions. New York also has an overtime threshold of 60 hours for farm workers, which has increased labor costs and narrowed the hours we can afford to pay. This puts us at a competitive disadvantage compared to other states with lower minimum wages and no overtime requirements. Paired with a short growing season, we must be efficient as possible to ensure that we can stay in business.

Inflation has created price instability and uncertainty in the farm economy that has made many investment decisions riskier than they would be if inflation had remained low and stable. Higher interest rates also continue to impact farms like mine. We work closely with Farm Credit East, an agricultural lender, to assist with continued investment in our farm. However, we have been carefully monitoring interest rates and have held off expanding the farm business because we don't want to overextend our operation given current rates. We were impacted by two recent historical snow falls in 2014 and again last November which resulted in rebuilding greenhouses, a shop and storage buildings. In both situations, we have had decent insurance coverage but the cost to rebuild is 3x. We will be financing an additional \$1 million to rebuild the loss from that 72" of snowfall in November, holding off as long as we could, and hoping interest rates would stabilize or begin to go back down.

Having a healthy farm economy is key to ensuring a healthy domestic food system and vital to national security. In New York, we have access to markets that other farmers would envy. Our farm is located near the cities of Buffalo and Rochester, but we are also located within 500 miles of one-third of the U.S. population with New York City, Boston, Philadelphia, Washington, D.C., Pittsburg, and Cleveland, all areas hungry for what we grow. However, if we cannot ensure a viable domestic agriculture industry and control rising production costs, we could see food production continue to shift to other countries because in many cases it is cheaper and easier to produce food in other areas and then transport it to metropolitan areas.

As we look to the future of our operation, young farmers are so discouraged by challenges they face by making a career in agriculture—the expense of land, labor, fuel, energy, machinery, taxes, rules and regulations, the list goes on and on. It is no secret that New York is a high-cost state with a difficult regulatory environment for family businesses and farms. But despite all this, we are so proud that the next generation has decided to carry on our farming tradition. We know that there will remain challenges that need to be overcome including inflation, regulatory requirements, labor challenges, and others.

The Zittel's' hope that vegetables will always be grown on our land for generations to come, and we look forward to carrying on the farming tradition but also look to Congress to ensure that laws and regulations do not put us out of business. We always say fresh market vegetable

farming is the only business that buys all inputs, plants and harvests the crops before we have any idea what our return will be.

If I may quote John F Kennedy:

“The farmer is the only man in our economy who buys everything at retail, sells everything at wholesale, and pays the freight both ways.”

Thank you again for the opportunity to share my family’s farm story and how our small business has been impacted by inflationary pressures. I would be glad to take any questions you may have.

David Zittel