

# *Immigration Legislation and Impacts for Agriculture*

Southern Region Agricultural Outlook

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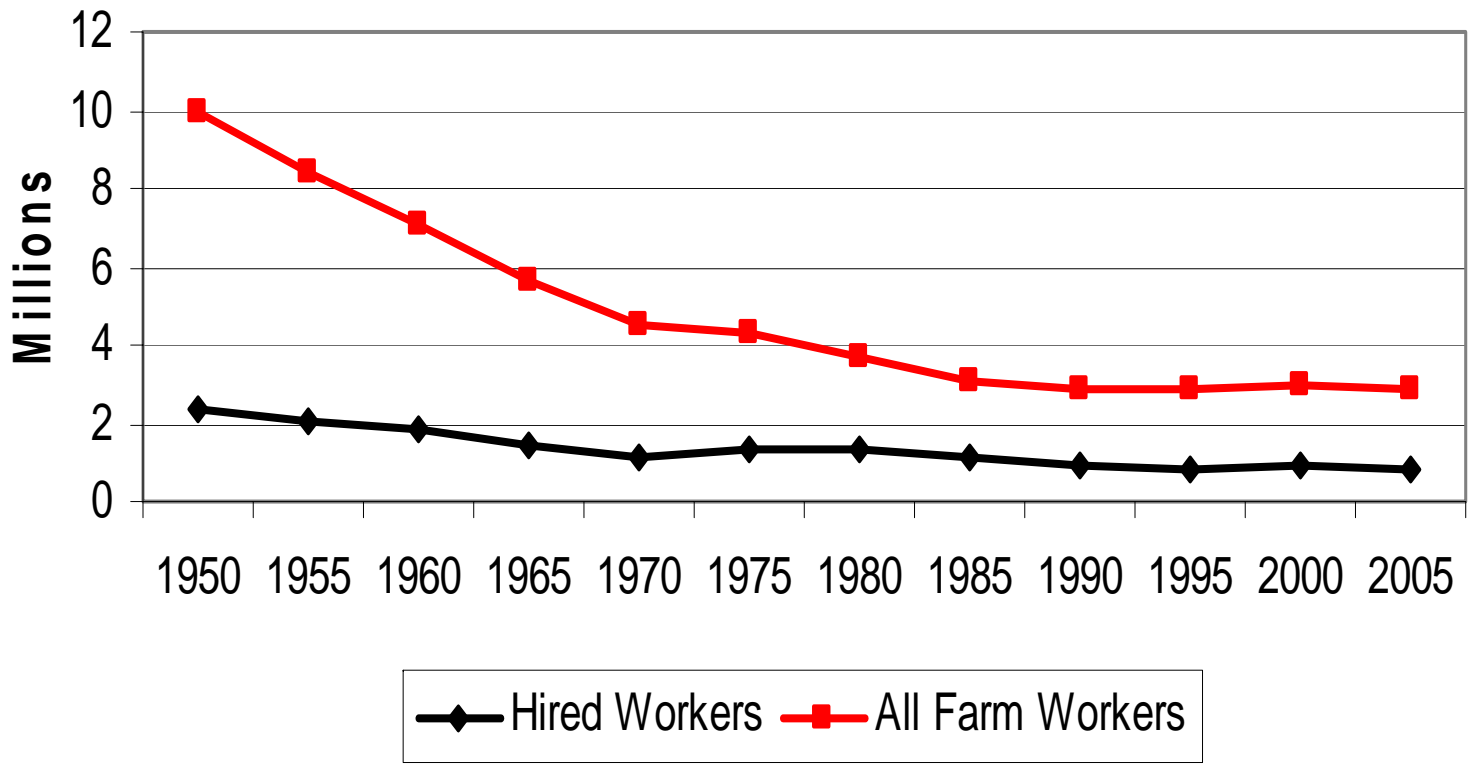
# *Let's Talk About*

- Background of the Agriculture Labor Market
- Current Legislation
- Impacts of No Guest Workers on Agriculture

## *Supply and demand for farm labor*

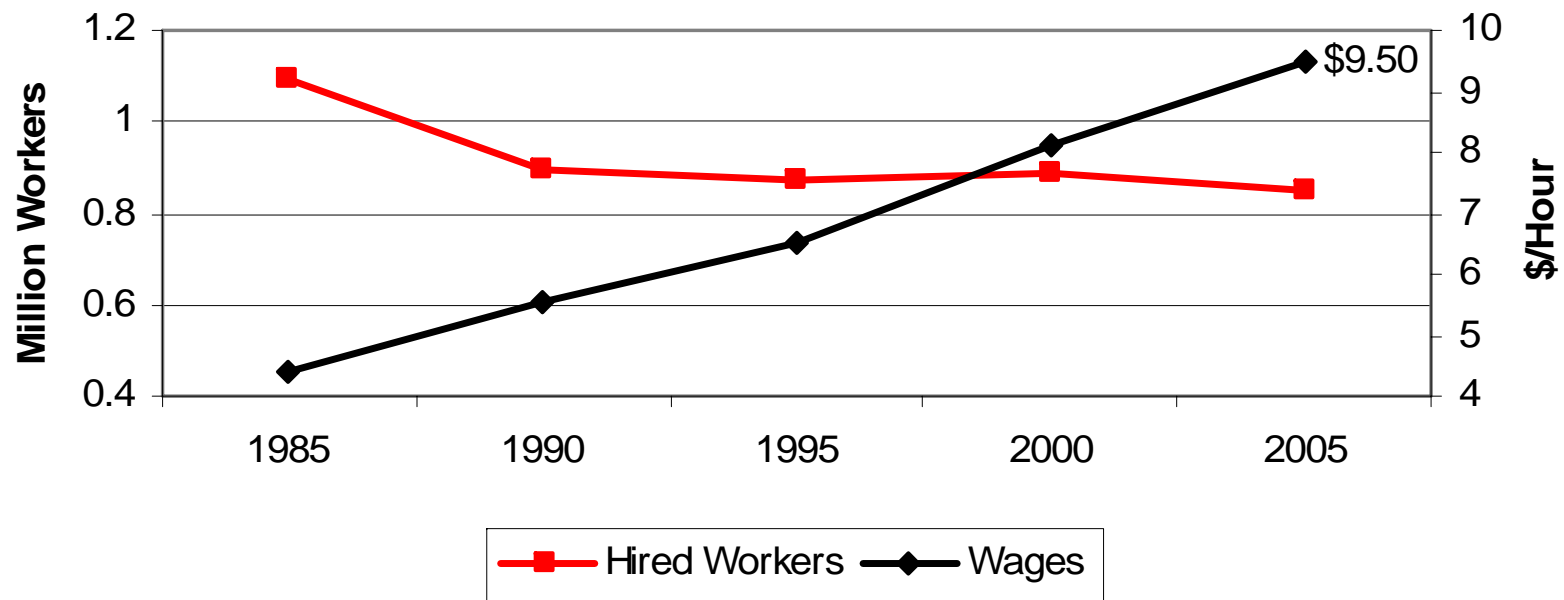
- The supply and demand for farm labor has stabilized at 3 million workers.
- The proportion of hired workers to total labor is at an all-time high of 30%.
- The National Agricultural Worker Survey (DOL) shows that foreign-born workers are the majority of hired workers.
- With rural unemployment rates near structural minimums, migrant labor is frequently the only kind of labor available.
- Agriculture has already been raising wages to attract and hold hired workers.

# US Farm Workers



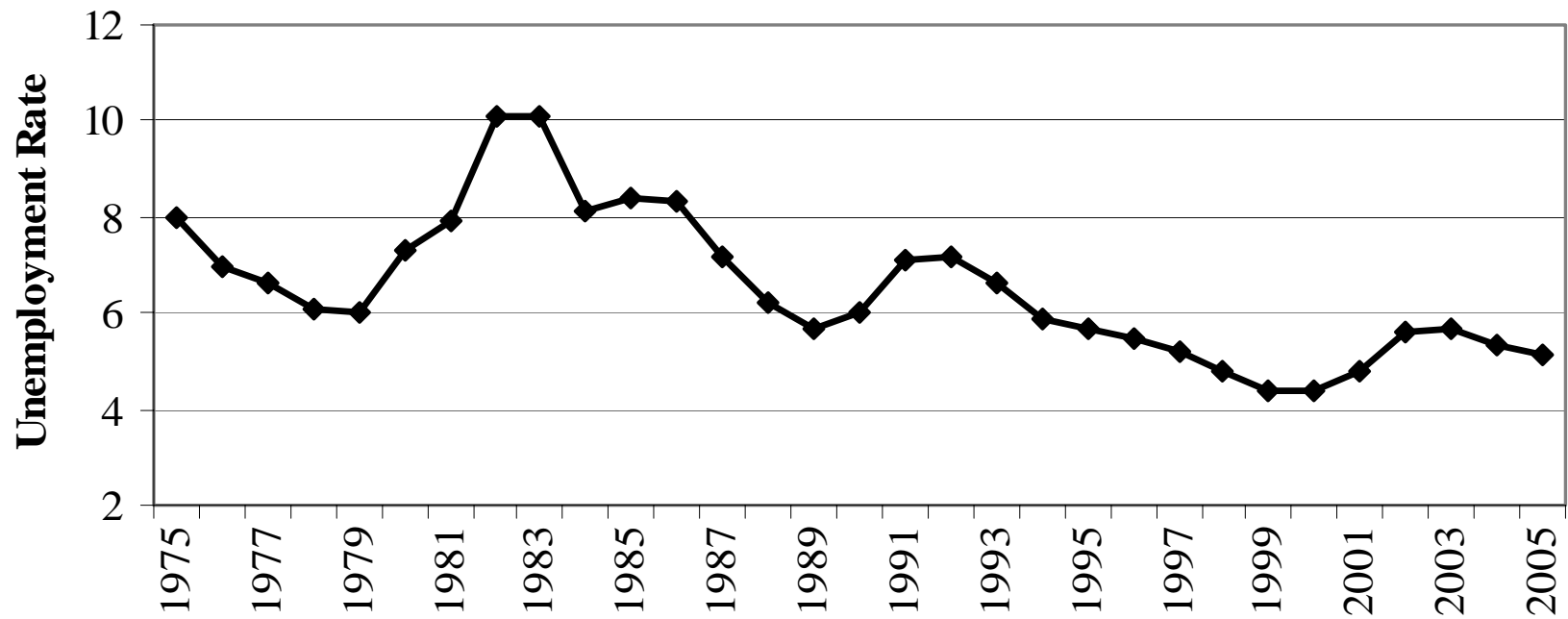
Source: USDA - NASS

## US Hired Farm Workers and Wage Rates



Source: USDA - NASS

## Non-Metropolitan Unemployment Rate



Source: US Census

# *Labor Demand Factors*

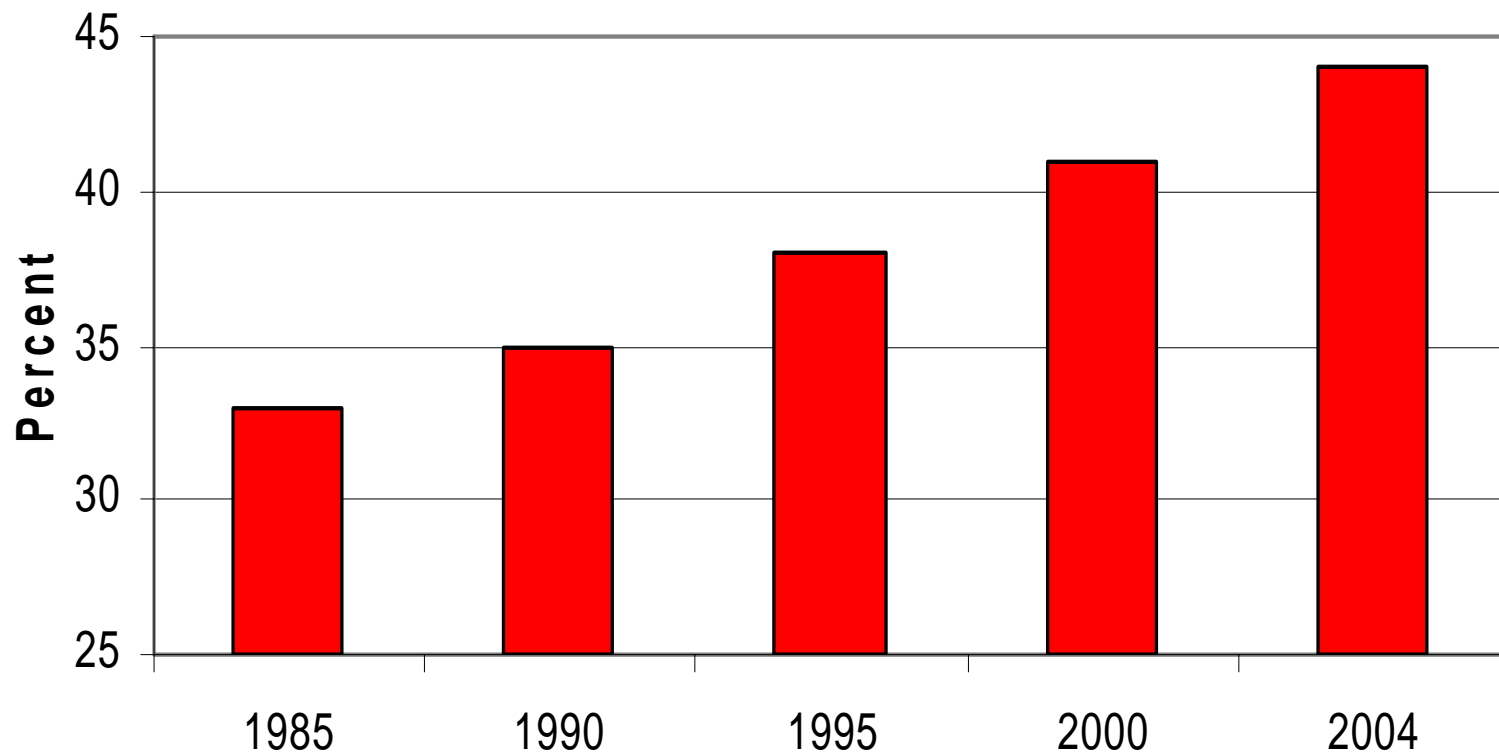
## ➤ Consumer Preferences

- The market for fresh fruits and vegetables has grown over 30% in the last two decades.
- That market puts a premium on peak quality and ripeness – qualities that depend on human judgment and dexterity in picking and packing.

## ➤ Technology and Consolidation

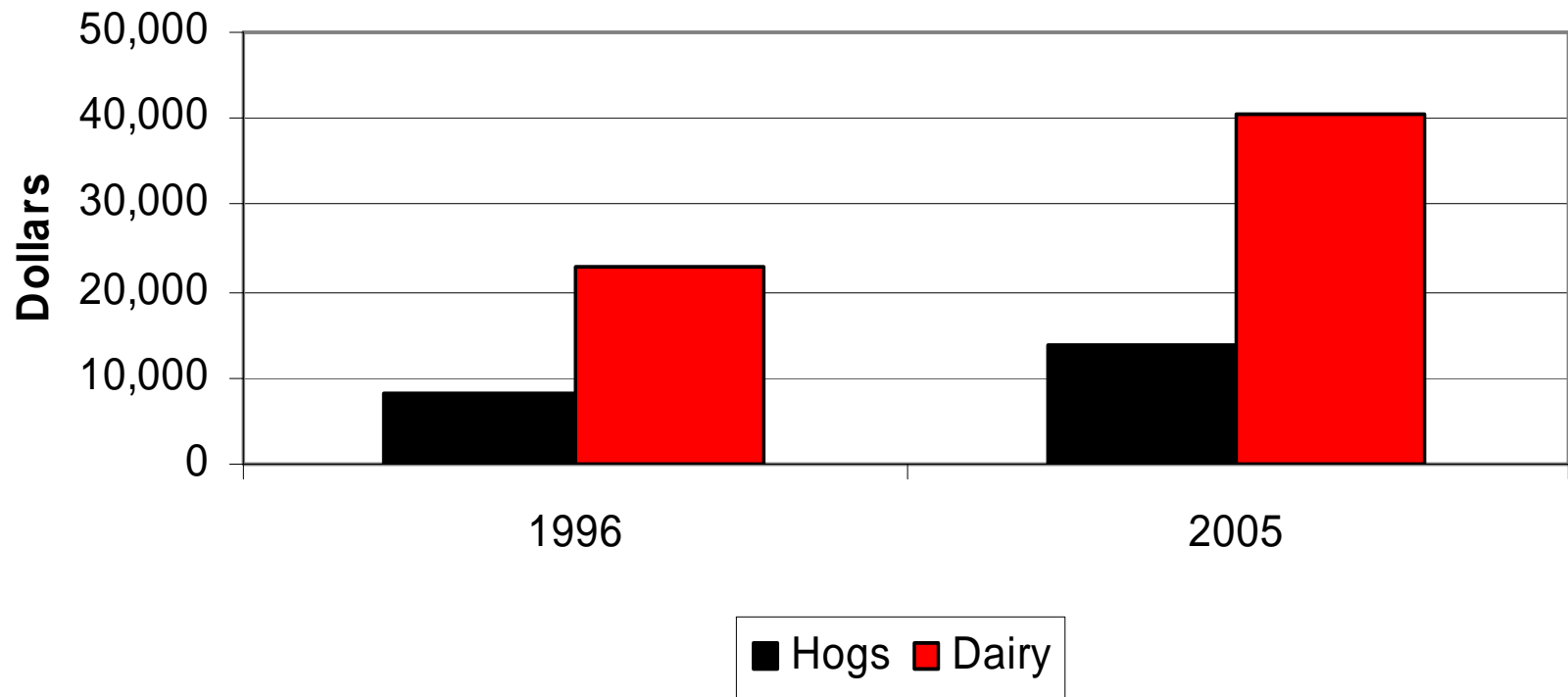
- Dairy example of increased reliance on hired labor with technology adoption.
- As farms consolidated, size considerations have increased dependence on hired labor. More than half of agriculture now hires labor, with traditional crops such as corn and soybeans as well as livestock operations paying a significant share of labor costs.

## Fruits and Vegetables - Percent Fresh



Source: USDA – NASS/ERS

## Average Hired Labor Cost per Enterprise



Source: USDA - ERS

# *Current Legislation/Proposals*

- House (H.R. 4437)
  - Border Protection, Antiterrorism, and Illegal Immigration Control Act of 2005
  
- Senate (S. 2611)
  - Comprehensive Immigration Reform Act of 2006
  
- Hutchinson-Pence Initiative
  - Securing the Borders and Reforming Immigration Without Amnesty

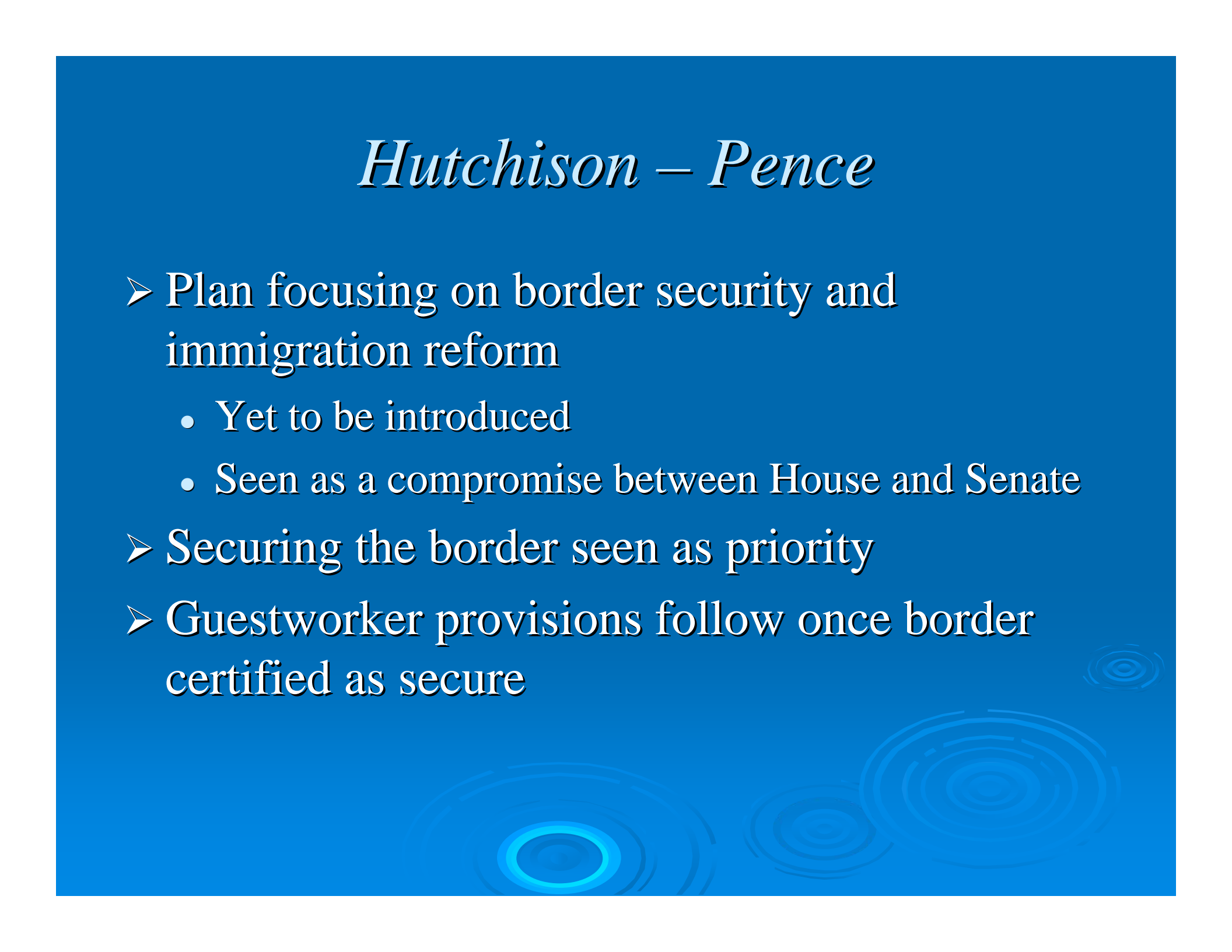
# *H.R. 4437*

- Focuses exclusively on securing the border through DHS
  - Unmanned aerial vehicles (UAV's)
  - Ground-based sensors, satellites, radar, and cameras
  - Physical infrastructure enhancements and more Border Patrol Agents
- Increases penalties for illegal entry (felony) and hiring, recruiting, or referral
- NO guest worker provisions

## *S. 2611*

- Contains some of the same border protection provisions as the House bill (more Border Patrol Agents and UAV's)
- Also provides for a guest worker program for agriculture and non-agriculture sectors
- Blue Card for agriculture workers – fines less steep and workers never have to exit pending reapplication
- Both provide potential for permanent status, provided proof of employment and fines

## *Hutchison – Pence*

- Plan focusing on border security and immigration reform
    - Yet to be introduced
    - Seen as a compromise between House and Senate
  - Securing the border seen as priority
  - Guestworker provisions follow once border certified as secure
- 

## *Hutchison – Pence (cont'd)*

- Must go home to apply for 2 year guestworker position
- Apply through Ellis Island type centers in NAFTA and CAFTA nations
  - Must pass background check and health screening
  - Must have employment prearranged
- Must work in the U.S. for 17 years before eligible for residency
- English proficiency required for renewal

## *Worst case?*

- What if there are no provisions made for a guest worker program, causing an abrupt change in the labor market?

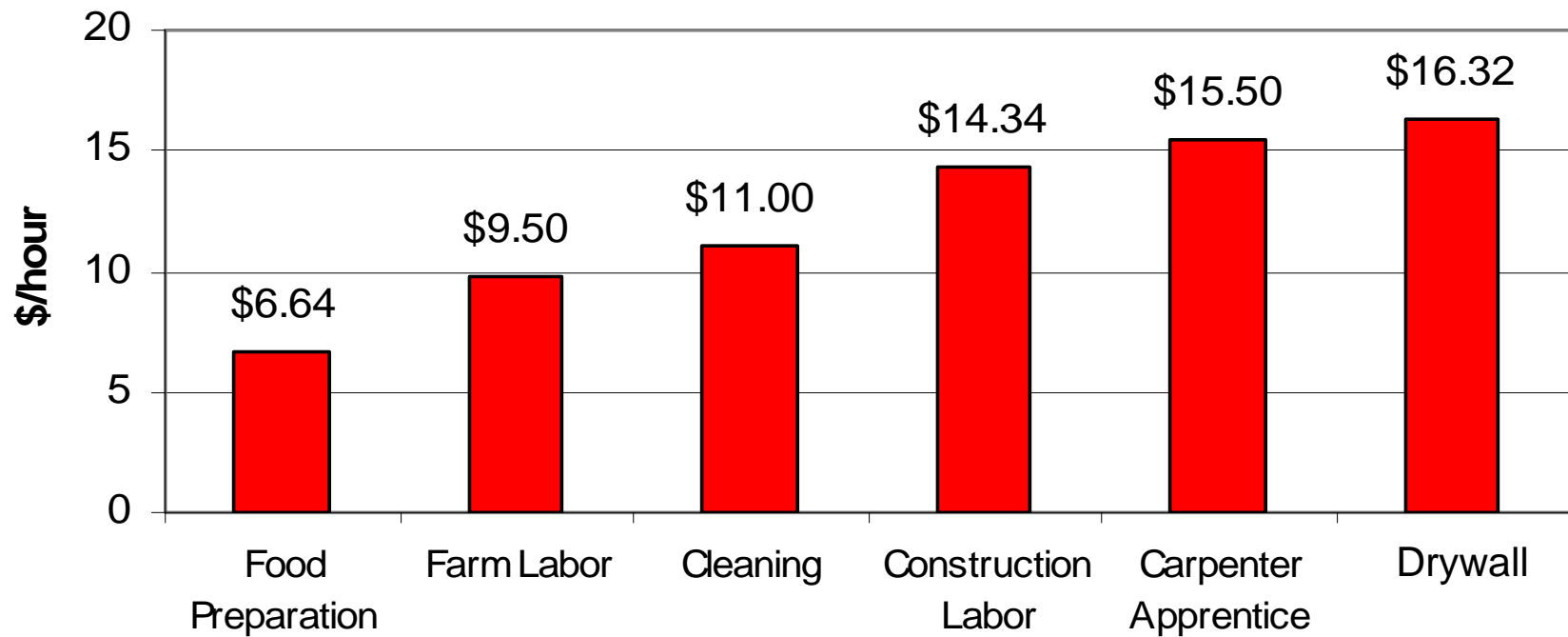
## *Impact of labor scarcity*

- With at least half of hired workers displaced with a migrant worker cut-off, agriculture would have to bid workers away from other sectors of the economy at a time when those sectors also face a loss of workers.
- Agriculture's current average wage of \$9.50 per hour would have to rise to \$11-14.50 per hour to attract sufficient labor from janitorial and construction jobs. Wages would probably need to rise to the upper end of this range.

## *Impact of labor scarcity (cont'd.)*

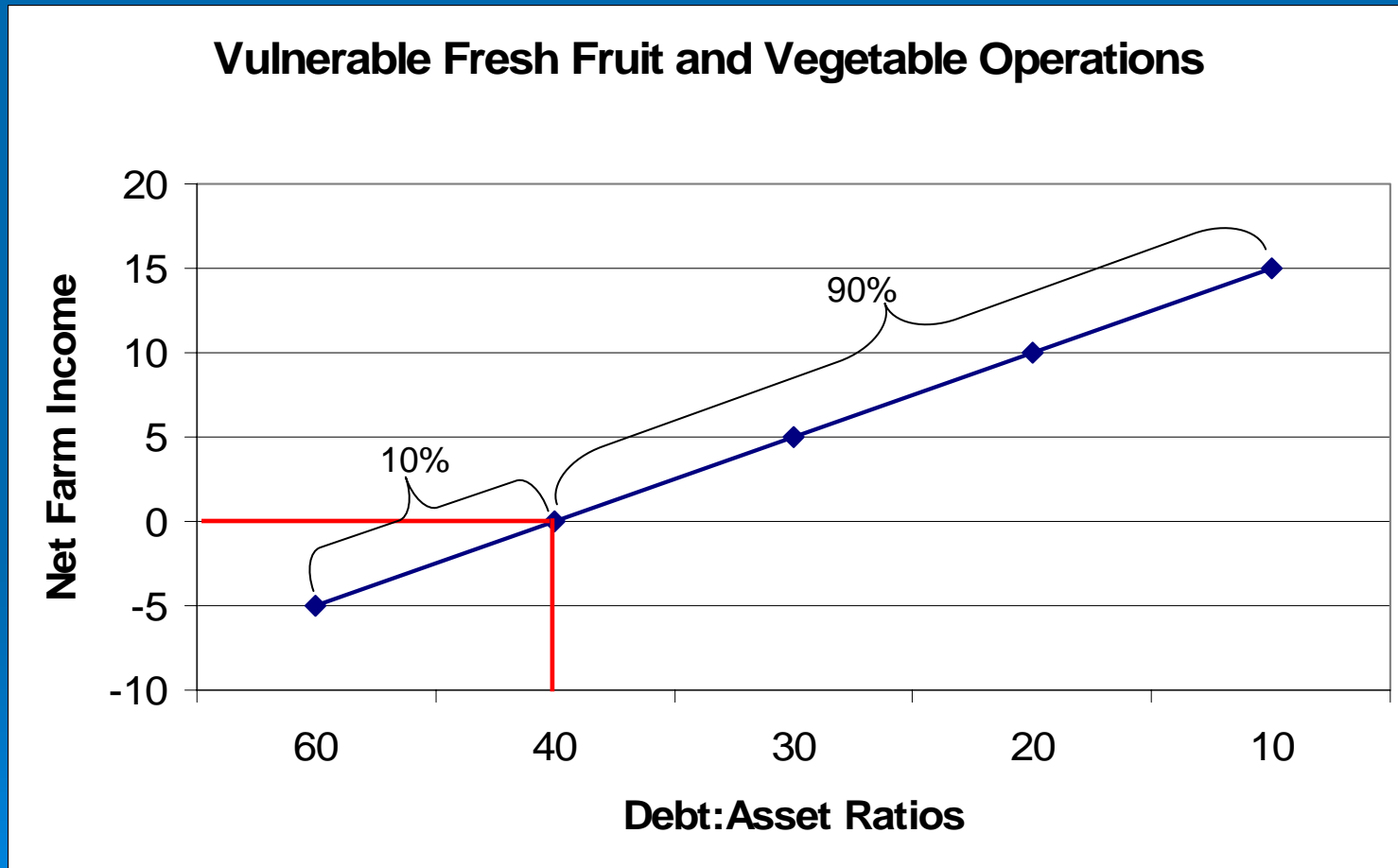
- Vulnerable fresh fruit and vegetable producers would be at severe risk of going out of business as added imports displaced domestic production.
- The rest of the sector will see a drop in net farm income, given farmers' very limited ability to pass on costs to consumers.

## Wage Rates for Selected Categories



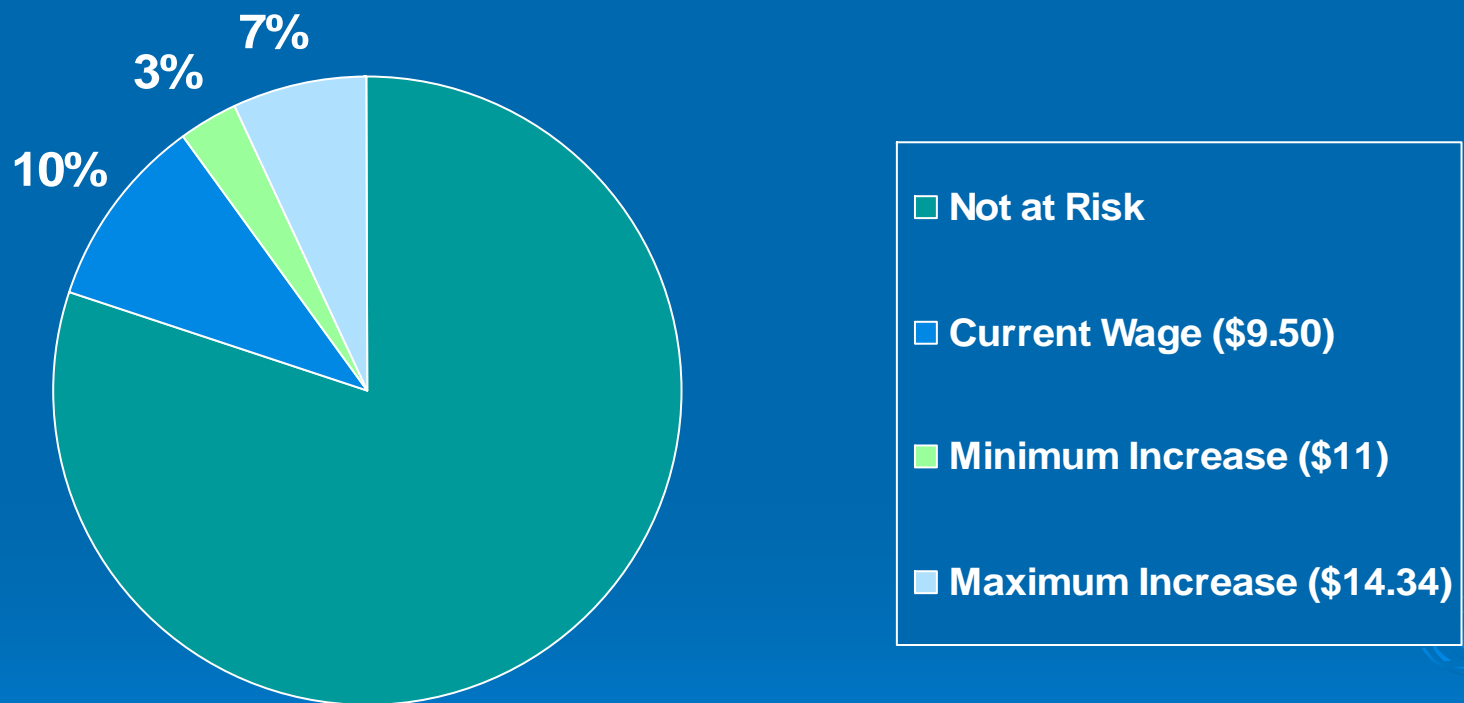
Source: Department of Labor

# *Proportion of Fresh Fruit and Vegetable Producers Vulnerable to Labor Cost Increases*

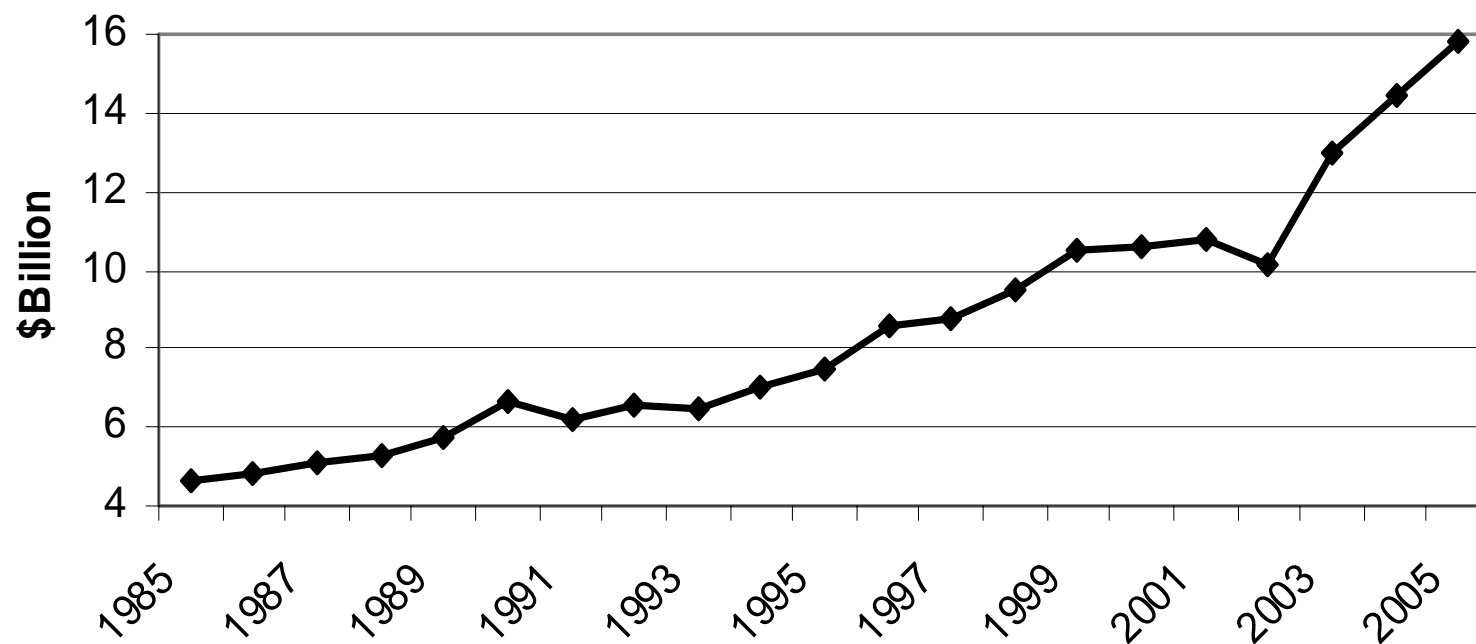


Source: USDA - ERS

# *Vulnerable Fruit and Vegetable Production with Higher Labor Costs*

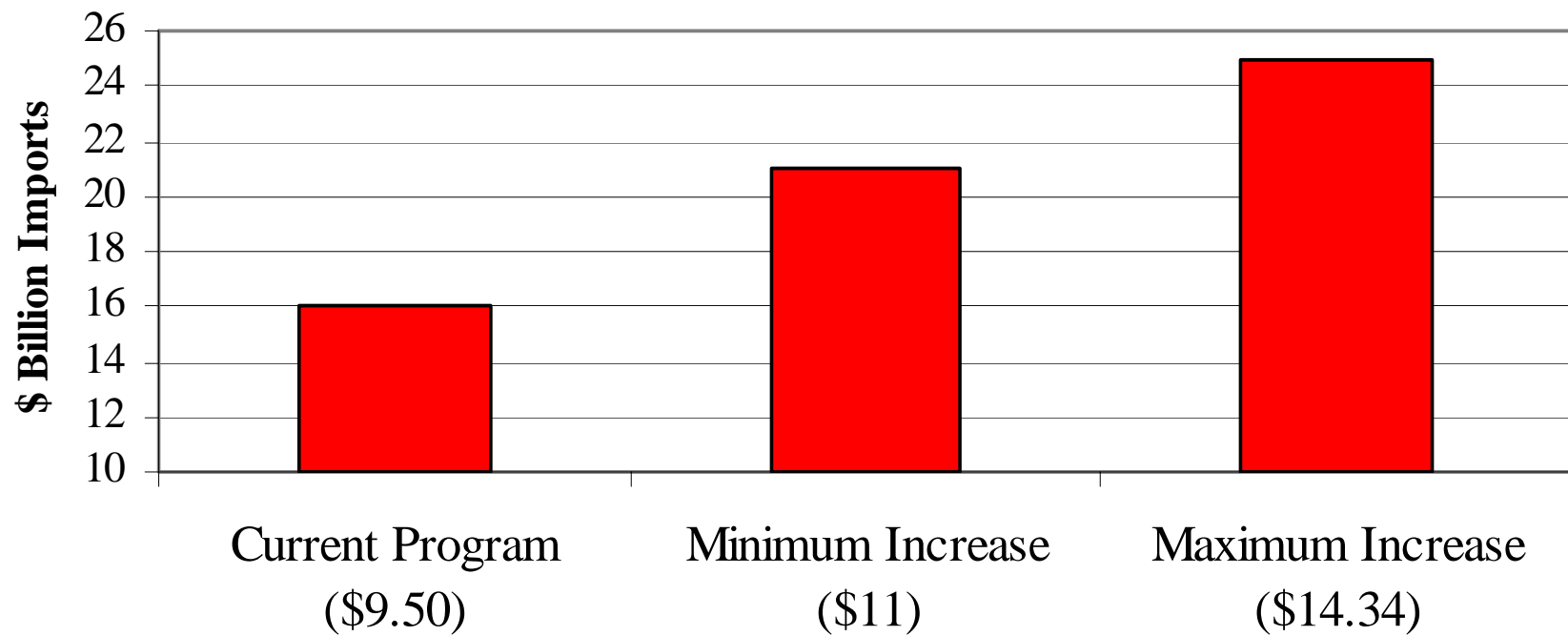


## Fruit and Vegetable Imports



Source: USDA - ERS

## Effect of Wage Increases on Imports of Fruits and Vegetables



Source: USDA - ERS

# *Labor Cost Increases, Farm Income and Production Losses*

- Livestock, crop, and other – cost increases \$3-9 billion impact to Net Farm Income
- Production losses – particularly fruits and veggies – \$6.5-12 billion to replace products currently grown in the U.S.
- Further impacts to packers and other operations up the supply chain

## *Issues related to mechanization*

- Farmers favor mechanization because it cuts costs.
- Depends on long lead times and joint public-private investment in R&D.
- Some markets cannot be mechanized – Need for judgment, and dexterity, and complete harvest.

# *Conclusion*

- Without a viable temporary worker program capable of handling 500,000-750,000 migrants, agriculture faces significant and disproportionate losses.
- As a result, imported food will replace US-produced products on grocery shelves and farm incomes will drop.
- Consumer Impacts???