The Case For Agricultural Immigration Reform

by James S. Holt

In a recent paper entitled "Immigration Reform and Farm Labor Shortages" University of California at Davis agricultural economist Phillip Martin claims that the data he examined "do not suggest severe farm labor shortages" and that "fears of labor shortages have not slowed expansion" in labor intensive agricultural production.[1]

In his paper, Dr. Martin contends that evidence of a shortage of farm labor would be indicated by an increase in wages of hired farm workers and/or a reduction in the U.S. output of labor intensive agricultural commodities. He presents USDA data on the hourly earnings of hired farm workers and on U.S. production of fruits and vegetables for the period 1989 to 2006 which he contends do not support the industry's claims of a shortage of farm labor.

Dr. Martin's "analysis" is extremely superficial. Some of his conclusions are inconsistent with his data. Most importantly, his "study" ignores the most relevant data -- data that clearly point to a severe shortage of legal U.S. agricultural workers and raise troubling public policy questions.

Hourly Earnings of Farm Workers

Dr. Martin notes "economists evaluating claims of labor shortages look to what employers do to attract additional workers. The first expected response is higher wages, which should increase the supply of workers by retaining more who would otherwise leave for nonfarm jobs and perhaps draw workers into agriculture from other jobs or areas."

Dr. Martin examines data on hourly farm earnings of farm workers and non-farm workers and notes that farm worker earnings did indeed increase more rapidly than earnings of non-farm workers during the period he studied – an increase of 72 % in farm earning compared to 64 % for non-farm earnings. Inexplicably, Martin draws no conclusion from that finding. Instead, he quickly moves on to compare the increase in farm wages in California and Florida with the rest of the country. He concludes that because farm wages in California and Florida increased at a slower rate than farm wages in the rest of the country, and California and Florida are major producers of labor intensive commodities, that farm wage data do not show evidence of a farm labor shortage.

Well, what did happen during this period when farm wages were rising more rapidly than non-farm wages? According to Martin, it should have "increase[d] the supply of workers by retaining more who would otherwise leave for non-farm jobs and perhaps draw workers into agriculture …". Instead, hired farm employment declined by 21 percent and the percentage of illegal workers in the seasonal hired farm work force increased from an official 8 % to an official 53 %. (Unofficial estimates are much higher.)

U.S. Production of Fruits and Vegetables

Martin then asks the question "What about the production of fruits and vegetables?" He presents data showing that non-citrus fruit production rose from 17 to almost 19 million tons and vegetable production remained stable, while citrus production decreased. He attributes the decrease in citrus production to hurricanes in Florida and freezes in California. He concludes with the observation that "if there is a 20 percent shortage of labor, as is sometimes reported, remaining workers must be getting more efficient to harvest more apples and strawberries and the same quantity of fresh vegetables ."

Had Dr. Martin actually looked at the productivity data, he would have found that U.S. farm workers are getting more productive – a lot more productive. During Martin's study period, while hired farm labor was declining 21 %, vegetable production increased 47 % and fruit production increased 23 %, resulting in huge increases in labor productivity. The large influx of alien workers during this period did not dissuade farmers from investing capital and adopting labor productivity improving and output enhancing technologies. Total factor productivity in agriculture has increased approximately 1.7 % annually in recent years. Nevertheless, as we see in the next section, U.S. producers lost significant market share to imports.

Changes in Market Share of U.S. Fruit and Vegetable Producers

Both U.S. and global consumer demand for, and production of, labor-intensive fruits and vegetables has expanded rapidly in recent years. Expanded U.S. production has been facilitated in part by shifts of resources from other commodity sectors such as tobacco production. In a rapidly expanding market environment, the best indicator of how U.S. producers are faring is not absolute changes in production, but changes in U.S. producers' market share of U.S. and global markets. Here the statistics show a markedly different story.

During the period of Martin's "study" U.S. imports of fruits and vegetables increased 45%. Import's share of U.S. market "disappearance" grew from 35% to 45% for fruits and from 10% to 15% for vegetables. In 1999 the U.S. became a net importer of fruits and vegetables for the first time in modern history, and import's share of the domestic market has increased steadily since then. U.S. producers are clearly losing U.S. domestic market share to foreign producers. Data on U.S. producer's foreign market share are not readily available, but if U.S. producers are losing domestic market share, they are almost certainly losing global market share as well.

Analysis

U.S. agricultural producers are facing a labor crisis because (1) the U.S. is not producing enough native born workers to fill all of the jobs being created in our economy, and (2)U.S. immigration policy does not make up for the shortfall. With more jobs being created in the U.S. economy each year than there are new native born workers to fill them, there is only one place the additional workers can come from – outside the U.S. The U.S. hired farm work force is now more than three-quarters foreign born, and majority illegal.

In an economy which is producing more jobs than workers, native born workers gravitate to the more attractive, more permanent, jobs. Seasonal agricultural jobs in rural areas involving hard manual labor are not competitive with year round urban jobs. There may well be a wage rate at which U.S. workers could be persuaded to abandon these more attractive jobs and go out and pick fruit and vegetables instead, but we will never know what that wage is, because in a global market for farm commodities such jobs will never be economically viable. Foreign producers will fill the gap first, as we have seen that they are doing. Even if U.S. workers did leave their non-farm jobs to come work on farms, that would not solve anything. It would merely create shortages elsewhere. You do not increase your wealth by taking the change out of one pocket and putting it in the other.

The reason farm wages are not increasing faster than they are is that global commodity markets cap the amount employer's in any country can afford to pay and still be competitive in the global market. U.S. farmers are increasing wages and improving productivity to offset higher wages as rapidly as they can do so and remain competitive. But they are not doing so at a rapid enough rate to keep up with the growth in the market, and they are losing market share to foreign producers.

What are the consequences for consumers and the nation of not addressing the farm labor crisis?

Some hold out the specter of skyrocketing food prices and/or food shortages if we do not address the problem. While these outcomes are not impossible, they are not likely. The world still has the capacity to produce far more food than we are now producing, particularly fruits and vegetables. There are plenty of foreign suppliers eagerly awaiting the opportunity to increase their stake in the U.S. market. So, barring international political commotion or an outright effort by foreign suppliers to squeeze the U.S. food supply, the U.S. will continue to have plenty of food at prices that are affordable.

The real questions are: Is it in the U.S. national interest to become dependent on foreign sources for food and fiber, which are, after all, very basic commodities? Are we safer by excluding foreign farm workers and becoming dependent on foreign food suppliers, or by putting a legal, workable scheme in place for admitting the foreign workers we need, and producing most of our food here? How do we assure the safety and security of our food supply and our country if we are dependent on foreign producers for food? Most Americans believe that the best policy is to admit workers – most of whom would come on a temporary seasonal basis – and to produce most of our food here.

Endnotes

[1] Phillip Martin, Immigration Reform and Farm Labor Shortages, unpublished paper dated October 11, 2007, 10 pgs.

About The Author

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