

Statement of Dr. Ronald D. Knutson

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Hearing on

"America's Agricultural Labor Crisis: Enacting a Practical Solution"

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Chairman Schumer and Members of the Subcommittee; thank you for the opportunity to testify on issues related to immigration reform and agricultural labor. This is an extremely important topic that requires careful analysis and understanding prior to moving forward with legislative action. The reason lies in the fact that the hired farm labor force is critically important in producing and in harvesting the highly perishable segment of the U.S. food supply. These perishable commodities include fruits, vegetables, and milk. If farm labor is not available at the time it is required, these foods will go to waste or not be produced. This fact makes farm labor unique and requires carefully designed legislative solutions that cut through the red tape and delay typically associated with H-2A government regulations.

My colleague, Dr. Dennis Fisher, and I have spent substantial time studying the conditions in agriculture that make farm labor uniquely important. Each of us is Professor Emeritus of the Department of Agricultural Economics at Texas A&M University. I am the former Director of the Agriculture and Food Policy Center at Texas A&M, which has responded to many Agriculture Committee requests for analysis of agricultural policy issues and policy options. Dr. Fisher has served as a farm labor Extension and research specialist in Oregon, Michigan, and New York. Our experience and research have led us to the conclusion that there is no quick-fix solution to farm labor issues. The current H-2A program is broken and requires a major overhaul, or even replacement with a new program, to deal with the unique requirement for a timely, flexible, and

market-oriented farm labor supply. The remainder of my testimony explains these unique conditions, which serve as the basis for this conclusion.

Despite ever-increasing levels of mechanization, farming is dependent on hired farm labor, which must be available when it is needed. In 2007, there were approximately 1.8 million farm workers, of which 1.4 million were employed on crop farms, and 429,000 were employed on livestock farms. This indicates that about 77 percent of farm workers are used primarily in crop production. Of those used for crop production, about 75 percent are believed to work in fruit, vegetables, and nursery crops. Estimates of the number of unauthorized workers range as high as 61 percent and perhaps higher in many areas.

There are several myths regarding the economic nature of agriculture and the farm labor workforce. These myths can substantially mislead individuals who seek solutions to farm labor issues.

The first of these myths is that farm labor should be readily available from nonfarm sources, particularly in a time of high unemployment. Anyone who has worked on a farm knows that there are many jobs associated with agricultural production and processing that domestic nonfarm laborers will not do. This fact has been repeatedly demonstrated. While the process of farm mechanization goes forward, back-breaking hand labor is still essential for harvesting most perishable fruits and vegetables sold fresh in our supermarkets and farmers' markets. This is not just our assertion based on our anecdotal experience; it was a central conclusion of a set of case studies completed by the Economic Research Service of the U.S. Department of Agriculture (ERS/USDA) and the University of California, which was recently published by ERS/USDA. In animal agriculture, while hand milking is no longer required, skilled milkers must be available to operate machines that are used to milk, feed, and clean up after cows two or three times a day, seven days a week. There are no holidays and no weekend breaks for harvesting perishable crops or for milking cows. These

are jobs that must be performed on a timely basis, or food is wasted, and farm income declines. Waiting for a visa or work permit to be issued under the H-2A program is not a viable option for most farmers. That is one of the reasons most farmers do not use the program.

A second farm labor myth is that large corporate agribusiness firms employ most of the farm labor. In 2009, data from ERS/USDA indicate that there were 2.2 million U.S. farms. All but 60,846 of these were family farms. A family farm is defined as one in which ownership and control of the farm business is held by a family of individuals related by blood, marriage, or adoption. All types and sizes of farms, including small farms, utilize the corporate form of business organization. For example, in 2007, over 46,000 farms having less than \$250,000 in sales were organized as corporations. All of these were family-held corporations. Likewise, all types and sizes of farms, including small farms, at times, utilize hired farm labor. For example, in 2007, family farms classified as limited resource, retirement, residential lifestyle, and lower-sales typologies were found to have hired farm labor expenses that ranged from an average of \$4,951 to \$8,081. These small farms would be very adversely affected by actions that limit the availability of labor and/or raise wage rates paid for hired farm labor. In 2009, 16 percent of the labor utilized on farms having \$10,000 to \$250,000 sales was hired farm labor. It is reasonable to assume that most of this labor was employed at harvest time when the urgency of having a labor supply is the most critical. For farms having over \$250,000 in sales, an average of 48 percent of the labor was hired in 2009.

A third myth is that farmers are in a market position to simply pass on the cost of farming to buyers of their produce. Farm prices are determined nationally or globally by competitive supply and demand forces. U.S. farmers compete with farmers in Mexico and other supplying or potential supplying countries. Loss of market is a particularly likely consequence for asparagus, apples, oranges, grapes, and tomatoes. Mexico, Peru, Chile, and South Africa stand as major sources of fruit and vegetable supplies for the U.S. consumers. U.S. exports of oranges, lettuce, raisins, strawberries,

and asparagus have been adversely affected by increased competition for the important Japanese market. Chinese exports of apples have risen from near zero in the early 1990s to nearly double that of the United States. While U.S. farmers would like to be in a position to set their own prices and pass on their costs to consumers, this is not possible. Farmers must make production, farm labor, marketing, and financing decisions that directly affect their profitability in this highly volatile market environment. Seasonal and annual price instability creates great uncertainty regarding income expectations and the resulting financial stability of farms. Those who make the wrong decisions run the serious risk of financial failure. In 2007, ERS/USDA determined that 20 percent to 40 percent of the farms in each farm type were in a less than favorable financial position. Research clearly indicates that higher labor costs run the risk of higher imports and reduced exports.

Our fourth myth is that agribusiness firms are directly involved in farm production that utilizes farm labor. Farmers who produce fruits, vegetables, and milk are a distinctly separate segment of the food supply chain. It is true that as the food supply chain has evolved, agribusiness firms have found it desirable to contract with farms in advance of harvest, sometimes in advance of planting, for commodities. Where they exist, such contractual arrangements have been found to be mutually beneficial to both sellers/farmers and buyers. In cases where commodities are exported, such contractual arrangements may be essential to be competitive internationally. Agribusiness corporations that produce farm commodities and are not family owned are the exception rather than the rule. Agribusiness corporations are the primary firms that are involved in developing the genetic breeding for plants, livestock, and poultry. They allow our family farms to maintain their competitiveness. Agribusiness includes all firms that supply farm inputs and that handle, process, and distribute/market farm products.

Our fifth myth is that the farm labor market is national in scope, that labor issue shortages are not real, and that farm labor issues can be addressed

on a national legislative basis. The fact is that farm labor markets are local and are dispersed throughout the United States. The demands for farm workers vary widely from commodity. Often, a large number of workers is required for specific time periods. These are facts that are based upon experience. When fruits and vegetables destined for the fresh market mature, they must be harvested, or they go to waste. Cows must be milked twice or three times a day.

Our analysis clearly indicates that the H-2A immigration program is broken. In 2009, only 86,000 workers were certified for H-2A visa status, which is the only available guest farm worker program. H-2A accounts for less than 5 percent of the hired farm labor workforce. Proposals such as requiring farmers to e-Verify will only add to the problem. If controls are to be placed on the employment of illegal immigrants by border controls or by enforcement of the current federal immigration law, there must be means by which farmers employ farm labor while avoiding labor shortages. These effects were actually experienced, for example, when the Bracero program was ended and during the recent farm labor shortages experience in Georgia testified to in this hearing. The end of the Bracero Program in 1964 precipitated severe labor shortages, a spike in wage rates, limited local labor response, increased mechanization, higher produce prices, and a loss of export markets to other countries. Experience with H-2A indicates that there is a need to abandon the H-2A program and to develop a more flexible, market-oriented program designed for farm labor. Such a program must be easily accessible to current workers; farmers must be able to attest to their labor needs; they must be able to make changes in their hired farm labor workforce on a timely basis in response to crop and market conditions; and there must be flexibility for workers to shift between employing farmers as is inherent in the term "migrant labor."

The shift in American diet is new, major, and will require increased production of fruits and vegetables. Farm labor immigration policy will have a major impact on whether the fruit and vegetables used to improve the health of Americans will be produced in the United States or in foreign

countries. Initiatives that involve an even higher level of government regulation will assure that an increased share of fruit and vegetable production, as well as of other agricultural products, will be produced overseas—outsourced.