Adjusting to an Era of Farm Labor Scarcity

Challenges and Opportunities

J. Edward Taylor and Diane Charlton
Department of Agricultural & Resource Economics, UC Davis

Antonio Yunez-Naude, El Colegio de Mexico

Chicago, Federal Reserve Bank
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Rural Mexico’s Farm Labor Supply

• Rural Mexico is the primary source of hired labor for U.S. farms
• Throughout the 20th century, rural Mexico has provided an elastic supply of farm labor to the U.S.
  – Enabled labor-intensive fruit, vegetable, and horticultural (FVH) production to expand (Martin, 2003)
  – Discouraged labor-saving technological change
  – Created challenges to farm labor organizing
• Is the farm labor supply from rural Mexico becoming less elastic? Are we reaching the end of farm labor abundance?
Rising U.S. Farm Wages

% Change in farmworker wages, 2011-13

CPI Change: 3.45%
...And things are changing in Mexico too

Farm Workers are Demanding Higher Wages in Mexico

Baja farm workers push for more pay: San Quintin farm workers launch bus caravan as they seek higher wages, benefits
-Sandra Dibble, UTSanDiego, March 28, 2015

Pickers back at work in Baja California, but animosity remains
-Richard Marosi, LATimes, March 30, 2015

Farmworkers harvest strawberries last week in Baja California. A strike is winding down Monday after nearly two weeks.
-Don Bartletti / Los Angeles Times
The UCD-COLMEX Mexico National Rural Household Survey (ENHRUM)
Key Findings from Dynamic Panel Analysis

• The farm labor supply from rural Mexico is decreasing by 0.97% each year

• Scaling by the working age population in rural Mexico in 2010, that is over 150,000 people each year

• U.S. and Mexican farmers compete for this dwindling supply of farm workers

Source: Charlton and Taylor (2014)
Regional Trends

Predicted Probability of Working in Agriculture by Region
“Unpacking” the Trend: How It All Stacks Up
What Does this Mean for Growers and Ag Suppliers in the Short-Run?

• Growers
  – The supply of farm workers will decrease, and wages will rise.
  – This raises the prices of farm outputs.
  – Agricultural production will decrease if demand for farm products is elastic.

• Ag Suppliers
  – Demand for agricultural inputs shifts inward if agricultural production declines.
  – The labor supply will shift outward. Workers leaving farm work will seek employment elsewhere.
  – Net impact on agricultural suppliers in the short-run is ambiguous.

• But what will happen in the long-run?
What Does this Mean for Agriculture in the Long-Run?

• Regional trends in the ag labor supply mean US farms eventually will have to produce more with fewer workers
  – Technological change: mechanization
  – Changing crop mixes
  – More efficient labor management practices
    • Demand for more skilled workers
    • Rising farm worker productivity and wages
      – Could be good for rural communities
Immigration Policy in an Era of Diminishing Ag Labor Supply

- Immigration policy plays a role, but it is only an intervening variable against a backdrop of diminishing farm labor supply in Mexico.
Conclusion

• Significant negative trend in the farm labor supply from rural Mexico between 1980 and 2010
• Increased border enforcement → more workers remain in agriculture, though not U.S. agriculture
• Industrial growth in Mexico and rising rural education reinforce the negative trend
• Higher U.S. farm wages slow Mexicans’ transition out of agriculture, but do not reverse the trend
• Best viable option for agricultural producers:
  – Less labor-intensive crops, technologies, and management practices
Thank you

