

# First Pioneer Farm Credit Background Analysis

## Farm Labor and Immigration Reform Economic Impact to New Jersey State Agriculture

Farm businesses throughout the state of New Jersey depend on a stable workforce to produce a safe and reliable food supply as well as other horticultural products. Immigrant and guest workers have been and continue to be part of the workforce on farms throughout our nation.

First Pioneer Farm Credit serves farmers and farm-related businesses in New Jersey and has undertaken the following analysis to better understand the economic impact of a farm labor shortage resulting from significantly enhanced immigration enforcement actions and no new guest workers provisions. It is estimated that nationwide approximately 75% of the hired farm work is unauthorized (Dr. James Holt statement before House Agriculture Committee, October 2007). Without immigrant and guest labor many farm businesses will face critical labor shortages.

New Jersey agriculture includes significant production in vegetable, fruit, greenhouse-nursery and dairy sectors. These sectors can be most vulnerable to shortages of labor. The fact is that labor disruptions can quickly result in severe financial problems on many farms. Most farms simply do not have the financial resources to survive if they can not produce and market their products. With the increasing consumer demand for quality products, a delay in harvesting can also have a dramatic negative impact.

New Jersey agriculture has come to rely heavily on immigrant workers who present the necessary identity documents and are then employed on the same Federal and New Jersey terms as American workers. This includes deducting and remitting the appropriate fiduciary payroll obligations on behalf of these workers. These hard-working individuals are filling jobs that Americans just do not want under any circumstances – whether their location outside of major urban areas, working out of doors in variable weather conditions, and/or the substantial physical stamina required for them. Quite simply, there are not American workers available to fill these jobs in either the numbers or at the wage rates that will allow New Jersey farm employers to profitably sustain their businesses.

This following analysis is based on *Census of Agriculture* data for New Jersey as of 2002 (<http://www.agcensus.usda.gov/Publications/2002/index.asp>), and considers the number of workers employed on farms, farm types (some farm types have more hired labor than others), and the value of agricultural production.

As part of the analysis, farms are segmented based on the amount of wages for hired labor and subjectively assessed a degree of vulnerability to an immigration enforcement-only scenario (as determined by Farm Credit based on knowledge of New Jersey agriculture). Consideration was also given to the impact of a reduction in the state's agricultural output on total agricultural



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## Farm Credit Analysis on Labor Shortages

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sector business employment, i.e., both upstream and downstream jobs in addition to on-farm jobs.

The Farm Credit analysis indicates that a prolonged severe disruption in labor availability as a result of enhanced immigration enforcement actions without new worker programs would have the estimated following impacts:

- Farm Numbers: Over 500 New Jersey farms are highly vulnerable to going out of business or being forced to severely cut back their farm operations. The primary impact would be on greenhouse-nursery and vegetable sectors, but the fruit and dairy sectors would also be severely impacted. Farm businesses can not survive if they can not fully plant, cultivate, prune and harvest their production at the times required. Farm businesses operate with very narrow profit margins and can not withstand losing part of their income due to labor disruptions and shortages.
- Market Value of Agricultural Production: These 500 vulnerable farms have total sales estimated to be in excess of up to \$475 million.
- Farm Employment: Realistically, as many as 6,200 FTE positions (Full Time Equivalents) would be impacted. This is in addition to the farm owner-operators.
- Farmland: These farms operate approximately 155,554 acres. If these farm businesses were to cease operating, some of this acreage would switch into less intensive agriculture, but thousands of acres would be vulnerable to being discontinued from crop production and converted to non-farm uses. This would be at strong cross purposes to the State of New Jersey's long-standing efforts to maintain farmland in productive agriculture.
- Farm-Related Economic Impact: The economic impact goes well beyond the farm-gate and could undermine, in part, the state's agricultural infrastructure that all farms depend on. In addition to the loss of farm employment, jobs would decline in the farm service, input, processing and marketing sectors. It is estimated that 19,500 jobs in farm-related businesses in New Jersey could be impacted.

### **New Jersey: Highly Vulnerable Farms and Farm Related Jobs From Severe Labor Shortages (Estimated Impact – February 2008)**

<b>Farm Type</b>	<b>Number of Farms</b>
Vegetable	161
Fruit	89
Dairy	21
Greenhouse/Nursery	236
<b>Total Farms</b>	<b>508</b>
<b>Value of NJ Ag Production:</b>	<b>\$475 million in reduced farm production</b>
<b>Farmland:</b>	<b>155,554 acres operated by farms that are vulnerable</b>
<b>Loss of Employment (NJ)</b>	<b>Number of Jobs (Full Time Equivalents)</b>
Farm	6,198
Agricultural Services and Input	8,792
Agricultural Processing and Marketing	10,646
<b>Total Farm Sector Employment Vulnerable</b>	<b>25,636</b>

Economic Activity in Local Communities: Farm owners, farm employees and farm related business employees expend millions of dollars in New Jersey which flows through the economy as local purchases and downstream jobs. This economic multiplier impact creates economic activity outside of the farm economy and supports the local tax base. As local farms go out of business or cut back production and layoff employees, local communities will have less economic activity.

Less Locally Grown Farm Products and More Imported Foods: Without the necessary labor force, we will see a significant decrease in local production, which will require the importation of more food and horticultural products from other countries. Consumers will have fewer opportunities to buy locally-grown farm products.

Planning for the Future: This issue weighs heavy on the minds of virtually all New Jersey farmers who employ labor. The tremendous uncertainty of their labor supply has a profound impact on their outlook for the future and their planning horizon. This can affect everything from whether to build a new greenhouse, to buying the farm next door, to encouraging the 22-year old son or daughter to come home to the family farm business. New Jersey farmers need and deserve the opportunity to plan and invest for their farms and their industry knowing that a source of willing labor will be available.

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