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Effects of the H-2A Program on Cherry Production in Michigan and Nationally

Marisol Quiroz

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Introduction

Background

The decrease in the number of laborers that travel for the sole purpose of harvesting fruits and vegetables has prompted questions about what the undocumented laborer means to the United States and how it impacts the United States economy. A study by the Institute for Research on Labor and Employment (IRLE) states that “since late 1990’s, the share of agricultural laborers who migrate within the United States fell by about 60%” (Fan & Perloff, 2016). A decrease in capable laborers in the US has, in most recent years, lead US farmers to utilize the H-2A program. The program not only affects perceptions of “the foreign laborer” in the US, but also has an impact on farmers’ budgets and the US economy as a whole, including the availability of basic food commodities. Growing up as the daughter of migrant farm workers, this topic is of particular interest to me. By interviewing a Michigan farmer, I examine the connection between their financial statements and an important aspect of immigration: the real impact farmers and foreign laborers have on the United States economy.

History of Guest Laborer Programs

The decrease in domestic works has continued throughout recent American history. Many programs have been created to incentivize laborers to help maintain the harvesting of agricultural crops. The Bracero Program began in 1942 and was one of the largest U.S contract labor programs in U.S. history. This program was put into place due to petitions from farmers saying that labor shortages would be relevant during World War II (Bracero History Archive, 2019). Although this program was useful, there was a lot judgment from the public about the foreign laborers, as well as retaliation by the foreign laborers against their treatment. When the Bracero Program came to an end in 1964, there was still a need for assistance in agricultural

labor. This created a need that the United States would try to fill with their very own domestic laborers. Arellano (2018) depicts the implementation of a program that used high school students as summer-time agricultural laborers called the A-TEAM. A-TEAM, which stands for Athletes in Temporary Employment as Agricultural Manpower, was geared toward the athletes in high schools due to their size and stature, hoping they would withstand the blistering heat and long hours of agricultural work. This program didn't last very long, with about 18,100 students signing up but only 3,300 actually reporting for work. Within the first week, 200 students had quit and others were striking because of the low pay and poor conditions. Ultimately the program was considered a failure (Arellano, 2018).

Arellano portrays thoughtful consideration of how not everyone is willing to do the work of agriculture and that it has not been a struggle of just recent years. While there were plenty of high school students to do the job, most of them were unable to endure the long days and hard work it takes, as well as the poor work and living conditions. The use of foreign laborers has been ingrained into American history, where programs such as the H-2A program are created in order to achieve harvesting and produce United States agriculture.

Today, there is still a lack of agricultural laborers. For example, Wittkowski (2017) describes the problems Michigan farmers have had in recent years when trying to recruit laborers for the harvest season. A farmer in Sodus, Michigan, a town in Southwest Michigan, feared the worst when it came time to harvest. The farmer applied to the H-2A program, which was created in 1990s. This program, like many others before its time, is meant to alleviate the problem of not having enough laborers, but has proven to be costly to the farmer. Since the farm is small and family-owned, the farmer struggles because of the lack of resources to implement the H-2A program.

H-2A Program Implementations

H-2A Program Requirements and Application Process

The H-2A program allows U.S. employers who meet specific regulatory requirements to bring foreign nationals to the United States to fill temporary agricultural jobs. Variations of temporary agricultural work programs have been adopted throughout U.S. history, with the H-2A program being the current source of foreign labor in agricultural occupations. The H-2A program has various sets of rules that U.S. farmers must adhere to when adopting the program. The U.S. Citizenship and Immigration Services (H-2A Temporary Agricultural Laborers, 2009), states that if a farmer plans to use the H-2A program they must offer a job of temporary or seasonal nature and they must also demonstrate that there are not enough U.S. laborers able, willing and available for temporary work. They must also show that employing the H-2A laborer will not adversely affect the wages and working conditions of similarly employed U.S. laborers. This means they must insure all the laborers they hire apart from the H-2A laborers are paid at the same wage as the H-2A laborer.

Various expenses are incurred due to the implementation of the H-2A program. Those expenses range from advertising fees to travel and housing fees for the laborers. After the H-2A laborers arrive in the U.S., the farmer must provide housing at no cost to the laborer. The farmer must also provide transportation to and from worksites, as well as other necessary locations, such as grocery stores and laundromats. Aside from transportation within the United States the farmer must reimburse the laborers for any expenses they incurred during travel to come to the worksite and to get back to their home. Other costs typically incurred, but not specifically required, are for the use of labor contractors. This cost is optional, but is often used to make the H-2A process less of a hassle for the farmer. Labor contractors are entities that are engaged in

recruiting, soliciting, hiring, employing, furnishing, housing, or transporting the laborers into the United States (Fact Sheet #26: Section H-2A of the Immigration and Nationality Act (INA)). All these costs add up, and can be a make-it-or-break-it situation for small Michigan farmers, such as the one described in Wittkowski (2017).

When adopting the H-2A program, farmers must guarantee that domestic laborers are paid at least what the farmer is paying the H-2A contracted laborers. Therefore, the wages that were once lower for domestic laborers are now increased to match the H-2A required wage, and this needs to be paid by the farmer.

Besides the direct costs of the H-2A program, the farmer must advertise his labor openings to the domestic labor market in the United States. This means the farmer is required to hire as many domestic laborers as possible or at least give an earnest attempt to hire them when advertising. Without this step, the farmer cannot enlist in the use of the H-2A program. Only after the required domestic advertising has not produced sufficient domestic laborers, and after reaching out to previously hired domestic laborers, can a farmer apply to the H-2A program.

H-2A Usage in the United States

The H-2A program is used all over the United States, with Georgia, Washington, Florida, California, North Carolina, Louisiana, Arizona, South Carolina, and Kentucky, along with Michigan, making up the top 10 states that use the program (See Appendix 1). Michigan is number eight on this list of states. Within these states and others in the United States, the crops/occupations that use the most H-2A laborers are as follows (See Appendix 1):

- General Farm Laborers
- Berries
- Tobacco

- Fruits and Vegetables
- Melons
- Nursery and Greenhouse Laborers
- Agricultural Equipment Operators
- Corn
- Apples
- Cherries

The list of crops and states that use the H-2A program is vast and requires a huge amount of planning for both the farmer and the foreign laborer.

H-2A Usage in Michigan

Focusing on a single crop of agriculture for the purpose of this study, I chose cherries.

Production in the United States is more than 650 million pounds of both tart and sweet cherries each year. Michigan alone is the largest grower of tart cherry, producing about 75% of the tart cherry crop, totaling about 227 million pounds (History of Cherries).

In order to understand how the H-2A program affects individual farmers, I obtained financial and production information from a Michigan farmer who produces cherries. Table 1 provides production information for this Michigan farmer. The farmer produced and harvested tart cherries for the past six years, earning annual tart cherry revenues ranging from \$4,519,500 to \$ 2,212,000.

<Insert Table 1>

As can be seen from Table 1, the total dollar amount production of tart cherries has decreased for both the Michigan farmer and Michigan as a whole. However, this decrease is not the result of a decrease in the production of cherries in pounds, but rather because the price per

pound has decreased for cherries. In order to gain a better understanding of how much this farmer produces, I included the farmer's percentage of the overall Michigan tart cherry market. The percentage of total Michigan tart cherry market produced by the farmer ranges from 6.07% to 5.83% over the six-year period.

<Insert Table 2 & 3>

Table 2 and Table 3 show the labor expenses incurred by the Michigan farmer to produce their tart cherry harvest. As was mentioned above, the expenses incurred for both domestic and H-2A laborers go hand in hand. Since it is regulated that both must be paid the same wage, we can see that the Average Effect Wage Rate (AEWR) is the same for both the domestic and H-2A laborer. Advertising (ADS) is included in the Domestic Laborer's table, and represents the expense to meet the H-2A program requirement that the farmer pays for advertisements soliciting domestic laborers. National Acquisition Center (NAC) is included in the H-2A Laborers table, and represents the cost to the farmer for a labor contractor. This labor contractor helps in the process of applying to the H-2A program, as well as finding proper foreign laborers that will assist in the harvest.

<Insert table 4 & 5>

Table 4 and Table 5 encompass the overall laborer expenses for the farmer's entire farm, which includes Domestic and H-2A costs for their cherry crop, as well as other crops they harvest. This is important because it brings into perspective how much more this program adds to the expenses of the farmer. Since the farmer is not allowed to shift H-2A laborers between crops and regions, they must specifically obtain laborers for each specific crop.

Public perception of the H-2A Program and its impact on the U.S. economy

Barth (2017), discusses the overall aspect of agriculture in the United States. He emphasizes laborer experiences, including what they go through in order to come work in the United States. He describes how H-2A program visas have increased over the years, and how the United States has always had a “love hate” relationship with cheap labor. In many cases, public perception is that the farmers are the ones applying harsh conditions, but it is really the US consumer for wanting to have lower food prices. This in turn causes the low wage rates for those whom are not under the H-2A program. This makes the option of having to use the H-2A program very expensive since there is a stated amount the farmers must pay. Agriculture has had a major impact on the economy, but it is sometimes at a double standard: consumers wants cheap commodity prices, but farmers can no longer pay cheap labor because domestic laborers no longer will accept lower wages. Besides the consumer need for cheap labor for lower food costs, farmers also have to deal with economic factors such as imported products, which lowers the amount of production the farmer can insert into the U.S. economy (USDA to purchase additional \$15M in tart cherries). This makes it more difficult because, even if they have ample product to sell to market, they can only sell a portion of it and their revenue from cherries may not be sufficient to cover the costs of labor.

Conclusion**Implications of the H-2A Program**

Overall, we can see how the H-2A program affects both the Michigan farmer’s expenses and production capacity, as well as the potential impact it can ultimately have on other farmers, especially smaller farmers. Although the Michigan farmer only produces a fraction of the total tart cherry production in Michigan, the expenses are very much real and must be paid in order for

them to harvest this crop. If it were not for the H-2A program, these farmers would have a difficult time harvesting their crop. Unlike the farmer from Sodus, this Michigan farmer has the means of implementing the H-2A program, since they are larger and have better farming resources than that of a small family-owned farm. Other small farmers are likely to be unable to implement all the necessary requirements to obtain H-2A laborers, and will either have to sell their farms or produce less than they used to. Also, an indirect effect of having H-2A laborers is that wages tend to increase. Thus, domestic laborers probably prefer to work for farmers with H-2A laborers since they generally benefit in terms of compensation. Smaller farmers may not be able to maintain the same wages and benefits, reducing further their ability to maintain production or even stay in business at all.

Implementing the program brings more expenses than hiring only domestic laborers, such as travel and housing for the H-2A laborers. Farmers must also advertise before even applying to this program. I can only imagine what it will do to those smaller farmers that do not have the sufficient funds to pay for these expenses. Would this create larger farmers since they will sooner or later buy out the smaller farms?

This analysis creates bigger questions that should be explored in future research. For now, simply shedding light on the agricultural world and the impact of the foreign laborer is very important. Although a lot of negative connotation is attached to the foreign farm laborer, they are indispensable to the harvest of American crops, since the demand for farm laborers exceeds the supply of willing domestic laborers.

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Production in Michigan Farm and Michigan

Table 1

Production of Tart Cherry in Michigan Farm and Michigan					
Year	Tarts in pounds	\$/pound	Tarts \$ Produced in Michigan Farm	Tarts \$ Produced in Michigan	Percentage of Overall Michigan Market
2013	13,100,000	0.345	\$ 4,519,500.00	\$ 74,515,000.00	6.07%
2014	13,900,000	0.342	\$ 4,753,800.00	\$ 68,827,000.00	6.91%
2015	12,800,000	0.34	\$ 4,352,000.00	\$ 53,499,000.00	8.13%
2016	14,200,000	0.239	\$ 3,393,800.00	\$ 53,790,000.00	6.31%
2017	16,100,000	0.18	\$ 2,898,000.00	\$ 39,693,000.00	7.30%
2018	15,800,000	0.14	\$ 2,212,000.00	\$ 37,936,000.00	5.83%

Domestic and H-2A Laborers in Michigan Cherry Harvest

Table 2

Domestic Laborers in Michigan Farmers Cherry Crop								
YEAR	*AEWR	EMPLOYEES	ACCOUNTING	ADS	TRAVEL	HOUSING	PAYROLL	PAYROLL HRS
2014	\$11.49	27	\$596.00	-	\$840.00	\$1,453.00	\$88,082.34	7,666
2015	\$11.56	21	\$992.00	\$489.00	\$1,016.60	\$1,185.00	\$65,591.44	5,674
2016	\$12.02	39	\$1,010.00	\$977.00	\$2,014.50	\$2,353.00	\$104,405.72	8,686
2017	\$12.75	26	\$1,097.00	\$891.00	\$2,556.04	\$2,229.00	\$79,560.00	6,240
2018	\$13.06	37	\$1,106.00	\$934.00	\$1,851.32	\$3,073.00	\$100,379.16	7,686

*AEWR – Adverse Effect Wage Rate

Table 3

H-2A Laborers in Michigan Farmers Cherry Crop								
YEAR	*AEWR	EMPLOYEES	ACCOUNTING	NAC	TRAVEL	HOUSING	PAYROLL	PAYROLL HRS
2014	\$11.49	10	\$596.00	\$5,402.00	\$8,856.00	\$1,453.00	\$39,180.90	3,410
2015	\$11.56	12	\$992.00	\$5,908.00	\$10,630.00	\$1,185.00	\$44,182.32	3,822
2016	\$12.02	10	\$1,010.00	\$5,800.00	\$9,728.00	\$2,353.00	\$43,692.70	3,635
2017	\$12.75	10	\$1,097.00	\$6,070.00	\$10,565.00	\$2,229.00	\$46,040.25	3,611
2018	\$13.06	15	\$1,106.00	\$11,564.00	\$14,757.00	\$3,073.00	\$64,973.50	4,975

*AEWR – Adverse Effect Wage Rate

Domestic and H-2A Laborers in Overall Michigan Farm

Table 4

Domestic Laborers in Michigan Farm								
YEAR	*AEWR	EMPLOYEES	ACCOUNTING	ADS	TRAVEL	HOUSING	PAYROLL	PAYROLL HRS
2013	\$11.30	28	\$3,398.00	-	-	\$12,800.00	\$73,427.40	6,498
2014	\$11.49	38	\$4,424.00	-	\$840.00	\$10,795.00	\$264,522.78	23,022
2015	\$11.56	30	\$5,531.00	\$973.15	\$1,016.60	\$8,800.00	\$270,746.76	23,421
2016	\$12.02	42	\$7,499.60	\$1,523.47	\$2,014.50	\$17,480.00	\$312,796.46	26,023
2017	\$12.75	26	\$8,152.00	\$1,301.05	\$2,556.04	\$16,556.00	\$202,801.50	15,906
2018	\$13.06	37	\$8,214.80	\$1,996.00	\$1,851.32	\$22,827.00	\$183,754.20	14,070

*AEWR – Adverse Effect Wage Rate

Table 5

H-2A Laborers in Michigan Farm								
YEAR	AEWR	EMPLOYEES	ACCOUNTING	NAC	TRAVEL	HOUSING	PAYROLL	PAYROLL HRS
2013	\$11.30	24	\$3,398.00	\$5,900.00	\$19,051.36	\$12,800.00	\$103,338.50	9,145
2014	\$11.49	35	\$4,424.00	\$13,121.00	\$31,601.57	\$10,795.00	\$180,128.73	15,677
2015	\$11.56	21	\$5,531.00	\$7,693.00	\$19,682.64	\$8,800.00	\$254,389.36	22,006
2016	\$12.02	15	\$7,499.60	\$9,415.00	\$15,419.50	\$17,480.00	\$202,621.14	16,857
2017	\$12.75	25	\$8,152.00	\$8,850.00	\$25,246.58	\$16,556.00	\$298,426.50	23,406
2018	\$13.06	42	\$8,214.80	\$14,350.00	\$40,320.29	\$22,827.00	\$469,089.08	35,918

*AEWR – Adverse Effect Wage Rate

Appendix 1

EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DOL
OFFICE OF FOREIGN LABOR CERTIFICATION

H-2A Temporary Agricultural Labor Certification Program - Selected Statistics, FY 2019 YTD

Applications Received¹

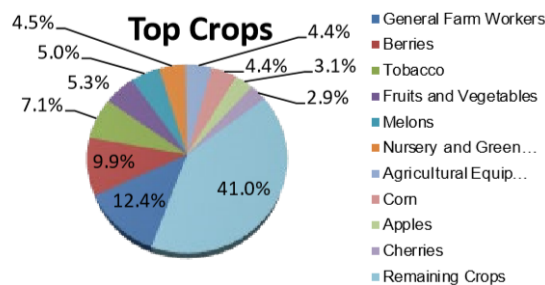
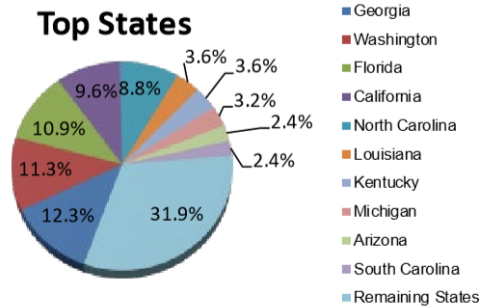
FYTD	Q1	Q2	Q3	Q4	% Change FY 2018
11,503	3,175	5,380	2,948	--	11.5%

Applications Processed³

Determination	FYTD	Q1	Q2	Q3	Q4
Total Determinations	11,150	1,968	5,812	3,370	--
- Certified	10,809	1,884	5,672	3,253	--
- Denied	156	34	67	55	--
- Withdrawn	185	50	73	62	--
Positions Requested	214,416	36,487	91,598	86,331	--
Positions Certified	206,540	35,459	88,305	82,776	--
Processed Timely³	83.8%	92.6%	77.5%	89.0%	--

Selected Statistics by Worker Positions Certified

Review of Positions Certified FY 2019 YTD (% of total certified FY 2019 YTD)			
Top 10 States	Georgia	25,463	12.3%
	Washington	23,400	11.3%
	Florida	22,473	10.9%
	California	19,824	9.6%
	North Carolina	18,129	8.8%
	Louisiana	7,525	3.6%
	Kentucky	7,386	3.6%
	Michigan	6,567	3.2%
	Arizona	5,018	2.4%
	South Carolina	4,951	2.4%
Top 10 Employers	North Carolina Growers Association (NCGA)	9,483	4.6%
	Fresh Harvest, Inc.	4,364	2.1%
	WAFLA	4,295	2.1%
	Zirkle Fruit Company	3,400	1.6%
	R&R Harvesting, Inc.	1,977	1.0%
	Foothill Packing, Inc.	1,931	0.9%
	Overlook Harvesting Co.	1,835	0.9%
	Farm-Op Kuzzens H2A	1,790	0.9%
	Elkhorn Packing Co.	1,780	0.9%
	Rancho Nuevo Harvesting	1,656	0.8%
Top 10 Crops/Occupation	General Farm Workers	25,556	12.4%
	Berries ⁴	20,539	9.9%
	Tobacco ⁵	14,660	7.1%
	Fruits and Vegetables ⁶	10,957	5.3%
	Melons ⁷	10,247	5.0%
	Nursery and Greenhouse Workers	9,282	4.5%
	Agricultural Equipment Operators ⁸	9,110	4.4%
	Corn ⁹	9,062	4.4%
	Apples ¹⁰	6,428	3.1%
	Cherries ¹¹	5,975	2.9%



¹Applications Received" is derived from data not publicly disclosed.
²Cumulative numbers may not match the numbers on previous reports due to changes in case processing status.
³Percent of complete H-2A applications resolved 30 days before the start date of need. A complete H-2A application is defined as one containing all the documentation (e.g., housing inspection report, workers' compensation, recruitment report) necessary for the OFLC Certifying Officer to issue a final determination 30 days before the start date of need.

⁴Berries Category includes Primary Crops of Berries, Blackberries, Blueberries, Cranberries, Raspberries and Strawberries.
⁵Tobacco Category includes Primary Crops of Air-cured, Burley, Cutting, Flue-cured, Setting, Stripping, and Tobacco.
⁶Fruits and Vegetables Category includes Primary Crops of Fruits, Fruits and Vegetables, and Vegetables.
⁷Melons Category includes Primary Crops of Cantaloupes, Melons, and Watermelons.
⁸Agricultural Equipment Operators Category includes Primary Crops of Agricultural Equipment Operator, Custom Combine Harvesters, and Logging.
⁹Corn Category includes Primary Crops of Corn, and Sweet Corn.
¹⁰Apples Category includes Primary Crops of Apple Drops, Apples, and Fuji Apples.
¹¹Cherries Category includes Primary Crops of Cherries and Yellow Cherries.

Data as of June 30, 2019. All figures are rounded and not audited.

Source: United States Department of Labor/ Employment & Training Administration,
<https://www.foreignlaborcert.doleta.gov/>