Senator Cornyn QFRs for Dr. Ronald D. Knutson (Immig. Subcomm. Hrg. on Agricultural Labor Shortages)

1. Have you analyzed the study conducted by Mr. Ruark for FAIR, titled "Illegal Immigration and Agribusiness: The Effect on the Agriculture Industry of Converting to a Legal Workforce" (April 2011)? Mr. Ruark, who sat on the hearing's second panel, argues that U.S. agriculture can transition to a legal workforce without a meaningful increase to food costs.

   Answer: Yes, Dr. Fisher and I spent a considerable amount of time evaluating the issues related to the report authored by Mr. Ruark for FAIR. With regard to the food cost issue, any policy that increases labor costs will increase food prices. However, this effect would be small relative to adverse impacts on farmers, which Mr. Ruark completely ignores. Farmers would experience losses in incomes, which in many cases could mean financial failure, as cogently noted by Senator Schumer. Further mechanization would be encouraged, which would be at the expense of product quality. In addition, imports would increase as production shifts to other countries. As a whole, workers would see few benefits, if any. Mr. Ruark assumes that farmers have a sufficient income, due largely to higher commodity prices, that they would simply absorb higher labor costs out of their profits from farming. This conclusion of Mr. Ruark defies economic logic. It ignores that, even with improved economic conditions in agriculture, many farms, of all farm sizes, are experiencing financial stress. Moreover, fruit, vegetable, and nut farmers have not experienced commodity price increases that are comparable to that of corn farmers. Increased corn prices are largely a result of government mandates for ethanol use and high energy prices. There is no assurance that these political and economic conditions will exist in the future. The key point is that the cause and effect relationships are complex, not simplistic as assumed by Mr. Ruark.

2. What conclusions do you draw from your analysis of Mr. Ruark's study?

   The Ruark Report has several serious flaws that make it unreliable. Three of the most serious include: First, Mr. Ruark assumes that higher hired farm labor wages will result in unemployed nonfarm labor taking jobs currently performed by migrant labor. Experience in farm labor markets has repeatedly proven this assumption to be false. Explanations for this fact include the back-breaking nature of farm labor harvest work, the requirements of migrating from one farm, region, and crop to another, being away from family, living conditions, and the long-term existence of government program benefits such as unemployment compensation and food stamps. Besides, we have evidence that nonfarm workers do not step up to take up available farmjobs. Nonfarm workers did not respond when the Bracero program was terminated in the mid-1960s, and they did not respond this season as Georgia farmers were unable to find harvest workers at substantially increased wages. Second, Mr. Ruark assumes that farmers have the ability to pass on his proposed increases in labor costs to higher levels of the food chain. This notion is more problematic than the perspective that farmers could absorb increases in labor costs. Farm prices are determined in highly competitive domestic and international markets. The notion that farmers might have the ability to pass on cost increases is absurd. The adjustment process to higher labor costs would be complex with major adverse effects being shared by farmers, farm workers, and consumers. Third, Mr. Ruark assumes that adjustments to fewer unauthorized workers could occur without labor shortages. This would not happen under the complex provisions of the H2-A program. The local nature of farm labor markets and the lack of mobility of farm labor under the H2-A program would assure labor shortages and crops that are not harvested and thus rot in the fields.