U.S.-Mexico Competition and Florida Agriculture

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2/26/2019
Outline

• Overview Florida agriculture
• Major crops and trade
• Why is Florida losing the battle?
• How can the government/legislature help?
• Concluding remarks
Overview Florida Agriculture

• Total Value of Agricultural Products: $7.7 Billion

• Total Value of Crops: $6.0 Billion
  ➢ Fruit: $1.85 billion
  ➢ Vegetables: $1.35 billion
  ➢ Nursery: $1.72 billion

• Total Value of Livestock, Poultry, and their Products: $1.7 Billion
## Major Crops in Florida

### Leading Crops in Florida, 2017

<table>
<thead>
<tr>
<th>Product</th>
<th>Percent of U.S. Value</th>
<th>Value in Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citrus (Total)</td>
<td>33%</td>
<td>$1.18 billion</td>
</tr>
<tr>
<td>Orange</td>
<td>56%</td>
<td>$1.07 billion</td>
</tr>
<tr>
<td>Strawberries</td>
<td>10%</td>
<td>$337 million</td>
</tr>
<tr>
<td>Tomatoes (Fresh Market)</td>
<td>34%</td>
<td>$262 million</td>
</tr>
<tr>
<td>Bell Peppers (Fresh Market)</td>
<td>32%</td>
<td>$206 million</td>
</tr>
<tr>
<td>Blueberry</td>
<td>10%</td>
<td>$84 million</td>
</tr>
</tbody>
</table>

### Important to the U.S./Florida in terms of production values, employment, and rural development.
Mexican Competition

- Production/market shares of Florida crops have declined significantly in the past decade
- Almost same market window as Mexico
- Imports from Mexico have increased dramatically
Florida Citrus and Orange Production

- Citrus Fresh
- Citrus Processed
- Orange Fresh
- Orange Processed

Million Boxes

Year:
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
Florida citrus production & Orange juice imports from Mexico

[Bar chart showing Florida production and imports from Mexico from 2001 to 2017]
Florida Orange Juice Production & Orange Juice Imports

Million liters

- Total Imports
- Imports from Brazil
- Imports from Mexico
- Florida Production

Year:
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
Strawberry Production and Imports from Mexico

Million lbs

- Florida Production
- Imports from Mexico
Tomato Production and Imports from Mexico
Bell Pepper Production and Imports from Mexico
Blueberry Production and Imports from Mexico
Why is Florida losing the battle?

• NAFTA

• Labor Cost Gaps

• Mexican government subsidies

• Mexican peso devaluation
Labor Cost Gaps

Mexican Minimum Wage vs. Florida Minimum Wage

Mexico- US Exchange rate ($US/Peso)

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>0.323</td>
<td>0.295</td>
<td>0.132</td>
<td>0.109</td>
<td>0.106</td>
<td>0.103</td>
<td>0.089</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2008</th>
<th>2010</th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>0.092</td>
<td>0.090</td>
<td>0.079</td>
<td>0.076</td>
<td>0.075</td>
<td>0.054</td>
<td>0.052</td>
</tr>
</tbody>
</table>
## Labor Cost Gaps

<table>
<thead>
<tr>
<th>Crops</th>
<th>FL</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tomatoes Unit Labor Cost($/box)</strong></td>
<td>$2.80&lt;sup&gt;a&lt;/sup&gt;</td>
<td>$1.75&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Strawberry Unit Labor Cost($/flat)</strong></td>
<td>$2.81&lt;sup&gt;c&lt;/sup&gt;</td>
<td>$1.27&lt;sup&gt;d&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>a</sup> Southwest Florida Tomatoes 2014/15 (Van Sickle, 2016): for Mature Green Tomatoes
<br><sup>b</sup> Labor Costs of Greenhouse Tomatoes in 2015 at Chiaulta, Mexico
<br><sup>c</sup> Florida (2014/15)
<br><sup>d</sup> Mexico (2013/2014)
Mexican Government Support

- Mexican agricultural support budget (billion pesos), 2006–2016
Mexican Subsidies for Fruit and Vegetables *

- 11 agricultural support programs under the 2013-2018 National Development Plan
- “Program for the Promotion of Agriculture” (PPA): 1 of the 11 Programs, mainly production subsidies
- 4 subprograms under PPA relevant for fruit and vegetables (FV):

![Table 4. Support by Subprogram, 2014–2016 (1,000 pesos)](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>Integral Ag Production</th>
<th>Agri-Food Cluster Development</th>
<th>Intensive Production</th>
<th>Irrigation Technology</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>787,426</td>
<td>278,802</td>
<td>441,470</td>
<td>1,598,000</td>
<td>3,105,698</td>
</tr>
<tr>
<td>2015</td>
<td>513,934</td>
<td>191,943</td>
<td>281,482</td>
<td>1,605,272</td>
<td>2,592,631</td>
</tr>
<tr>
<td>2016</td>
<td>970,264</td>
<td>303,920</td>
<td>504,551</td>
<td>1,741,360</td>
<td>3,520,095</td>
</tr>
</tbody>
</table>

Sources: SAGARPA (2015b,c,d,e), SAGARPA (2016a,b,c,d).

- Majority of listed totals went to FV: ~2.4 b pesos (**US$171 million**) of 3.1 b pesos in 2014 (~75%) for FV

- **Not exhaustive** → Programs such as “Marketing and Market Development Program” also cover FV

For more info on subsidies, see “Government Support in Mexican Agriculture”
Protected Production

- Florida: Open field production
- Mexico: Protected production
Mexican Protected Production Area

Thousands of Acres
- Tomato Protected Area
- Total Protected Area

% of Crops under Protected Production Area in 2016

- Tomato: 39%
- Pepper: 25%
- Cucumber: 13%
- Strawberry: 11%
- Others: 12%
SOLUTIONS?

- Address Mexican subsidization
- Antidumping investigation
- Reform H2A to reduce labor cost
- Support public research, e.g., in Mechanical Harvest R&D
Address Mexican subsidization

- Countervailing duty (CVD) petition/investigation
- Government actions in response to imports that are deemed Subsidized → Countervailing duties (CVD)
Antidumping Investigation

- Florida Tomato Exchange (FTE) requested to abolish tomato suspension agreement and is pursuing its antidumping investigation against the Mexican tomato industry

- Florida Strawberry Growers Association (FSGA) is pursuing its case as well
Guest Worker Program

- Foreign temporary ag workers under H-2A visa

Certified H-2A Positions

- Florida
- Georgia
- North Carolina
Florida largest in 2017

Florida: 12.60%
Georgia
North Carolina
Washington
California
Louisiana
Kentucky
Other
# H-2A Program Reform

<table>
<thead>
<tr>
<th></th>
<th>H-2A Program</th>
<th>H-2C Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visa Term</td>
<td>Max 10 months</td>
<td>Up to 36 months</td>
</tr>
<tr>
<td>Visa Mobility</td>
<td>One-employer rule</td>
<td>At-will provisions</td>
</tr>
<tr>
<td>Wages</td>
<td>Greater of Adverse Effect Wage Rate (AEWR), prevailing wage, local, state or federal minimum wage</td>
<td>Greater of state minimum wage, 115% of federal minimum wage, or prevailing wage</td>
</tr>
<tr>
<td>Housing &amp; Transportation</td>
<td>Free housing &amp;Transportation</td>
<td>Not required</td>
</tr>
<tr>
<td>Oversight &amp; Enforcement</td>
<td>US Department of Labor</td>
<td>USDA</td>
</tr>
<tr>
<td>Minimum Work Guarantee</td>
<td>¾ guarantee</td>
<td>50% guarantee</td>
</tr>
</tbody>
</table>
Impact of Reform: The Case of Strawberries

• Hiring H-2A workers results in over $1,400 more per acre than hiring domestic workers

• Rule changes would significantly reduce labor costs and increase farm income

➤ The new proposed wage of H-2A workers (115% of the federal or state minimum wage) would increase the “harvesting profit” (sales minus harvesting cost) by 1.4% (+$300/acre).

➤ Elimination of free housing: increase HP by 2.8% (+$584/acre)

➤ Relaxing the three-quarter requirement to 50%: increase HP by 2.6% (+$543/acre).
Blue Card Program of 2019

AGRICULTURAL WORKER PROGRAM ACT OF 2019 by Senator Dianne Feinstein (S. 175) and Representative Zoe Lofgren (H. R. 641)

- **Who can apply:**
  - Farmworkers who have worked in agriculture for **at least 100 days** in the past two years.

- **Path to Green Card:**
  - performed no less than 100 work days of ag employment each year for 5 (out of 8) years, or
  - performed no less than 150 work days of ag employment each year for 3 (out of 5) years.

- **Visa mobility?**
- **Issues**
Mechanization/Automation

• Advantages of Mechanization
  ➢ Reduce harvest costs
  ➢ Address labor shortages
  ➢ Address legal issues

• Address large labor cost gaps:
  ➢ Mexico vs FL: < $1 vs $8.25 per hour

• Need more public research support
Concluding Remarks

• Industry trending down
• But NAFTA Renegotiation did not help

• Address Mexican subsidization and dumping concerns
• Reform H2A program
• Increase public research support – Automation R&D
• Revise US trade law?
• Deals/Programs outside USMCA for SE states?

• Increase processing?
• Diversification & New crops
Thank You!

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