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**Penn State
FARM AND DAIRY
Business Seminar of the Week**

The Coming Farm Labor Crunch

BY ALVI O. VOIGT
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In the United States in 1985, dairy farms paid out an average \$14,488 per farm for labor expenses, for both hired and contract labor. Call it \$14,500 labor cost per dairy farm. Hired labor is going to be more critical in the future.

Mechanization of many farm operations went full speed ahead during the 1950s and 1960s which reduced the need for farm



workers. Since then, advances in mechanization have slowed considerably. This, along with the necessity to increase farm size, means there'll be a need for more labor.

The 'gospel' According to the USDA

According to a recent USDA 1985 Farm Costs and Return Survey some 125,000 U.S. dairy farms

representing 87 percent of sales by dairy farms with labor expenses were the basis of the \$14,500 average labor cost per dairy farm. Now that's a powerful average that would be difficult to improve upon. Average, though, can be misleading especially when we really would like to have an average tailored to Pennsylvania, or, better yet, an average for a particular market area.

Nope, the USDA didn't "crunch" any more-usable figures for Pennsylvania.

I phoned one of the knowledgeable persons at the USDA's Economic Research Service (Robert Coltrane, 202-786-1932) to see if any trends of dairy farm labor costs were available. After all, it would be worthwhile to know dairy labor costs by year over the last five or 10 or 20 years.

Again, nope. Back to square one? Not necessarily.

Any dairy farmer has his own records which can dramatically show exactly what's going-on on his own farm. Simply line up the labor expense by year over the last 10 years or so. A farmer's own records are an essential starting point for analysis.

Other Considerations

Our population in the United States is aging. A labor shortage is coming, according to demographers. All employees that will be hired until the end of this

century have already been born. There will be 6 million less teenagers in 1990 than were available in 1980.

And who would ever think that a drop in the unemployment rate would be 'bad news'?

The April unemployment report showed a drop in the jobless to 6.3 percent. This was the lowest level since March 1980. A low jobless rate is either good or bad news depending on which side of the employee-employer fence you're sitting. The economy is continuing to grow steadily and may be stronger than some economists had expected — and that's good news. Also good news would be the off-farm job opportunities for farm family members; in fact off-farm income is extremely important — and getting more so.

Farm family members ought to think more about better-paying off-farm jobs, and think about using hired farm labor to a larger extent. The bad news for employers is the relatively fewer available workers which will create more competition (higher wages) in the labor market.

Have you heard about the proposed hike in minimum wages?

Legislation has been proposed to raise the current \$3.35 hourly minimum wage to \$5.05 over the next five years. A bill was introduced in the House by Rep. Mario Biaggi, D-NY. At least two

other bills raising the minimum wage have also been introduced. The current minimum wage of \$3.35 has been unchanged since 1981.

Raising the minimum wage will not only increase the lowest entry level jobs but also increase the differential of all jobs above the minimum. So, in effect, a similar wage increase provided to the lowest paid worker will result in close to that amount given to workers who were above minimum. The "pecking order" tends to be maintained.

Labor By Type of Farm

Average spending for labor on farms with hired workers varied greatly by type of farm in 1985. The highest average labor expense occurred with the nursery and greenhouse 'farm' with \$72,154; next were vegetable and melon farms averaging \$54,629 labor expense per farm followed by fruit and tree nut farms, \$41,360; other crops, \$14,492; dairy, \$14,488; poultry, \$12,292; other livestock, \$11,059; tobacco and cotton, \$10,277; ash grain, \$7,350; and beef, hogs and sheep, \$6,240. The average of all farms was \$12,745. Some 860,132 farms were included in the 1985 Farm Costs and Return survey.

Upshot?

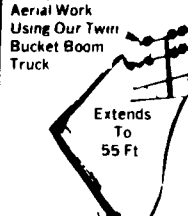
Hired labor will indeed be more critical for farms in the future. (Turn to Page A19)

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