

2022 REPORTS

More Help Wanted Ads Won't Fix Ag's Labor Woes

By Matt Clark

SITUATION

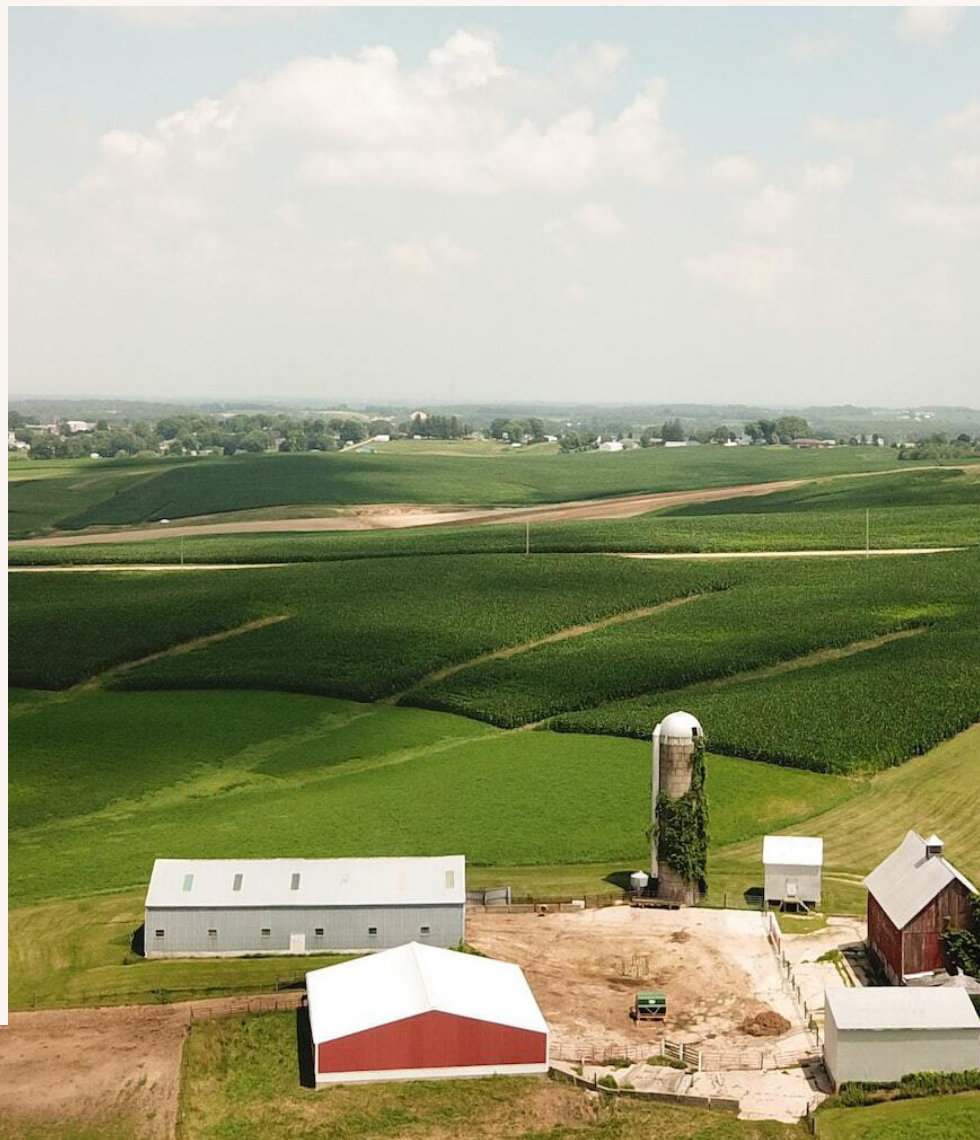
The availability of labor continues to be a primary concern in the farming community.

FINDING

Current labor conditions have sharply tightened in rural counties with a dependency on agriculture and appear to be very tight in areas with a heavy cattle focus. Because of demographic constraints, labor conditions will likely remain tight in rural, agricultural communities.

ACTION

For producers and agribusinesses wishing to expand their operations, the lack of available labor will likely force a heavier reliance on automation, contract workers, and strategies to recruit and retain employees. Producers should consider reexamining, or developing for the first time, their written human resource strategy and policy as an integral component to maximize the overall business strategy. For many producers and agribusinesses, a well-executed human resource strategy will be as important to business growth as planting decisions, asset purchases, marketing, input management, etc.



THE LABOR SITUATION IN FARMING COMMUNITIES

A nearly unanimous theme in meetings with agricultural producers, regardless of commodity or operation type, is the lack of available labor.

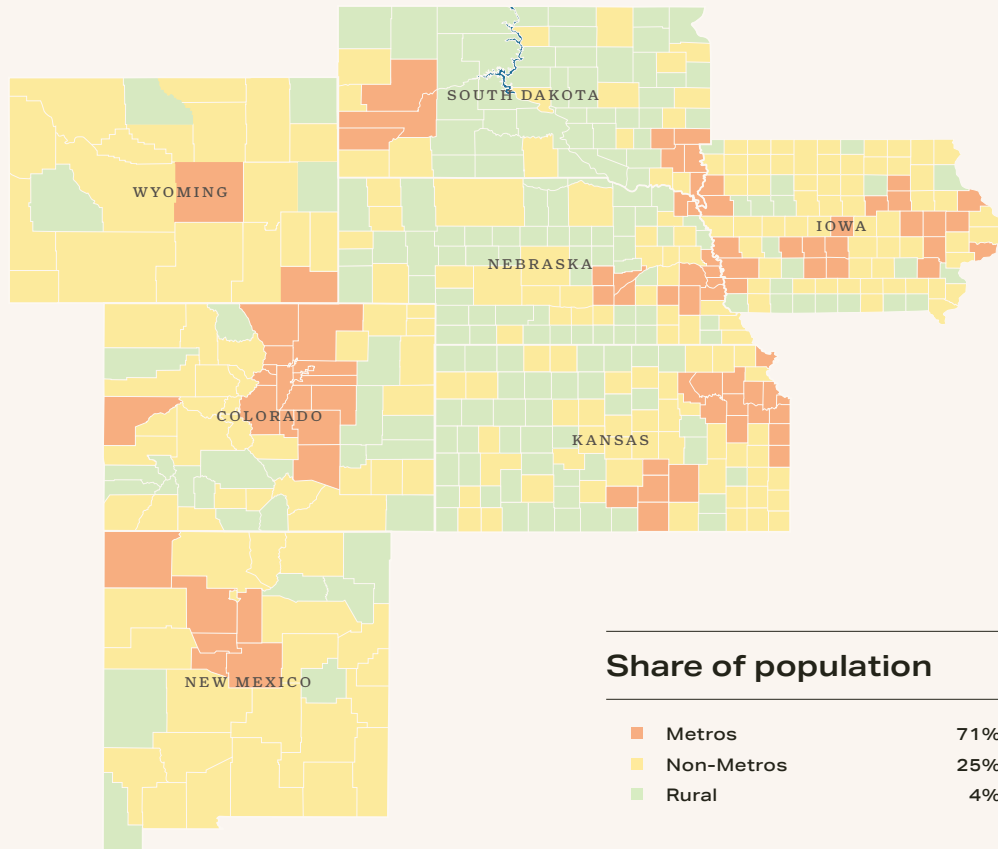
As agricultural operations have grown in complexity, and the number of owner-operators has declined, the need for hired, full-time and seasonal work has increased or at least remained constant in most communities. However, quantifying labor availability for the agricultural community is a challenge. For example, national and state unemployment rates currently

hover near record lows, but does that represent a rural farming community?

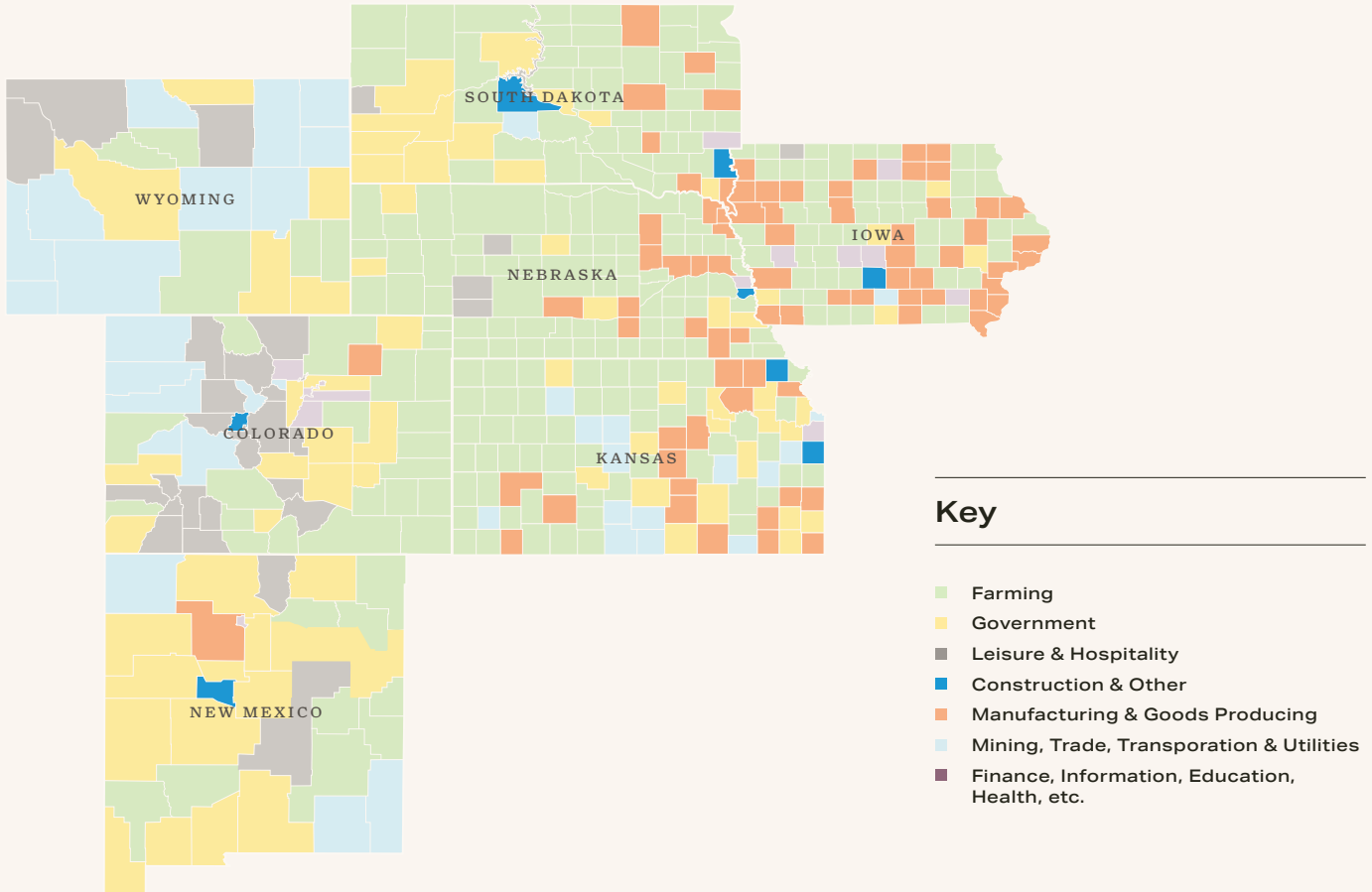
In the states used for this study – which are Colorado, Iowa, Kansas, Nebraska, New Mexico, South Dakota, and Wyoming – nearly 71 percent of the total population live in a county that is defined as a metropolitan county^{1,2}.

The need for hired, full-time and seasonal work has increased.

Distribution of population



Economic emphasis



Using a state average unemployment rate may or may not accurately reflect the labor situation in a smaller rural community.

Moreover, not all communities have an equal emphasis on agriculture. In the states chosen for this study, around half of the counties' economies depend primarily on farming³, but those counties represent less than 15 percent of the total subject population.

Conversely, counties with an economic emphasis in financial activities, information, education and health services, and professional business services represent only 3

percent of the total counties but 24 percent of the population.

These differences in the counties' economic drivers and relative size make analyzing labor market conditions more nuanced.

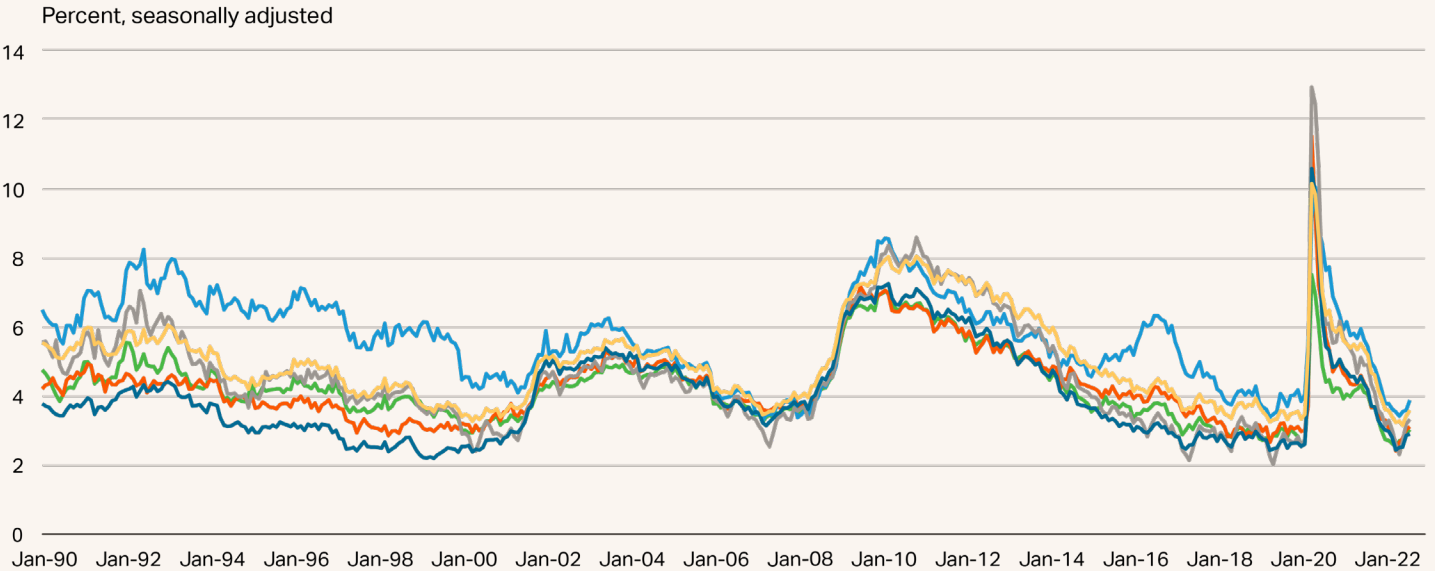
These differences in the counties' economic drivers and relative size make analyzing labor market conditions more nuanced.

My analysis suggests that unemployment rates in counties economically driven by farming are historically low⁴. In fact, from 1990 through 2021 only five months have had a lower weighted unemployment index than the average 2022 reading.

Counties driven by other industries also recorded very low readings; however, from a historical comparison perspective, labor conditions appear to be the tightest in farming-dependent counties.

Labor conditions appear to be the tightest in farming-dependent counties.

Unemployment by County Dependency



■ Farming
 ■ Manufacturing*
 ■ Mining
 ■ Leisure & Hospitality
■ Other**
 ■ Government

* Includes Manufacturing and Goods Producing

** Due to sample size this includes finance, information, education and health services, construction, other and unspecified

LOCATION, LOCATION, LOCATION

Breaking the farming-dependent counties by size and location parameters using the USDA's Rural-Urban Continuum Codes also provides further clarification on labor markets¹.

Most of the farming dependent counties included in the analysis fell into the following nonmetropolitan categories:

Completely rural or less than 2,500 urban population, adjacent to a metro area

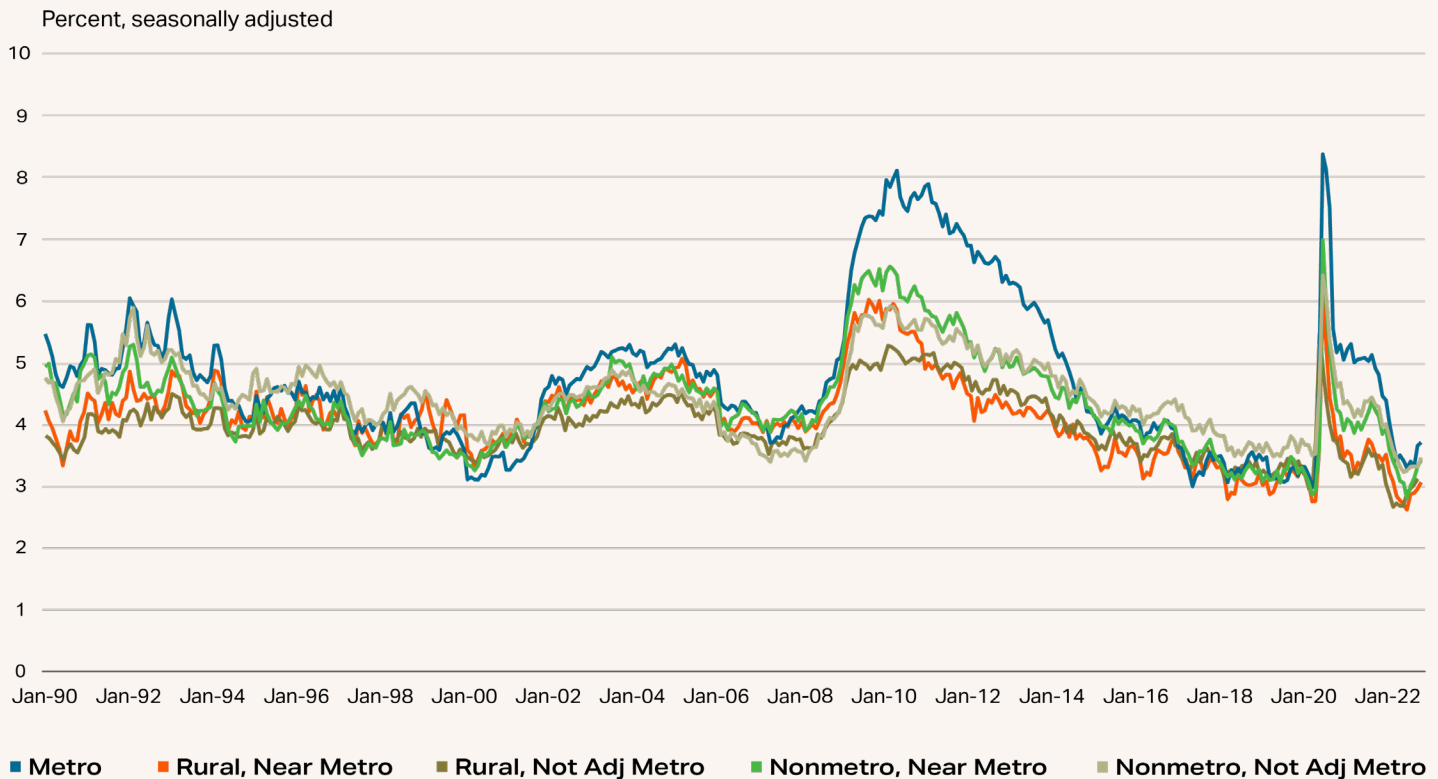
Urban population of 2,500 to 19,999, not adjacent to a metro area

Urban population of 2,500 to 19,999, adjacent to a metro area

Completely rural or less than 2,500 urban population, not adjacent to a metro area

Urban population of 20,000 or more, not adjacent to a metro area

Unemployment in Farming Communities



The two nonmetropolitan counties with an urban population of more than 2,500 and not adjacent to a metro area were grouped due to sample size issues. Also, a very small subset of counties fell into a 'metropolitan' grouping, primarily due to a large urban center spilling

into the county, these were also grouped in a 'metro' group.

Analysis indicates that labor markets are very tight in rural areas that have a dependency on farming, in particular rural areas that are not adjacent or near to a

metropolitan location. Additionally, nonmetropolitan counties with a dependency on farming that are not near a metropolitan location also have experienced historically tight labor conditions.

Unemployment and Cattle*



CATTLE PRODUCTION AND LABOR POOL TENSION

Current labor conditions are particularly tight in counties with an emphasis on cattle production. The average unemployment rate in counties with more than 200,000 head of cattle⁵ was 2.39 percent in August. Comparatively, the unemployment rate in counties with less than 25,000 head of cattle is 3.06 percent.

The rate of unemployment may underscore the actual tightness of labor availability.

The rate of unemployment may underscore the actual tightness of labor availability. For instance, Haskell County in Kansas has a cattle inventory around 400,000 head⁵, a total human population base of less than 4,000 individuals², and an estimated labor force of just under 2,200⁶. The August unemployment rate for Haskell County is 2.30 percent, which would imply that there are roughly 50 total individuals to fill a job opening with in the county. The small pool of potential candidates does not take into account the skill and qualification matches, which would likely shrink the available pool even lower.

The simple example of Haskell County highlights the difficult physical constraint that many counties with capital intensive industries, like agriculture, face. Large livestock operations can be

particularly vulnerable to labor pressures due to the consistent, and timely, need of labor, but also the desire to be located well outside of urban population bases. This tension brings to bear the necessity of producers developing a human resource plan that augments the overall business strategy both for growth and stability.

THE CALVARY IS NOT COMING

In the near term it is unlikely that labor force availability will quickly improve in farming communities for several reasons.

First, the population in non-metropolitan farming counties has been in decline. Most notably the total population declined about 0.28% from 2020 to 2021 as net migrations and deaths outpaced births.

Second, the core demographic group that makes up both current and near-term laborers has declined in nonmetropolitan farming communities⁸.

For example, from 2010 to 2019 the total population of ages 14-64 declined about 7 percent in nonmetropolitan farming communities. Moreover, the current ratio of ages 14-64 to total population is about 61 percent. By way of comparison, the ratio of ages 14-64 to total population for all counties in the subject area is 66 percent, driven largely by metropolitan counties, and 69 percent in counties with emphasis on finance, information, education, health, etc. The comparatively small ratio of ages 14-64 to the total population also implies that the available pool of labor is likely to remain low in the near future.

WORK ENVIRONMENT AND BENEFITS MATTER

A prolonged period of tight labor markets has many implications for the agricultural community, especially those in more rural or nonmetropolitan areas. Most notably, the physical constraint of labor availability reemphasizes the need for a strong written human resources plan to accompany the overall business strategy.

For producers and agribusinesses that currently have a written human resource plan, it is advisable to continually work through the plan with managers and financial partners to add actionable steps to execute the plan in the framework of physical labor constraints. The fight for labor in the very near-term could be fierce in many communities; as such the fight will be most favorable for businesses

that have a plan, and steps, to maximize the available labor pool.

To develop a written human resource plan, a good starting point would be to list out the exact skills, hours, seasons, etc., of labor needs for both current employees and future hires to achieve the goals of the overall business plan. The human resource plan can then focus on retaining current skill sets, measures to attract future talent, timelines for additions and replacements, and budget for investments to enhance available labor given the likely physical constraints.

Also consider where the labor pool currently resides and where that pool may reside in the coming seasons, months and years. For example, in communities with a small and aging workforce,

Population Trends in Rural America

Percent of Population Aged 14-64

61%



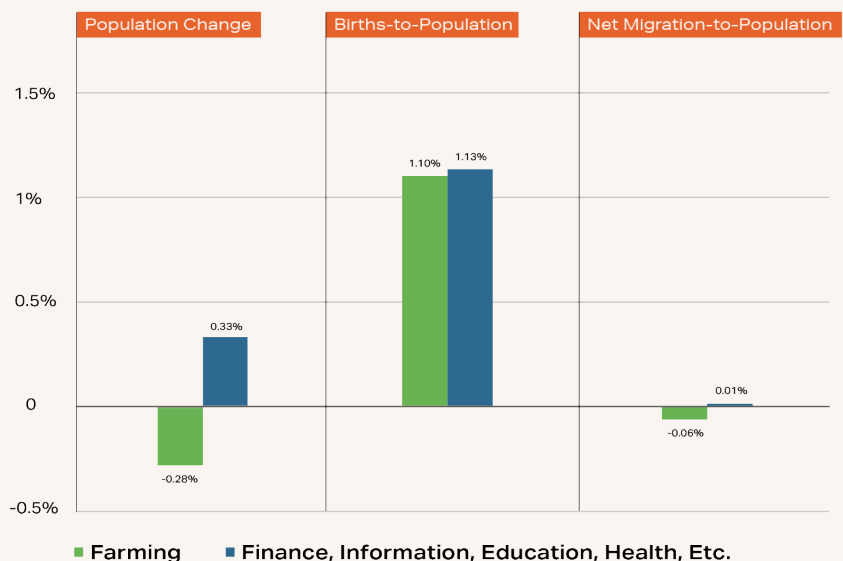
In Nonmetropolitan Farming Communities

69%



In Counties with Emphasis on Finance, Information, Education, Health, Etc.

Population Changes from 2010-2019



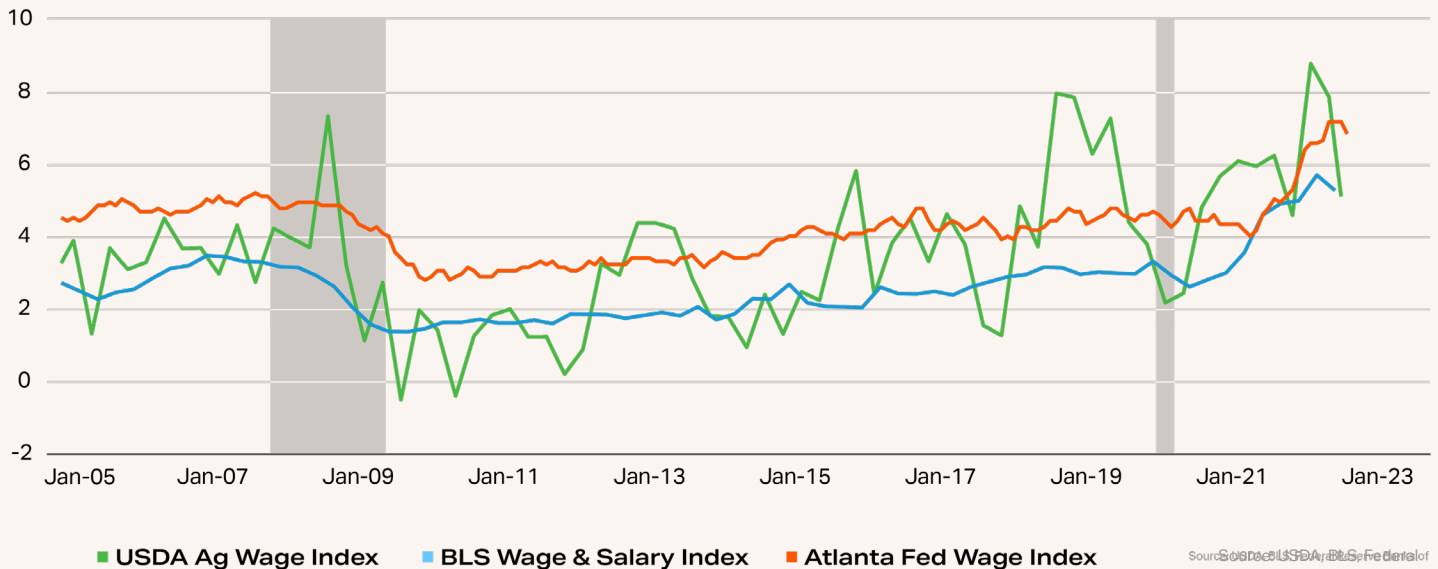
the pool of available labor in 10 years may have a much heavier focus on flexible hours for semi-retired employees, H2A laborers, contracted shorter term workers, workers requiring housing, etc.

Also bear in mind that the concept of wages, salary and benefits will likely evolve with your business. Assuming that simply providing

a high enough salary will draw the workers may be a failing plan for several reasons.

First, for many counties, the limiting factor is the physical number of available people in an area. Paying higher wages may not be enough to entice individuals to physically move their families for employment. Finding other forms

Employee Wages



■ USDA Ag Wage Index ■ BLS Wage & Salary Index ■ Atlanta Fed Wage Index

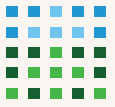
Sources: USDA, BLS, Federal Reserve Banks of Atlanta and St. Louis, and Terrain.

of ‘payment’ that may be of high value to the individual, but less costly to the business could help attract individuals to relocate or remain stickier to the employer. For example, the costs of a cell phone plan and data, a truck, insurance, and housing, in some cases, could be much higher for an individual than what they would be for a company who provides or covers these costs as additional benefits

to employment.

Second, aggregate data would indicate that wage increases in the agriculture community have tracked mostly alongside national averages⁷. It is probable that wage pressures could be met tit-for-tat for qualified workers. So, finding additional methods of compensation could help attract and retain labor.

Finally, as evidenced by the post-pandemic work environment, many workers value the larger package of work benefits such as flexible hours, vacation, culture, mission, etc., more than in years past. This shift may require many companies to refocus their recruiting efforts to a posture of ‘selling their business and job’ to the pool of available labor.



WORKS CITED

- ¹ USDA Economic Research Service, What is Rural?, Last updated October 23, 2019.
- ² US Census Bureau, County Population Totals: 2020-2021, Page last revised March 24, 2022.
- ³ This data was compiled primarily from the USDA Economic Reserve Service, County Typology Codes, Last Updated October 19, 2019. The county dependencies were cross checked and augmented by the US Bureau of Labor Statistics Quarterly Census of Employment and Wages Employment and Wages Quotient. The former was used as the baseline, but the later was used to bring additional clarity to ambiguous categories such as 'other' as well as to check for any major changes in dependencies.
- ⁴ To assess the general trend of labor conditions in agricultural communities I divided counties into economic dependency groups and then weighted their current population as a percent of total population for each dependency. The weight was then applied to the county unemployment rate to create a rough proxy for the trend in unemployment rates by county dependency. This method is not meant to be an exact number, as it assumes an element of stable population ratios, but rather a proxy to help assess the producer sentiment on tight labor conditions.
- ⁵ USDA, 2017 Census of Agriculture, inventory figures used includes dairy and beef cows and calves.
- ⁶ University of Kansas Institute for Policy & Social Research, Kansas State Data Center, Labor Force Estimates as of Sep 2022.
- ⁷ This data was collected from the USDA National Agricultural Statistics Service Prices Paid Surveys and Indexes, US Bureau of Labor Statistics Employment Cost Index for wages and salaries of all private industry workers, and the Federal Reserve Bank of Atlanta's Wage Growth Tracker.
- ⁸ This data was collected from the US Census Bureau. The age data is as of 2019, the most recent available at the time this work began. The births and net migration percentages are simply the number of births / net migrants divided by the total population, some Census Bureau data calculates slightly different and / or multiplies by 1000.

