GOOD FRUIT GROWER

Published in the December 1, 2024, issue of Good Fruit Grower magazine.

How the wage escalator is carrying apple growers out of business

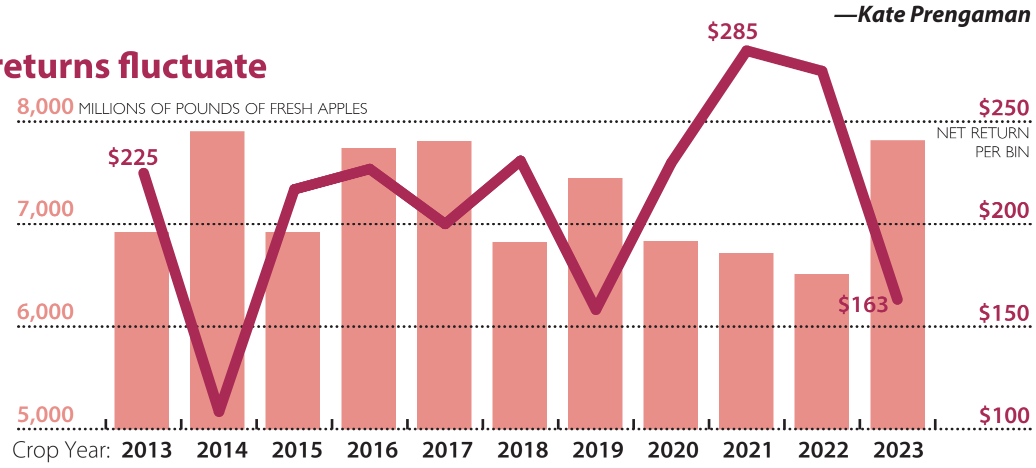
Apple growers' returns fluctuate with supply and demand, but over the past decade, labor costs have consumed an increasing share of growers' returns per bin, squeezing their ability to produce a crop profitably. The industry's reliance on the H-2A temporary agricultural worker program means that the federal policies controlling the program, including how it sets wages, have a direct impact on whether growers can continue to afford the cost of growing apples.

To demonstrate the pressure that labor costs are putting on apple growers, the Northwest Horticultural Council recently commissioned an analysis of Washington apple growers' confidential financial data. While just a small subset of the industry participated, industry officials say it's a representative sample and the data correctly shows how labor cost escalations are pushing apple production into unsustainable territory.

—Kate Prengaman

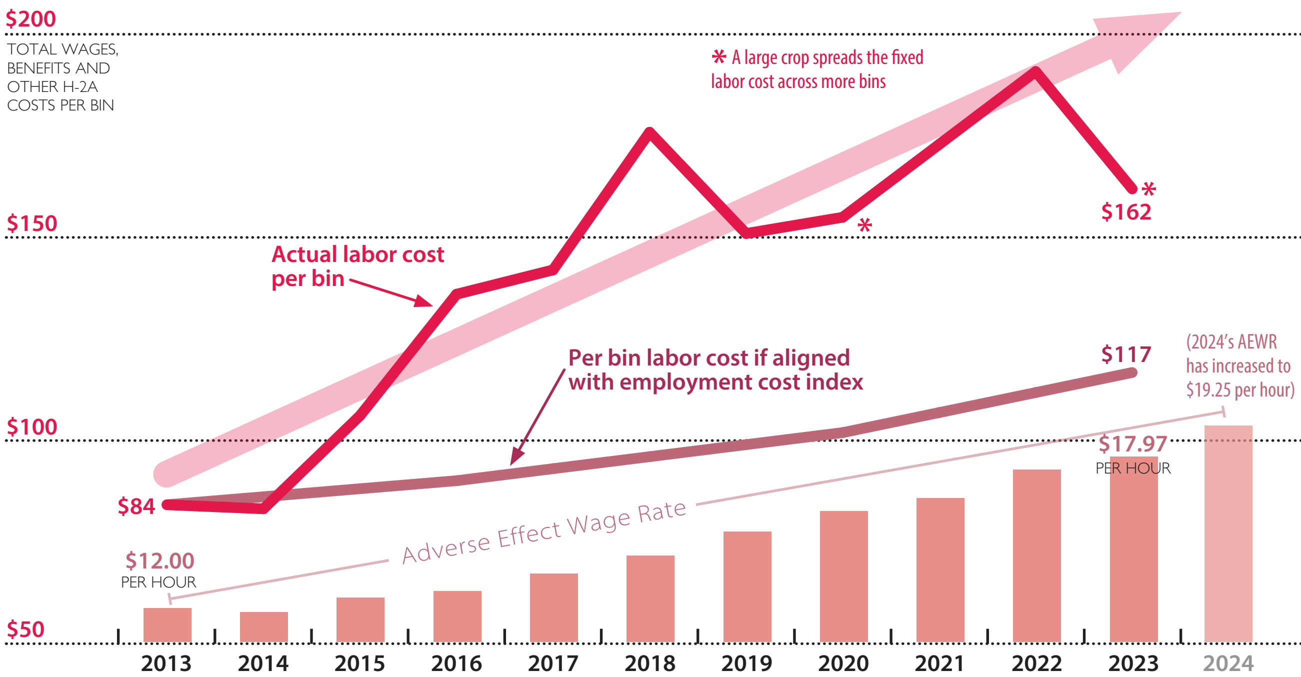
Apple growers' returns fluctuate

This chart shows the relationship between the size of the U.S. fresh-market apple crop and the average net return per bin, across all varieties, for the Washington growers surveyed.



The labor escalator

This chart shows the labor costs that go into each bin of fruit produced by the surveyed growers, which has doubled over the decade shown. The actual cost per bin varies as fixed costs, such as housing and transportation, are spread across fluctuating crop sizes. That trendline can be compared to the trendline estimating the cost per bin *if* labor rates were aligned with the employment cost index. Underlying the real-world rise in costs per bin is the Adverse Effect Wage Rate, which has risen 60 percent over the past decade in Washington, and other costs mandated by the H-2A program.

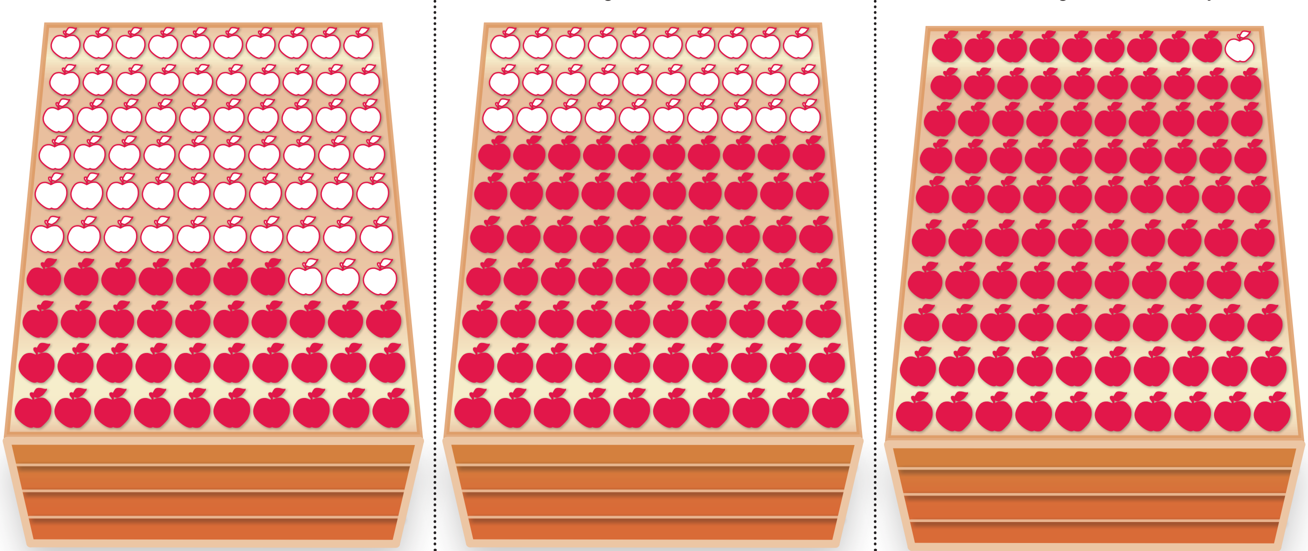


Labor is growers' largest input cost, but it's not the only one

In 2013, as use of the H-2A program began to grow in Washington, growers spent 37% of their returns per bin on labor.

By 2022, labor consumed 70% of grower returns per bin. Considering all the other input costs, including chemicals and fuel, there is little to no margin left to sustain a business.

Price volatility is part of agriculture, but labor costs threaten growers' ability to weather a downturn in the market. For the 2023 crop, labor consumed 99% of grower net returns per bin.



SOURCES: NORTHWEST HORTICULTURAL COUNCIL AND THE USDA NATIONAL AGRICULTURAL STATISTICS SERVICE   JARED JOHNSON, KATE PRENGAMAN/GOOD FRUIT GROWER