Research Department
Federal Reserve
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The Toilers

California's new farm-labor legislation has important implications for the nation's 1.2 million hired farm workers—and indeed, for the entire agribusiness industry. The law could set a new framework for labor-management relations in the nation's fields, just as the National Labor Relations Act did in the factories a generation ago. The law reflects California's unique situation, of course, but it also reflects agriculture's increasing tendency to exhibit, in labor relations as in many other respects, the characteristics of a large-scale, mechanized manufacturing industry.

The new legislation represents a compromise of several conflicting interests, principally two competing unions (Teamsters and United Farm Workers) and a divergent group of growers. All of these interests were probably ready for a compromise after a decade-long unionization struggle which ranged from California's Central Valley to East Coast supermarkets. Tensions inevitably will remain high, but the struggle will continue within generally accepted ground rules.

The act calls for secret-ballot elections within seven days of the filing of a petition by 50 percent of a farm's workers, provided that those workers account for 50 percent of current-year peak employment. (The ballot will include a "no union" choice, and could also include a second union if 20 percent of the workers so desire.) The act permits harvest-time strikes by a certified union, but bans the use of strikes to gain bargaining representation. It permits a certified union to conduct consumer boycotts of stores carrying disputed merchandise, but it sets restrictions around other types of boycott activity.

Background—farm revolution
This landmark piece of legislation should be considered against the backdrop of the broad shifts that have taken place in the farm economy over the past generation. Throughout this period, rising productivity was the hallmark of the nation's agriculture, despite a relatively stable stock of measurable farm inputs. But related to this was a sharp change in the proportions in which these physical resources were used. The stock of land remained relatively stable, while the amount of fertilizer applied to that land expanded tremendously. In particular, the amount of labor dropped sharply and steadily, while the amount of machinery utilized by the remaining workers rose substantially.

With its phenomenal productivity record, farm output per manhour almost quadrupled in the 1950-70 period, compared to a doubling of nonfarm productivity in that period. But since the effective demand for farm products lagged behind the rapidly growing supply of such products, the demand for farm labor dropped sharply. Total employment of family workers

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and hired hands thus fell from 9.9 million in 1950 to 4.5 million in 1970 (and 4.3 million in 1974).

Labor supply shifts

In the 1970's, however, productivity gains have begun to taper off, and at the same time, worldwide demand for U.S. farm products has grown because of rising population and affluence as well as the relative price decline created by dollar devaluation. This suggests a stabilization of the demand for farm labor, as well as an end of the mass migration of farm workers to city jobs. (The average net outmigration of 110,000 annually in the 1970-74 period equalled less than one-fifth of the annual outflow of the preceding decade.) And with the total farm population only 40 percent as large as in 1950, the population base in agriculture is no longer large enough to provide outmigrants on the same scale as before, even with significant mechanical innovations and reorganization within the industry.

Labor supply also has tended to stabilize with the termination in the mid-1960's of the bracero program—a device permitting temporary immigration of Mexican and other farm laborers for work primarily in the fields of California and the Southwest. This program provided farm operators with a constant source of low-paid foreign labor, but it was strongly opposed by the union movement as a depressant on farm wages. At the 1956 peak, about 460,000 foreign workers entered the country under this program, but that source of supply dried up completely after 1967—although there has been a continued (if largely unmeasured) inflow of illegal immigrants.

Stable work force?

The number of family workers has continued to decline recently, falling about 10 percent in the first half of this decade. In contrast, the number of hired workers has stabilized at between 1.1 million and 1.2 million. (Still, the total is only half what it was in 1950.) Moreover, the total amount of farm work finally stabilized at 5.9 billion manhours annually during the 1972-74 period, which suggests that agriculture will now have to provide higher returns to labor in order to compete with the nonfarm sector for workers.

This situation provides an increasingly favorable environment for union organizing efforts, especially in view of the still-low level of farm wages. Annual earnings of hired farm workers averaged $3,557 in 1973—about 60 percent below the all-industry average. (This reflects the farm sector's seasonality and consequent high jobless rates—normally almost half again as high as nonfarm jobless rates.) Although low, and recently reduced by inflation, hired-worker earnings are more stable than farm proprietors' earnings; in real terms, net income per farm in early 1975 was 60 percent below the late 1973 peak. One element setting a floor under farm wages is minimum-wage legislation, applicable to the farm sector since 1968; the minimum, recently raised to $1.80 an hour, will increase further to $2.30 in 1978.

Mechanized agriculture
The mechanization of production in the agricultural revolution of the past quarter-century has meant sharp productivity gains and sharply reduced labor needs, but it has also brought about an increasingly industrialized labor force. Mechanization has provided an opportunity for upgrading a large part of the work force to qualify for higher skilled jobs and more stable employment. Just as in the early days of nonfarm unions, skilled workers with experience on new machinery are in an enhanced bargaining position.

The harvesting of grains, cotton, sugar beets, and most other field crops is almost completely mechanized, and the same process is well along in tobacco, fruit and vegetable production. (In these categories, mechanization has proceeded slowly for table fruits but rapidly for sweet corn, peas, carrots and other products.) The future progress of mechanization will depend on engineering innovations, on the relative prices of various products, and also on the amount of wage pressures developing from labor shortages, minimum-wage legislation and union-organizing efforts.

Large-scale agriculture
Another factor contributing to increased factory-style operations has been the growing consolidation of farms into larger units. This trend has been accelerated by increasing mechanization, since small farmers lack the capital to purchase expensive equipment and do not have enough acreage to use it efficiently. It has also been encouraged by changes in marketing and distribution practices which give large farms an increasing advantage. Thus, over the past quarter-century, the total number of farms dropped by half while the average acreage per farm doubled.

The number of farms will probably continue to decline for economic and technological reasons—and also for demographic reasons, because the average age of farm operators (especially small operators) is now over 50. The growth of large-scale farms and the vertical integration of many farms into larger economic units, along with the advance of mechanization, offer the possibility of stable, better-paid employment for a smaller and more skilled work force.

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BANKING DATA—TWELFTH FEDERAL RESERVE DISTRICT

(Dollar amounts in millions)

Selected Assets and Liabilities Large Commercial Banks	Amount Outstanding 5/28/75	Change from 5/21/75	Change from year ago Dollar	Change from year ago Percent
Loans (gross, adjusted) and investments*	85,067	+ 34	+ 2,042	+ 2.46
Loans (gross, adjusted)—total	64,624	+ 34	+ 32	+ 0.05
Security loans	1,625	+ 286	+ 426	+ 35.53
Commercial and industrial	23,540	– 229	+ 435	+ 1.88
Real estate	19,550	+ 19	+ 334	+ 1.74
Consumer instalment	9,812	+ 11	+ 509	+ 5.47
U.S. Treasury securities	8,071	+ 117	+ 2,829	+ 53.97
Other securities	12,372	– 117	– 819	– 6.21
Deposits (less cash items)—total*	83,696	– 635	+ 4,983	+ 6.33
Demand deposits (adjusted)	21,969	– 569	+ 533	+ 2.49
U.S. Government deposits	325	– 56	– 344	– 51.42
Time deposits—total*	59,917	– 242	+ 4,737	+ 8.58
States and political subdivisions	7,548	– 71	+ 206	+ 2.81
Savings deposits	19,931	+ 154	+ 2,037	+ 11.38
Other time deposits‡	28,942	– 253	+ 1,604	+ 5.87
Large negotiable CD's	15,567	– 240	+ 1,405	+ 9.92

Weekly Averages of Daily Figures	Week ended 5/28/75	Week ended 5/21/75	Comparable year-ago period
Member Bank Reserve Position			
Excess Reserves	– 11	29	30
Borrowings	4	0	415
Net free (+) / Net borrowed (–)	– 15	+ 29	– 385
Federal Funds—Seven Large Banks			
Interbank Federal fund transactions			
Net purchases (+) / Net sales (–)	+ 1,903	+ 1,501	+ 1,316
Transactions of U.S. security dealers			
Net loans (+) / Net borrowings (–)	+ 1,178	+ 562	+ 287

*Includes items not shown separately. ‡Individuals, partnerships and corporations.

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