

Federal Reserve Bank of Dallas February 1984

Frozen Fruits and Vegetables: No Jobs For Farm Workers

The "Siberian Express" cold wave of late December froze the lower Rio Grande Valley and parts of the Winter Garden region of Texas. Farm workers who would have harvested the fruits, vegetables and other winter crops were suddenly thrown out of work. Farmers struggled to salvage what crops they could and contemplated long lasting damage to fruit trees.

Much has been written about the actual damages and the level of unemployment in the affected area. But this article focuses on the relative ability of Valley farm workers to cope with an economic shock. The capacity to withstand such shocks depends upon individuals' savings and investments, their diversity of income sources and their ability to generate new income from alternative or temporary employment.

Valley farm workers have less of a financial cushion, operate within a weaker local economy, have lower job qualifications, and receive less income than their counterparts in the rest of Texas. They are thus less able to ride out the effects of the freeze.

The Freeze and Valley Farm Work

Much of the farm work available in the Valley is picking fruits and vegetables on a seasonal basis. This sort of employment is particularly vulnerable to weather disruptions. By contrast, livestock producers during the recent freeze had their hands full keeping stock watering ponds open and feeding their animals. After a fruit and vegetable freeze, however, almost

all the pickers are laid off except a few to gather damaged but salvageable produce.

Valley farm workers reside in an area that was particularly hard hit by the 1982 peso devaluation, which drastically reduced cross-border retail trade and pushed up unemployment. As a result, unemployment rates in the Valley have been much higher than those for Texas as a whole. For example, the pre-freeze December unemployment rate in Cameron County was 15.7 percent, while in Hidalgo County it was 19.3 percent. This compares to a December rate of 7.1 percent for all of Texas. Few alternative employment opportunities exist in the Freeze area.

Unemployed farm workers in the

Valley have two options. The first is to remain where they are, relying on savings and perhaps requesting government assistance. The second option is to seek work outside the Valley. This option involves all the difficulties of job search: the matchup of skills and qualifications against employers' needs, getting information on available jobs, and transportation.

Comparing Valley and other Texas Farm Workers

Farm workers in the affected counties are less able to ride out the economic consequences of the freeze than the typical farm worker in the rest of Texas. Two comparisons are rele-

(Continued on back page)

Christmas Freeze Hits Valley and Winter Garden

On December 23 the temperature in extreme South Texas dropped below 32°F and stayed there for 48 hours. Hidalgo, Cameron, Starr and Willacy counties were declared disaster areas by President Reagan. Dimmit, LaSalle, Zavala, and Uvalde counties reported losses, and the state has applied to the Federal Government for disaster status there as well.

In aggregate, the Office of the Governor made preliminary estimates that food processing output would decline by \$200 million. The value to farmers of crops destroyed by the freeze is estimated at \$99 million. At the time of the freeze, about 70 percent of the crops were unharvested. Only 15 percent of the vegetables were harvested. One

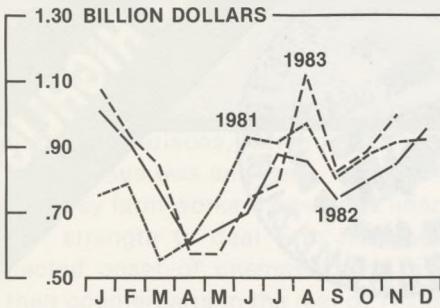
hundred percent of the Valencia oranges were still on the trees, while 21.5 percent of the grapefruit and 45 percent of the early oranges were harvested.

Despite sometimes large regional and individual losses (for example, 30 percent of the farmers in Cameron County lost at least 40 percent of their crops), Texas produces relatively little of the nation's citrus and vegetables: around 19 percent of the grapefruit, and less than 4 percent of the oranges. For most vegetables, Texas production as a percent of national production is in the single digit range. Most price effects of the freeze come from the effects on Florida, rather than Texas, citrus production.

—Hilary H. Smith

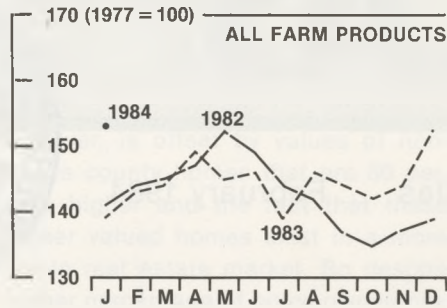
PRIME INDICATORS OF THE TEXAS AGRICULTURAL ECONOMY

TEXAS CASH RECEIPTS



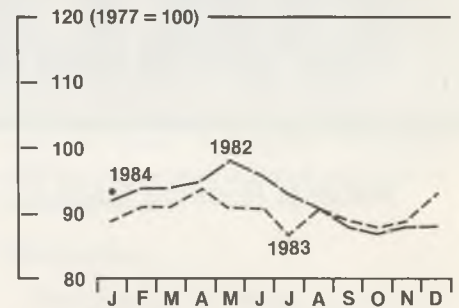
SOURCE: U.S. Department of Agriculture.

INDEX OF PRICES RECEIVED: TEXAS



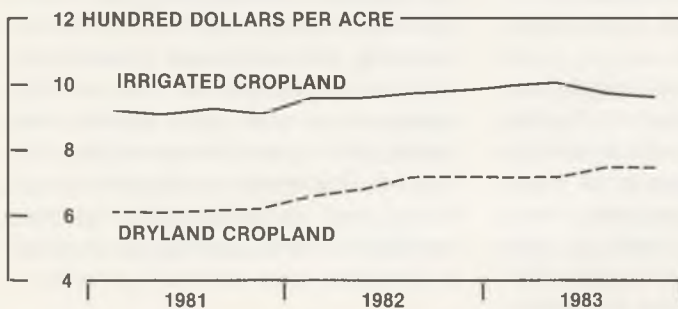
SOURCE: U.S. Department of Agriculture.

PRICES RECEIVED/PRICES PAID¹



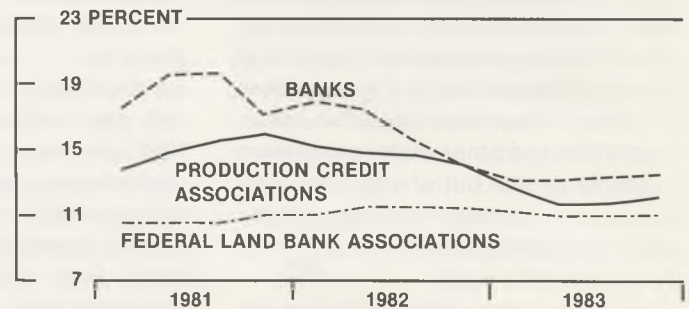
¹ Prices received by farmers in Texas divided by prices paid by farmers nationwide (No separate series exists for prices paid in Texas).
SOURCES: U.S. Department of Agriculture.
Federal Reserve Bank of Dallas.

TEXAS FARM REAL ESTATE VALUES¹



¹ 3 quarter centered moving average.

INTEREST RATES ON TEXAS FARM LOANS¹

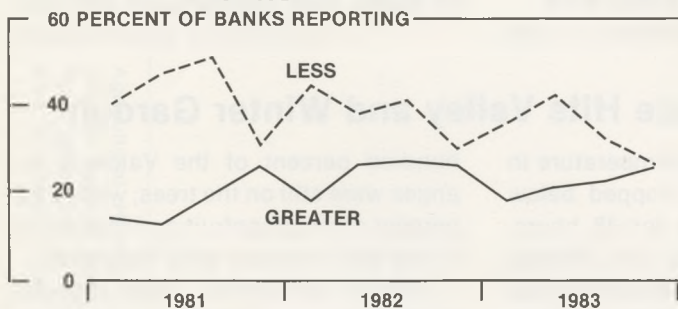


¹ FLBA rates are for farm real estate loans.

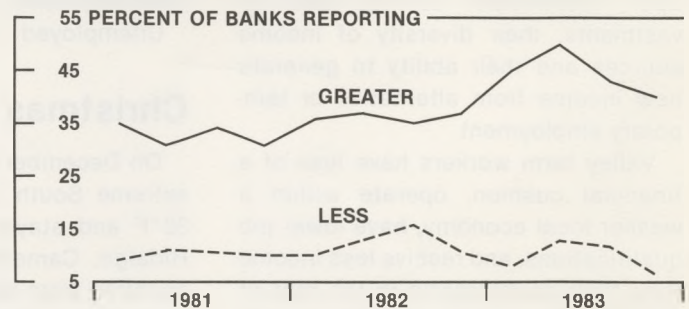
ELEVENTH DISTRICT AGRICULTURAL LOANS

Bankers report whether the variable is "greater," "the same," or "less" than a year ago. Percent reporting "greater" or "less" are depicted below.

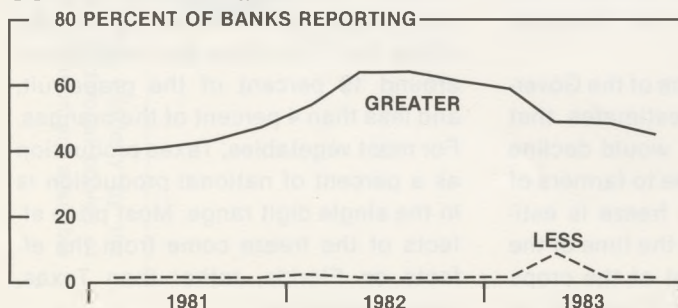
DEMAND FOR LOANS



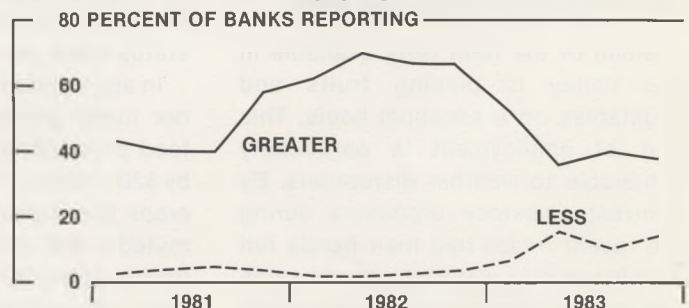
AVAILABILITY OF FUNDS



COLLATERAL REQUIRED



RENEWALS OR EXTENSIONS

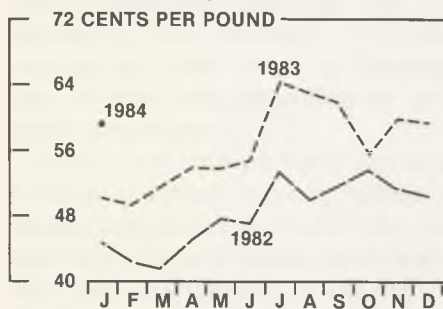


AGRICULTURAL BRIEFS

- New dairy legislation pays dairy farmers not to produce, but fewer farmers signed up than had been anticipated. The low farmer participation will have several consequences: dairy surpluses will continue to mount, dairymen will face as much as \$1.00 per hundredweight reduction in price support next year, and cattle prices will not be pressured downward in a market flooded with cull dairy cows.
- Interest rates on farm operating loans drifted upward less than ten basis points during the fourth quarter of 1983, as the cost of funds first declined then backed up. For the year, the average rate on all farm operating loans was up fractionally, from 13.25 to 13.47 percent.
- The severe cold weather damaged the wheat, oats and other small grain pasture that are used for winter cattle grazing in much of Texas. This grazing loss has greatly increased cattle feeding costs, cutting profit margins for ranchers.
- The January Cattle on Feed report showed that the mix of cattle on feed has been altered to favor more steers and fewer heifers, possibly a sign that cattlemen are responding to the higher prices of the last few months and expanding their herds. Texas placements on feed were up a whopping 56 percent in December, as cold, snowy weather forced cattle off wheat pasture. On January 1, 1984 total Texas cattle on feed were up only 2 percent over the same period a year ago; nationally, cattle on feed were down 4 percent. Once again Texas cattlemen are well positioned to take advantage of national trends—producing more while others cut back.
- Despite the publicized avian influenza outbreak in Pennsylvania and New Jersey, in which more than 8 million birds (mostly chickens) were killed, price effects are likely to be inconsequential. U.S. production is on the order of 4 billion broilers, so the kill numbers are relatively small. Texas produced 222.5 million broilers in 1982, worth \$258 million. But these broilers account for only 2.7 percent of Texas agricultural cash receipts.

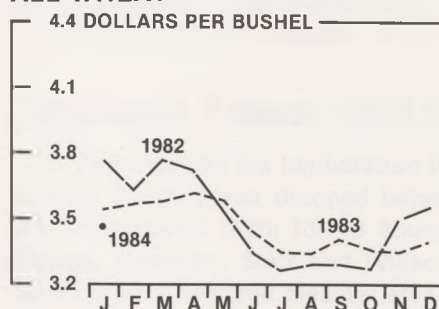
TEXAS COMMODITY MARKET PRICES

UPLAND COTTON



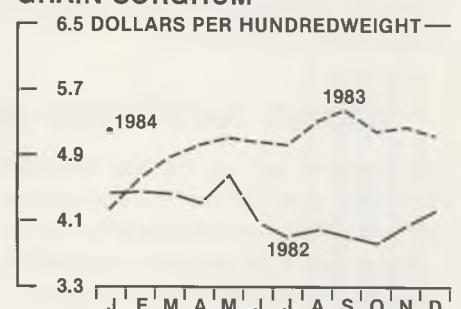
SOURCE: U.S. Department of Agriculture.

ALL WHEAT



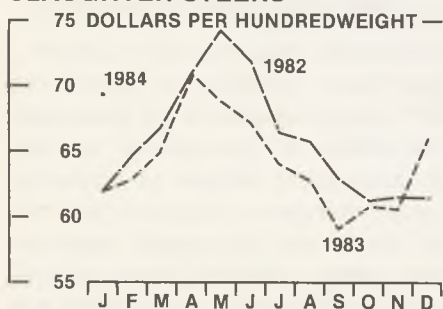
SOURCE: U.S. Department of Agriculture.

GRAIN SORGHUM



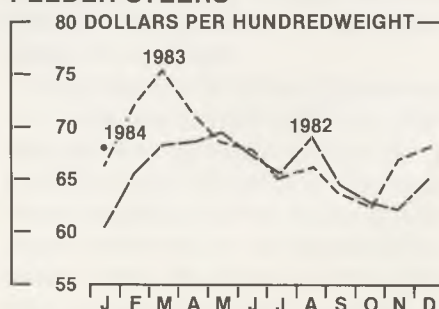
SOURCE: U.S. Department of Agriculture.

SLAUGHTER STEERS



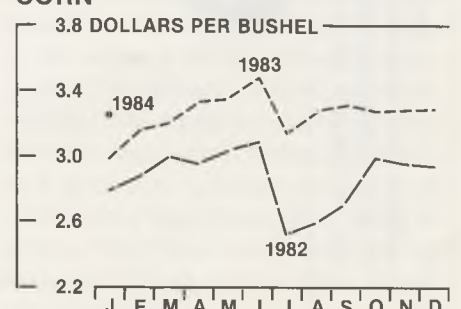
SOURCES: Texas Department of Agriculture.
Federal Reserve Bank of Dallas.

FEEDER STEERS



SOURCES: Texas Department of Agriculture.
Federal Reserve Bank of Dallas.

CORN



SOURCE: U.S. Department of Agriculture.

Farm Workers (cont.)

vant. The first compares each group's income and assets to determine their respective capacity to withstand a loss of income from farm work. The second comparison looks at each group's qualifications as job seekers. To make these comparisons, data from the 1980 U.S. Census was analyzed.

Valley farm workers have less financial strength to deal with the unexpected onset of unemployment than their counterparts in the rest of Texas. The 1980 Census provides no data on savings or assets per se, but useful proxies are income and home ownership. Average Valley farm workers' income from farm work in 1979 was only 66 percent of that in the rest of Texas. Both sets of farm workers have farm work as their major source of income and neither are very well diversified. But with 55 percent of the Valley farm workers falling below the poverty income (as compared with 27 percent for

non-Valley Texas farm workers), savings are meager. On the asset side, Valley farm workers own a greater percentage of their homes: 56 percent compared with 31 percent for the rest of Texas farm workers. This advantage, however, is offset by values of non-freeze county homes that are 80 percent higher and the fact that these higher valued homes exist in a more viable real estate market. So despite higher percentage of home ownership, Valley farm workers most likely do not have the ready savings available to cushion unexpected unemployment.

The second option for the unemployed farm worker is to leave the Valley in search of work in the more prosperous sections of Texas. Here the Valley farm worker is at a clear disadvantage when compared with his Texas counterpart. Educational levels and proficiency with the English language have large effects on the out-

come of any job search. Valley farm workers' educational achievements are below those for farm workers from the rest of Texas. The largest barrier may be lack of English language skills. Nearly 30 percent of Valley farm workers speak no English compared with only 6 percent of non-Valley Texas farm workers.

Conclusions

The capacity of freeze county farm workers to respond to the economic shock of unexpected unemployment is diminished by a web of circumstances: weak local economy, low job-seeking qualifications, and less income than farm workers elsewhere in Texas. While their plight will have little effect on the Texas economy, the farm workers will have to struggle to make ends meet even with some governmental assistance.

—Hilary H. Smith



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