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## THE COST OF TOUGH IMMIGRATION RULES

*Food producers are at risk of higher costs and lower profits, while inflation could get a boost*

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The first impact of President Donald Trump's changes to U.S. immigration policy will fall on businesses that grow, process or sell food. Recent history shows that labor shortages could drive up prices and labor costs, and hurt profits.

Little attention is being paid to the threat to food prices from a drop in immigrant labor. What is known so far is generally anecdotal and regional. But the impact of a nationwide hit to the supply of workers could be large. Food price increases, which have been low, would boost already accelerating inflation.

Mr. Trump last month introduced sweeping changes to U.S. immigration policy, broadening the number of undocumented immigrants subject to immediate deportation, calling for hiring more Border Patrol and immigration enforcement officers, and ordering that construction begin on a border wall.

People spooked by the rules are staying home, whether they live in the U.S. or abroad. The number of people apprehended illegally crossing the border from Mexico fell sharply last month from January, and there are reports of undocumented immigrants reluctant to go to work for fear of getting caught.

As of 2014, there were 8 million unauthorized immigrants in the U.S. labor force, according to Pew Research Center estimates. Construction firms, restaurants and hotels hire many of those workers. But farms and other food-producers are where they matter most. Some 17% of agricultural workers are unauthorized immigrants, according to Pew.

For a hint of what's to come, an immigration law put into place by Georgia in mid-2011 is instructive. The law encouraged police to question people about their immigration status and meted out harsher punishments to businesses that hired undocumented workers. Farms – particularly those that grew crops picked and sorted by hand – were hit hard. Many migrant work crews simply bypassed the state, says Georgia Fruit and Vegetable Growers Association executive director George Hall. By acreage, 80% of fruit and vegetable farmers responding to a University of Georgia survey experienced labor shortages.

Georgia's law had little apparent effect on overall prices, because farms elsewhere were able to fill the gap. But during harvesting season, prices for some crops where the state is a big player were notably higher than a year earlier. Gary Paulk, a farmer in Wray, Ga., says his blackberries, a labor intensive crop, fetched about 20% more than a year earlier.

The effects that Georgia's law had on crop production were short-lived because enforcement wasn't as tough as people feared, and more farmers in the state used a government visa program for agricultural work. Overall, 2011 was a good year for U.S. agriculture, with net farm income up sharply.

Mr. Trump's rules are nationwide and the harsh rhetoric that has surrounded them could make even legal immigrants wary of working in the U.S. Farmers in several states are concerned about labor shortages, and farmworkers have expressed anxiety about the crackdown.

The higher prices that could ensue would raise costs for food companies, grocery stores and restaurants, putting margins at risk. Businesses that don't employ undocumented workers could feel pressure from those who did and are now desperately seeking legal labor. Investors ought to factor these possibilities into their thinking. And consider planting a garden this spring.