2-27-2008

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Recommended Citation
LADB Staff, "U.S. Farmers Transfer Some Operations To Mexico To Find Cheap Labor" (2008). https://digitalrepository.unm.edu/sourcemex/5188

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U.S. Farmers Transfer Some Operations To Mexico To Find Cheap Labor

by LADB Staff
Category/Department: Mexico
Published: 2008-02-27

The US economic crisis and the US government's crackdown on illegal immigration are having two opposite effects on US investments in property in Mexico. The US crackdown on illegal immigration, including sanctions against employers who hire undocumented workers, has created a labor shortage in agricultural states like California, prompting many farmers to move some operations to northern Mexico to find cheap labor. While Mexico is gaining "agricultural immigrants," the number of US retirees buying up property in Baja California and other states has dropped considerably because of concerns about the state of the US economy and its impact on banks and other financial institutions on both sides of the border.

US immigration crackdown tightens labor force

A concentrated effort against undocumented workers by the US federal government and states like Arizona, along with tighter federal controls at the US-Mexico border, has led some US farmers to move operations to Mexico. Massive raids by US immigration authorities on workplaces, including agricultural operations, have left large farm operations in areas like California's San Joaquin Valley with a shortage of workers to cultivate their fields. As a result of the raids, the number of Mexicans deported in 2007 approached 1 million, which is more than five times higher than the number reported in 2006, said the Instituto de los Mexicanos en el Exterior (IME). "In a single day in early October, immigration agents apprehended about 1,500 Latin Americans in Los Angeles, the vast majority of whom were Mexican," said Inter Press Service.

Farm operations in the San Joaquin Valley generally employ about 230,000 seasonal laborers, but deportation sweeps have reduced the work force by almost one-third, said the Nisei Farmers League. US farm manager Larry Cox said a labor shortage two years ago forced him to abandon about 750,000 pounds of tomatoes at his farm near Brawley, California. The situation worsened in 2007 because of increased raids by the Immigration and Customs Enforcement (ICE) agency. The sharp decline in the number of low-wage workers to cultivate their fields has led a number of US farmers to move some operations just south of the border to Baja California and Sonora. Some operations have moved deeper into the country to states like Guanajuato.

By some estimates, US farmers are growing crops on about 20,000 hectares of land in Mexico, providing employment for about 11,000 workers. "There has been a crackdown on illegal immigration but they haven't given us an avenue to get legal workers," said Cox, who supervises hundreds of farm workers harvesting asparagus, cauliflower, and green onions at an 800-ha farm on the outskirts of Mexicali in Baja California state. Some farmers admit they have moved operations to Mexico to avoid strict environmental regulations in the US. "We are basically being regulated out of business," farmer Steve Scaroni told Reuters. Scaroni moved about one-fifth of his operations to Guanajuato in 2006. He said he knows of another half-dozen US farmers who have
moved operations to the state. And agricultural labor remains plentiful in Mexico since many rural residents are having difficulty finding employment because of the effect of globalization on the Mexican economy.

A recent study released by the center-left Partido de la Revolucion Democratica (PRD) to the Congress said employment in agriculture and other rural activities in Mexico has been cut in half, to about 5 million jobs, since the North American Free Trade Agreement (NAFTA) went into effect. That same study said the migration of rural residents to the US has increased by 3 million in the last seven years.

Sales of real estate to US retirees slow down

The influx of agriculture operations to Mexico is in stark contrast to the major slowdown in purchases of real estate by US retirees in Mexico, which are affected by concerns about the US economy and, in particular, the financial and banking sectors. Sales of properties worth up to US $500,000 have declined significantly in the Tijuana-Rosarito area in Baja California since October 2007. "Business has fallen by 50% because of the economic situation in the US," Armando Ramos, president of the Asociacion de Desarrolladores Turisticos de Baja California, told the Mexico City daily newspaper Reforma. Many prospective US buyers have been unable to obtain financing because US banks tightened their lending policies following the recent crisis in the US mortgage industry.

The situation has forced developers in communities popular with US retirees, such as Rosarito, Los Cabos, Loreto, and San Felipe in the Baja California Peninsula, to suspend work on new housing developments. "We have decided to wait a few months to see what happens," said Jose Luis Guerrero, director of construction company ICA, which had planned to construct a luxury community in San Felipe. Real estate sales have also slowed in the resort community of Puerto Penasco, Sonora state, where 70% of the new properties are sold to retirees from Arizona. "The investments of US citizens in real estate have tumbled since the third quarter of 2007," said Puerto Penasco Mayor Heriberto Renteria. The slow market has also surfaced farther south in Ribera de Chapala in Jalisco state, which has long been a favored spot for US expatriates. US and Canadian citizens account for roughly 80% of real estate sales in this community. Jaime Niembro, director of Ajijic Real Estate in Chapala, said sales were already beginning to slow down in 2006 and early 2007, but the problem worsened in the last quarter of 2007. "The market was slowest in December of last year and January of this year," said Niembro.

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