



The Evolving Landscape of U.S. Farm Labor

AGRICULTURAL FINANCE | February 2026

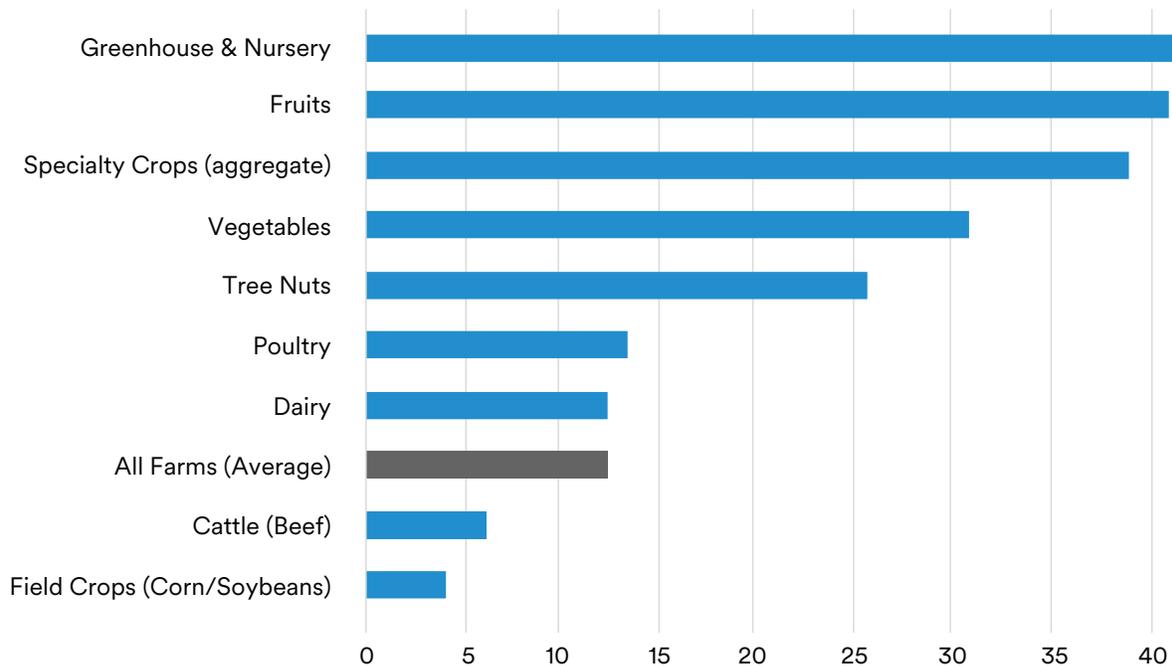
Key Insights

- Labor supply constraints persist, driven by an aging workforce, limited domestic participation, growing competition from other employment sectors, and immigration policy shifts.
- Foreign-born workers comprise over half the farm labor force, and increased immigration enforcement is increasing demand for formalized work agreements such as H-2A.
- Because of changes to the H-2A program, we estimate U.S. farm labor expenses will decline in 2026 for the first time since 2018, with significant variation driven by state minimum wages.
- Reform introduces additional dynamics that are likely to expand the role of farm labor contractors across the sector and help mitigate labor supply fluctuations.

Introduction

Despite rapid technological advancements, manual labor remains an essential input to U.S. agriculture. Mechanization, alongside declining farm numbers and expanding average farm size have shifted labor needs toward specialized roles and specialty crops. While many row crop farmers have cost-effectively replaced manual labor with machines, sectors such as fruits and vegetables continue to rely heavily on manual labor (see Exhibit 1).¹

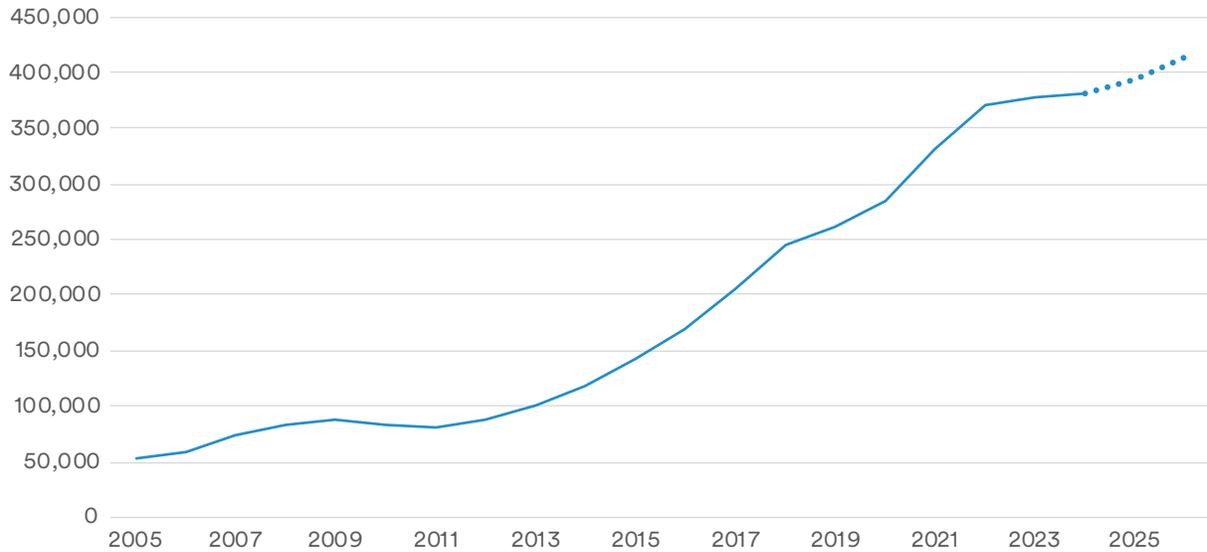
Exhibit 1 | Labor as a Percentage of Input Costs



Source: USDA ERS, MIM. Data as of February 2026.

While rising input costs present challenges, labor remains a longstanding structural constraint in many labor-intensive agricultural sectors. Unlike fertilizer or equipment, which remain readily available even as prices fluctuate, farm labor availability has been consistently tight for decades. Recurring surveys of California producers show that more than half reported difficulty securing all the workers they needed over the preceding five years, a finding that has been stable across multiple survey rounds. Demographic trends such as an aging rural workforce, limited interest among younger generations, and competition from non-farm employment have steadily reduced the supply of domestic agricultural labor in the United States. As a result, foreign-born agricultural workers have become an essential component of the farm labor supply.² The increased dependence on foreign labor is also exemplified by the increased participation in the H-2A visa program, up from less than 50,000 certifications in 2005 to almost 400,000 certifications in 2024 (Exhibit 2), with that number expected to have surpassed 400,000 in 2025.

Exhibit 2 | H-2A Jobs Certified

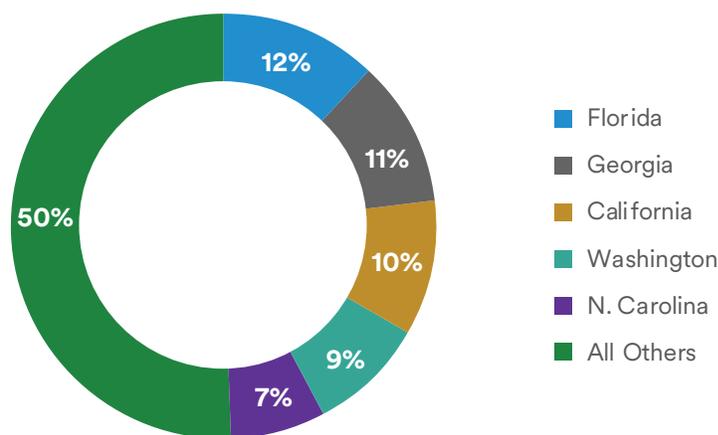


Source: DOL, MIM. Data as of February 2026.

H-2A Overview

The H-2A visa program was established in 1986 to provide a legal pathway for foreign agricultural workers to fill temporary labor shortages, replacing earlier guest worker programs dating to the 1940s. Over time, the program has expanded significantly in scale, reflecting ongoing labor shortages in labor-intensive crop sectors. Despite its role as a central mechanism for securing a reliable agricultural workforce, the H 2A program has been criticized for administrative complexity and processing delays. However, as part of a series of recent reforms that we will discuss in the next section, the Department of Labor (DOL) has also taken measures to streamline processing and reduce bottlenecks by shifting to an online application portal and allowing earlier petition submissions to immigration authorities.

Exhibit 3 | Distribution of H-2A Workers By State, 2024

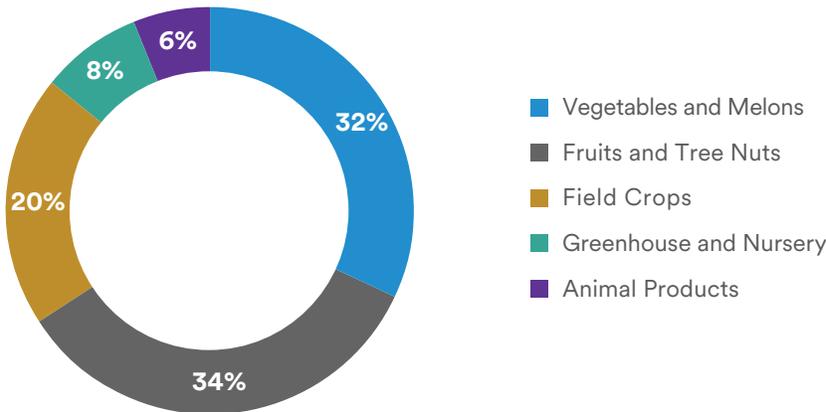


Source: USDA ERS, MIM. Data as of February 2026.

H 2A employment remains highly concentrated, with roughly half of all certified positions located in five states (Florida, Georgia, California, Washington, and North Carolina; see Exhibit 3) reflecting

the dominance of labor-intensive specialty crops in these regions. The workforce is overwhelmingly specialty-crop-focused, with about two-thirds of jobs tied to vegetables, fruits, and tree nuts, which require manual tasks that are difficult to mechanize (Exhibit 4). However, less than 10% of H-2A jobs are in greenhouse and nursery, because those jobs tend to be year-round, with the same also being true for sectors such as dairy. This distinction reinforces the point that the H-2A program was designed to boost the seasonal agricultural workforce and does not explicitly address the supply of full-time agricultural workers.

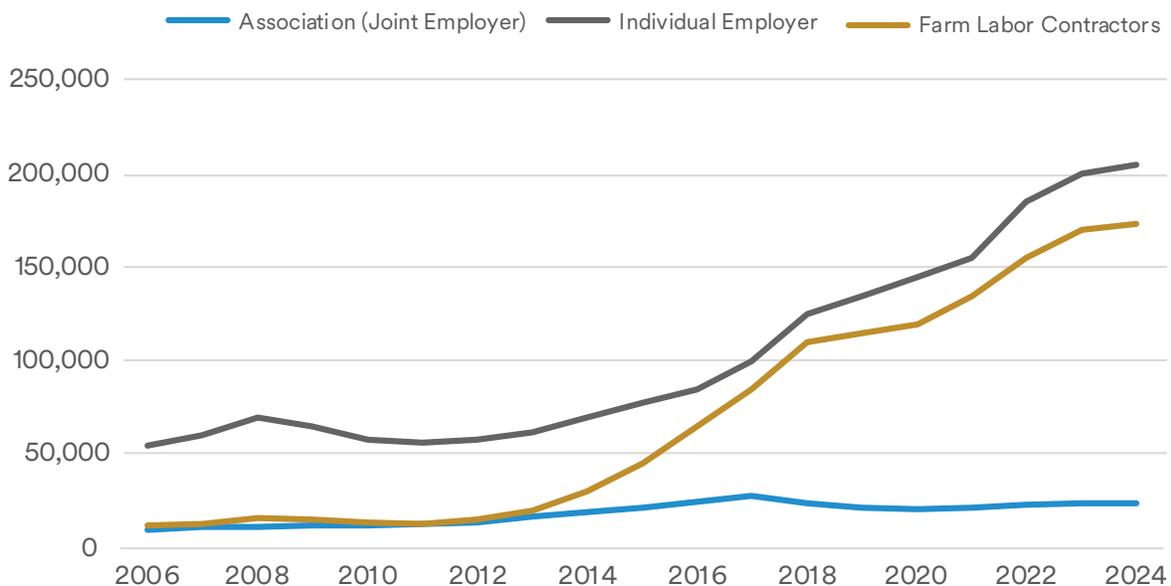
Exhibit 4 | Distribution of H-2A Workers By Sector, 2024



Source: USDA ERS, MIM. Data as of February 2026.

This reliance on hand labor has reinforced the role of Farm Labor Contractors (FLCs), who now manage a growing share of H-2A placements. Prominent FLCs include Fresh Harvest Inc on the west coast and Overlook Harvesting Company and Ag Labor LLC in the southeast. While 43% of H-2A workers were employed by FLCs in FY2024 (Exhibit 5), this share was much higher in California (70%) and Florida (72%).³ These FLCs handle recruitment, compliance, housing, and transportation for growers. The trend toward contractor-based employment initiated a structural shift in agricultural labor management that has helped producers reduce administrative burdens and avoid the complexities of directly utilizing the H-2A process.

Exhibit 5 | H-2A Jobs By Employer Type



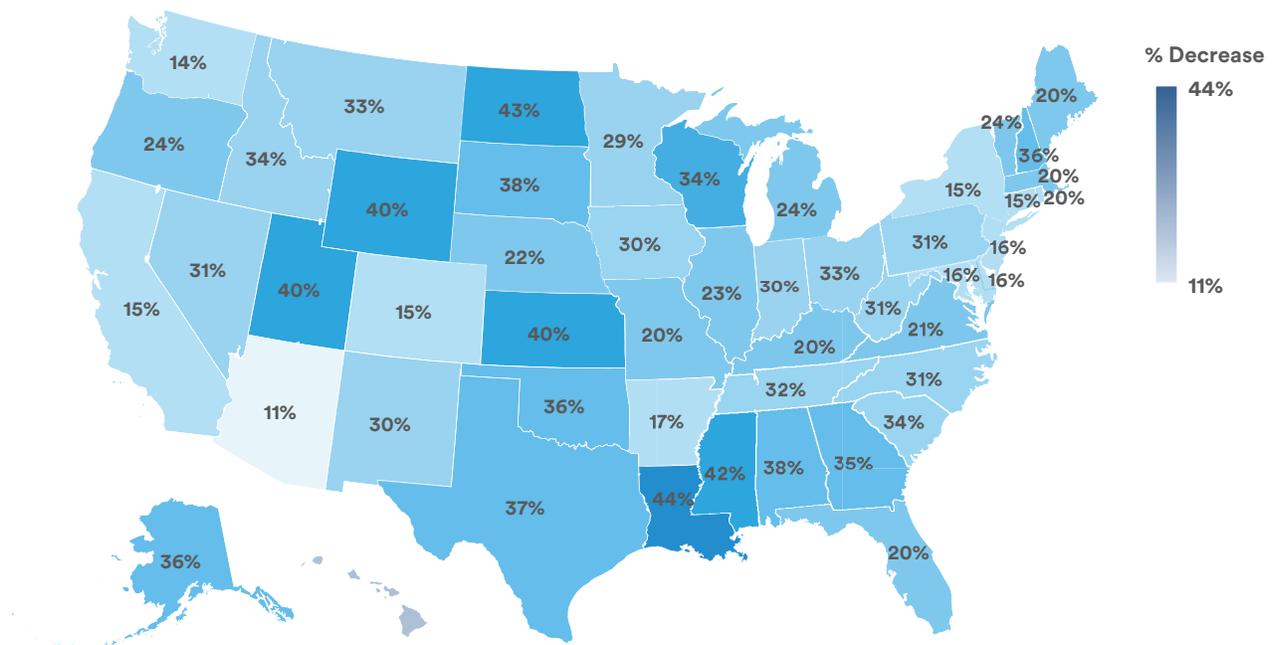
Source: USDA ERS, MIM. Data as of February 2026.

H-2A Wages and Recent Policy Reform

The Adverse Effect Wage Rate (AEWR) is the minimum hourly wage employers must pay H-2A workers to prevent wage depression for domestic farm labor. Established in the 1960s, AEWR calculations historically relied on USDA’s Farm Labor Survey using regional averages. Over time, questions emerged about whether the survey overstated actual wage conditions and adequately reflected the evolving mix of agricultural job classifications. In response to these concerns, the Department of Labor (DOL) recently adopted a new approach based on Bureau of Labor Statistics data, introducing tiered wage levels and standardized adjustments to improve predictability and align wages more closely with broader labor market benchmarks.

In October 2025, the DOL made three significant changes to the way AEWRs are determined for non-range occupations.⁴ It introduced a two-tier wage system consisting of Tier I for entry-level positions and Tier II for skilled or licensed roles. Second, employers can now apply a housing adjustment to account for the fact employers are required to provide free housing for H-2A employees. This adjustment, which applies only to H-2A workers and not domestic workers in corresponding employment, allows employers to reduce the cash wage paid to H-2A employees by \$1-3 per hour depending on the location. Third, DOL replaced the USDA Farm Labor Survey with DOL’s Occupational Employment and Wage Statistics (OEWS) as the basis for determining H-2A wage rates. The combined impact of these changes can be material in some states, depending on the state minimum wage. In North Dakota, for example, the Tier 1 AEWR for an H-2A employee with housing as of December 2025 is \$11.04 compared to the prior AEWR of \$19.21, a reduction of \$8.17.⁵ As employers cannot pay below the state minimum wage, not all states will feel the full impact of the revised AEWRs. For example, Washington state’s new Tier I and II AEWRs for H-2A employees are \$14.04 and \$16.51, down from \$19.82, but employers are bound by a minimum wage of \$17.13. See Exhibit 6 for a map of how each state will be impacted.

Exhibit 6 | Reduction in H-2A AEWRs By State

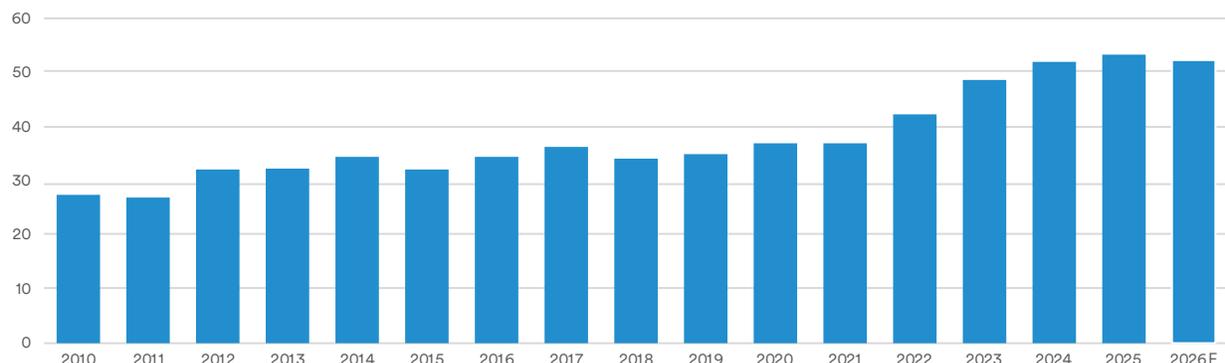


Source: DOL, MIM. Data as of February 2026.

Note: Based on Tier 1 AEWRs and includes the housing deduction. It is assumed that the final hourly wage cannot go below the state minimum wage.

MIM forecasts these changes to the H-2A program will result in the first reduction in labor expense for the sector since 2018. We predict that total agricultural labor expense in 2026 will total \$52.5 billion, a reduction of \$0.9 billion (2%) from 2025 (see Exhibit 7). While a modest reduction in aggregate, these savings in input costs will come at a welcome point in time for specialty crop producers across the country.

Exhibit 7 | Historical and Forecasted Labor Costs (\$Billions)



Source: USDA ERS, DOL, Agricultural Policy Research Institute, Castillo et al. (2022), MIM. Data as of February 2026.

The Rise of Farm Labor Contractors

In addition to reducing labor costs for employers, we expect the biggest impact of these changes to the H-2A program to be the role of farm labor contractors. Despite the obvious benefits for producers, these new regulations add additional complexity and risks. For example, employers must classify employees into two pay tiers depending on their job duties. Employers face both the risk of under-classifying employees, opening them up to potential litigation, or classifying employees at a more expensive tier to mitigate that risk.

FLCs have inherent advantages in hiring and managing H-2A employees—most stemming from economies of scale—that are further heightened by the new regulations. Mathematically, larger FLCs will have a greater ability to take advantage of the two-tier wage system through specialization while also shielding the producer from the risk of misclassification and other compliance risks. Scale also allows FLCs to streamline payroll systems and spread-out housing costs. These practices reduce the effective wage rate for their client growers and make contractor provided labor comparatively more attractive than direct hiring. We should also expect small and mid-sized producers, who already face higher per-worker compliance costs, to rely more heavily on FLCs as wage calculations, documentation standards, and reporting requirements become more complex.

Taken together, the regulatory shifts are likely to accelerate long standing trends toward higher contractor penetration and greater market concentration as more growers seek to contain labor costs and reduce compliance risk. As such, we expect FLCs to overtake individual employers as the largest H-2A employer type by the end of the decade. We expect this shift to help producers mitigate risks associated with labor supply fluctuations, reduce compliance costs, and improve risk-adjusted margins.

Conclusion

Labor remains a critical input and ongoing challenge, particularly for specialty crops. Erosion of the domestic agricultural labor force has left the sector dependent on foreign workers. Increased immigration enforcement has caused disruptions, but recent H-2A reforms will bring some relief to growers through lower wages, though states with high minimum wages will see smaller benefits. Because the revised rules increase classification and compliance complexity, they are likely to accelerate the long run shift toward farm labor contractor employment, with contractors positioned to become the largest H-2A employer group by the end of the decade. However, there is a risk that these reforms could get rolled back by courts or a new administration.

Endnotes

¹ Specialty crop farms have highest labor cost as portion of total cash expenses | Economic Research Service

² Farm Labor | Economic Research Service

³ Insights from ERS research on the H-2A Program

⁴ Federal Register, Volume 90 Issue 189 (Thursday, October 2, 2025)

⁵ H-2A Adverse Effect Wage Rates (AEWRs) | [Flag.dol.gov](https://flag.dol.gov)

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