

# **IMPACTS OF THE H-2B VISA PROGRAM FOR SEASONAL WORKERS ON MARYLAND'S SEAFOOD INDUSTRY AND ECONOMY**



A Project Conducted for the

**MARYLAND DEPARTMENT OF AGRICULTURE**

Seafood Marketing Program

and

**CHESAPEAKE BAY SEAFOOD INDUSTRY ASSOCIATION**

Prepared by



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## EXECUTIVE SUMMARY

This report presents findings of a January 2020 survey of Maryland's largest crab processors on the H-2B visa program allowing temporary seasonal workers, and impacts of the program and the industry on Maryland's economy.

Survey findings indicate that without H-2B visas, most Maryland crab processors say that they would shut down for the season. Findings also document the importance of the seafood industry to jobs and the state and local economies; and the impact of the H-2B program on maintaining markets for Maryland seafood and jobs for Americans in the sector.

All survey respondents agreed that:

- Because of H-2B foreign workers, their companies can hire more American workers;
- Their businesses have grown because of the availability of foreign workers under the H-2B program;
- The limited number of visas available under the H-2B program hurts Maryland's seafood industry; and
- The current H-2B visa lottery process creates business uncertainty that hurts their businesses.

Based on survey findings, market analysis and economic multipliers developed in previous research, Market Solutions LLC estimates that without the H-2B visa program, if major crab processors shut down, as most say they would, crabber/waterman income in Maryland would potentially drop \$12.5 million, processor sales might drop \$37 to \$49 million, Maryland employment might drop 914 to 1,367 jobs and the overall hit to Maryland's economy could be \$100 to \$150 million.

The survey was conducted for the Maryland Department of Agriculture (MDA) Seafood Marketing Program at the request of the Chesapeake Bay Seafood Industry Association (CBSIA). Survey findings are based on responses from 89% of the crab processors that CBSIA believes received authorizations for H-2B visas in 2019.



## INTRODUCTION

The Maryland Department of Agriculture (MDA) Seafood Marketing Program, at the request of the Chesapeake Bay Seafood Industry Association (CBSIA), contracted with Market Solutions LLC, a leading Maryland-based research and consulting firm with extensive experience with the agriculture and seafood industries worldwide, to conduct a survey of crab processors in the state to assess the importance of the H-2B visa program for seasonal foreign workers on crab processors and impacts of the industry on the state and local economies.



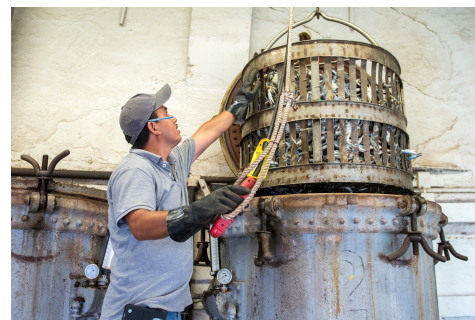
This report presents survey findings based on responses from 89% of the companies that CBSIA believes received authorizations for H-2B visas in 2019. It also presents findings of economic analysis of potential impacts on Maryland if crab processors do not receive visa authorizations under the program.

Survey findings indicate that without H-2B visas, most Maryland crab processors expect to shut down for the season. They also document the importance of the seafood industry to jobs and the state economy, and the impact of the H-2B program on maintaining markets for Maryland seafood and jobs in the sector.

Without the H-2B visa program, if major crab processors shut down, Market Solutions LLC estimates that crabber/waterman income in the state would potentially drop \$12.5 million, processor sales might drop \$37 to \$49 million, Maryland employment might drop 914 to 1,367 jobs and the overall hit to Maryland's economy could be \$100 to \$150 million.



# IMPACTS OF THE H-2B VISA PROGRAM ON WATERMEN, THE SEAFOOD INDUSTRY AND MARYLAND'S ECONOMY



Survey findings are based on responses from 89% of the Maryland crab processing companies that CBSIA believes requested authorization for H-2B visas for 2020.

Collectively, survey respondents received authorizations for 363 H-2B visas in 2019, and have requested 360 H-2B visas for 2020. This represents about two-thirds of the 538 seasonal temporary worker visas requested by Maryland's seafood industry and certified in 2019 (Maryland Department of Labor).

The H-2B visa program permits companies to get visas for specialized seasonal labor for work in the United States for which local labor is not available. Based on the lottery system introduced for allocating visas, only three or four out of nine Maryland crab processing companies currently expect to get the visa authorizations that they requested for 2020, while the other five or six are only expected to get visas if the number of visas authorized is expanded to more than announced to date.

Seven out of eight survey respondents (88%) agree or strongly agree that without H-2B visas for foreign workers, their companies would shut down for the season. The other respondent company is not yet sure what it will do. This would likely create a major shock to Maryland's watermen, the seafood industry and Maryland's economy.



## THE IMPORTANCE OF CRAB PROCESSORS TO MARYLAND

Survey respondents report purchases of more than 14 million lbs. of crabs valued at almost \$19 million from 416 crabbers, many with multiple employees, in 2019. They report that they also directly employed 123 U.S. workers.

Survey respondents combined for more than \$36.7 million in sales in 2019, generating multiplier impacts on the state and local economies as well as tax revenues and support for local communities.

Collectively, respondents represent 470 years of business experience, including 170 years using the H-2B program.

Survey respondents indicate that they also make substantial expenditures that might not happen, or might be delayed if they close for the season as a result of lack of seasonal labor. For example:

- Over \$1 million in planned capital spending on equipment, vehicles, etc.
- Over \$1.8 million on 2019 purchases of packaging, boxes and other supplies.
- Over \$1.4 million in spending on repairs and maintenance with local vendors.



## LOCAL SEAFOOD SUPPLIES POTENTIALLY DISRUPTED WITHOUT SEASONAL LABOR

Previously, when visas for seasonal labor were not available, the industry sold more crabs live, at sharply reduced prices, and lost markets to imported crab meat, eroding their market shares and reputations as reliable suppliers to customers who count on Maryland crab meat.

Survey respondents indicate that they supply a large number of customers who count on them for reliable supplies of Maryland's Best crab meat. For example:

- 243 restaurants that are supplied directly.
- 94 foodservice distributors.
- 182 retailers; and
- 2,300+ consumers who purchase directly.



## MARYLAND CRAB PROCESSOR PERSPECTIVES ON H-2B VISA PROGRAM IMPACTS

As seen in the chart below, all survey respondents (100%) strongly agree or agree that:

- Because of H-2B foreign workers, their companies can hire more American workers;
- Their businesses have grown because of the availability of foreign workers under the H-2B program;
- The limited number of visas available under the H-2B program hurts Maryland's seafood industry; and
- The current H-2B visa lottery process creates business uncertainty that hurts their businesses.

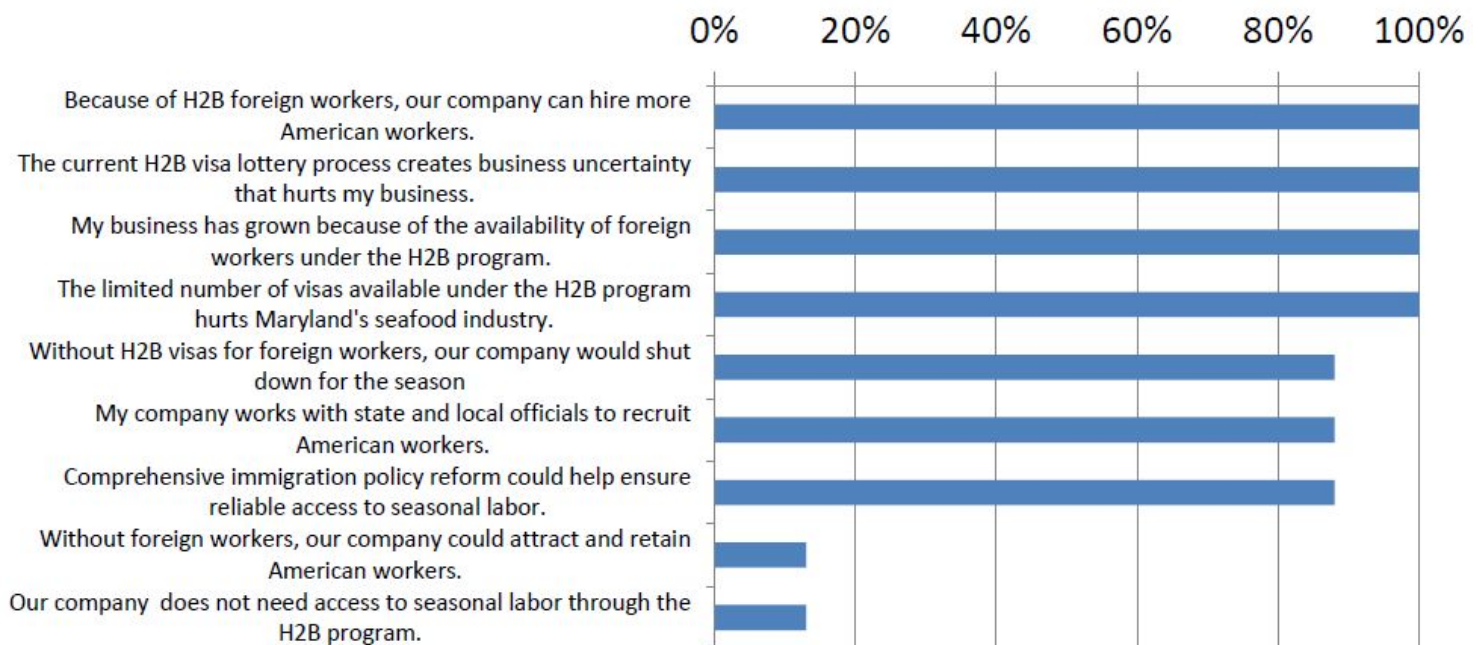
Seven out of eight (88%) strongly agree or agree that “without H-2B visas for foreign workers, our company would shut down for the season.” The remaining respondent indicated that a decision had not yet been made about whether or not it will shut down in the event that it does not receive visa authorizations.

While all H-2B program applicants must document that they have tried to recruit American workers, seven out of eight respondents (88%) strongly agree or agree that their companies: “work with state and local officials to recruit American workers.” The other respondent neither agreed nor disagreed.

Seven out of eight respondents (88%) strongly disagree that:

- Without foreign workers, our company could attract and retain American workers; and
- Our company does not need access to seasonal labor through the H-2B program.

**Industry Perspectives on H-2B Visa Program Impacts**



Source: MDA, CBSIA Industry survey conducted by Market Solutions, LLC, March 2020





## SELECTED COMMENTS ON THE H-2B PROGRAM AND ITS IMPACT ON THEIR BUSINESSES, THE INDUSTRY AND THE MARYLAND ECONOMY



“The H-2B program has worked wonderfully for our small barrier island. The crab processing factories on Hoopers Island have a need for employees since, geographically, we lack Americans willing to do a seasonal job. Without the program to assist us in processing crabs, many watermen and local businesses will suffer, as we will not be able to purchase their product or spend money in the local area on services. We have used the program for 20 years only due to need, and it is unfortunate that a small community that relies so heavily on the H-2B program will be forced out by larger corporations that technically are not seasonal. We are seasonal, and we are very

rural. We cannot fill these positions. Without these employees we will be forced to close our doors, and that will bring incredible hardship to our local community. We gross nearly \$5 million annually and much of that money is redistributed to local families and businesses. For every Maryland waterman we purchase product from, we are supporting their families, and they also have local American employees. It is a difficult situation, but we rely on the seasonal help as a community. We are isolated and continuing an age old craft that is becoming lost to time. It is amazing to see how the H-2B program blends the migrant workers with our local community. “

“The H-2B program plays a major role. My business will not be able to operate without workers from this [program]. We have zero U.S. workers that apply [for seasonal work]. That will leave us with nothing.”

“We have been using this H-2B program for seafood processing since 1989.”

“The H-2B visa program is an essential component in maintaining American seafood jobs throughout the American seafood industry, especially in Maryland.”

“We would much rather hire all local workers for these jobs so as to not rely on this visa program, but after year after year, we are trying to find locals to do this seasonal work, and we just can't find them”.

“If [...] Maryland processors do not get the visa workers they need, consumers will not stop eating crab meat. But, instead of coming from Maryland, their crab meat will come from Venezuela, China and Southeast Asia, effectively shipping these American jobs and American economies to these other countries”



## ABOUT THE SURVEY AND IMPACT ANALYSIS

About the Survey: The survey was designed and fielded by Market Solutions LLC based on input and guidance from members of the CBSIA and MDA staff. Respondents were promised that their individual responses would be provided confidentially to only Market Solutions LLC, with only summary responses reported to MDA and CBSIA.

The survey was distributed under a cover message from Mark Powell, Chief, Agriculture and Seafood Marketing at MDA; Jack Brooks, President of CBSIA; and Mark D. Newman, President of Market Solutions LLC. A reminder message was also sent to the industry by Bill Sieling, Executive Director of CBSIA. John Walker of AE Phillips and Stone Slade, MDA's Director of Seafood Marketing also contributed to the survey design and project planning. Appreciation is expressed to those who completed the survey and to Jason Schellhardt, MDA's Director of Communications, who provided editorial suggestions on this report.

About the Economic Impact Analysis: Market Solutions LLC analysis of potential impacts on crabbers, watermen, the processing industry, jobs and the Maryland economy uses survey findings and data on multiplier relationships found in previous economic impact analyses conducted at the University of Maryland (Lipton, 2009), Virginia Institute of Marine Science at William & Mary (Kirkley, 2005), BEACON at Salisbury University (2018) and NOAA (2017 and 2018).



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