What the new AEWR rule means for Michigan's H-2A employers

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Farmers in the U.S. have struggled for years to find enough workers, even as farm wages have risen faster than those in much of the rest of the economy. Many Michigan farmers have turned to the H-2A visa program to find labor – a federal program that permits the legal hiring of foreign-born workers for seasonal agricultural work.

In 2024 (most recent data available), there were about 15,000 H-2A workers certified to work in Michigan (Figure 1) – many in counties where fresh fruits and vegetables are produced due to the labor-intensive nature of the work.

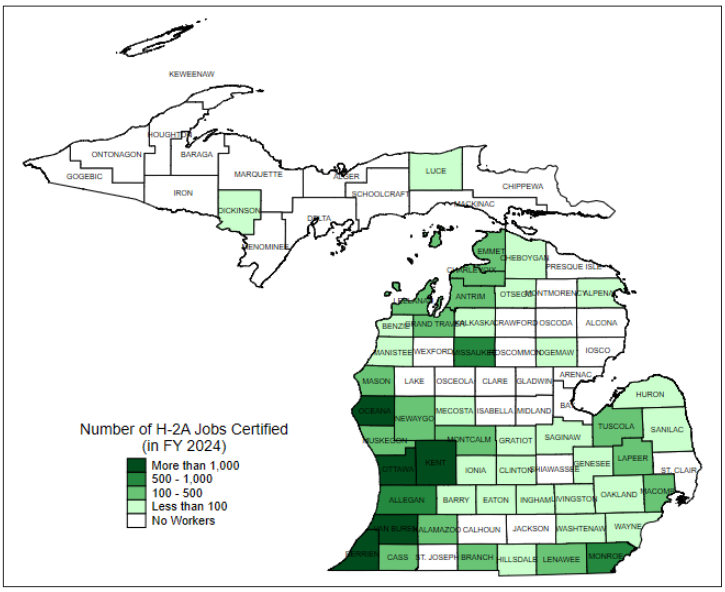

Figure 1. H-2A jobs certified in Michigan counties during 2024

More consistent wages

One of the most closely watched wage benchmarks is the Adverse Effect Wage Rate (AEWR) that sets the minimum pay for farmworkers employed through the H-2A visa program. These wages have increased unpredictably year to year, creating uncertainty for farmers and workers. Most AEWRs have been based on the Farm Labor Survey (FLS) conducted by the United States Department of Agriculture (USDA). But in August 2025, the USDA announced it would stop the FLS.

In October 2025, the U.S. Department of Labor released a new rule that changes how it sets AEWRs, using a sole data source from the Bureau of Labor Statistics' Occupational Employment and Wage Statistics (OEWS) survey. The move is intended to produce more consistent, occupation-specific, skill-based wages within each state, and help farmers stay competitive.

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The Department of Labor will now publish two skill-level AEWRs per state that are based on wages across five common field and livestock occupations – farmworkers, ranch workers, equipment operators, packers/packagers, and graders/sorters. AEWRs are calculated as the weighted average of these wages across all five occupations using employment in each occupation as the weights.

AEWR skill level	Michigan wage rate	How the rate is set
Skill Level 1 (entry)	$13.78	17th percentile (median of the lower third of labor force) of wages averaged across the five groups
Sill Level 2 (experienced)	$17.47	mean of the OEWS distribution

New housing compensation

The rule specifies a housing compensation adjustment for H-2A workers who are guaranteed free housing from their employers (a rule of the H-2A program). The cost for a four-bedroom unit must not exceed 30% of the hourly AEWR determined for the employer's job opportunity.

In Michigan, that adjustment is $1.32 per hour and is subtracted from the relevant AEWR for each employee. The new rule explicitly states this compensation is not a wage deduction (H-2A employers are not allowed to charge for housing) but is a wage adjustment to account for the fair market cost of housing that domestic employees generally pay on their own.

The new AEWR is projected to save Michigan's H-2A employers $24 to $53 million during 2026.

The Department of Labor acknowledges the new methodology will generally reduce AEWRs and likely produce wage transfers to employers because the rates are more narrowly tailored to skill level and because of the housing cost adjustment. Where the new applicable AEWRs are lower than a state's minimum wage, employers must pay H-2A workers the state's minimum wage. In 2026, Michigan's minimum wage will increase to $13.73.

The estimated total cost of employing H-2A workers in Michigan was about $220 million in 2025. If H-2A employers hire all workers under the Skill Level I wage, the minimum wage would apply since the applicable AEWR of $12.46 ($13.78-$1.32) will be lower than the state's $13.73 minimum wage. For Skill Level II employees, the applicable AEWR in 2026 will be $16.15 ($17.47-$1.32).

More wage savings

Based on the total Michigan H-2A wage bill in 2025 at the applicable AEWR of $18.15, we estimate the total wage savings to Michigan's H-2A employers in 2026 will be $53 million if all workers are hired at Skill Level I, and $24 million if the Skill Level II wage applies to all workers.

In 2020, after the USDA's attempt to discontinue the FLS, a court ordered the USDA to reinstate the FLS, leading the Department of Labor to resume using the survey to establish a single AEWR per state for farm occupations. The United Farm Workers of America filed a similar lawsuit in November aiming to stop the new 2025 H-2A rule. The fate of the new rule now rests in the hands of the courts.

Input market outlook for 2026

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Jon LaPorte

Here are the markets and global factors we're watching for the 2026 crop year that are expected to impact farm inputs. We know expenses are going to be higher simply based on increased tariffs – at one point an estimated 7-20% above pre-existing levels for fertilizer, seed and pesticides. But there are many unknowns about how high inputs will be this year, especially as trade policy/negotiations are fluid and ever changing.

Pesticide markets

The U.S. imports just under 53% of its total pesticide use. The top five importing countries are: India (20.6%), China (18.7%), Germany (12.6%), Mexico (11.7%), and Canada (6.9%).

Fertilizer markets

- 82% of total U.S. nitrogen use is from domestic supply
- 87% of total U.S. phosphorus use is from domestic supply
- 3% of total U.S. potassium use is from domestic supply

Nitrogen and phosphorus are the most expensive they've been for five years. Potassium prices have been fairly stable likely related to USMCA that keeps the majority of our potassium imports tariff free.

Global markets

When you consider that 25% of the fertilizer used in the U.S. in 2024 was imported, it's important to be aware of the potential sources of impact on this critical market for U.S. agriculture. Here are some of the potential sources of impact for the fertilizer markets:

- global conflicts/wars: Russia/Ukraine, Middle East
- China: export controls and tariffs on nitrogen and phosphorus
- U.S. trade policy: tariffs and sanctions on nitrogen (Canada, Russia), phosphorus (Middle East, Mexico), and potassium (Canada, Russia)
- shifting supply and demand: more demand for phosphorus from India, more supply from U.S. potash plants, for example

Top three fall purchase considerations

1. Fertilizer prices are often best in the fall – this is true 90% of the time and 2026 forecasts expect that trend but fluidity of trade policy could shift price directions.
2. Maximize fall discounts on all purchases. The best input discounts are earliest in the fall. Buy sooner than later in the fall when possible.
3. Manage income tax needs. While it varies by farm, producers may need more income than expenses and can look to offset fall input purchases with grain sales.