

Farm Bargaining Problems and Prospects

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There are five requirements for the farmer's ideal bargaining situation, according to the author: no alternative supply for the buyer (processor, consumer), indefinite duration of buyer demand, strong farmer desire to bargain, willingness of both sides to negotiate, and legality of the bargaining process. The author discusses the problems involved in meeting these requirements in view of the farmer's present situation. He then suggests three ways to work toward these five ideal conditions.

ATTENTION in the agricultural community is increasingly being focused on farm bargaining. All the general farm organizations and many special commodity groups are talking more and more about bargaining; and they are setting up subsidiaries and mechanisms for bargaining. The farm press is devoting substantial space to articles about bargaining. We are accustomed to hearing discussions of the role of government in agriculture, but nowadays we are more likely to hear specific discussions of government in farm bargaining.

What are the problems which farm bargaining organizations face? What are the chances that such organizations will be successful in improving the farmers' economic situation? In this analysis I hope to make a contribution to answering these questions by examining both the theoretical requirements of successful bargaining and the current situation.

Farmers are becoming painfully aware of their declining political power, both in terms of voting numbers and of elected representatives. Further, they recognize that their own economic problems are partly caused by the way other highly organized segments of the economy, such as labor, can increase the "cost" side of the farmers' cost-price squeeze. Farmers are in a mood to search for new modes of organization to help them adequately relate to a society in which

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the fortunes of individuals are increasingly tied to the fortunes of large scale organizations—voluntary and otherwise.

Farmers are looking to colleges of agriculture for help and guidance in achieving new modes of organization. And, somewhat slowly, the colleges are responding. Colleges of business and schools of labor and industrial relations are much more concerned with the *organizational* problems of their sectors of the economy than are colleges of agriculture. Colleges of agriculture have stressed individual accomplishments through better farm management and technological efficiency. This emphasis has brought about fantastic strides toward solving the food supply problem; unfortunately it has not solved the economic problems of the majority of food producers.

THE IDEAL BARGAINING SITUATION

A bargaining organization is a group of sellers acting together to influence buyers to meet the sellers' terms. Typically, but not always, the methods of influence involve actual or threatened curtailing of supplies to the buyer. This, however, is only the "negative" aspect (for the buyer) of the way sellers influence buyers. On the positive side, sellers can influence buyers by coordinating production and product flow and guaranteeing product quality. Thus, not all bargaining is in terms of price, though price is frequently the most immediate concern of a bargaining organization.

We can proceed best in this discussion if we set up a model of an ideal bargaining situation—from the standpoint of the bargaining organization. Then by looking at the way farmers match up to this model we can better assess the specific problems farmers may encounter in bargaining and what the prospects for successful bargaining are.

In this ideal bargaining situation the following conditions exist: (1) Buyers have no alternatives for supply other than the sellers in the bargaining organization (this implies that sellers control all the supply); (2) buyers maintain their demand for the product indefinitely; (3) sellers have their economic aspirations focused sharply on the price of their supply (they don't have alternatives for reaching their economic aspirations); (4) further, both sellers and buyers are willing and able to negotiate; (5) finally, the bargaining is publicly (legally) sanctioned and facilitated.

No Alternative Supply

The buyers have no alternatives for supply other than the sellers

in the bargaining organization. This implies that sellers control all the supply. A bargaining organization can, obviously, be effective even if its membership does not produce *all* the supply. But its effectiveness is closely related to the *proportion* of the supply its membership produces. Since in this country a relatively small percentage of farmers produce a relatively large share of the food supply, it follows that the *quality* of the membership of a bargaining organization is going to be more crucial than its *quantity* of members.

In this respect studies consistently show that bargaining organizations (for instance, National Farmers Organization) tend to recruit farmers who are above rather than below the average of all farmers in terms of size of farm operation, gross sales, etc.¹ Still, there is no doubt that recruiting and maintaining enough of the right type of members is a fundamental problem for any bargaining organization. Many farmers say they would join a bargaining organization if they knew it would be effective. Other farmers do not join because they hope they can be "free riders" in case the organization is effective; they want to obtain the benefits of bargaining without paying the costs. Both classes of farmers are the producers who create supply alternatives for buyers. As long as the proportion of farmers in these classes is substantial, the ineffectiveness of farm bargaining will be guaranteed, since no bargaining organization can be effective unless and until farmers join in substantial numbers.

Even if the bargaining group's proportion of supply were high enough to put the squeeze on processors when the supply was withdrawn, this squeeze would not be effective unless the bargaining organization could coordinate and control such a withdrawal. Drastic, periodic disposal control as well as day-to-day disposal of supply (in line with negotiated agreements with buyers) is not likely to be possible in the long run unless production is also closely controlled. Farmers often won't join or fully participate in a bargaining organization because they are unwilling or unable to allow control of their production or of its disposal. There are economic, attitudinal, and organizational factors involved.

Economically, farmers are owners, laborers, and managers all rolled into one. When a farmer holds his product from the market he loses more than just his labor, particularly because his product is often perishable. (This further points up the necessity of production

¹ Denton E. Morrison and Allan Steeves, "Deprivation, Discontent, and Social Movement Participation: Evidence on a Contemporary Farmers' Movement, the NFO," *Rural Sociology*, XXXII (December, 1967), 414-34.

as well as disposal controls in farm bargaining.) Because the farmer is typically a small businessman he does not have huge reserves of capital or endless access to credit. Also, current farm bargaining organizations do not have "strike" funds for him to draw on.

Evidence from surveys in Michigan and Wisconsin sheds some direct and indirect light on farmers' attitudes which are relevant to farm bargaining.² Farmers most often see themselves in the role of businessmen and are not highly attracted to the notion of acting like laborers—the instigators of the collective bargaining idea. Farmers view themselves as rugged individualists, valuing individual freedom of action and free enterprise. They resent controls and discipline, whether imposed by government or a voluntary organization. Further, many farmers view food as a sacred product. They are morally reluctant to reduce production or control disposal of their production when there are starving people in the world.

The tough-minded, coercive acts which are an actual or threatened part of all bargaining actions, and which are often directed at other farmers as well as at buyers, are simply foreign to most American farmers. Farmers value highly traditional rural organizations such as the family and the neighborhood; and there is no doubt that new rural organizations, such as bargaining organizations, temporarily or even permanently threaten and sometimes dissolve family and neighborhood ties. In short, farmers' attitudes in general are not conducive to the requirements of farm bargaining. Farmers endorse the idea of bargaining in theory, but concretely they are not well prepared to behave as bargainers. They do not seem willing to accept the fact that organizational attempts to solve their income problems will inevitably involve individual costs, risks, actions, and commitments. Of course this may change, particularly if the economic situation of farmers deteriorates. But our research suggests that NFO members, for instance, are more different from other farmers in attitudes than in any other characteristic.³

Controlling the supply of food will require great organizational

²Dale Hathaway *et al.*, *Michigan Farmers in the Mid-Sixties: A Survey of Their Views of Marketing Problems and Organizations* (East Lansing: Michigan Agricultural Experiment Station, Research Report 54, August, 1966), especially pp. 1-8, 17-37, 40-62, and 74-76; also Denton E. Morrison, "Michigan's General Farm Organizations," *Michigan Farm Economics*, CCLXXXI (June, 1966), 1-3. The Wisconsin study and findings parallel closely as well as supplement the Michigan research but the relevant Wisconsin findings are largely unpublished to date. For a preliminary report of the Wisconsin research see: W. Keith Warner and Donald Johnson, "Wisconsin Farm Operator Survey, 1965, a Preliminary Report," University of Wisconsin Department of Rural Sociology, Madison, Wisconsin (mimeographed).

³Hathaway, *et al.*, *op. cit.*, pp. 48-62; also Morrison, *loc. cit.*

skill and sophistication, including considerable management skill. A farm organization is made up mostly of volunteer and part-time leaders and of members widely scattered geographically. Can such a group achieve the kinds of organizational programs and the degree of organizational control, coordination, and discipline necessary to relate in power terms to the well-oiled, skillfully managed, and closely coordinated food processing and retailing industry? Only time will tell. However, with time there are fewer farmers to organize. Those farmers with production worth bargaining with are increasingly educated, more experienced in large scale organizations (including farm and nonfarm bargaining organizations), and more experienced in leadership and management roles.

On the whole, however, the problem of controlling an adequate proportion of supply to influence processors is one of the most severe that bargaining organizations face. The prospect is that this problem will not be quickly or easily solved.

Indefinite Demand

The buyers maintain their demand for the product indefinitely. We have some recent instances in the newspaper business where buyers (in this case buyers of employee services) have simply folded up and gone out of business because the sellers' price and other demands could not be met. The terms of the sellers must not be too severe. This would appear to be particularly true in agriculture. Agricultural processors and retailers also have their buyers—the consumers. Consumers have many supply alternatives and can, when faced with a price increase for a given product, often lower their demand longer than producers can lower the product's supply. This may mean that processors cannot maintain their demand, and that producers would gain little even if they control the supply.

Thus, in the long run higher prices and higher income for farmers are not necessarily the same thing. They will not be the same if demand at the consumer level shifts to substitute products or if higher price incentives make supplies increase. Farm bargaining cannot involve just farmers bargaining with processors, but will inevitably involve farmers bargaining and competing against each other. The picture becomes even more complex when substitute products and alternative supplies are available through foreign imports and synthetic or "imitation" products. Further, there is nothing to prevent processors and retailers from going (or going further) into the production business themselves, thus insuring the stability of their supply.

Strong Farmer Desire

Sellers have their economic aspirations focused sharply on the price of their supply. They don't have alternatives for reaching their economic aspirations. Of course it is only if farmers have economic aspirations that you will have a bargaining organization at all! Most farmers are dissatisfied with their income, but many farmers are not dissatisfied enough to do anything very drastic.

Farmers value farming as a "way of life" and are willing to settle for less income to obtain the other benefits that farming provides. Or at least many farmers are unwilling to sacrifice other things they value, such as their freedom, in order to obtain more income. These statements are perhaps particularly true for older farmers—of which there is a high proportion. Many older farmers simply do not want to "rock the boat" and are content to "ride it out" until retirement.

Assuming a farmer is highly dissatisfied with his income *and* is willing to do something about it, there are several things he can do *other* than participate in a bargaining group. He may try to employ better technology, become more efficient, or be a better manager and thus produce more or produce it cheaper. He may, if he is young enough and has the education and the location, get a part- or full-time job off the farm. Both of these are less risky ways of increasing income than joining a bargaining organization.

In a bargaining organization the farmer faces the risk that the organization won't succeed, as well as the social costs and risks of becoming affiliated with a militant group. There are encouraging factors however. Farmers increasingly *do* have higher income aspirations, as they compare their incomes with urban workers rather than with their farm neighbors. Further, neither the age nor the education nor the attitudes of most farmers make the off-farm work alternative attractive as a long run solution. Moreover, the short-run gains from further efficiency, better management, and new technology are not very dramatic for most scales of farming operation. Most farmers have relied on these solutions in the past and have not found them sufficient to solve their income problems.

Possibility of Negotiation

Sellers and buyers are willing and able to negotiate. There is no reason why buyers should be willing to negotiate prices until they are convinced that sellers have substantial production, control over that production, and adequate organizational skills to negotiate and

keep bargaining contracts. Many farmers have two kinds of mistaken beliefs in this regard.

In the first place, many farmers seem to believe that if they can cut off supplies to a buyer they will force him to negotiate and that a fruitful contract (for farmers) can be negotiated. But a buyer has no assurance that just because a bargaining association can temporarily cut off supplies that its members can subsequently deliver the quantity and quality of production specified in the contract. Surely no buyer will agree to buy *endless* supplies of a commodity at some higher price than he previously paid.

Who will decide how much each member of the bargaining organization will sell? Can a voluntary organization of producers regulate production when the federal government has had problems with such efforts even with the full force of the law at its disposal? Possibly so, but this consideration suggests the necessity of further legal specification and facilitation of farm bargaining.

Another mistaken belief is that processors are getting fat profits off farmers and that bargaining contracts will let farmers simply and substantially dip into these profits. Either this idea is believed or the idea that the higher prices can be passed on to consumers. Both views are too simple. The gains that can be expected of successful farm bargaining will likely be much less dramatic and much more gradual than most bargaining enthusiasts envision. The persons who do the negotiating for a bargaining organization can expect to spend a good deal of their time talking with the bargaining group's leaders and members. They will have to explain the economic problems of the opposition—processors and retailers. It will require a long education process before farmers will be able to negotiate realistically and effectively.

Legality of Bargaining

Bargaining is publicly (legally) sanctioned and facilitated. Groups are not legally free to organize for bargaining in every society. In our own, some groups are prohibited from organizing to bargain. While the Capper-Volstead Act legally grants farmers the basic right to organize for bargaining, the specific legal limits, methods, and mechanisms for bargaining are not sufficiently spelled out. For instance, there is no law requiring a buyer to negotiate with an organization of sellers under specified conditions of seller membership or production strength. There are, in addition, no laws prohibiting buyers from discriminating against sellers who try to form a bargaining group. The sanctions which a bargaining group can legally

use to control and discipline its own membership are not clear.

Currently there is much legislative activity aimed at remedying some of these points; the outlook is somewhat encouraging. But many farmers, including farm bargaining organization leaders, do not appreciate the importance of further public sanctioning and facilitation of farm bargaining activities. Unless the ways and means are legally spelled out it is doubtful that meaningful bargaining can take place.

CONCLUSION

These are the requirements of an ideal bargaining situation from the standpoint of the bargaining organization; and here also are some of the facts and problems about farm bargaining organizations which must be considered in assessing how they approximate the ideal. In order to move toward solutions of problems connected with farm bargaining it is suggested that the highest immediate priorities should be as follows: (1) coordination of farm groups' efforts in obtaining further legislation to facilitate bargaining; (2) continued, intensified, and perhaps publicly sponsored dialogue among leaders of farm organizations aimed at increasing understanding of bargaining as well as increasing membership strength in bargaining organizations; (3) publicly sponsored programs for educating farmers, farm leaders, and others in the agricultural community about bargaining. These programs should be a major responsibility of Land-Grant Colleges and should be supplemented by whatever research and extension activities are necessary to produce and diffuse knowledge relevant to farm bargaining.

If the achievement of successful farm bargaining seems impossible, we should remember that a generation ago the agricultural technology and production of today would have been impossible for most farmers to comprehend. All of American society has undergone a technological revolution in the past two or three generations. Most of American society has undergone an organizational revolution: today most live their lives in and through large scale organizations.

The organizational revolution is just starting in agriculture. We can rest assured that the organization of agriculture will be dramatically different 50 years from now. Strong bargaining organizations will be an important part of this changed picture only if farmers, farm leaders, and others concerned with the agricultural community understand the requirements of bargaining and work earnestly to approximate these requirements.