COLLECTIVE BARGAINING BY PRODUCER GROUPS

by Francis A. Kutish

In discussing collective bargaining by producer groups I would like to set up what I think are some of the requirements for successful collective bargaining. Collective bargaining is presently being done by the National Farm Organization. I want to look at how well the methods employed by the NFO meet the requirements of successful collective bargaining as developed by G. Alvin Carpenter, Extension Economist, Marketing, University of California.

There are five major requirements for successful collective bargaining:

(1) The organization must be realistic and consistent in asking for what it can get.

(2) The negotiators must be well fortified with economic information about the producers, processors and consumers before they undertake to bargain.

(3) The officers, the people and the management also must have bargaining know-how.

(4) The management or agency must have the confidence and loyalty of the producers. On the other hand, the agents must command the respect of the processors with whom they're going to deal.

(5) The bargaining agent must be able to speak for a significant number of growers. In addition, he must control the timing, volume and direction of flow to market of production of adequate size to cause the buyers to want to negotiate with him. These are the essential ingredients for effective bargaining activities. It is no simple matter to be a bargaining agent and to maintain popularity with hundreds of producers on the one hand and the respect of several processors on the other.

Bargaining is the continual process of arriving at some sort of an agreement. First, it is necessary to reach agreement among the growers on the price for which they're going to bargain; second, it is necessary to try to reach an agreement with processors concerning this price and other conditions of exchange. The processors, however, will also have a price for which they will begin to negotiate. Their price will be consistent with their views

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1 Professor of Economics at Iowa State University.
of the market situation, general economic conditions and their own interests in profits and resource returns. This might coincide with the producers' ideas but probably not. Then the bargaining process begins.

Let's look at the actions of the NFO in terms of this five-point framework:

First, are the NFO's requests consistent and realistic? The prices sought by the NFO thus far have been determined partially at least on the basis of popular vote. They have not been arrived at primarily as a result of a consideration of the supply and demand situation.

Second, are the negotiators well-fortified with necessary economic information? This is difficult to say. I was informed once at an NFO meeting by some members of the collective bargaining group that they do not believe in supply and demand. They said quantity had no relationship to price. Prices are set, they said, by monopolistic elements in the economy. They could be set at any particular figure.

However, the assumption that the meat packing industry is highly monopolistic with strictly monopolistic pricing practices is not accurate. Earning returns do not bear this out.

There is probably a difference between what the NFO membership believes and what officials of the organization believe. The latter are conscious of the necessity for realism and good economic information. Withholding action specifically has been used as a means of demonstrating the organization's strength and attracting new members. This doesn't have any real lasting effect upon prices. But if the organization can get sufficient members it can undertake other activities.

Third, does the agent have bargaining know-how? I do not think we can answer this question in evaluating the holding actions. These actions have not involved bargaining. Thus bargaining ability has never been demonstrated because there hasn't been any bargaining yet.

Fourth, does the bargaining agent have the confidence of the producers and processors? I think they have the confidence of the producers. There is zeal among these people, an acceptance of the goals of the organization. The producer members have confidence. But the processors do not recognize the bargaining agent as an official representative or of significant influence to command their respect.

Fifth, are they able to attract and hold a sufficient number of growers and control a sufficient volume of the industry's production to be effective? In some areas many have been attracted. The contract specifies that at the option of the organization every producer will be required to turn over selling all of his produce. Holding growers for the length of the contract seems assured.
Both cattle and hogs are nationally produced, nationally processed and nationally marketed. They are quite different from fruits and vegetables. Cattle and hogs, as well as feed grain, are produced under almost perfect competition. Bargaining associations can most readily improve the status of farmers in segments of agriculture where monopolistic elements are already the rule rather than the exception. Where effective control of volume exists or can be secured and where effective bargaining techniques are employed, I think the bargaining associations also can influence the price as they have influenced the contract provisions.

But it is well to remember that the collective bargaining techniques are no cure-all for all of the marketing problems of the farmers. Only under certain conditions and with the proper leadership can professional bargaining be an effective tool.