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Forming agricultural bargaining units for a sustainable and equitable agriculture

Roger Ginder
*Iowa State University*, ginder@iastate.edu

Amy Guptil
*State University of New York - Brockport*

Richard A. Levins
*University of Minnesota*

Laurance R. Waldoch

Richard Welsh
*Clarkson University*

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Abstract
This study examines the structure, function, and perceived success of an organic growers' cooperative organization called OFARM.

Keywords
Policy

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Forming agricultural bargaining units for a sustainable and equitable agriculture: The case of the Organic Farmers Association for Relationship Marketing (OFARM)

Abstract: This study examines the structure, function, and perceived success of an organic growers’ cooperative organization called OFARM.

Question & Answer

Q: Can farmers enhance and protect the price of organic products with group marketing?

A: The results of this study indicate that organized farmers can obtain prices in the range of 10 to 40 percent higher than those received by farmers acting alone to market organic grains.

Background

The business of American agriculture is becoming highly concentrated; both contract and vertically integrated production have increased. This creates potential for farmers to organize themselves to bargain collectively, since this would allow them to negotiate more effectively within the concentrated, vertically coordinated structure. However, as the level of contract growing has increased, the number of active bargaining associations has decreased. Some analysts have attributed this to the lack of legal protection for grower organizing efforts.

Despite these trends, a cooperative marketing and bargaining association has been formed in the upper Midwest, OFARM or Organic Farmers Association for Relationship Marketing (http://www.ofarm.org/). OFARM is the umbrella organization for eight groups involved in raising and marketing of organic farm products, with a mission “to coordinate the efforts of producer marketing groups to benefit and sustain organic producers.” OFARM activities include the exchange of pricing and marketing information, the education of policy makers, collective bargaining with buyers of members’ products, and assisting farmers in adopting new crops and agronomic practices.

OFARM was founded in 2001 after several years of discussion about the need for an umbrella group to help organic producers market their crops. In legal terms, OFARM is a marketing agency in common, comprised of organizations that satisfy the Capper-Volstead Act requirements of farmer ownership and control.

Farmers join cooperatives for two reasons. So-called “brick and mortar” cooperatives allow farmers to further process their products and therefore add value. Their alter ego “bargaining cooperatives” allow farmers to act collectively in pricing products at the farm gate. In the upper Midwest, several smaller bargaining cooperatives have sprung up to market organic grains on behalf of member farmers. The cooperatives have, in turn, networked through a marketing agreement in common to form OFARM. Members interact through monthly conference calls and several meetings throughout the year. The design of the organization and its simultaneous focus on collective bargaining, collective marketing, and the promotion and enhancement of organic products is the umbrella organization for eight groups involved in raising and marketing of organic farm products, with a mission “to coordinate the efforts of producer marketing groups to benefit and sustain organic producers.” OFARM activities include the exchange of pricing and marketing information, the education of policy makers, collective bargaining with buyers of members’ products, and assisting farmers in adopting new crops and agronomic practices.
production make it a potential model for other farmer groups.

This report combines a number of analyses to generate a complete picture of the structure, function, and perceived success of OFARM. Investigators merge non-participant observations of OFARM board member meetings and conference calls with in-depth interviews of these same board members. A price analysis was conducted, to compare prices received by OFARM and those reported by a private service collecting price data on organic agricultural commodities. The investigators also offer an analysis of the legal foundations for OFARM operations and consider the state and federal laws that may enhance or hinder similar organizations in the Midwest.

Approach and methods

The researchers observed the work of the organization in phone calls and meetings, and conducted individual interviews with members of the board, marketing directors, and OFARM staff. Most of the interviews were 30- to 40-minute telephone conversations. Most interviewees represented member organizations as OFARM board members, marketing agents or both.

Results and discussion

OFARM’s key strengths. It has a committed core group of members whose appreciation for OFARM continues to grow. All interviewees voiced strong support for OFARM as a critically important contributor to their own organization’s success. The benefit mentioned most frequently and enthusiastically was the marketing information that comes through OFARM. In addition, some members noted that OFARM provides opportunities for mentorship, mutual support, and joint promotion. Newer members cited the value of OFARM connecting them with more experienced growers and marketers who can offer advice. Overall, the relationships formed through OFARM go beyond the direct exchange of information to other forms of mutual assistance.

OFARM has successfully galvanized a committed core group of members who trust one another and the organization. OFARM was able to start small and build on a social infrastructure of trust. It has benefited from the rapidly rising demand for organic goods.

While OFARM has been helped by the organic boom, there is a drawback. The burgeoning market encourages farmers within the cooperating organizations to bypass the cooperatives in order to market to the deep-pocketed corporations now getting involved in organics. As a result, communicating the long-term value of OFARM to the farmer members has been a constant struggle, and members are not always in agreement on the best methods of promotion. There also are some legal constraints based on the legally circumscribed structure of the organization.

Price analysis and comparison carried out for this project suggested that collective marketing by OFARM cooperatives has positive economic advantages for its members. A comparison of prices received by member and non-member farmers indicates that OFARM is negotiating higher prices than farmers are able to receive when they are acting alone.

Conclusions

As the organic industry matures, it may well become more concentrated and dominated by corporations. As this shift occurs, the ability for organic (and other) farmers to organize and share market information and bargain collectively increases in importance.

This study suggests that OFARM has emerged as a potentially important model for farmers and their producer associations. The best available evidence and data shows that OFARM has been successful in
strengthening the position of organic growers relative to the buyers of their products. This has resulted because the organizations that comprise OFARM regularly share information on market conditions, pricing, and location of product. Based on this analysis, OFARM appears to have been successful in creating an increasingly well-known and effective organization that has prevented grain buyers from pitting farm groups against each other to gain an advantage. The number of groups and farmers that has joined OFARM has enabled the group’s activities to raise prices for the farmer members beyond the premium prices typically paid to organic grain producers.

Two characteristics of the organic agriculture industry provide favorable and unfavorable conditions for an organization such as OFARM to emerge and succeed. They are:

1. The seemingly inexhaustible and rising demand for organic food products, and
2. The growing corporate presence in the organic industry.

Demand that exceeds supply has allowed producer organizations to take advantage of incentives to cooperate, fill rising demand, and potentially build strong relationships. It also has strengthened the hand of organic producers in relationships with buyers. In addition, as the organic industry becomes more concentrated and very large companies dominate the marketplace, organic farmers may find it difficult to operate successfully without forming marketing bargaining associations with other organic farmers.

At the same time, it is clear that OFARM members may break their contracts with OFARM as corporations pay significantly higher prices directly to farmers in order to secure supply in a tight organic market. If this type of action increases, it could put a severe strain on OFARM and its members.

Organic farmers could benefit over the long term by organizing themselves to develop market clout. This could allow them to successfully coordinate marketing to provide consistent volume and quality to buyers and consumers. In addition, group market power also enhances their position to bargain collectively and maintain high prices for their organically produced commodities. OFARM may inspire other niche production groups to collectively market their products.

Education and outreach

Information from this study has appeared in *The Natural Farmer* (Publication of the Northeast Organic Farming Association), *The Land Stewardship Letter* and *Hoard’s Dairyman*. Presentations featuring findings from the study were given at the 2005 meetings of the Rural Sociological Society, the Minnesota Organic Conference, the Upper Midwest Organic Conference, and the Upper Midwest Value-Added Conference.


Leveraged funds

Funds leveraged through this project include a Scholarly Incentive Grant of $500 from SUNY College at Brockport and a United University Professionals Individual Development Award of $672. A pending request based on the project is for the Rural Sociological Society’s Early Careers Award Competition.