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BARGAINING POWER FOR FARMERS

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Since the closing of the frontier, in the last quarter of the 19th century, the encounter with an increasingly dominant urban-industrial society has emerged as the major force in American agricultural development. The dramatic impact of this encounter during the last two decades has contributed to a crisis in social organization in both urban and rural areas. This crisis has resulted in an intensity of concern by farmers, and of farm organizations, with agriculture's changing role in the national economy that has turned the question of "bargaining power for farmers" into one of the leading issues in current agricultural policy discussion.

The milk holding action by the National Farmers Organization (NFO) in March 1967 dramatized, to both the general public and to the national political leadership, the seriousness of the efforts which some farmers were willing to make in order to achieve greater "bargaining power in the market place."

In response to this new evidence of "rural unrest" Secretary of Agriculture Freeman took to the country for a series of "shirt sleeve" conferences with largely hostile farm audiences across the Midwest. Task force studies and meetings with farm producers and marketing organizations to explore the interest and economic consequences of strengthening the power of farmers to bargain about terms of sale and market prices were conducted by the Department of Agriculture during the fall of 1967. In his January 1968 State of the Union Message and in his Agricultural Message on February 27, President Johnson recommended that Congress give serious attention to legislation "to help farmers bargain more effectively for fair prices."

In February 1968 Senator Mondale of Minnesota introduced legislation that would amend the Agricultural Marketing Act of 1937 to (a) extend the collective bargaining procedures available under marketing order arrangements to a larger

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number of commodities (Title II), (b) establish a National Agricultural Relations Board to supervise bargaining between farmer marketing and purchasing committees (Title I), and (c) provide greater protection to farmers against coercion or discrimination by handlers or processors because of membership in a bargaining association (Title III). The objectives of Title III have essentially been achieved through the recent passage of the Agricultural Fair Practices Act.

The issue of bargaining power for farmers is not new in the history of agricultural policy discussion. Farmers have long used organization as a means of improving their political and economic bargaining power. The National Grange, oldest of U. S. farm organizations (1867), grew rapidly in response to the long period of rural distress in the 1870's. The Farmers Alliance Movement in the 1880's represented a second major attempt by farmers to organize themselves. This effort led to the formation of the Populist Party in 1891. The Farmers Union, organized in 1902, drew heavily on the old Farmers Alliance-Populist movement for its leadership and support. In contrast to earlier political efforts, however, the Farmers Union placed major emphasis on achieving economic power through cooperative marketing.

The most dramatic effort by farmers to achieve direct marketing power occurred during the 1920's. Farmer cooperative associations achieved protection from antitrust action through the Clayton Antitrust Act (1914) and the Capper-Volstead Act (1922). Under the leadership of Aaron Sapiro of California, national commodity cooperatives for wheat, cotton, tobacco, peanuts, and many other crops were formed. The objective of organization was to obtain control over a sufficient proportion of the entire crop to become a dominant factor in the market. Control of producer deliveries were to be achieved by means of longterm contracts with members.

The success of the "monopoly cooperative model" Sapiro movement fell far short of its hopes. It failed primarily because its organizers had underestimated the economic power necessary to withhold supplies of major agricultural commodities from the market in order to achieve price enhancement.

With failure of the market power movement of the 1920's, the major thrust of agricultural policy from the 1930's to the mid-1960's has been the use of political power to achieve economic gains. This political power, made effective through the organization of the "Farm Bloc" in Congress, has been focused primarily on the achievement of favorable prices for farm commodities through the use of production control and surplus disposal programs. These programs have employed land use controls to regulate agricultural production and the power of the Federal budget to hold price depressing "surplus commodities" off the market or to dispose of them through "noncompetitive" markets—through domestic "food stamp" and international food aid programs, for example. In recent years, however, the Farm Bloc has tended to disintegrate. As even favorable farm legislation, such as the Agricultural Act of 1965, has failed to provide the price enhancement and income goals which many farmers regard as reasonable, a new interest in the achievement of economic objectives through direct "bargaining power in the market place" has emerged.

In my opinion the source of rural unrest today reflects more than a simple concern over farm prices and incomes. It stems from a pervasive uneasiness about the future of agriculture, and of rural life, in an urban-industrial society. This concern has lead to a judgment by many farmers and farm leaders that the use of political power to influence government programs to achieve substantial economic gains is no longer effective. Market power is regarded as a potential alternative to political power. The implication of this judgment, to many farmers, is that they must attempt to design a system which places farm leaders in a position of economic power—in a position to affect economic decisions in the private sector—just as they have used political power to place themselves in a position to affect economic decisions in the public sector during the last three decades.

Although this judgment is most intense in the traditional Populist states of the Upper Midwest, it is held to a substantial degree by farmers and by farm organization leaders throughout the nation. Neither is it confined to a limited income or economic class within the broad spectrum that might be labeled "commercial agriculture." Indeed, this judgment is probably most intense among many of the more aggressive young farmers who have committed themselves to commercial agriculture and have gone into debt to acquire the land, equipment, and other assets necessary to organize a viable commercial enterprise.

Behind this judgment is a "conspiratorial" view of the role of economic power in American economic organization that has much in common with the Populist roots of the current rural unrest. According to this view, farmers are weak and unorganized. The rest of the economy— both business and labor—is highly organized and capable of exercising monopoly power in labor and product markets. Consumer interests are viewed as exercising increasing power in favor of "cheap food" policies in the Executive Office of the President, the Department of Agriculture and the Congress. Farmers are, in this view, the powerless victims of exploitation since they represent the only sector of the economy left to the free play of competitive forces.

There are two possible conclusions from such an analysis. The first is that the labor and industrial "monopolies" should be broken up. This was the route chosen by the agrarian Populists when they supported the passage of the Sherman Antitrust Act (1890) and other antimonopoly legislation. The antimonopoly approach is no longer viewed as holding any prospect for substantial economic gains by farmers. The laws to promote free markets which were supported by the early Populists were passed, yet the problem of declining farm numbers and low farm incomes remains. Given the view of economic society held by farm leaders, the only alternative is to organize farmers to achieve the economic power to "bargain" directly in the market place for more favorable conditions of sale and for higher farm prices.

The National Farmers Organization, formed in 1955, represents the most articulate exponent of collective bargaining for agriculture. Its initial approach was clearly developed with the "labor union model" in mind. Formal affiliation with the labor movement was rejected after considerable controversy within the organization during its initial years, primarily on the grounds that association with organized labor would be regarded with mistrust by many farmers.

By 1959 the NFO was sufficiently well organized to attempt a limited or "test" livestock holding action in several areas in Iowa, Missouri, Kansas, and Nebraska. Further limited holding actions were held over somewhat larger areas in 1960 and in 1961. These test actions were followed by an all-out effort to hold livestock off the market in the fall of 1962. This action generated considerable tension among farmers over the NFO approach and occasional outright violence against livestock truckers and in several livestock markets. Although the holding action had little economic impact, it represented an important step in the NFO campaign to expand its membership.

The second major action by the NFO was the 1967 milk holding action. This effort clearly was more carefully organized than the earlier actions. Preliminary results of a study now being completed at the University of Minnesota indicate that substantial quantities of milk were held off the market during the two weeks when the action was most effective. The effect of this action was felt primarily in the production of manufactured dairy products such as butter and cheese rather than in the consumption of fluid milk.

It is still too early to evaluate the effects of the current "all commodity" holding action. This action is being implemented in a series of steps. A grain holding action was announced in January. Meat was added in February. A new milk holding action is tentatively scheduled later this spring. According to the NFO Reporter, "The strategy...is to build a climax of effect on all agricultural commodities at about the same time...to shut down the agricultural plant... until contracts and the desired prices are achieved by NFO." Along with the holding action, the NFO is urging farmers to take full advantage of the USDA farm programs to hold commodities off the market and reduce next year's production. It seems apparent that this new "all commodity" action represents part of an election year strategy to maintain a militant membership in order to demonstrate effective political power. If effective, it should also "soften up" processor opposition and contribute to membership expansion.

The appeal of the "bargaining power" approach has not gone unnoticed by other farm organizations. The American Farm Bureau Federation has established an affiliate, the American Agricultural Marketing Association (AAMA), to bargain with processors. Although some NFO speakers have characterized the Farm Bureau effort as a "company union" approach—urging the processors to sign with the Farm Bureau so they would not have to deal with the NFO—the Farm Bureau bargaining groups have experienced some success. In Ohio and Indiana the association has been effective in raising the general level of raw tomato prices.

The Farmers Union, while adopting a certain amount of the "bargaining power" terminology, continues to emphasize the need for supply control by the Federal government. According to Director of Legislative Services for the Farmers Union, "I cannot conceive of farm bargaining being effective without supply control on a nationwide basis on commodities produced widely in the nation. With sufficient 'teeth' in the supply control provisions, I see no reason why market bargaining cannot be effectively applied to the major commodities and bring about farm income improvement."

The Farmers Union position poses the fundamental economic question that will determine whether the current drive to achieve greater bargaining power by farmers will survive or whether it will end up in the same political and economic bankruptcy as the "Sapiro movement" of the 1920's. The NFO has placed major emphasis on price enhancement as the single objective of its organizing effort. It seems reasonable to ask what conditions must be met to create an economic environment for successful price enhancement through collective bargaining between farmers and marketing firms.

Whether the purpose of bargaining is to increase wages in industry or to raise the prices of farm products, two conditions must be met:

First, the bargaining group must represent a large enough fraction of workers or farmers to win recognition from employers or buyers.

Second, if a bargain with a particular firm, industry, or commodity market raises wages or prices, additional workers and other resources will be attracted and production will expand unless some way can be found to insulate the firm, industry, or commodity sector from normal market processes.

The second condition is particularly difficult to achieve without assistance from the government. It involves rationing access to the higher priced labor or commodity markets. This may be done through seniority rights, quota allocations, and other devices. One result of such restrictions is unemployed labor in industry and idle land in agriculture. If unemployment of labor or other resources is to be avoided, someone—usually the government—must act as the employer of last resort or stand ready to purchase and dispose of the excess production.

If these conditions are to be met, it will require a greater degree of organization, cohesion, and control over production and marketing than farmers and ranchers have traditionally been willing to impose on themselves. The reason they have not been willing to proceed as far in this direction as industrial workers is not due to a weakness of moral fiber among farmers. It stems, to some degree, from the fact that laws supporting collective bargaining in agricultural markets have been less adequate than the laws that support collective bargaining in labor markets.

A more fundamental set of limitations stems from the dramatic changes in the market for agricultural products and in the technology of agricultural production which have occurred in this country since World War II.

First, food consumption in the United States is, with the minor exception of a few exotic commodities, no longer very responsive to changes in prices or incomes. This means that lower prices do not significantly expand total pruchases of agricultural commodities. Similarly, higher prices do not significantly reduce total purchases. This is not true of individual commodities, however. Consumers do respond to changes in the price of butter relative to the price of margarine or of poultry relative to the price of pork. This tendency sets limits to the power of any one commodity group to raise its price.

Second, the rate of technical progress in agriculture is more rapid than the growth of demand for farm products. Labor productivity has been expanding at a rate of more than 6 percent per year and the demand for food at less than 2 percent per year. This means that roughly 4 percent of the labor force in agriculture becomes redundant each year. With excess capacity to produce in agriculture, farmers are extremely aggressive in expanding the production of any commodity which promises favorable returns.

The low elasticity of demand for farm products, in total, holds out the promise of substantial gains from price enhancement through collective bargaining. The rapid production response to changes in the relative prices of individual farm commodities, permitted by modern technology, erodes these potential gains before they can be realized by more than a limited number of farmers.

The biological nature of agricultural production processes also imposes a heavy burden on the bargaining process. Labor time lost during a strike does not contribute to increased industrial production. The plant shuts down. But cattle held off the market during a holding action continue to consume feed and grow heavier. And heavier cattle bring less per pound in the market place after they have gone past their prime market weight.

It seems apparent, in view of these factors, that collective bargaining on the labor model holds limited possibilities for substantial enhancement of agricultural prices or improvement of farm income for the producers of the major commodities produced on a national scale. This does not mean that the labor model does not offer the prospect of substantial gains for a number of minor commodities produced in limited geographic areas—cling peaches in California; tart cherries in Wisconsin, Michigan and New York; and others. Collective bargaining may also represent a useful device for removing inequities in the marketing system and for inducing shifts to more efficient marketing techniques which require close cooperation of producers and processors.

The labor model should not be regarded as the only vehicle which farmers can use to acquire greater bargaining power in the market place. While the NFO and other national farm organizations have been generating headlines, a number of enterprising cooperative leaders have been quietly encouraging a merger movement among agricultural supply and marketing cooperatives that may meet some of the organizational limitations of the labor model. The most ambitious of these attempts are occurring in the dairy industry. If these plans succeed, a new super cooperative representing dairymen throughout the entire mid-continent area from Texas to Minnesota may actually achieve—through control of milk production, fluid milk processing, and the production of manufactured dairy products—the bargaining power that the cooperative movement of the 1920's envisaged but never achieved. If this is achieved, it will not be through market power alone. The existence of a federal milk market order system, with a long history of effective action through local bargaining associations and the public enforcement of a pricing system that permits diversion of surplus production into secondary markets, represents a major asset that is not presently available to producers of other major commodities. Passage of Title II of the National Agricultural Bargaining Act would extend similar power to producers of many other commodities.

For the major agricultural commodities other than milk—corn, wheat, soybeans, hogs, and beef—enhancement of bargaining power appears likely only through the delegation of powers to limit resource use and store or divert production now exercised by the Department of Agriculture in administering the major commodity programs. This is essentially what would be achieved by the National Agricultural Relations Board under Title I of the proposed National Agricultural Bargaining Act.

Administration of the commodity programs by the proposed National Agricultural Relations Board would, under any circumstances, be faced with the very real consequences of rapid technical change pressing against an inelastic demand for agricultural products. Substantial increases in prices for farmers will still be achieved only (a) with more stringent controls over production than farmers have thus far been willing to accept or (b) with even larger appropriations from the

Federal budget than under the Agricultural Act of 1965 to induce farmer compliance with production targets.

My analysis leads me to place greatest immediate importance on the provisions of Titles II and III of the National Agricultural Bargaining Act. Title I must, by and large, be regarded as an alternative way of administering the major commodity programs. While I see some political advantage to the changes proposed under Title I, I see no real economic advantages.

Passage of Titles II and III would widen the possibility of achieving more effective coordination of production and marketing activities in markets characterized by effective bargaining arrangements between produce s and handlers. This offers the possibility of achieving gains in both equity and efficiency in the markets for farm products.

At the same time I have some concern with respect to the potential inequities of permitting farmer bargaining associations to impose compulsory restraints on the marketing of agricultural commodities on all producers in a marketing area or of a particular commodity. Care must be taken to make sure that the interests of smaller producers are appropriately represented. On balance, however, continued experimentation to develop more effective institutional patterns of cooperation between producers and handlers offers the prospect of substantial gains in new insights into the technical and social efficiency of modifications in the economic institutions which coordinate agricultural production and marketing activities.

The achievement of greater bargaining power in the market will continue to leave unsolved many of the significant problems that contribute ot the uneasiness with which farmers view the social and economic future of rural areas. The relatively modest price enhancement possible through greater barganing power will not prevent nonfarm financial interests from taking advantage of a biased tax structure to acquire greater control over farm production. It will not solve the pervasive problems of the quality of rural education, rural health services, and rural government. The advances of modern agirucltural technology, modern communications, and modern patterns of social organization will continue to represent disruptive forces in rural communities.

In my judgment, both farm organization leadership and labor organization leadership share a common myopia that is contributing to a deepening of the sense of frustration in which they find themselves. The concentration of American business unionism on wages and wage related benefits and of American commercial farm organization leadership on prices is resulting in the failure of organized farmers and workers to contribute effectively to the solution of the problems created as a result of the massive social, economic, and technical changes which are causing a complete reorganization of both urban and rural life in America.