The Effect of Laws That Foster Agricultural Bargaining: the case of apple growers in Michigan & New York

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• Analysts have assumed that the increasing concentration in the processing sectors of major commodities, along with increases in contract production, would lead to increases in bargaining cooperatives or associations.
Increases in Contract Production

• Percentage of value of commodities produced under contract has increased from 10% in 1978 to over 31%.

• Percent of farms with contracts has increased from 1% in 1978 to over 11%.
Bargaining Associations

• 1978: 67 associations in 13 states.

• 1992: 36 associations in 9 states.

• 2000: 20 associations in 10 states.
Why in decline?

- Major buyers have engaged in anti-organizing tactics when faced with farmers organizing
  - non-renewal of contracts of members
  - requiring farmers to resign as a part of their contract
  - offering incentives to farmers to withdraw from associations
  - threatening farmers who attend organizing meetings (Bunje, 1980)
Federal Bargaining Law

• The Agricultural Fair Practices Act of 1967 (AFPA) supported the concept of collective action by farmers. AFPA stated that there is a need for farmers to be able to form voluntary cooperative organizations, and made this the policy of the United States government (Bunje, 1980).
Flaw in AFPA

• “Nothing in this chapter shall prevent handlers and producers from selecting their customers and suppliers for any reason other than a producers membership in or contract with an association or producers, nor require a handler to deal with an association of producers.” (7 U.S.C. 2304; emphasis added).
Stronger state laws

• Of the 20 active bargaining associations identified, 17 were in states with laws regarding agricultural bargaining associations.
• Michigan’s law is held up as a model for a strong state bargaining law.
• No such law in New York.
The Michigan Agricultural Marketing and Bargaining Act (MAMBA)

- Mediation and/or arbitration is required to settle disagreements
- Bargaining in good faith is required
- An accredited association is responsible for carrying out negotiations on behalf of all of the producers of a given commodity within a bargaining unit.
- An association seeking accreditation must include 50% of the producers of a given commodity, and account for 50% of the commodity produced.
Michigan Agriculture Cooperative Marketing Assoc (MACMA)

• Law lays the groundwork for establishing a collective bargaining unit.

• MACMA’s leadership has played a fundamental role in making sure that MAMBA has been utilized.
MAMBA/MACMA Impacts?

- *Successful Farming* reports positive impact on apple prices relative to other states.

- MACMA also provides services to growers and may enhance competitiveness.
Data

• NASS price data for processed apples, 1969-2000.

• Survey of growers in MI and NY and in and out of MACMA.
  – Attitudinal data
  – Farm structure data
Processed Apples - Adjusted to 2002 prices

Year

dollars/ton

MI
NY
PA
US
Linear (MI)
Linear (NY)
Canned - Adjusted to 2002 Prices
Juice - Adjusted to 2002 Prices

[Graph showing the price of juice over years, adjusted to 2002 prices, with trend lines for different regions.]
Frozen - Adjusted to 2002 Prices

(dollars/ton)

Year

MI
NY
PA
US
Linear (MI)
Linear (NY)
Results from mail survey

- MACMA growers more likely to report input into prices received for apples.
- MACMA growers more likely to report input into terms of trade (e.g. payment schedule).
- MACMA growers more like to report input into state policies affecting their operations.
- MACMA growers more likely to report they have help in locating market outlets for apples.
Results cont.,

- MACMA growers more likely to desire a stronger federal bargaining law.
- 62% of MACMA growers report that processing firms have refused their business because the growers belong to MACMA.
- 64% of growers surveyed agreed or strongly agreed that bargaining units raise prices received for *all* growers (55% of non-members).
Conclusions

• Potential positive price impact, but not likely over the long-term.
• Members & non-members see positive impact of MACMA (free rider problem).
• MACMA members more ideologically committed.
• Bargaining units provide services such as:
  – Education of policy-makers
  – Marketing assistance
  – Vehicle for input into contract terms