

# **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.

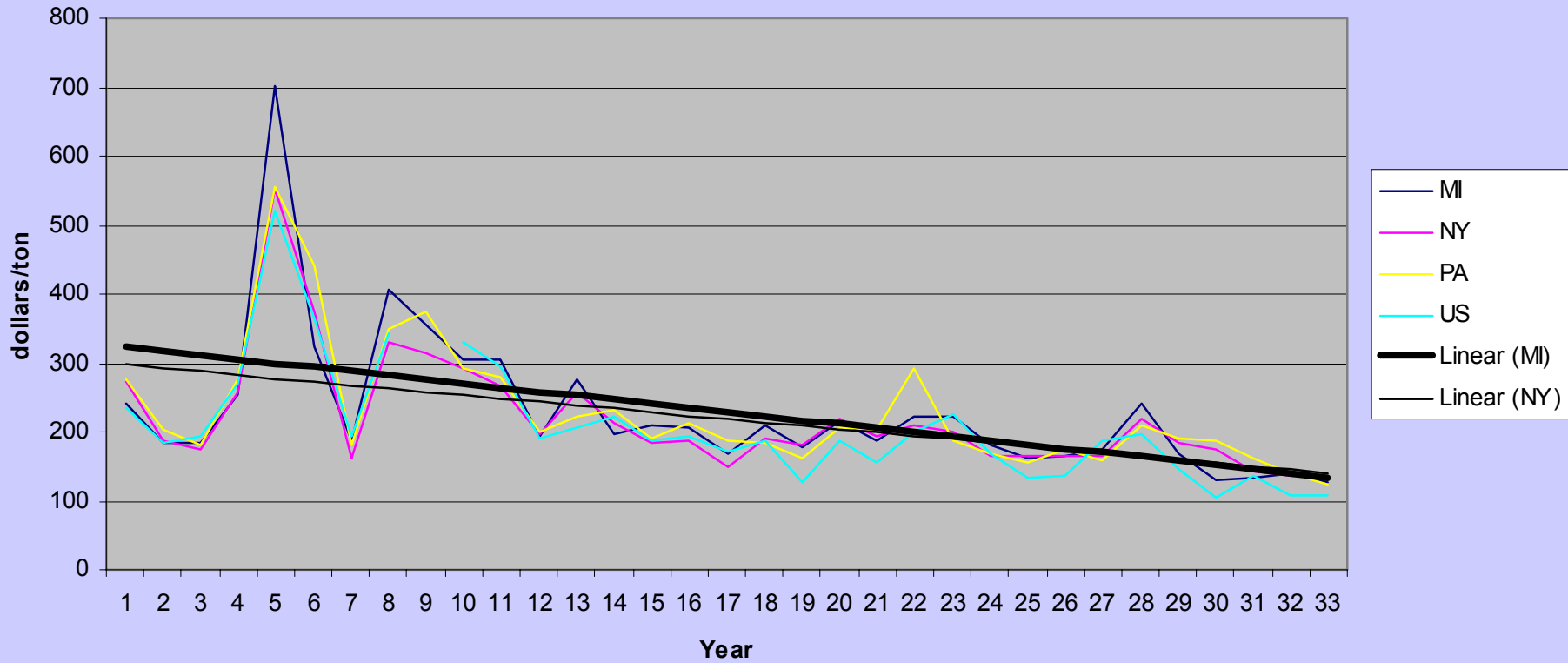
# MAMBA/MACMA Impacts?

- *Successful Farming* reports positive impact on apple prices relative to other states.
- MACMA also provides services to growers and may enhance competitiveness.

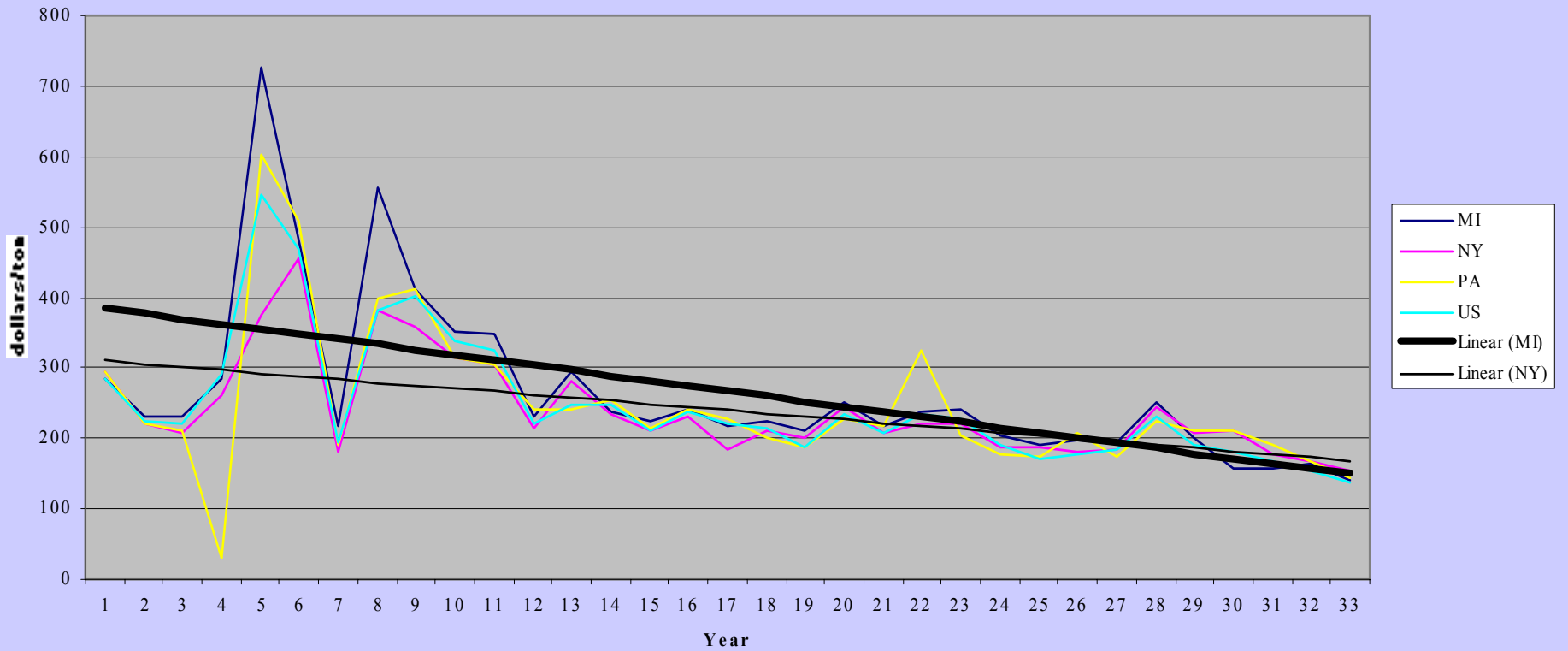
# Data

- 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

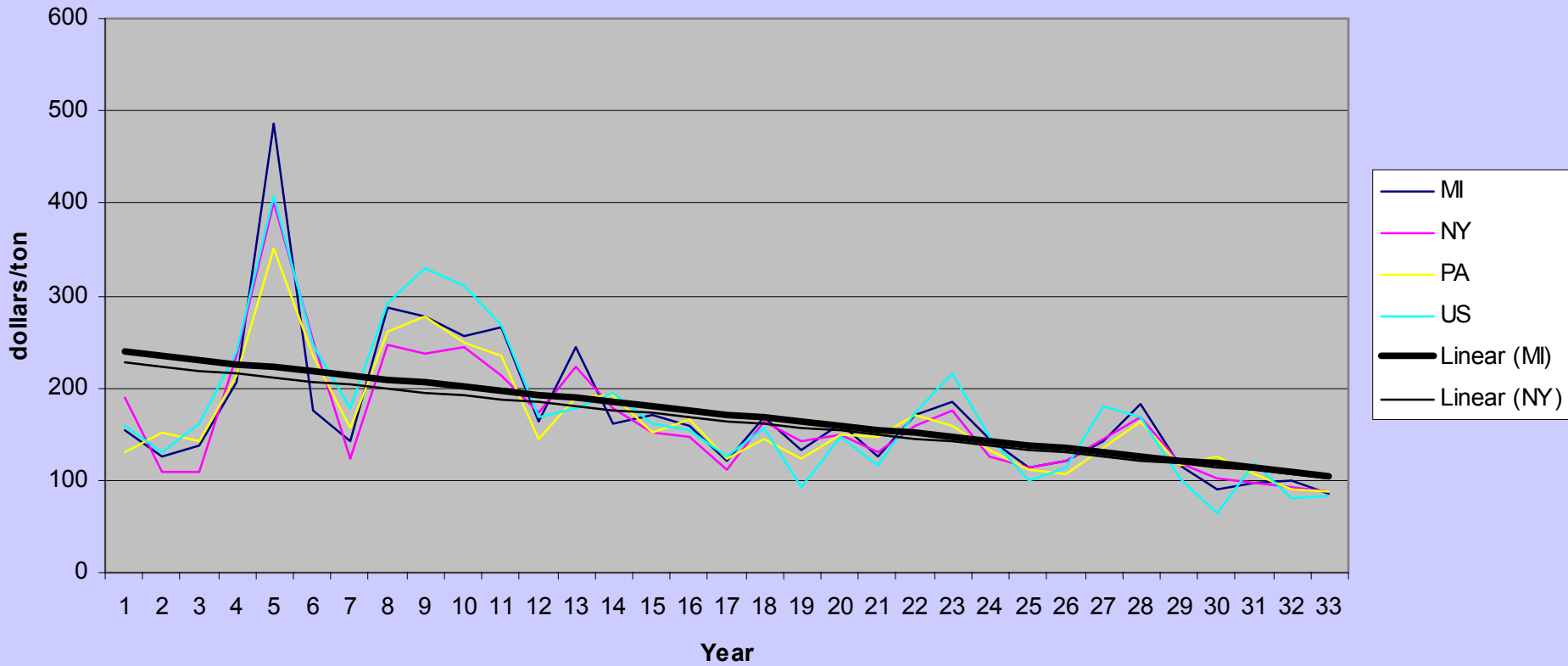
## Processed Apples - Adjusted to 2002 prices



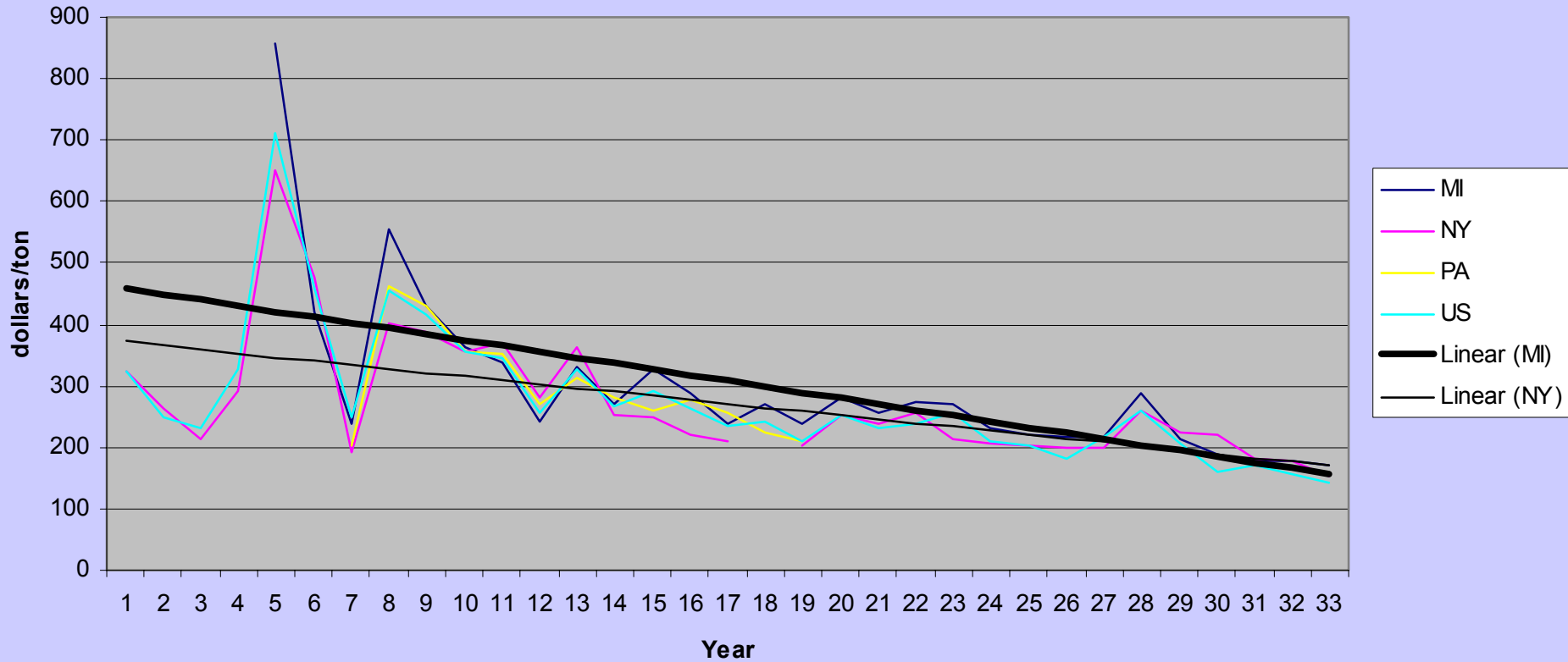
# Canned - Adjusted to 2002 Prices



## Juice - Adjusted to 2002 Prices



## Frozen - Adjusted to 2002 Prices





# 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