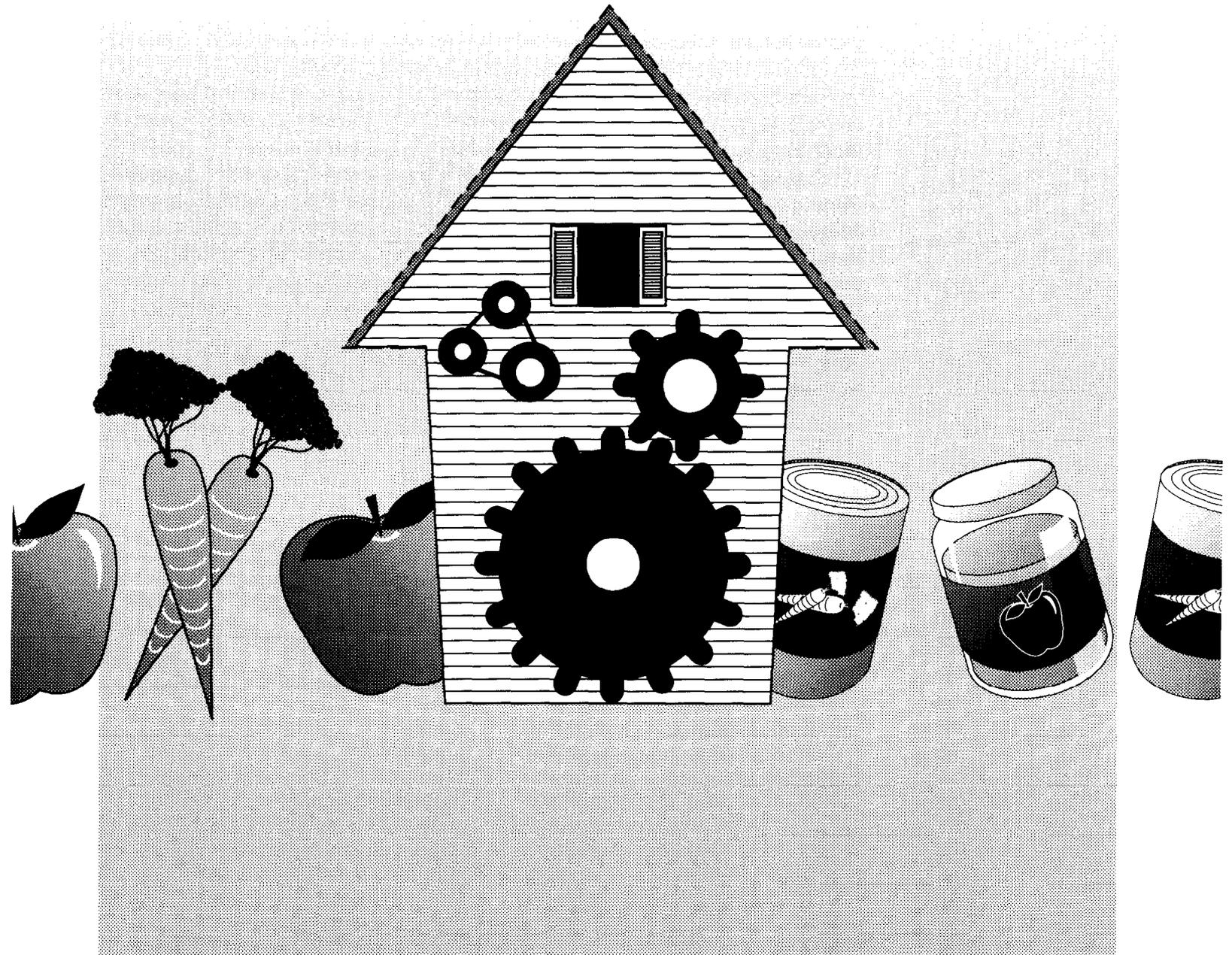


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# Bargaining Associations in Grower-Processor Markets for Fruits and Vegetables



## Abstract

### **Bargaining Associations in Grower-Processor Markets for Fruits and Vegetables**

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Fruit and vegetable bargaining associations representing 36 commodities have an average market share of 60 percent and an average membership of 310 growers. In addition to raw product price, the terms of trade most frequently bargained for are "time and method of payment" and "quality standards." The buying industries faced by growers appear to be quite concentrated.

Forty percent of the associations reported having less than five processors in their market area, and 67 percent indicated that the four largest processors purchase more than 75 percent of their association's production.

Higher prices and more stable prices were the most frequently cited objectives of the participating associations. Lack of volume control and failure to get adequate membership were reported as the most common obstacles encountered by associations in achieving their objectives. Limited alternatives are available if bargaining fails. The most frequently cited course of action was to take legal action to enforce "good faith bargaining" laws where applicable.

**Key Words:** Cooperatives, associations, bargaining, negotiation, processing, fruit, vegetables.

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## Preface

This report presents the findings of a national survey of active fruit and vegetable bargaining associations. Its purpose is to provide a current and **indepth** description of cooperative bargaining in grower-processor markets for fruits and vegetables.

More than 85 percent of all active fruit and vegetable bargaining associations located in the United States participated in the study by filling out a written questionnaire. Completion of the questionnaire was, in most cases, followed by extensive **inperson** interviews with survey respondents. In addition to identifying the scope of cooperative bargaining and the economic and structural characteristics of the bargaining environment, the survey and interview questions were designed to obtain information pertaining to association financing and **decision-making**, association objectives and benefits, and the actual negotiation process.

This study is an outcome of a cooperative research agreement between the Agricultural Cooperative Service (ACS), U.S. Department of Agriculture, and the Center for Cooperatives at the University of California, Davis. The authors gratefully acknowledge the survey participants, without whom this study would not have been possible. In addition to completing a written questionnaire, many participants spent several hours of their time during **inperson** interviews providing detailed information about their bargaining association, and sharing their experiences and viewpoints. Special thanks also go to Leon Garoyan of the Center for Cooperatives at the University of California, Davis, for his help in designing the survey instrument. Thanks also go to the University of Vermont, Burlington, where the senior author is now employed.

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## Highlights

Survey responses were obtained from fruit and vegetable bargaining associations representing 36 commodity groups. These associations have an average membership of 310 growers and an average market share of 60 percent. Half of the participating associations began negotiating in the late 1960's to **mid-1970's**, with the average age of all 36 associations being 25 years.

In addition to bargaining for raw product price, the terms of trade reported as most frequently negotiated include "time and method of payment" and "quality standards." Only 25 percent of associations reported negotiating for the quantity of raw product to be purchased by processor/handlers. In most cases, the total volume of raw product to be purchased is predetermined prior to price negotiations.

The survey results indicate that the buying industries growers face are quite concentrated. Forty percent of the associations reported having fewer than five processors in their market area, and 67 percent indicated that the four largest processors purchase more than 75 percent of their association's **production**.

Bargaining associations have limited alternatives if negotiations fail. The course of action most frequently cited was to take legal action to enforce "good faith bargaining" laws where applicable. In some cases, the fresh market or **out-of-area** processors represented viable alternatives. More than half of the associations indicated there are no good alternative crops to be grown in place of the bargained commodity.

Although one-third of the associations have considered processing member production as an alternative to bargaining, only one association reported actually having done so. However, almost half reported that some processors in their market area grow some of their own raw product.

For 44 percent of the associations studied, processing cooperatives are present in their market area. These processing cooperatives handle an estimated average of 42 percent of the commodity processed. In most cases where bargaining associations exist in the presence of processing cooperatives, some growers belong to both.

Nearly 20 percent of the associations reported having a quality- or **volume-**controlling marketing order in place for the commodity for which they negotiate. Aside from the presence of a marketing order, only 2 of 36 associations have attempted to manage production or control supply.

# Bargaining Associations in Grower-Processor Markets for Fruits and Vegetables

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## OVERVIEW

**Cooperative** bargaining associations operate in many fruit and vegetable markets in the United States. These associations are organizations of growers that negotiate terms of trade with processor-buyers of their raw product. A bargaining association generally does not become involved with the handling of raw product, nor does it have any mechanism to control producer supply.

A primary objective of bargaining associations is to increase grower returns by **countervailing** the market power of buyers. However, the structure and the nature of the market within which an association exists may affect the extent to which it is successful in achieving this and other bargaining objectives. The purpose of this report is to provide a comprehensive and up-to-date description of cooperative bargaining for fruits and vegetables. The focus of the study is on the economic and organizational characteristics of these associations and the market environment in which bargaining occurs.

A small body of literature describing cooperative bargaining in agriculture already exists. The most comprehensive discussion is included in a study conducted by Helmberger and Hoos (1965). Other works focus on issues such as the goals and objectives of bargaining associations (Ladd 1964, Roy 1970, Lang 1979, Bunge 1980), factors which affect the outcome of negotiations (Babb et al. 1969, Carpenter 1969, Bunge), and the legal aspects and history of cooperative bargaining (Lang, Bunge, Hoos 1982). Most of these studies, however, are quite dated and do not reflect today's bargaining environment. Moreover, with the exception of a few case studies (Babb et al., Bunge), there is little

information on the procedures and methods of the actual negotiation process.

To obtain updated information and a comprehensive description of cooperative bargaining, a national survey of bargaining associations was conducted. The survey included a written questionnaire and personal interviews with managers and board members of participating associations. Survey results are presented in this report. Section 1 discusses the methodology used to identify the surveyed population; section 2 describes the survey instrument; and section 3 contains the final survey results and draws some comparisons with previously conducted surveys by Lang, Biggs (1982), and Skinner (1984).

## SURVEYED POPULATION

The first step in the survey process was to identify associations that would participate in the study. Since the focus of the survey is on grower-processor markets for fruits and vegetables, an attempt was made to locate all active fruit and vegetable bargaining associations in the United States. A list of active associations was compiled with input from the Center for Cooperatives at the University of California, Davis and USDA's Agricultural Cooperative Service, and from lists associated with previously conducted surveys of bargaining associations. Managers of existing associations and other persons knowledgeable about the processing fruit and vegetable industries provided information as well. In total, 29 active fruit and vegetable bargaining associations from across the United States participated in the survey.

The next step in the process involved making telephone contact with a manager or officer from

each of the 29 active associations. The telephone conversation was to familiarize the potential participants with the objectives of the survey and request that they participate in the study by completing a written questionnaire. Each association was also asked to forward copies of their bylaws, membership agreements, and association-processor (or grower-processor) contracts.

All 29 associations agreed to participate in the study. If the questionnaire was not returned within 1 month, a followup letter was mailed; after 2 months a second followup letter and an additional questionnaire were sent out. In some cases, it was necessary to mail a third questionnaire and make another telephone contact.

The overall response rate resulting from this process was 86 percent, with 25 of the 29 associations returning a completed, usable questionnaire. Of the 25 responding associations, 6 are multiple commodity associations (i.e., negotiate for more than one commodity) and 19 are single commodity associations. The individuals that completed the questionnaire included association presidents, vice presidents, directors, general managers, division managers, and assistant managers.

After obtaining preliminary results from the written questionnaires and reviewing the bylaws, membership agreements, and contracts received from the participating associations, personal interviews were conducted with willing respondents. The majority of the interviews were conducted in person at the bargaining cooperative's location. In some instances, where it was not feasible or at the request of the respondent, personal interviews were conducted over the telephone. In total, interviews were conducted with 23 of the 25 associations that returned the written questionnaire. The personal interviews gave respondents an opportunity to clarify, refine, and expand upon their survey responses and allowed for the collection of additional information.

## QUESTIONNAIRE

Because the study included both single and multiple commodity associations, two survey instruments were designed. Though the two survey

instruments contained identical questions, the survey designed for the multiple commodity association contained two parts. Part one included general questions appropriate for all crops in the multiple commodity association, and part two included crop-specific questions to be answered for each commodity.

These survey instruments were designed to obtain information in five broad areas:

1. The scope and prevalence of cooperative bargaining in grower-processor markets for fruits and vegetables;
2. Methods of financing and decisionmaking within the associations;
3. Economic conditions and structural characteristics of the bargaining environment;
4. Procedures and methods of the negotiation process; and
5. Association objectives and services/benefits provided.

Questions contained in the survey instruments were formulated using information from the existing literature on cooperative bargaining (Helmberger and Hoos, Babb, Carpenter, Bunge, Hoos) and previously conducted surveys by Lang, Biggs, and Skinner.

## SCOPE AND PREVALENCE OF COOPERATIVE BARGAINING

### Location of Active Associations

Active fruit and vegetable bargaining associations were identified in nine States, and responses came from eight of the nine States in which these associations were located. The largest number of associations was in California and Washington, and these States were the most frequently represented in the survey with 10 and 8 responses, respectively. Table 1 shows the complete distribution of responses by State.

## Commodities for Which the Associations Bargain

Overall, the 25 responding associations represent 36 commodity groups, since 6 of the 25 associations negotiate for more than one crop. For the most part, the operations and negotiations for individual crops in these multiple commodity associations take place separately. Thus, for purposes of this study, each of the 36 commodities or commodity groups will represent and be referred to as a separate bargaining association.

Table 2 identifies the commodities for which the 36 responding associations bargain and indicates whether these commodities are annuals or perennials. This distinction will be continued throughout the reporting of the survey results. Note that because some associations negotiate for the same type of commodity, the 36 associations represent only 24 different commodities.

The number of different fruit and vegetable crops negotiated through bargaining associations has remained fairly stable over the past few decades. Skinner reports that in 1971 existing associations bargained for 25 different crops, and in 1978 and 1982 associations negotiated for 26 and 25 different crops, respectively. Associations participating in Lang's survey (in the mid-1970's) bargained for 24 different fruit and vegetable commodities.

**Table 1—Location of active bargaining associations**

State associations	Responding associations	Active
California	10	10
Idaho	2	2
Maine	1	1
Michigan	1	1
New York	0	1
Ohio	1	2
Oregon	11	
Utah	1	1
Washington	a	10
Total	25	29

## Dates Negotiations Began

The participating associations have been negotiating raw product price for an average of 25 years. Assuming the number of years an association has been negotiating raw product price defines its age, the oldest association participating in the survey began negotiating for price in 1922, and the most recently formed bargaining association began price negotiations in 1987.

The most frequently reported dates for beginning price negotiations are from the late 1960's to the mid-1970's, during which 18 of the 36 associations began bargaining for price. This fact is not surprising, given that the Agricultural Fair Practices Act (Federal legislation) was passed in 1967. This act was passed in response to producer complaints of discriminatory activities by processors because of growers' participation in, or attempts to organize, bargaining associations. Additionally, 9 of the 18 associations that began price negotiations during this period were in California, where State legislation concerning unfair practices (1961) and subsequently an amend-

**Table 2—Commodities for which associations bargain**

Annual crops	Associations	Perennial crops	Associations
Carrots	1	Apples	1
Cauliflower	1	Apricots	1
Chilipeppers	1	Asparagus	2
Corn	4	Avocados	1
Cucumbers	2	Cherries	1
Greenbeans	1	Hazelnuts	1
Peas	3	Limes	1
Potatoes	4	Olives	1
Tomatoes	2	Peaches (cling)	1
		Peaches (freestone)	1
		Pears	2
		Plums	1
		Prunes	1
		Raisins	1
		Raspberries	1
Total	19	17	

ment involving bargaining in good faith (1974) were passed.

There is a notable difference in average association age between the annual and perennial crop associations. The average age of the annual crop associations is 21 years, whereas the average age for perennial crop associations is 29 years. Also, 11 of the 12 most recently formed associations—those formed in 1974 or later—are annual crop associations.

### Terms of Trade Negotiated

In addition to negotiating raw product price for their growers, bargaining associations negotiate for numerous non-price terms of trade that can affect growers' income. Only one of the 36 associations did not negotiate for terms of trade other than raw product price. Of the 35 associations that did negotiate non-price terms of trade, 31 began doing so the same year that price negotiations began, 3 began negotiating non-price terms after they had been negotiating price for several years, and 1 association had been negotiating non-price terms for 2 years prior to price negotiations.

Table 3 identifies the terms of trade for which associations negotiate. The most commonly negotiated non-price terms of trade are time and method of payment and quality standards. These terms were reported as the most frequently negotiated non-price terms of trade in the Lang survey as well.

In interviews with survey respondents, issues concerning how and when growers are paid were of primary concern. A common complaint was that growers would often end up "financing the processors" with whom they negotiate by not receiving payments for crops until well after delivery. Most associations also felt the need to specify minimum quality standards as part of negotiations. Other terms of trade frequently bargained for include methods of grading, duration of contracts, and responsibilities and rights during production.

Only 25 percent of the associations negotiate for the quantity of raw product to be purchased by processors. For many crops, quantities to be exchanged are decided upon between individual growers and their processors rather than through a

negotiation process involving the association. In other cases, processors purchase all member production each year, or growers and processors have term contracts spanning several years. Thus, for most associations, quantity is not an issue for negotiation. The actual time at which the quantity to be purchased by processors is decided upon will be discussed in the section covering the negotiation process.

Of the 36 associations, 30 have negotiated price and non-price terms of trade every year since the first year they began bargaining. Only six experienced periods during which negotiations did not occur. Respondents mostly attributed these periods to "adverse or poor economic conditions" and inadequate association membership. In two cases, the periods where negotiation did not occur were in the first few years of the association's existence.

**Table 3—Terms of trade for which associations bargain**

Terms of Trade	All associations	Annual crop associations	Perennial crop associations
Price	36	19	17
Time, method of payment	33	19	14
Quality standards	29	16	13
Methods of grading	23	16	17
Duration of contract	22	11	11
Production rights/responsibilities	21	15	<b>6</b>
Premiums, discounts	15	10	<b>5</b>
Transportation	15	9	<b>6</b>
Weighing procedures	14	9	<b>5</b>
Ownership and cost of seed	12	12	0
Provision of containers	12	5	7
Spraying and dusting	12	12	0
Raw product handling procedures	11	8	3
Quantity of product	9	3	6
Delivery/unloading schedules	8	5	3
Harvesting time	5	4	1
Planting time	3	3	0
Irrigation equipment used	1	1	0
Other	5	5	0

## Membership

7 1

With few exceptions, one of the most important concerns expressed by survey respondents in personal interviews was their association's inability to attract membership. Many felt their association would be a "stronger and more unified force to be reckoned with" in negotiations if their membership could be increased. Table 4a shows current membership in active associations. The smallest association has 4 members and the largest has 2,140 members. It is interesting to note that the range of membership, average membership, and total membership is greater for perennial crop associations than for annual crop associations.

Respondents were also asked to estimate, if possible, the potential number of members or the total number of growers in their market area. Of the 36 associations, 31 were able to provide this number. Thus, the percentage of total potential growers that are members of an association could be calculated for each of these associations. These calculations are presented in table 4b. Though the membership numbers are larger in absolute terms for perennial crop associations, when looking at association membership as a percentage of potential membership the numbers are more comparable. Perennial crop associations have an average of 54.6 percent of their total potential membership, whereas annual crop associations have an average of 67.8 percent of their total potential membership.

These numbers are very close to those reported by Lang for the mid-1970's, where bargaining associations represented 47.9 percent of the grow-

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### 4b—Member-growers

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**Table 4a—Number of member-growers**

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	All associations	Annual crop associations	Perennial crop associations
Range of membership	4 -	4 - 1,275	82 - 2,140

25

50

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visiting or making telephone contact with non-members, and holding informational meetings for both member and nonmember growers.

### Value of Bargained Crop

Respondents were asked to estimate the dollar value of the quantity sold through or negotiated by their association for 3 crop-years. This question received the lowest response rate (69 percent) of any question in the survey instrument. Even in the **followup** personal interviews, the information could not be obtained. In some cases where this question was not answered, the respondent was just unwilling to spend the time necessary to provide the information. In most cases, however, the information was unavailable. Lang suggests that because bargaining associations very rarely take title to the crop for which they bargain, they often do not keep records of this type.

Tables 5a and 5b report, for those associations responding, the dollar value of bargained crops and the average dollar value of bargained crops per association for 1986, 1987, and 1988. Given that the

**Table 5a—Dollar value of bargained crops**

	All crops	Annual crops	Perennial crops
		<i>\$ mil</i>	
1988	779.440	357.566	421.874
1987	686.503	313.798	370.705
1986	668.880	332.666	336.214
Response Rate	67%	53%	82%

**Table 5b—Average dollar value of bargained crops per association**

crops	All crops	Annual crops	Perenn
		<i>\$ mil</i>	
1988	32.477	35.757	30.134
1987	28.521	31.380	26.479
1986	27.870	33.267	24.015
Response Rate	67%	53%	82%

response rate from participating associations was 67 percent (82 percent for perennial crop associations and 53 percent for annual crop associations), it is clear that the numbers reported here are gross underestimates of the actual **dollar** value of all crops negotiated.

## METHODS OF FINANCING AND DECISIONMAKING

### Revenue Sources

Bargaining associations typically receive revenues from checkoffs, service charges to processors, annual dues, and membership fees. Many associations receive revenue from more than one source (table 6).

A checkoff is an amount retained by the association from, and in some specified proportion to, the sale of members' crops. In most cases, processors pay growers directly for their crop and the appropriate checkoff is sent directly to the association. The amount of the checkoff varies with association and is typically specified in the membership agreement. For most associations, the bylaws state that the checkoff amount is to be determined by the

**Table 6—Methods of financing used by bargaining associations**

Method of financing	No. of associations
Checkoff:	
Flat fee per unit	<b>9</b>
Percentage of value	16
Service charge to processors:	
Flat fee per unit	12
Percentage of value	2
Annual dues:	
Per-acre basis	<b>2</b>
Per-ton basis	<b>7</b>
Membership fees (one-time fee)	<b>6</b>
Other	<b>5</b>
Total responding	<b>36</b>

board of directors and not to exceed a specified maximum.

Service charges to processors are payments made by the processors to the bargaining association for services provided by the association. These charges are intended to recognize that the association relieves the processor of the trouble, labor, and uncertainty of soliciting and obtaining separate contracts with individual growers. These charges are specified in the contracts between the processor and the association and are in proportion to the amount purchased by the processor.

Sixty-nine percent of all associations reporting (25 of 36) use checkoffs as a source of revenue. Eighteen of the 36 associations use only one source of financing and over half of these associations use checkoffs. Of those associations having multiple revenue sources, more than 60 percent stated that checkoffs are their largest revenue source. In a 1978 survey conducted by Biggs, 94 percent of the participating fruit and vegetable bargaining associations used checkoffs as a source of revenue.

Very few associations collect annual dues or charge membership fees; however, many have provisions for both in their membership agreements. In personal interviews, several respondents indicated that these revenue sources may discourage new membership and are no longer used.

Additional sources of revenue reported by associations include income from such activities as the publication of a magazine, the administration of a State marketing order, and the selling of gift packs.

## Decisionmaking

Several questions were asked to determine the structure of decisionmaking in the associations. Respondents were first asked how voting is conducted. Most associations (81 percent) give each member one vote. All other associations give members votes in proportion to the quantity they negotiate through the association.

Boards of directors for the associations range from 4 to 80 persons. The average board for all associations has 14 members. With respect to the issues to be negotiated with processors, 21 associa-

tions (58 percent) have their board make these decisions. However, for nine associations the negotiation issues are also decided by a specific negotiation or bargaining committee which, in most cases, includes some member-growers. Biggs reported similar findings in his 1978 survey, with 65 percent of associations having negotiation issues decided upon by boards.

Table 7a gives the breakdown of persons responsible for deciding the issues to be negotiated. One association reported that the chief negotiator is in on the decision of the issues to be negotiated, and another association reported that the vice president of operations is involved as well. In personal interviews, many respondents stated that though a specific group or individual is technically responsible for these decisions, the ultimate decisions are often made by members.

Table 7b indicates the persons responsible for presenting associations' positions and carrying out negotiations in the bargaining process. Nineteen respondents (53 percent) reported that a committee

**Table 7a—Responsibility for deciding issues to be negotiated**

Board of Directors	21
Membership	4
Negotiation Committee	18
Other	2

**Table 7b—Responsibility for negotiating**

General Manager or Executive Secretary	21
<b>With</b> a committee of grower-members	12
Without a committee	9
Committees of grower-members	7
Division Heads	4
Board of Directors	2
Association President	1
Vice President, Operations	1
Total Responding	36

rather than a single individual is responsible for carrying out negotiations. The single individual negotiators included 9 general managers or executive directors, 4 division heads, 1 president, and 1 vice president of operations. No associations reported using hired negotiators.

A large majority of associations reported that the general manager or executive secretary negotiates for their association. More than half of these associations indicated that a committee of grower-members accompanies the general manager during negotiations. In the Biggs survey, negotiations were conducted by a producer committee in 59 percent of the associations, a manager in 20 percent, and a board in 18 percent. Three percent of associations used a hired negotiator.

Table 7c indicates who makes the final decision to accept or reject terms of trade in negotia-

tions. The most frequent response was the board of directors. Though the general manager is the most likely to represent the association in negotiations, that person is least likely to exercise control in accepting final terms of trade. It is interesting to note that only seven of the associations reported that the same group or individual both negotiates and accepts/rejects final terms of trade. And for eight associations, grower-members make the final decision.

## MARKET STRUCTURE AND THE BARGAINING ENVIRONMENT

Several questions in the survey instrument were designed to obtain information about the bargaining environment within which a grower-producer association operates. The focus of these questions was on market control and market alternatives, and selling industries.

### Percentage of Production Bargained Through Associations

It is generally agreed that a key factor in a bargaining association's effectiveness is its ability to control a substantial portion of supply of the raw product (Helmberger and Hoos, Bunge, Cobia 1989, Tomek and Robinson 1990). If an association "controls" more of the raw product or has a greater market share, then fewer alternative supply sources exist for processor-buyers.

To get an indication of associations' market shares, respondents were asked to estimate the percentage of total production in their geographic area bargained through their association, where total production is all member and nonmember production. Table 8 indicates the distribution of responses.

Over two-thirds of the associations (25 of 36) indicated that they had a market share greater than 50 percent. The average percentage of production or market share negotiated through all 36 associations is 60.3 percent, although considerable variation is apparent in the table. This result is very similar to the average percent of association membership to potential membership (table 4b) of 61 percent.

**Table 7c—Authority for final decision In negotiations**

Board of Directors	17
Bargaining Committee	9
General Manager	2
Grower-members	8
Total Responding	36

**Table 8—Percent of total production negotiated by associations**

Percent of total production	All associations	Annual crop associations	Perennial crop associations
Less than 25	1	0	1
<b>25 - 49</b>	10	3	7
50 - 74	15	9	6
75-100	10	7	3
Total Responses	36	19	17

## The Buying Industry

Several questions were asked to determine the extent of market power or concentration in the buying industry. The first of these was to get, in absolute terms, the number of processors in an association's market area. The response to this question is summarized in table 9a. There is a clear difference between numbers of processors in market areas for annual versus perennial crops. Annual crop associations, in general, have a smaller number of processors in their geographic market area. As Lang suggests, this indicates that growers of annual crops have a smaller number of market outlets or alternatives for their crop. Eight associations, all representing annual crops, had only one or two processors in their market area. With respect to conducting negotiations, however, annual crop associations bargain with a larger percent of the

**Table 9a—Number of processors in association's market area**

Number of processors	All associations	Annual crop associations	Perennial crop associations
1 - 4	14	12	2
5 - 15	15	5	10
More than 15	6	1	5
Total Responding	35	18	17

**Table 9b—Percentage of area processors with whom associations negotiate**

Percent	All associations	Annual crop associations	Perennial crop associations
Less than 25	2	0	2
25 - 49	2	1	1
50 - 74	5	2	3
75 - 100	26	15	11
Total Responses	35	16	17

processors in their marketing area than do perennial crop associations (table 9b). In total, nearly 75 percent of all responding associations negotiated with 75-100 percent of all processors in their market area.

One common measure of market structure or concentration is a four-firm concentration ratio. A buyer concentration ratio is defined as the percentage of total industry purchases accounted for by the four largest buyers. The survey asked participants to estimate 1) the percent of their *area's* total output (member and nonmember production) purchased by the largest four processors, and 2) the percent of their *association's* (or members') total output purchased by the largest four processors. Tables 10a and 10b provide these estimates.

For the associations responding, the average

**Table 10a—Percentage of total area production purchased by the four largest processors**

Percent	All associations	Annual crop associations	Perennial crop associations
Less than 25	0	0	0
25 - 49	3	1	2
50 - 74	8	1	7
75-100	23	17	6
Total Responses	34	19	15

**Table 10b—Percentage of association production purchased by the four largest processors**

Percent	All associations	Annual crop associations	Perennial crop associations
Less than 25	2	0	2
25 - 49	1	1	0
50 - 75	8	1	7
75 - 100	22	15	7
Total Responses	33	17	16

percent of their area's total output purchased by the largest four processors is 81.9 percent. For 68 percent of the reporting associations (23 of 34), the largest four firms purchase 75 percent or more of the area's total production, and for 12 of these associations, the largest four buyers purchase 100 percent of total production. Lang obtained similar results, with 70 percent of responding associations reporting a concentration ratio of greater than 70 percent. These numbers indicate that the buying industries for processing fruits and vegetables have been and continue to be quite concentrated.

With respect to the percentage of association production purchased by the associations' four largest processors (table 10b), the numbers look quite similar. That is, buyer concentration ratios for the participating associations are fairly representative of the concentration ratios for their industries. The concentration measures reported by associations should be read and interpreted with caution, primarily because they are merely estimates given by survey respondents. Moreover, these estimates reflect concentration in recent years. For many associations, concentration ratios have varied over time, gradually increasing in most cases. And finally, in many cases the market areas for individual growers are smaller than those for an association. Thus, an individual grower may face even fewer, and therefore *more*, concentrated buyers than those faced by the grower's association.

### Market Alternatives for Growers

The degree of buyer concentration in a grower-processor market provides some indication of alternative markets available to sellers in negotiations with processors. That is, the higher the concentration ratio in an industry, the more difficult it may be for growers to find alternative outlets for their crop if they are unsatisfied with terms of trade negotiated with processors.

To obtain information on alternatives associations have in lieu of negotiating with processors, participants were asked to indicate which ones they might use in the short-term and long-term if processors refused to negotiate. Long-term refers to

a period greater than 1 year. Tables 11a and 11b present responses to these questions.

In both the short term and the long term, the most frequently cited alternative was "to take legal

**Table 11a—Short-term alternatives if processors refuse to bargain**

Short-run alternatives	All associations	Annual crop associations	Perennial crop associations
Take legal action	21	10	11
Ship to fresh market	14	3	11
Other local processors	13	3	10
Out-of-area processors	8	1	7
Leave in field	6	0	6
Custom process	4	0	4
Other	13	10	3
Total Respondents	36	19	17

**Table 11b—Long-term alternatives if processors refuse to bargain**

Long-run alternatives	All associations	Annual crop associations	Perennial crop associations
Take legal action	17	10	7
Other local processors	13	3	10
Ship to fresh market	11	2	9
Discontinue or reduce production	10	7	3
Out-of-area processors	7	1	6
Custom process	6	0	6
Other	8	6	2
Total Respondents	36	19	17

action.” When questioned further about this alternative in personal interviews, most respondents referred to a State law which requires “good faith bargaining.” That is, associations and processors are required by law to bargain in good faith. California, Maine, Michigan, and Washington have such laws. Most respondents felt these laws were helpful in gaining recognition or credibility from processors. However, several questioned the law’s usefulness. Questions were raised with respect to enforcement of such laws and the difficulty in actually proving that a processor had not bargained in good faith.

Relying on local processors and shipping to the fresh market were other alternatives that might be used if processors refused to bargain, in both the short- and long-term. Several commodities represented such as potatoes, asparagus, apples, plums, and pears do have good fresh market alternatives. Some crops, however, require additional harvesting and packing procedures before they are acceptable for the fresh market. For crops where the fresh market is an alternative, some associations reported using the fresh market as a tool (or “weapon”) to enhance their bargaining position.

Leaving the crop in the field is an alternative cited only by perennial crop associations, since for annual crops, negotiations typically take place prior to planting. Thus, annual associations would choose the alternative of not planting, which accounts for several of the “other” responses in table 11a. For commodities that are not perishable, storage is another option.

Long-term alternatives cited by participating associations are quite similar to the short-term alternatives. The exception is that 10 of the associations indicated that they would discontinue or reduce production. Others indicated they would plant alternative crops.

In answer to a similar question asked in Lang’s survey, one of the most frequently cited short-run alternatives was to custom-process, and the most frequently cited long-run alternative was to discontinue or reduce production. An explanation for the differences in these results relative to the present survey is that good faith bargaining laws in Michigan, Maine, and California had just

recently been enacted (1972, 1973, and 1974, respectively) at the time Lang began conducting his survey (1974). Therefore, legal action was not as obvious an alternative as it is today.

When asked if there were additional commodities (other than the crops for which their associations bargain) members could produce without difficult transition, more than half responding indicated that there were no such alternative crops. For those that did indicate an alternative **crop** (11 annual crop associations, 5 perennial crop associations), 8 mentioned some type of grain or seed crop.

A final question was whether the associations processed any raw product themselves. One of the 36 associations currently processes approximately 15 percent of member production. Twelve of the other 35 associations had at one time considered processing member production, and one is considering it at present. The most common reasons given for not acquiring processing facilities were “start up costs are too high” or “it just isn’t feasible.” For those associations that had never considered processing member production, the most frequently reported reasons for not doing so were “it’s not our business or our function” and “we want to complement packers, not compete.”

## Market Alternatives for Buyers

Just as bargaining associations have options or market alternatives in negotiating with processors, processor-buyers have alternatives to bargaining as well. Market alternatives available to processors include 1) obtaining supplies from sources other than the association and 2) discontinuing processing of the raw product.

The most obvious alternative supply source for processors is nonmember production. This explains ongoing efforts by associations to increase their membership or, more importantly, increase the volume of production negotiated through their association. Another alternative supply source is production of their own raw product. Processors that can vertically integrate into production are less dependent on the association for supplies.

Respondents were asked to indicate if any noncooperative processors in their area produce

some raw product. Of those responding, 47 percent (16 of 34) said some processors in their market area do produce some of their raw product. Of the 16 associations, 14 negotiate with at least one processor that produces its own raw product. This suggests that although processors do vertically integrate, they still depend on the association for a portion of their raw product.

A third alternative processors have is to not purchase raw product at all. With few exceptions, processors purchase and process more than one different raw product. Thus, if terms of trade are not favorable to processors, alternative crops can be processed.

### Presence of Marketing Cooperatives

Another element of market structure that can effect an association's success is the presence of processing cooperatives in the association's market area. Of the 36 associations responding, 16 indicated that there are processing cooperatives in their market area that handle the commodity for which their association bargains. These processing cooperatives handle an estimated average of 42 percent of the commodity processed in the bargaining associations' market areas (15 of the 16 associations reporting).

Of the 16 associations, 14 had association members belonging to at least one of these processing cooperatives. The average percent of association membership belonging to these processing cooperatives is just over 25 percent. Only one association said that it did not allow its members to join processing cooperatives.

In general, associations agree that the presence of the processing cooperatives in the industry has both a positive and negative impact on bargaining. With respect to benefits, several associations reported that the cooperatives share important market information with them, which is useful in negotiations with processors. Two associations were given processing cost information, something that is usually considered proprietary. Another frequently cited benefit was industry promotion. Several associations felt healthy processed product and retail product demand was due in large part to

the processing cooperative, and others reported that processing cooperatives "helped to keep the industry strong."

The discussion about processing cooperatives was, however, not without mention of some negative effects on bargaining associations. Some respondents complained of poor relationships and lack of communication with the processing cooperatives in their area. Other respondents indicated that cooperatives are in direct competition for their membership. One respondent said the cooperative in his market area actually works against the association.

Overall, there seems to be a "mutual respect" between bargaining associations and processing cooperatives. The consensus is that both types of organizations have a place in the industry, and each has something to offer.

Members might choose to join both a bargaining association and a processing cooperative for several reasons. Often the processing cooperative can offer a grower a slightly higher raw product price, but the grower's payment is spread over time. By being a member of a bargaining association and dealing directly with noncooperative processors, the grower usually gets paid at, or close to, time of delivery.

Processing cooperative members may also realize the benefits the association provides in the industry with respect to the price discovery process, and for this reason might choose to support the association. Several respondents indicated that the bargaining association's negotiated price becomes a benchmark for the price paid to members of the processing cooperative. Other reasons for dual membership include growers' desires to spread risk or diversify. For those growers who are members of a closed-membership processing cooperative, bargaining associations provide an outlet for additional crop.

### Marketing Orders and Supply Management

A major concern expressed by associations is lack of control over production or supply. If certain market characteristics exist, some control over supply can be attained. These characteristics include a

relatively small number of growers, geographically concentrated production, and barriers to entry (e.g., the period before trees begin producing).

Another market characteristic that may enhance supply control is the presence of a **quality-** or volume-controlling marketing order. Seven of the 36 responding associations reported that for the commodity for which they currently bargain, there exists either a State or Federal marketing order controlling quality or volume of the commodity marketed. The purpose of marketing orders is to foster orderly marketing of commodities, but six of the seven associations stated that the orders also contribute to the effectiveness of their association by restricting volume of product marketed.

Three of the 35 associations reported having attempted to manage member supply. One association sought to establish a marketing order and another association had a tree removal program.

## **PROCEDURES AND METHODS OF THE NEGOTIATION PROCESS**

A major focus of the survey was on the actual negotiation process between the associations and the processors with whom they bargain. Procedures and methods vary with each association and differ somewhat for annual and perennial crop associations.

### **Dates of Negotiations and Quantity Decisions**

The time of year negotiations occur depends on type of commodity. Many associations indicated that a significant part of the process involves information gathering and, therefore, the negotiation process is continuous. However, most associations do have a fairly specific time period for bargaining with processors.

In general, perennial crop associations negotiate with processors after a good estimate of crop quantity and quality can be obtained, typically just prior to harvest. Since planting decisions are made prior to negotiations, total supply is fixed. In 14 of the 17 perennial crop associations, quantity is determined before negotiations begin, thus prices are a function of a predetermined volume. For

perennial crops with alternative uses, however, the actual amount going to processing may be a function of price.

In annual crop associations, negotiations almost always take place just prior to planting. Thus, if growers are unsatisfied with contract terms they may opt to switch resources to production of other crops. In some cases, price is negotiated on the basis of projected supplies, and actual quantity decisions are a function of price. However, 12 of the 19 annual crop associations indicated that for their crop, in most years, quantity is determined prior to price negotiations. In these cases, either growers and processors have term contracts in which quantity is predetermined, processors always purchase all member production, or quantity decisions are based on processor need rather than price, and are determined prior to price negotiations. Thus, for more than 70 percent of the associations surveyed, quantity to be purchased by processors is determined prior to price negotiations, i.e., price is a function of quantity.

### **Price Negotiations**

In general, the prenegotiation phase for most associations is quite similar. The individuals or committees responsible for deciding which issues will be negotiated and those responsible for negotiating will go through an information-gathering phase. Information includes projections of production, consumption, and prices, as well as the supply and demand conditions. Associations also use information on costs of production and harvesting. Annual crop associations obtain this information for both the negotiated commodity and for alternative crops members could grow.

The two types of information most associations would benefit from but are unable to obtain are wholesale prices for the processed product and processor costs. An attempt is almost always made to secure data on the cost of processing. However, this information is proprietary and rarely released. Only 7 of the 36 associations are able to secure accurate processor-cost information. One association obtains this information because the association itself processes a portion of member produc-

tion, and another has members involved in processing activities. The remainder secure processor-cost information from either a processor with whom they have an “excellent” relationship or from a processing cooperative.

For most associations, the information-gathering stage typically includes meetings with individual processors to learn about the economic conditions affecting their industry. Where feasible, meetings between bargaining committees and grower-members are held at which potential prices and terms of trade are discussed. Once the association or the appropriate committee determines a recommended (asking) price and other terms of trade, negotiations begin.

In most cases, there is a formal negotiation process. Negotiations for 33 of the 36 responding associations involve a series of “rounds,” defined as a price offer and an acceptance/rejection (PAR) or a price offer and an acceptance/counter offer (PAC). Two-thirds of the associations that conduct negotiations formally have the PAC rounds, and for the majority of the associations, the first offer is made by the association (by convention).

Though most of the associations negotiate with more than one processor, two-thirds indicated that they typically conduct negotiations and reach agreement with the ‘biggest processor” or industry leader and that other processors or “followers” go along with the negotiated price. Thus, the most common negotiation process is one on one with the industry leader. The negotiated price holds for all other processors with whom the association bargains.

Other associations negotiate with several of the industry leaders and attempt to get consensus on price, often playing one processor off against another. Few associations negotiate with all processors and attempt to reach a consensus. Some contracts, however, specify certain requirements for acceptance of a price. For example, one association’s contract indicates that it must get 35 percent of all processors in number and in tonnage (and these must include two of the six largest packers) to agree to price terms before a price contract can be ratified. Another association must have price terms accepted by processors representing purchas-

es equal to at least 51 percent of the previous year’s tonnage before its price contract can be ratified.

The number of “rounds” occurring before price is agreed upon in a typical year varies for each association. Responses ranged from 1 to 20 rounds, with the majority of associations having 2 to 5 rounds.

## Arbitration

For most associations, rounds of price negotiations continue until an agreement is reached. For 13 of the 36 associations, however, if bargaining does not result in an acceptable price by a specified time, a standard method of arbitration is employed (table 12). The arbitration procedure is specified in contracts with processors. The exceptions are those bargaining associations located in Maine and Michigan, where arbitration procedures are specified by State law.

The time when arbitration “kicks in” varies by association. In some cases, arbitration becomes effective if a price has not been decided upon within a “reasonable time. For some associations, arbitration begins on the first day of the marketing period for a crop. For other associations, it begins 10 or 15 days after commencement of harvest. Two associations that use the PAR method enter into arbitration after rejection of a second price offer.

For all associations with a specified arbitration procedure, the majority decision of a three-member arbitration committee is binding on both processor and association. The arbitration committee is comprised of one member selected by the association, a second selected by the processor, and a third selected by the first two members. In most cases, the type of arbitration procedure used is “final offer”

**Table 1 P-Arbitration**

Associations with standard arbitration procedure		Associations settling negotiations by arbitration	
No	23	No	27
Yes ( <b>10</b> final offer)	13	Yes	9
Total	36	Total	36

arbitration. That is, the final price decided upon by the arbitration committee is either the final offer made by the association or the final offer made by the processor. For those associations employing the PAR method of negotiation, the arbitration committee decides upon a “reasonable price.”

Nine associations have, at one time or another, settled price negotiations by arbitration, and only three of the nine have settled price by arbitration on more than one occasion. Two associations reported that the processor’s final offer was the price resulting from arbitration, and one of these two associations reported losing “substantial membership” because the arbitration decision favored the processors. Though almost two-thirds of responding associations do not have a specified method of arbitration, failure to reach price agreement is uncommon. Only 28 percent (10 of 35) had ever failed to agree on price with processors, and only 11 percent had failed to agree more than twice (table 13).

## ASSOCIATION OBJECTIVES/SERVICES/BENEFITS

In addition to negotiating a raw product price for their grower-members, bargaining associations engage in numerous other activities and provide services to both growers and processors. Survey respondents seemed to agree that though the association’s focus is often on attaining higher raw product prices, the association’s longer term goal is a fair, stable, and secure income for grower-members.

**Table 13—Disagreements on price negotiations**

No. failures to reach price agreement	No. of Associations
0	25
1 - 2	6
5 - 10	4
Total Responding	35

## Association Objectives

Respondents were asked to rank the list of objectives in table 14 in order of importance to their association. The objective ranked highest by the largest number of associations was higher prices.

Price stability was the next most important goal identified by respondents. It was ranked by 24 of 36 associations as one of the three most important objectives and ranked by 6 associations as the most important objective. Most respondents recognized that price stability is a longer term goal than achieving high prices for growers, and that the two goals are somewhat incompatible.

Six associations cited “improved relations with processors” as an important “other” objective. And most associations agreed that promoting understanding and communication between growers and processors was a primary objective. Increasing the uniformity of contracts between growers and processors and ensuring and expanding market outlets were other important objectives.

After ranking the importance of their association’s objectives, respondents were asked to identify objectives they felt their association had actually achieved (table 15). Eighty-nine percent of all associations indicated that their association had achieved higher prices for their grower-members, and 86 percent felt that price stability was accomplished as well. better or more market information

**Table M—Rankings of association objectives**

Objective	Most important	2nd most important	3rd most important	Top 3	
				Number of associations	
Higher prices	14	<b>9</b>	3	26	
Stable prices	6	11	7	24	
Assured markets	5	5	2	12	
More uniform contracts	5	2	2	9	
Expanded markets	1	5	<b>8</b>	14	
Improved market information	0	1	6	7	
More favorable non-price terms of trade	0	2	5	7	
Third-party grading	0	0	2	2	
Other	4	1	1	6	

was not identified as one of the most important association goals, but was looked at as a necessary tool in achieving other objectives. Thus, obtaining market information was an objective achieved by nearly 75 percent of all associations. More uniform contracts and more favorable terms of trade were also reported as commonly achieved objectives.

**Table 15—Objectives achieved by bargaining associations**

Objectives	Number of associations
Higher prices	32
Stable prices	31
Improved market information	26
More uniform contracts	22
More favorable non-price terms of trade	21
Assured markets	16
Expanded markets	15
Third-party grading	10
Other	5
Total Respondents	36

**Table 16—Obstacles encountered in achieving bargaining objectives**

Obstacle	No.1 Obstacle	No. 2 Obstacle	No.3 Obstacle	Top 3 Obstacle
Lack of control over volume of production	13	5	3	21
Failure to get adequate membership	6	5	5	16
Handlers have too many supply sources	4	9	4	17
Handlers encourage nonmembership	3	2	5	10
Lack of member support	2	2	6	10
Securing market information	0	6	2	6
Refusal of handlers to bargain	0	1	5	6
Other	5	0	0	5

## Obstacles Encountered

One association saw no obstacles to achieving its bargaining objectives. The other 35 associations had little difficulty identifying obstacles that hinder their ability to obtain their goals. As indicated in table 16, lack of control over volume of production was cited as the greatest obstacle by the largest number of associations. As mentioned previously, supply control by the association can be enhanced with a large membership. However, the second greatest obstacle identified was failure to get an adequate number of member-growers. Most respondents agreed in personal interviews that the “free-rider” problem was pervasive. Associations have difficulty attracting membership because nonmembers, for the most part, get the same benefits without incurring the cost of membership. This inability to increase membership not only contributes to the association’s lack of volume control, but it also maintains additional supply sources for processors.

Participants in Lang’s survey also cited lack of volume control as the primary obstacle they faced in trying to achieve their bargaining objectives. However, the second greatest obstacle was handlers encouraging nonmembership.

Only 29 percent of associations in the present survey reported that handler encouragement of nonmembership was one of their three greatest obstacles. It did, however, seem to be a common concern among respondents. Several associations described examples where processors actively discouraged growers from obtaining membership.

## Nonmember Benefits

As discussed above, one of the most difficult issues facing bargaining associations was the ability of nonmembers to benefit or gain from the association’s efforts. As table 17 shows, all 36 respondents indicated that nonmembers receive price increases attained by association members through bargaining. Seventy-five percent reported that nonmembers receive the same non-price terms of trade received by member-growers.

Only four associations stated that nonmem-

bers get preferential treatment from handlers, though in personal interviews, most associations cited one or more examples of processors favoring nonmembers. For one association, processors offered members a higher price for their crop if the member chose to leave the association. Other associations indicated that nonmembers were sometimes offered term contracts and more favorable non-price terms of trade (e.g., advance payments) by processors.

### Services Provided to Members

As mentioned previously, bargaining associations often provide services to grower-members in addition to negotiating terms of trade. Many of these

**Table 17—Benefits to nonmembers**

Benefits	All associations	Annual crop associations	Perennial crop associations
Price increases negotiated by association	36	19	17
Non-price terms negotiated by association	27	15	12
Preferential treatment from handlers	4	3	1

**Table 18—Member services in addition to bargaining**

Services	Associations
Newsletters, newspapers	33
Legislative representation	32
Collect and distribute information	26
Field staff	17
Funding of research	13
Commodity programs	9
Other	4
Total Responding	36

services are provided to facilitate negotiations. However, many activities are provided as benefits to members for joining the association.

Table 18 shows services provided to members in the participating associations. The majority of associations publish newsletters or newspapers, provide legislative representation for growers, and collect and provide information about the industry. Services not identified in the table include regulatory representation, marketing board representation, and performing registration work for getting chemicals approved for use.

Some bargaining associations perform handling activities. Of the 36 responding associations, only 6 reported doing so. Five indicated the specific types of activities they perform, which include harvesting, trucking, and grading.

### Processor Benefits

The majority of associations felt their role was not only to improve the well-being of grower-members, but also to provide services to processors and increase the strength and stability of their industry. Respondents were asked to give their opinion on how their processors have benefited from their association's bargaining and presence in the industry (table 19).

**Table 19—Benefits to processors**

Benefits	All associations	Annual crop associations	Perennial crop associations
Increased price stability	31	14	17
Improved information	32	16	16
Improved (less costly) price discovery process	25	11	14
Increased quality control-reduced product loss	16	13	3
Increased efficiency in handling of raw product	16	10	6
Quality/variety more in line with market demand	16	11	5
Quantity of raw product more in line with demand	14	9	5
Field Services	12	7	5
Other	12	5	7

The most frequently reported benefits include increased price stability, increased or improved information, and an improved (less costly) price discovery process. Twelve associations reported other processor benefits which include third-party grading, support in "mutually dealing" with problems facing the industry, fair and equal treatment of all processors, assistance on regulatory/legislative issues, assured supply, and protection from abuses by large growers or groups of growers.

## SUMMARY AND PERSPECTIVE

The trend in marketing agricultural products is toward fewer and larger processors and handlers. Farmers, too, are becoming fewer and larger, but their size and power in the marketplace remain small in comparison with processor/handlers. Cooperative bargaining represents a vehicle whereby farmers can potentially countervail these asymmetries in market power. The results of this survey confirm that bargaining continues to play an important role in marketing fruits and vegetables.

Bargaining associations' membership and market share have remained stable within the fruit and vegetable industries. Where annual crop bargaining associations operate, the survey results indicate that 68 percent of growers choose membership, with perennial crop associations averaging 55 percent of potential members. The average market share for the associations surveyed was 80 percent, with two-thirds of the associations having at least a 50-percent share. Bargaining associations tend to operate in highly concentrated markets. Four or fewer processor/handlers operate in 40 percent of the markets surveyed, and the percentage of production handled by the four largest marketing firms exceeds 75 percent in 23 of the 34 markets studied. Survey respondents agreed that a key to achieving bargaining success in these concentrated markets is attaining and maintaining a high proportion of farmers and production within the bargaining association.

Students of bargaining agree that another important determinant of success in the process is the extent to which the participants have viable alternative options in the event negotiations stall.

In this regard, good-faith bargaining legislation enacted by several States in the 1970's has apparently broadened alternatives available to bargaining cooperatives. Legal action to enforce good faith bargaining was cited most frequently by respondents as an alternative to a bargaining breakdown. This result represents a sharp increase from prior surveys in the number of respondents citing this alternative.

The importance of good-faith bargaining legislation is highlighted by the apparent lack of other good alternatives to bargaining for fruit and vegetable growers. More than half of the survey respondents indicated that no good alternative crops were available, and very few of the associations indicated having the capability to integrate vertically into the processing and marketing of their members' production in the event of failure to reach agreement with processors. Nearly half of the associations indicated, however, that some processors in their market had integrated into raw product production.

The survey results indicated that the volume of product to be produced is usually determined independently of the bargaining process, and that very few of the associations attempt to regulate their members' production. The items to be negotiated, thus, generally relate to the amount of payment, including base price, premiums and discounts, transportation costs, and the timing of production and payment. All but one of the surveyed associations reported negotiating for terms of trade in addition to base price.

As to the negotiation process itself, many associations indicated that the process is essentially year round due to the importance of maintaining good and continuous information on market conditions. Despite their attempts to generate market information, most associations indicated that they lack good information on wholesale prices for their products and on handler costs.

Formal negotiations generally involve rounds where either processor and the association alternate offers or the association makes repeated offers that are either accepted or rejected by the processor. In a number of cases, the associations reported bargaining only with a leading processor and other

processors then accept those terms of trade. Binding arbitration was reported to be part of the bargaining process by 13 of the associations, but in practice failures to reach agreement have been uncommon.

Finally, as to the goals and objectives of bargaining, it was no surprise that most cited higher prices as a top goal. Nearly the same number, however, also listed stability of prices as an important objective. Most respondents believed their association had been successful in achieving these and other goals. On the other hand few had trouble listing important impediments to success in the bargaining process. Failure to control an adequate volume of production was the most cited problem. This problem is potentially addressable by increasing an association's membership share, but inability to attract sufficient membership was the second most frequently cited obstacle to success in bargaining. This problem, in turn, would appear to stem primarily from an association's inability to exclude nonmembers from receiving similar benefits. Every association surveyed indicated that nonmembers received price increases achieved through the negotiation process.

Managing supply and controlling nonmember free riders are problems that are not easily solved. They will continue to challenge bargaining associations. Yet the record demonstrates that bargaining associations have been and continue to be important institutions facilitating the marketing of many fruits and vegetables. Despite the challenges they face, there is every reason to believe they will continue unabated in this role.

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Agricultural Cooperative Service (ACS) provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1 ) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

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