Many forces in the economy are combining to contribute to new thinking by farmers on the issues of the market economy and how it works relative to farm products. First, there are the continuing vertical and horizontal corporate mergers in the food marketing and processing areas. Second, there is the continuing failure of many farmers, even though efficient by most standards, to earn returns on their resources equal to nonfarm returns. Finally, there is the increased recognition on the part of many farmers that government programs are not likely to substantially increase farm prices over recent levels as the competition for the federal budget increases and the number of farmers declines. All of these have contributed to an increased interest on the part of commercial farmers to develop methods of altering the market structure to make it produce more satisfactory price and income levels. To understand the directions these alterations may take and the problems involved, it is necessary to understand farmers' perceptions of the marketing structure and their attitudes toward various suggestions for altering it.

Most market structure studies of agricultural industries have dealt with those institutions which, for the most part, do not include farmers as direct members or participants. Emphasis is usually placed upon the number, size, and distribution of processors, wholesalers and retailers, with only cursory treatment of either the primary or residual effects on producers. The most notable exceptions have been some vertical integration studies, where the role of individual producers is by necessity usually adequately accounted for. In general, however, farmers' perceptions of the structure and conduct of

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agricultural markets, and the implications of these perceptions for farmer action have not been considered.

Many farmers believe the outcome of the market has been unfair for them. And well they might, for farmers have not shared as well as most other groups in the increased affluence of the economy. Less than half of the farm people live in families well enough off to necessitate paying federal income taxes. If the poverty threshold is taken as $1,500 for the first person plus $500 for each additional person up to $4,500 per household, 5.1 million of the 12.6 million farm people were living in poverty in 1963.

The median net family income from all sources before taxes of a representative sample of Michigan farm families was less than $4,500 in 1964. Even more significant, average income reached this level only because 43 percent of the farm operators reported substantial amounts of off-farm work. The median net income of full-time farmers was only about $3,000. When asked, "Do you feel you had a satisfactory income from farming last year, taking into account your labor and investment?" 69 percent of the farmers replied "no."

2/A major portion of the data presented in this paper was obtained from a survey of Michigan farmers conducted in the spring of 1965. Personal interviews were obtained from 804 farmers in 22 of the 83 Michigan counties. The probability sample was drawn utilizing the USDA Master Sample Map, and strata were constructed in a manner designed to give proportional representation to different types of farming areas.

The questionnaires were designed primarily to measure in some depth the attitudes, opinions, and ideas of farmers toward a number of current farm-related issues. The interviews averaged about two hours in length. Respondents were led into an exploration of conceptions of major farm problems and problem solutions, the relationship of government to agriculture, and various farmer-oriented institutions such as general farm organizations and agricultural bargaining associations.

While the results of this study are in a statistical sense applicable only to Michigan, there is reason to believe that farmers in many other parts of the United States may share substantially the same attitudes and beliefs.
The normative competitive model, of course, directs that a resource receiving less than prevailing rewards should move into another activity. The competitive price system and government programs signal to farmers that they are producing too much food; yet they observe a world containing many hungry people and wonder at the great difference between effective demand and need. Most farmers apparently do not believe that the price system is properly communicating the demand for their services. About 72 percent of the farmers agreed with the statement, "Farmers should raise all the crops and livestock possible as long as there are hungry people." However, a majority believe that farmers ought to respond to the signal of the price system which says that many of them are not needed. About 55 percent agreed with the statement, "Those farmers who cannot earn a satisfactory income from farming under present conditions should plan to leave farming."

Farmers perceive the situation in agricultural markets to be such that nonfarm firms have the power to affect the prices which farmers receive, while farmers have little chance to influence prices. About 85 percent of the farmers agreed with the statement, "Farm prices are largely determined by large processors and retailers." A nearly identical response was given to the statement, "The ownership of both processing facilities and retail chain stores by the same company gives it the power to hold farm prices below what prices would be if processing and retailing facilities were independently owned."

From these and other expressions it is apparent that farmers believe that structure of market power and the rules of the market do not result in equity for the farmer. Two types of modifications in existing market institutions seem consistent with these beliefs. One type would be changes in law and custom which should facilitate the aggregation of market power by farm producers.
These changes might include rules establishing procedures for recognition of bargaining associations, winning exclusive bargaining rights, full supply contracts and an agency to foster fair bargaining relationships, perhaps patterned after the National Labor Relations Board. The second class of change is that designed to reduce the market power of those to whom farm products are sold, perhaps limiting firm size or specific exercises of market power.

Almost all farmers believe that some kind of collective bargaining is necessary for agriculture. In responding to the statement, "Farmers must get together in collective bargaining organizations to deal effectively with processors and retailers," 90 percent agreed. And, 55 percent agreed that "Farmers should use the same methods to get higher prices that make it possible for organized labor to get higher wages." It is clear that while most farmers agree with the objectives of collective bargaining, many are unsure of the tactics to use and do not approve of some of the methods which they believe have been used by labor unions.

The majority of farmers recognize the necessity of managing supplies if their price goals are to be achieved via collective bargaining negotiations. About two-thirds agreed with the statement, "Farmers must reduce the total amount of products going to the market if they are going to receive a higher price for those products." And, nearly two-thirds agreed with the statement, "In order to be effective, bargaining associations that attempt to get higher prices for farmers must be able to control the output that individual farmers market."

Even though 90 percent of the farmers believe that bargaining is necessary to deal effectively in the market and about two-thirds believe that some kind of supply control is essential for collective bargaining to be effective, the majority of farmers are not ready to accept contracts requiring a limit on
production. Specifically, the farmers were asked, "Would you accept a contract with a bargaining association if it required that you limit the production and sale of certain commodities?" Only 25 percent replied that they would, 59 percent said they would not, and 16 percent replied that they did not know or that it would depend on the circumstances. It appears that while most farmers perceive a problem of unequal market power and understand the necessary conditions for collective bargaining, they (1) are not willing to give up their independence, or (2) do not have sufficient faith in the probable outcome to bind themselves to contracts limiting production. This does not, of course, mean that collective bargaining would not work, but it indicates one of the major problems faced by persons attempting to organize such action.

One of the major problems of any collective bargaining organization is the "free rider." Unions deal with the problem by attempting to get a union shop, and this has been, of course, a major public policy issue. The counterpart for an agricultural bargaining association would be exclusive supply contracts. Only 27 percent of the farmers accepted refusal to deal with firms that deal with nonmembers as an acceptable means of influencing other farmers to join a bargaining association. However, a fairly large number do give limited endorsement to this procedure. Of those farmers with an opinion, 26 percent agreed completely, and 24 percent agreed with some reservations to the statement, "Buyers of farm products who sign a contract with a bargaining association should not be allowed to buy farm products from farmers who do not belong to the bargaining association." Thus, about half of the farmers, some with reservations, seem to believe that something comparable to the union shop would be acceptable for agricultural bargaining associations' relationships with buyers. At the same time, the majority do not agree with the union shop when it is mentioned specifically. In response to the statement, "Union contracts that make it possible for a company
to hire only union members are a good idea," only 38 percent agreed.

We turn now to some of the rules which farmers view as appropriate or inappropriate for regulating the market. Farmers perceive the market for their products as one where the buyers have concentrations of economic power which put the farmer at a disadvantage. The majority also believe something should be done to correct the situation. Fifty-two percent agreed that, "Some legal limit should be put on the size of food processing companies, retail food chains, and other marketing organizations." Farmers also believe that vertical integration of processing facilities with large retail concerns results in lower farm prices, but the majority of farmers are not in favor of making such combinations illegal. In response to the statement, "Large retail food chains should be prohibited by law from owning food processing facilities," less than one-half agreed.

Voluntary supply control and some other voluntary group activities which are designed to influence the outcome of the market in favor of farmers, are, of course, plagued by the problem of the "free rider." Marketing orders represent an attempt to solve this problem. Farmers were asked, "Do you believe that a vote of the majority of the producers of a commodity should legally bind all producers to participate in a joint effort (1) for promotion of their products, (2) to control quality marketed, and (3) to restrict the level of production or marketings?" As might be expected, responses varied according to the activity. Farmers are apparently not averse, in principle, to subjecting themselves to a majority rule for some things. Sixty-five percent favored allowing a majority vote to legally bind all producers to participate in joint efforts for quality control, 48 percent for promotion, and only 41 percent for restricting the output of individual producers. Again, even though the great majority of farmers believe that effective bargaining requires some mechanism for limiting production, the
majority are not clearly in favor of market rules which would bind all producers to participate in such activities.

These patterns of farmer attitudes suggest that the recent increased interest on the part of farm organizations if founded upon the felt need of their members or potential members. Farmers have strong feelings that they are unequal participants in a power struggle to determine the market price level for farm products. But, the tactics they are willing to use in such a struggle are quite limited and, therefore, the prospects of succeeding would appear limited. Farmers seem to recognize this also. Only 45 percent believe that they can work together to solve their problems through their own organizations. An even smaller percentage is optimistic about the potential effectiveness of programs presently offered by farm organizations. Only 37 percent said "yes" when asked, "Do you think any of the present farm organizations have programs which will effectively deal with the (major) problem?" There was an even higher consensus among farmers that they cannot rely upon the government to solve their problems for them.

Summary

Economic problems are most frequently given by farmers as the major problems which they face. Most important, however, is the fact that farmers see these problems arising from a market price system which they view as unfair—one in which the balance of power is stacked against them. Two routes are at least partially open to them should they elect to make a major effort to alter the existing marketing system. One approach is through establishing effective bargaining organizations and procedures. The second would call for alteration of the existing "rules of the game" via combinations of legislative and administrative efforts.
Farmers firmly believe that they must organize for bargaining if they are to compete effectively in the market. They acknowledge the past success of organized labor, and they exhibit a surprising awareness of the minimum necessary conditions for successful negotiation. They know, for example, that the ability and willingness to restrict aggregate and individual output is of prime importance. The majority are not willing, however, to make the individual sacrifices necessary, in terms of restricting output, to make a bargaining association truly effective. The future prospects and effectiveness of the bargaining association route, then, hinge, upon a lessening of farmers' intense desire for independence, and/or the development of facilitating institutions. This, of course, has been historically true. However, rapid changes in the nature of the farm unit may be hastening the day when truly effective bargaining organizations will be physically more feasible and also more palatable to the farmer's independent spirit.

Farmers appear likely to support efforts to restrict the growth and absolute size of firms in the agricultural market channels. They are especially concerned about concentrations of power in vertically integrated firms. Farmers also will support legislative and administrative efforts to curb what they consider to be unfair pricing practices on the part of marketing firms. Strong support for various types of marketing orders is not apparent, especially where overt supply restrictions are involved. However, the same forces which might make bargaining associations more feasible in the future may also operate to increase the likelihood of the acceptance of certain marketing orders.