VIII. Bargaining: Planning, Strategy, and Tactics

The Bargaining and Negotiating Process

Negotiating prices and terms of sale for farm commodities involves some of the same strategies and procedures that are associated with all other forms of negotiation. It requires careful preparation and planning, an understanding of the process, the use of strategy and tactics designed to achieve the necessary goals, and the skills to bring about a satisfactory conclusion. Farm bargaining does not enjoy the same legal power base that organized labor has, nor does it have control over supply, production behavior, or market patterns that could bring real muscle to the bargaining table. These inherent weaknesses must therefore be overcome by the use of greater negotiating skills and an understanding of the farm bargaining process, its opportunities and its limitations. Planning and preparation must be undertaken within the framework of the association's goals.

Establishing Goals

In a recent study of bargaining associations, 55 managers ranked their association's bargaining goals in order of importance.[7] Higher grower income, stable prices, and assured markets were rated 1, 2, and 3. Next in order came expanded membership, expanded markets, and higher prices. Significant is the fact that managers gave higher prices

[7] Mahlon G. Lang, *Collective Bargaining in Agricultural Product Markets: Findings of a Survey*, Station Bulletin No. '241, Dept. of Agricultural Economics, Purdue University, West Lafayette, Ind., September 1979.

such a low ranking. Net grower income is the result of many factors other than price. It can be influenced by better planning because prices and markets are known in advance. Uniform and fair quality standards and how they are determined can be significant. Such considerations as having a reliable market, receiving prompt payment, being rewarded for quality, harvest coordination, availability of long- and short-term credit at competitive terms, are all included in goals calculated to improve growers' net returns.

Goals should be determined in order of their importance and consistent with the bargaining power of the association.

Members Provide the Bargaining Power

The most significant asset that a bargaining association has is the support it receives from its members. In labor circles, this is referred to as solidarity. At the same time, one of the greatest weaknesses that an association may have is the failure of the members to support the organization. A realistic appraisal of membership support is a necessary first step in measuring the potential bargaining power of the association, Questions need to be asked such as: Will members support association strategy? Can members influence buyer decisions, and will they do so if requested? Will members resist buyers' efforts to weaken the association's position? Does the volume produced by the members amount to a significant and potentially important share of the available supply?

The degree to which the association is able to control the buyer's supply of the commodity is very important. Supply control used in this context is not necessarily the ability to withhold supplies from a buyer. It may be the fact that the members have provided the association with the authority to negotiate in their behalf, or to divert a portion of the crop to other uses. The ability of milk associations to divert milk to other markets or to manufacturing outlets is a vital factor in providing a stable base for price negotiations. The operation of a marketing order that deals with potential or actual surpluses by means of set-asides or diversion programs can be of vital assistance in bringing total marketable supplies into line with demand. Having excess supplies of a commodity hanging over price negotiations can have devastating results on the bargaining process.

The use of sanctions on the buyers is often mentioned when analyzing the bargaining power of an association. A sanction is the ability to inflict economic loss on the other party. Buyers have used sanctions for years in the form of discriminatory treatment, refusal to deal, boycotting certain producers, coercion, and the like. Sanctions by an association such as refusal to deal with a certain processor, cutting off supplies, harassment, picketing, and intimidating buyers are tactics that often prove to be unproductive. They often lead to retaliation on the part of the buyer and neither side wins.

Associations can develop considerable bargaining power through their ability to lower handlers' costs through more efficient handling of the product, better quality controls, and market expansion activities. Farm bargaining associations can occasionally achieve a measure of bargaining power through the skillful exploitation of the monolithic character of a large food company.

The bargaining power of the buyer is constricted by the very existence of a farm bargaining association. The power of a buyer to select suppliers and play one against the other, to control time in price-making, to delay payments and, most of all, to determine prices unilaterally are all restricted by the presence of a farm bargaining association. Despite these constraints, however, the buyer's corporate size and franchise in the marketplace will always put the seller at a certain disadvantage at the bargaining table. The buyer knows that the ultimate pressure on the association is in having a market for the members' production. A good price for a commodity has little value to a grower without a home for the production.

Marketing orders and agreements can be effective tools in establishing a good climate for a farm bargaining association. The voluntary nature of the association often creates a situation in which the nonmember is able to reap the benefits of association efforts without paying the costs.

Marketing orders and agreements play an essential role in getting nonjoiners to share in the costs of group action from which they benefit. Such marketing order activities as establishing industry-wide grading standards, developing uniform grading and delivery procedures, developing industry statistical data on production and marketing, carrying out market expansion programs, both domestic and foreign, and devising orderly marketing programs can all be helpful. They can provide a more stable environment within which farm bargaining can be conducted, at the same time bringing benefits to the industry as a whole. However, programs carried out under a marketing order cannot substitute for the need to have strong support from members who represent a significant share of the total supply of the commodity in the area covered by the association. Signs of instability or lukewarm membership support can have a devastating impact on negotiations.

Adequate funding is also a factor in that it signifies a degree of permanence to the association. Nonmembers will also have an impact on the bargaining process. The makeup of nonmembers is significant. If they are large and financially independent, they may be able to undercut or to support the bargaining efforts of the association and so must be taken into account in the bargaining process. Farm bargaining is a give and take process, but not as one grower described it: “We give and they take.” Good bargaining involves a “give” for every “take.”

Preparation and Fact Finding

Preparation and fact-finding are often as important as the negotiation process itself. Without good preparation and reliable information, even a skilled negotiator cannot perform satisfactorily. Preparation and fact-finding are also valuable in helping the board of directors to reach a sound decision. The manager of the association has the primary responsibility for assembling and coordinating the data that will be used in the negotiations.

Preparation and fact-finding are designed to save time. Working from false assumptions or on the basis of abstract convictions can be time-consuming and fruitless. Opinions should be carefully examined and verified. Both farmers and buyers will make assertions such as: “Such a price offer is outrageous,” or “That price will break half the farmers in the State,” or “We would have to close our plant at those prices,” or “The trade would simply stop buying at those prices.” Bargaining association managers have heard statements like these many times. Made without basis in fact, they have little impact. On the other hand, facts and figures developed to prove that a price is fair and reasonable, or based on cost of production studies that show that half the farmers would lose money, or some evidence that a plant would close, or the trade would stop buying, can be very persuasive.

Opinions are often based on assumptions that are no longer valid. It is easy to believe what we want to believe. We form opinions based on judgments, accusations, and statements colored by emotions. Many people try to confer immortality in their assumptions: “Once right always right.” Assumptions tend to become false assumptions when they automatically become absolutes: when “I think” or “I feel” becomes “I know.”

The development of sound useable data is the first step in the negotiating process. It is particularly important in the internal bargaining that precedes negotiations with the buyer. In my price negotiations with some of the Nation's leading food companies for over 25 years, I observed two recurring principles at work: first, any group of farmers, given all the facts, will inevitably arrive at a sound and reasonable conclusion; second, food company executives are used to making decisions based on good data and will respond favorably when growers can document and back their proposals.

The California Canning Peach Association (CCPA), and several other Pacific Coast associations, as a result of many years of price negotiation, developed what we called "the price book." The "price book" contained all of the pertinent data that would impinge on price negotiations: yields, production records, projection of acreage, wholesale and retail sales data, price data, production and processing cost data, just about anything that would be brought up in price discussions. Once the price book was established as reliable and accepted by the buyer, the data could be updated from year to year. The book also contained production and sales data of competitive fruits as well as general economic information, such as projections on disposable income in the United States, gross national product, expenditures on food, per capita income, retail and wholesale margins on food items, and food consumption trends. Projections of f.o.b. prices that could be expected to prevail under certain conditions of supply, demand, and market conditions were also included.

A number of California bargaining associations are indebted to the Giannini Foundation of the University of California at Berkeley for helping steer them in this direction. The Foundation annually prepares a report on "Pacific Coast Canned Fruits-FOB Price Relationships," which was the material that stimulated the association to prepare its annual price book. Dr. Harry Wellman started the series in the 1920's and Dr. Sidney Hoos and Dr. George Kuznets continued the work in recent years.

CCPA holds a fact-finding session with each of its major customers prior to formal price discussions. This practice saves a good deal of time. It is part of the negotiating process and serves to eliminate the negotiating about facts. Facts are not what are negotiated. They provide a basis for negotiation and, if properly prepared, can lead to advantageous results for both the association and the buyer.

Who Should Negotiate

A skilled and knowledgeable negotiator is an important asset in any negotiation. The negotiator is the one who takes the lead in negotiations, helps to plan, and executes the strategy. Having a single person take the lead is important. Whether the lead negotiator is an employee or a principal is not as important as having a person with skill and knowledge about the industry. Each commodity has a distinct marketing profile; it also has a rhythm of its own. Having an intimate knowledge of that profile and an almost daily contact with the market is an essential asset required of a good negotiator in addition to the skills described below and on the following page.

Farm bargaining associations use a number of different approaches to negotiation that range from an individual negotiating committee for each processor, as used by the Potato Growers of Idaho, to the single negotiator used by some of the milk producers associations. Most associations use modifications of the team approach where a certain number of association directors participate in the negotiations.

The team approach has a number of advantages: it allows wider membership participation and a pooled judgment; it presents solid support; and it can have political and public relations implications. When a team approach is used, the roles of the participants should be fully planned. Plans should be made for prearranged signals to enable the team to go into caucus if necessary. A team approach also requires a leader with experience and skill at negotiations.

The use of a single negotiator also has advantages. It frequently results in a more frank exchange of ideas and exploration of alternatives. It prevents the problem of a weaker member's answering questions in such a way as to create disagreement or leave a false impression. There is no division of responsibility, and on-the-spot decisions can be made to reach a conclusion.

No single approach will fit every situation. Some associations use a combination of the team approach and the single negotiator. The negotiations are conducted on a team basis by a "sales or bargaining committee," with final negotiations carried out by the negotiator on a one-to-one basis or two-on-two. Some farmers are superb negotiators, but others are not. While it is true that negotiation is an art, the skills can be learned. A skilled negotiator:

1. Has an open mind and is flexible.
2. Is aware of the needs of the other side as well as one's own.
3. Can quickly identify mutual goals and interests.

4. Never accuses the other side of being wrong.
5. Seldom manipulates people.
6. Is creative and imaginative, able to come up with alternative approaches.
7. Has a cooperative attitude.
8. Is a good competitor, an achiever, and has high aspirations.
9. Never sees a deal as irrevocably closed.
10. Can think clearly under stress.
11. Has analytical ability.
12. Has general practical intelligence.
13. Has personal integrity.
14. Is a good communicator.
15. Has perseverance and stamina.

If a team approach is used, the members of the team should be chosen with great care. An excellent time to judge the capabilities of the team members is during the internal bargaining that may take place among the members of the board. The negotiating team is no place for the loudest talker, the most dogmatic one, a frail person, or one who is impractical, prejudiced, confused, overanxious, changeable, timid, self-righteous, sarcastic, insensitive, crude, disloyal, dishonest, highly emotional, or suspicious. Such traits can be quickly identified and persons possessing them should be discouraged from serving on a negotiating team.

Planning Strategy

Strategy plays an important role in the negotiations and, when planning strategy, it is important to take into account the needs of the other side and how to best satisfy such needs. The common denominator of negotiation is dealing with the needs of people and their organizations. Dr. Abraham Maslow points out that the satisfaction of needs motivates nearly every type of human behavior. His classification of these needs in their order is as follows:*

1. (Basic) Homeostatic (Physiological)-need for food, warmth, shelter, elimination, water, sleep, sexual fulfillment.
2. Safety and security-need for feeling safe from injury, both physical and emotional.

'Abraham H. Maslow, *Motivation and Personality,* New York: Harper & Row, 1954, pp. 35-38.

3. Love and belonging-need to feel part of a group, need to belong to and with someone else.
4. Esteem-self-respect, feeling of personal worth, adequacy and competence.
5. Self-actualization-need to become what one is capable of being.
6. To know and understand.
7. Aesthetic.

In the negotiating process that is carried out by a farmer bargaining association, the needs of the organizations and the individuals must be kept in mind. Individuals tend to identify with the organizations to which they belong. They often move beyond the area of personal needs and mentally assume those of their organization. This has significance, because during the negotiation, an individual's own, perhaps most basic, needs may subordinate themselves to the needs of the company. It is possible that satisfying the need of the company or association will give deeper personal satisfaction, thus satisfying one's own basic needs. In planning strategy, the needs of the company must be carefully analyzed as well as those of the individual who is to do the negotiating. It is well to remember that if there were no needs, then there would be no reason to negotiate. When a person's more basic needs are satisfied, then the next in line takes its place. The needs and the goals of the organization and the individual will change from time to time.

A good negotiator will carefully analyze both the corporate needs and the personal needs of the negotiators on the other side. Knowing those needs is essential in planning strategy. Typical of corporate needs are the following:

1. To purchase a specific volume of product.
2. To purchase a particular quality necessary to reduce operating costs or meet a special market.
3. To have deliveries made at a specific time.
4. To meet a profit plan objective.
5. To achieve a larger share of the market.
6. To have prices that meet or exceed those of its competition, and not to be at a competitive disadvantage.
7. To increase or decrease purchases of the commodity.
8. To maintain a reputation or market position.
9. To maintain a corporate policy or goal.
10. To satisfy the head office.

Some typical needs of a negotiator for the buyer may include:

1. To be recognized by the company to achieve advancement.

2. To satisfy "the boss."
3. To purchase a volume of the commodity at a price necessary to satisfy corporate goals.
4. To satisfy a feeling of importance.
5. To keep one's job, needing assurance because of fear.
6. To show superior knowledge and command.
7. To be liked and admired.
8. To impress business associates.
9. To impress colleagues by demonstrating professional skills.

When planning strategy, the needs of the association, the buyer, and the individuals who are negotiating must be recognized and understood. Good strategy, for example, may be to work for the needs of the buyer who may require a change in specifications or quantity. Knowing this, and negotiating to achieve such a requirement, can be the basis for successful negotiation of the association's needs. The negotiator for the other side may need special recognition to obtain advancement. Good bargaining strategy should take this into account, perhaps meeting this need and at the same time advancing the association's goals. By letting the association's needs be known, a good negotiator can sometimes cause the other side to work for them.

Working against the needs of the other side can often lead to negotiating problems. For example, if the association needs to solidify member support behind a position it has taken, and the other side deliberately frustrates this need by circulating false rumors, the negotiating attitude of the association would reflect the frustration. The same thing is true if the association frustrates the needs of the buyer by circulating false stories. The bargaining table is where the action is, and activities deliberately calculated to threaten the needs of the other side make negotiations more difficult. This is not to say that if the buyer requires a low price that negotiating strategy would attempt to work for that need. It means that the low price should be measured against what the real need is, such as greater volume, better quality, more timely deliveries, and so forth. Such actions may achieve savings that are equal to lower prices. Naturally, there is a price associated with such accommodations and that price too should be negotiated. If the association members need to generate higher prices, they may really want better net returns, which may be achieved by better handling, delivery, or a change in grade standards or sampling procedures. Often the strategy may call for working for the needs of both parties.

Once the needs are understood, specific seasonal goals should be established. They may be both short term and long term and both should be addressed. For example, if the association's goal is to achieve an "evergreen" supply contract with a major buyer, the short-term goals with respect to that buyer should be established with that objective in mind. If a long-term goal is to enter into long-term supply contracts under formula pricing, then the short-term goals should be tailored to that objective.

What People Strive For

People and their organizations have a number of basic goals that they strive for. It is well to review these when planning strategy. Some typical goals:

Money. This is a goal that most individuals and organizations strive for, but it is not the only one. Farmers provide a good example. They like money, but not at the expense of losing control of their operations and their independence. Many people enjoy having a sense of achievement, and use money as a measure of this achievement.

Power and Competence. Men and their organizations do seek power. Farm bargaining associations want some measure of power in deciding the prices of their members' commodities. The organizations and individuals with whom they deal seek the power to establish values and terms of trade that will protect their investment and their ability to make a profit.

Knowledge. Knowledge of the factors that influence the prices of their commodities is a basic goal of every farm bargaining association. The buyers, too, must make significant decisions based on their mastery of the knowledge of the marketplace.

Achievement. Men and organizations set specific goals for themselves. The association may set a certain goal for price and terms of trade, and the achievement of that goal becomes a factor in negotiations. The same is true of the buyer. The profit goal for a particular group may be established based on certain raw product costs, and the achievement of that goal is bound to be a factor in negotiations with the association. Good negotiators will tend to aspire to high goals of achievement. Good negotiators are often very competitive and have a need for such high achievement. An association with an achievement-oriented negotiator must arrive at a realistic aspiration level with its own negotiator. The achievement needs of the buyer must also be evaluated in preparing the goals.

Excitement and Curiosity. Everyone has curiosity and a desire for excitement-some more than others. There is a certain excitement in the negotiating process. Negotiators have a genuine curiosity about the other side. It is a part of the negotiation process.

Social. Social goals and personal recognition are also important to many people. The need to belong to clubs and organizations, and the standing in such groups, is an important goal to some. Some farmers have a strong need to belong to, and to be the recognized leaders of, a farmer organization. Buyers, too, belong to trade organizations, service clubs, and social clubs. Their standing in such clubs is important to their self-esteem.

Recognition and Status. Some farm bargaining associations give their manager the title of president to give him added stature, particularly if he acts as a negotiator for the organization. Buyers, too, enjoy certain recognition. A buyer may be a corporate vice-president and be entitled to a larger automobile or a larger office. Farm bargaining associations are often faced with matching for their own employees the status symbols of the buyers. Status and recognition play an important role in understanding goals.

Not all bargaining associations are aware of the importance of status and recognition for their own representatives. There is an inherent disadvantage when an association negotiator must carry on negotiations with an opposite who is better paid, has more perquisites, and a higher title. One-upmanship is often practiced in the business world. The association's negotiator should not be given a handicap when negotiations commence. The stakes are often very high with millions of dollars riding on the outcome. What may mean a thousand dollars to an average member could mean many millions to the buyer and under such circumstances, the negotiator for the association should be afforded the status necessary to negotiate as an equal.

Security and Risk Avoidance. New associations have a problem with buyers who are unwilling to take a risk in dealing with a relatively unknown association. Any uncertainty should be taken into account. The farm bargaining association members, for example, may be hesitant about dealing with a new and unknown buyer.

Congruence. Men who have been successful and who have enjoyed power and influence find poor earnings almost impossible to accept. This is one of the forces that has led to the increase in farm bargaining. It may also be a factor with a buyer whose profit record has been poor in the past years.

The Bottom Line

All of these are goals that individuals strive for- and should be taken into account in planning strategy. Buyers will not always reveal their real aims and those of their organizations. Finding out those aims takes much hard work and persistent diligence on the part of the farm bargaining association management.

How does the association perceive the buyers' goals? How do the buyers perceive their own goals? How do the buyers want the association to perceive their goals? To make this analysis, the association will have to make certain assumptions and these assumptions must be based on facts. The key consideration is the accuracy of the perception or assumption.

How does the association perceive its own goals? How does the association believe the buyers perceive their goals? How does the association want the buyers to perceive its goals?

To an experienced bargaining association, the answers to these questions are the real bottom line. One of the problems encountered in the process of identifying these perceptions in a bargaining association is the frequent tendency on the part of board members to inadvertently telegraph the association's bottom line to the buyers. It is easy to understand how this can happen. The association, eager to encourage maximum grower participation, permits a frank exchange of views and reaches a consensus in a democratic fashion. Skillful buyers, however, have a way of gleaning pertinent information through sources who may never know they have been a conduit. This fact may not bother some members, but there are buyers who are achievers and competitors who would delight in shaving the association's bottom line.

The California Canning Peach Association had an interesting experience with a leak from an unexpected source one year. The Association's office was on the same floor as that of a major chainstore buyer. The board of directors had just adjourned its meeting, at which a consensus was reached after long internal negotiations. Members of the board were discussing their position in the men's room and the elevator after the meeting. The chainstore buyer, who was unknown to the farmers, was also in the men's room, on the elevator, and in the foyer of the building. He was delighted to share his knowledge with his cannery suppliers, who couldn't understand how he obtained his information.

Some bargaining associations have dealt with the problem by not taking a firm position at a board meeting, but designating a smaller committee to adopt a position based on discussions at the board meeting.

Final approval, however, is still vested in the board. This procedure requires much confidence in the ability of the negotiators to read the board's position, but the policy works.

Values Will Not Change

Most people's actions are predictable. The best way to predict a person's behavior is to look at that person's history. A careful study of a buyer's habits, temperament, opinions, and values will reveal useful patterns. Our personality traits tend to guide our behavior in line with our major intentions. A buyer will react to frustration and stress in regular patterns. Some will make excuses, bury facts, forget, blame others, or become hostile or emotional under stress. Others will react with humor and creativity. If one's reactions of yesterday are known, a sounder appraisal of that person's behavior can be made today.

A person who has a history of tricky dealing can be expected to continue to use the tactic. A tightwad will continue to be a tightwad. A risk taker will take risks and a buyer who places great value on status will go on seeking status. People generally act in what they perceive to be their self-interest and see such action as very rational behavior. Few people admit to failure or mistakes. From their point of view such behavior makes sense, even if others believe they are wrong. People will behave in strange ways to protect or enlarge a self-image. They will follow patterns which they believe were successful before from their point of view.

A good negotiator asks questions, observes, listens, speaks rarely and then in nonjudgmental terms. With the negotiator's ability to listen patiently, a buyer's self-image will emerge. A prediction of a behavior pattern is still guesswork, but diligent effort will be rewarded with signals about the buyer's personality that can be most helpful in planning strategy. Association managers would also be well advised to check their perceptions about their own behavior and what kinds of signals they send out. An association negotiator with a history of behavior patterns that leave a negative impact would be well advised to seek other employment.

Maximizing the Negotiation Effort

Tactics.

After ascertaining the facts, checking assumptions and perceptions, analyzing the association's goals and those of the buyer, and predicting the buyer's reaction, the final strategy is ready to be considered. These questions should be asked:

1. ***How can the buyer and the association benefit by working for the achievement of each other's needs and goals?*** For example, the association might propose a quality-incentive program that will reduce the buyer's costs and improve the quality output, resulting in increased purchases and sales of the product. The California Canning Peach Association negotiated a quality-incentive program that satisfied the needs of the quality producer, increased the case yield and quality of the pack, and improved their plant's performance.

2. ***How can both sides benefit if the association actively works to achieve the buyer's goals?*** For example, planting and harvesting can be scheduled to maximize plant utilization. The California Tomato Growers Association inaugurated a series of premium payments for tomatoes delivered early in the season and late in the season, thereby extending the season and increasing plant capacities. The California Canning Peach Association proposed a sliding scale of prices related to volume pack, thus removing the fear of paying a high price for a large volume. This also permitted better pack and profit planning.

In another example, the association could offer to take responsibility for procurement, transport, and grower payments, thus reducing the buyer's costs. Associations of milk producers have assumed these burdens and made it possible to supply bottlers with the exact quantity and grade of milk needed for a bottler's customers.

3. ***How can the association and the buyer benefit by the association's giving up some individual or joint goals in favor of others?*** An example would be giving up firm prices for a formula price based on an index of costs. The California Tomato Growers have proposed entering into early contracting arrangements by adopting a fixed price adjusted to inflation by an index factor, thus giving growers a chance to plan their operations at an early date and processors to make their pack and profit projections on known volume and identifiable variables.

All of these are positive approaches to farm bargaining and should be carefully examined in planning strategy. There are other strategies that can also be employed.

Timing.

The time when negotiations take place is an important part of strategy planning. The timing of negotiations can have a significant impact on the results, particularly where perishable commodities are involved. Planting time, for example, puts pressure on both the buyer and the association. The buyer wants to be assured of supplies from reliable suppliers and the producers should know so that they can make their farming plans. Advance planning may be mutually advantageous to both parties.

Timing also should be taken into account when the buyers prepare their annual processing and marketing plans, and when the profit plans are made. Associations faced with profit plans made by the executives of the buyer's company find them extremely hard to change. Pack budgets, marketing plans, and profit plans are often the end result of much internal bargaining on the part of the buyer. Once agreements have been made between the departments of production, processing, financing, and marketing, changing those plans at a later date to accommodate a bargaining association simply isn't easy to accomplish. Knowing when and how profit planning is carried out by a major customer is an important consideration in timing the negotiations. This information is not difficult to obtain. Knowing the problems of the customers can provide valuable insights in planning strategy.

Priorities.

Establishing priority is a vital part of strategy planning. Good strategy is to negotiate the nonprice terms before getting into price. Nonprice terms generally include grade standards, container handling, hauling and transport, services to be rendered, the form of price (i.e., sliding scale tied to volume, base price adjusted to an industry price). When too many issues are on the table, there is a tendency to trade off one issue for another with a result that may prove unsatisfactory to both sides. When grade standards and handling costs are known and established, price agreement can be more easily arrived at. This is not to say that each of the nonprice terms does not have a value. However, having reached agreement on those nonprice terms, their value can then be incorporated into the final price negotiations. It is when they are on the table and not resolved that they are subject to being traded off. Of course, this strategy can work both ways.

Farm bargaining associations generally bargain with more than one customer, and each one on an individual basis. There are legal restraints that make it impossible for the buyers of a commodity to meet as a group with a bargaining association to establish prices and terms of sale. Buyers cannot act together, either with or without an association. Having five or six issues on the table with each different buyer can lead to difficult compromises. There is value in negotiating nonprice terms in advance of the final negotiation because in the process both parties can explore mutually advantageous alternatives.

Starting Point.

The starting point for negotiations is also a part of strategy planning. Associations using a contract of sale that contains prior agreement on terms and conditions may find such a document a good starting point. It is natural to commence with the existing document. On the matter of price, negotiation will nearly always be based on the last price negotiation. If the price favored the buyer, he wants to commence on that basis. If the price favored the association, that makes the starting place for their negotiations. The familiar and the known are always convenient starting points. Precedent and the status quo are important factors in strategy planning. We may not be happy with things as they are, but if a pattern has been established, we are prone to give it legitimacy. A contract, for example, may contain some undesirable provisions, but also several desirable provisions that could be lost if the contract terms are opened up. Proposed changes in well-established terms can also bring on a full review of the entire document. One bargaining association that had operated for years on the same form of contract proposed some changes to bring it up to date. This led to a full-blown review of the entire contract with lawyers from a dozen firms all seeking changes in the standard contract. This resulted in long delays in reaching final settlement: another reason why nonprice terms should be negotiated and agreed upon in advance of the final negotiations.

Prudence.

Prudence in bargaining procedures will have an influence in strategy planning. Any change in procedures or documents that have been accepted by both sides over a period of time should be carefully planned in advance. People don't like surprises, particularly if they require additional work. If changes are to be made, they are best entered into gradually so as not to raise suspicions and concerns. Unless a sudden change in procedure is a tactical move, it is well not to cause the buyer to ask, "I wonder why they did that?"

Negotiate in a Good Location.

Where to negotiate should also be part of strategy planning. It is generally believed that there is an advantage in bargaining on one's own turf. The home team is generally believed to have an advantage. If negotiation can't take place on one's own turf, it may be well to consider a neutral place with a good environment. An example of a poor location: The California Canning Peach Association planned to hold a board of directors meeting at a San Francisco hotel. When the directors arrived, they found that the hotel had failed to book a room for the meeting, and they were accommodated in a room that was a night club bar in the evening. The acoustics were poor; the room was noisy; and the decor was anything but harmonious and conducive to careful deliberations. Discussions were difficult to hear; the surroundings were unfamiliar and unsuitable for a business meeting; those present felt uncomfortable; tempers became short, and some emotions flared. Needless to say, the meeting was a shambles and nothing was accomplished. The meeting place itself had much to do with the poor results of the meeting.

People are influenced by their surroundings. Price negotiations should always take place in a quiet, comfortable room with harmonious colors and a minimum of distraction. If the conference is a long one, accommodations should be made available for caucuses. Coffee and soft drinks should be made available to the participants.

Negotiating

Farm bargaining associations carry out price negotiations in a manner suited to the environment within which they operate. Many milk producer associations no longer are involved in long negotiation sessions with distributors and bottlers. Minimum prices and minimum terms of trade are arrived at through the Federal milk marketing order in the area in which they operate. Over-order prices for fluid milk and products are modified and changed from time to time based on the demand for manufacturing milk. There is constant communication between the association officials and the buyers so that price changes occur after much discussion and with knowledge of the facts. There is precedent and experience to go by and both buyer and seller feel comfortable with the procedure. This was not always so. Milk producers had many tough bargaining sessions before they came to the rather institutionalized procedures now being used.

There is no one perfect way for price negotiations to take place. The procedure calls for many skills and much understanding. Some associations negotiate in a very formal manner; others bargain in an informal way. Some negotiations involve many people, others just a few. The negotiating procedure in each case seems to have a pattern that is influenced by the market for the commodity, the relative strength of the buyer and the seller, the personality of the people in the industry, and the experience of the association. Among the older and more experienced associations, a well-established pattern of procedure prevails that has gained credibility and acceptance by both parties.

Parties to labor negotiations usually observe certain rituals that have been described as a three-act play. In the first act, both parties behave in an aggressive fashion, making strong demands and staking out firm positions. Much of the rhetoric is designed to advise the rank and file of the hard stand taken by the other side. The second act is involved with hard bargaining. Here each side searches for a compromise. The retreats from sham positions are slow and deliberate, and each side listens for subtle signs of concession. It is here where various tactics are employed, and behavior becomes undercertain as each side seems to gain advantage by delay, or confusion, or resistance. Each side tests the other. The last act finds both sides seeking to find the last point of resistance. Here is where a crisis often leads to settlement. It is also in the last act that the negotiator's most important role- that of keeping the negotiations on track to final resolution- becomes an imperative.

Farm bargaining negotiations also have a certain ritual. Some of the activities parallel the labor negotiations model. Certainly, some initial aggressive behavior lets both sides know that their interests are being pursued and the difficulties they are facing with the other side. The aggressiveness is usually followed by some retreat from earlier positions and a search for compromise. In fact, the business of farm bargaining has much in common with negotiations in other fields, whether in labor, industry, real estate, and so forth. Each negotiation activity is tailored to fit the needs of a particular commodity or industry. The strategy and tactics used by each side can be observed and studied. Here are a few examples of tactics and strategy employed in farm bargaining.

Patience involves the maturity of being able to wait out an agreement in exchange for the expectation of gaining more in the future. This is used by both sides. It can be used, for example, if total supplies appear to be less than anticipated, causing an increase in value. It may be used if excess supplies seem to be causing a softness in the market. There are other examples. Sometimes the negotiators are only out to gain time until the values have adjusted up or down.

Deadline is often used in negotiations. Buyers use it as a means of precipitating a decision by fixing a date by which time an offer will be withdrawn. Associations may use it, too, to fix a time within which a response is expected. It is a good tactic to use to induce a decision or a response.

Fait Accompli is a risky strategy in commodity negotiations because it demands an action against the other side, and then waiting to see how the other side responds. A typical example would be where a buyer closes a plant or a receiving facility, or terminates a relationship with an important member. An association would use it by diverting product to another market without consultation. Since both sides can use this tactic, the consequences should be carefully considered before it is used.

Surprise involves a sudden shift in method of approach. It is usually dramatic and drastic, like raising the voice and walking out of a negotiating session. This tactic often doesn't work. In commodity negotiations, with participants often being the same people from one year to the next, the tactic is easily recognized after being used two or three times.

Association involves associating one's goals with the approval of an individual or organization that has influence and standing with the other side. Associations have used this tactic by referring to approval by a government agency or by another buyer. Buyers have used the same tactic by referring to approval of their position by a large producer or an important member of another buyer.

Many Issues at The Table involves having a number of issues on the table and trading off-making concessions on one issue to gain another. Buyers will frequently use this tactic by appearing to give concession on noncostly items in order to gain on the costly ones. Associations have also used the tactic, making concessions on unimportant issues to gain on the more important ones. In using this tactic, it is important to make sure that the assumption about what is important and not important is correct. Buyers have sometimes used this tactic when a nonprice term was of great importance to one or two members of the negotiating team, thus creating problems for the other side.

The Salami Approach involves taking a small slice at a time. This is often used by associations to achieve their long-range goals, asking for and achieving a small victory that in itself is not of great consequence. Buyers, too, use the same tactic in changing handling or grading standards. It is easy to give up a little bit at a time. However, the slices, when added together, can amount to a significant gain or concession.

Bribery and Sweetheart Deals deserve mention because they have been widely used by buyers in the form of special concessions to members and to nonmembers of the association. The most common of these are special bonuses, loans or payments for services not performed, and outright cash gifts. The tactic creates a special problem for bargaining associations, because such practices are generally known in an industry and arouse suspicions and mistrust among farmers.

Limited Authority involves restricting the authority of the negotiators to make a final decision. This tactic is commonly used by both the associations and the buyers. Few association boards will relinquish their decisionmaking authority to a negotiator, although in most cases a good negotiator knows the board's position. This method is an excellent vehicle to test out new approaches and suggest compromises that are subject to final approval. Buyers use the same tactic for the same purpose.

Question and Answer involves the use of appropriate questions posed at the right time, the purpose of which is to ascertain the assumptions and learn something about the intentions and sense of values of the other side. Even when a response is negative, the answer may give some insights not otherwise known. A question should never be designed to show how smart is the negotiator or how stupid is the buyer. Questions designed to serve an ego can be self-defeating. Associations and buyers both use this tactic. The answers should always be carefully framed, responsive, and designed to achieve the association's goals.

Threats of withdrawal of a favor or the infliction of punishment as a sanction are also sometimes used. A threat should never be used unless the party has the ability to enforce the threatened action and intends to follow through. It should be remembered that threats can induce retaliation. Unless beneficial results can be obtained, the threat should never be used; and only when these three considerations are present:

1. The threat can be carried out successfully.
2. The threat has a better than 60-percent chance of success.
3. All of the risks and costs are well known. How a threat is delivered can also be significant. Rather than an assertive statement like, "If the desired action isn't taken, a sanction will be applied at once," a diplomatic statement like, "Without the desired action, we will be forced to consider moves that may prove to be unsatisfactory to both sides," will give the same signal, but will be less likely to elicit an emotional response.

Associations have resorted to threats on several occasions, particularly in connection with legal action over buyers' unfair buying practices.

Associations have also threatened to stop deliveries in order to stop a plant or to use pickets.

Buyers have used threats involving legal action, plant closing, by-passing acreage, and changing buying patterns. The threatened party is often forced to respond to a threat in order to remove the intimidation that a threat implies. If the tactic of using threats works once, it is bound to be used again and again until the threat is challenged.

Reading and Sending Signals, both verbal and nonverbal, is a necessary part of the negotiation. There may be, and often are, hidden meanings in conversations in the bargaining process. Being able to read and send these signals is an important skill of good negotiators. Nonverbal communications are not always as easily controlled as are verbal communications. Nonverbal signals are expressed in everyday living, and often the nonverbal signal is more accurate than the verbal message. People will often express their feelings in a nonverbal way. To read such signals, one must consider the environment and the time at which the message is given. Some of the nonverbal emotional signals that most people can read are: open or suspicious, reassuring or uncertain, aggressive or confident. When nonverbal signals are combined with verbal communication, we can conclude, for example, that a person is cooperative, honest, holding back, protective, uncertain, and so forth. Negotiators learn to listen and watch for signals that can tell them much about the person they are dealing with. Good signal reading can indicate the need to change an approach or reveal hidden motivations, feelings, or needs. Nonverbal signals can often by compared with verbal communication to determine the accuracy and meaning of the spoken word.

There are some excellent books on body language which negotiators should read. Some of the simpler gestures which the author has learned to identify are: Arms folded together across the chest is generally a defensive or protective posture. Sitting forward and leaning toward one is an aggressive posture. Legs draped over the side of a chair is an indifferent posture. Lack of eye contact may mean a lack of interest or a defensive gesture: hands on hips-a waiting posture. There are many more. Careful observations will enrich the negotiator's ability to read people. Being aware of the revealing nature of gestures, postures, and facial expressions will also help negotiators understand their own. A word of warning: It takes a consummate actor to use body language to communicate feelings that one may not have. People will distrust one who uses nonverbal communication to convey something that person does not feel. If one wants to change one's body language, it is best done by changing how one feels.

False talk is another form of communication that a good negotiator needs to understand. False talk occurs when the words do not convey what is being said. For instance, a statement like: "The price should be in the area of $100," may really mean, "I am not prepared to tell you the price." Prefacing a sentence with "Honestly" or "To tell the truth" when the question of honesty is not an issue, may mean the exact opposite. Phrases like, "Don't worry" or "I'll do the best I can," may really mean the opposite. When a buyer ***uses*** the words, "We are going to ..", he may really be trying to put some distance between the two parties. "It's none of my business, but ..." may really mean "It is some of my business and. ..." False talk is a part of the negotiating business and should be understood, because the most essential part of the process is being able to communicate-both ways.

Stalemate, the inability to come to an agreement, can be handled by a number of different approaches, all with some measure of success. Essentially it is the degree of interest that the parties have in coming to a decision that will hasten the conclusion. Some of the west coast fruit bargaining associations have for a number of years operated under a "reasonable price" provision in their contract of sale with processors. Some associations have provisions for mediation, while others have provided for arbitration, either using a panel of arbitrators or "last-offer arbitration." The arguments that have been used against mediation and arbitration generally are that it is very difficult to find a person who is unbiased and knowledgeable to act as a mediator or arbitrator. The possibility of mediation and arbitration induces some parties to negotiate in such a manner as to create a favorable position for mediation or arbitration. For example, a negotiator might name higher than expected prices in anticipation of a compromise, or a splitting of the difference.

Reasonable Rice contracts can be drawn to carry a provision like the following:

> **The buyer agrees to pay to the association and the association agrees to accept for all the commodity delivered to the buyer by the association or its members a reasonable price. The term "reasonable price" as used herein means a reasonable price for each variety and grade of the commodity covered by this contract. The said "reasonable price" shall be determined by the buyer and the association by agreement prior to ____________________ In the event that the "reasonable price" is not so determined by agreement of the parties, it shall be determined as set forth in the Uniform Commercial Code of the state (reference to the code and section).**

Many States have in their commercial code a provision for determining price in the absence of an agreement, and the purpose of this approach is to use this section of the commercial code. It is contemplated that, in the event of a stalemate, the parties can go to court and have the court make the decision as to what would be a reasonable price under the circumstances that would prevail. This provision tends to cause the parties to seek a resolution because of the fears of long delays in the court process and the costs that might be involved. No case involving a price that I am aware of has ever been settled by the courts. The California Canning Pear Association did start action on one occasion, but settlement was reached before the action was concluded.

Power

Association members like to talk about achieving power and using it. Farmers have increasingly seen the buying power of the large food companies, and have seen that power not always used wisely. Bargaining power is the ability to influence the behavior of the other side without making a concession. Using power as a tactic in negotiations is not uncommon, but before it is used by a farm bargaining association, it should be understood. The first step is to ascertain the relative power of the association and the buyer.

Power is always relative. Rarely, if ever, does the association or the buyer enjoy complete power. For every power move, the other side has some offsetting move. For example, the power of an association to restrict the total supplies of a buyer may be met by a plant closure or legal action.

Power may be real or apparent. It's how the power is perceived that is important. If a buying company believes it will lose preferred suppliers, the buyer may be influenced, even if no such move was contemplated. The association may believe that the buyer will acquire its supplies from other sources than the association when, in fact, there was no such intention.

Power may be exerted without action. If an association or a buyer believes a move may be met by a lawsuit, it may choose not to make the move, even though such legal action was not actually contemplated.

Power is limited. Laws restrict the actions that an association or a buyer may take. Likewise, ethical standards, hope for good future relations, and competitive problems may tend to limit the use of power.

Power exists only to the extent that it is accepted. An association that refuses to be intimidated by threats or exploitation on the part of a buyer cannot be exploited and will not be victimized. The same is true for a buyer.

The ends of power cannot be separated from the means. An association cannot develop good relations with the buyer by forcing it to act. A buyer can also not expect to develop loyal farmer suppliers by misuse of power over the farmer's association.

The use of power always entails cost and risk. The costs and risks involved in the use of power should be very carefully analyzed.

Power relationships change over time. The continuing growth in the number of successful farm bargaining associations is evidence of a change in the relationship of power.

Mediation and Arbitration

Under mediation, a third party is brought in to identify potential areas of compromise. A skilled mediator has the ability to suggest compromises not previously considered, provide moral suasion, and reduce tensions. A mediator may be sought in the hope that outlandish demands by one of the parties may be brought under some pressure to compromise. One of the parties may seek mediation because it feels the other side is unreasonable. Mediation may also provide a means for bringing buyers together. In some States, the Director of Agriculture is authorized to act as a mediator in cases involving disputes over the prices and terms of sale of agricultural commodities. When requested to do so by both parties, the Director can offer to mediate and has a unique opportunity to bring the buyers together. The Director is in a position to suggest terms of trade that will treat all of the buyers equitably. Buyers generally will seek to avoid any agreement that puts them at a competitive disadvantage with other buyers. They cannot join those competitors to arrive at a joint offer because Section 1 of the Sherman Act prohibits such activity. The State mediator provides a means of circumventing this obstacle without exposure to the antitrust laws. The California Canning Peach Association used this approach on one occasion and the mediator split the differences between the parties. The association did not use that approach again because of the tendency of the parties to make offers and negotiate in anticipation of mediation that might attempt to split the difference.

Arbitration provides a means of resolving disputes between bargaining parties in order to maintain the flow of goods through normal channels. There are different ways to provide for arbitration. The Michigan Agricultural Marketing and Bargaining Act has a provision for compulsory, binding arbitration. The act provides that the association and handlers, which at the beginning of the marketing period have not arrived at an agreement, will submit their final offers for binding, last-offer arbitration to a joint settlement committee made up of one representative selected by the handler, one selected by the association, and a third person who is the chairperson. The third individual is selected by the other two members, or, if there is no agreement, from a list of five persons identified by the Agricultural Marketing and Bargaining Board as "knowledgeable in agriculture" from which each party can strike two names.

The Michigan provision is significant because it limits the arbitrators to choose from one of the final last offers. The result has been that both sides tend to make their final offers sufficiently reasonable to be persuasive to the chairperson.

Several associations provide for arbitration in their contracts, and the method of selection is negotiated when the contract is signed. The problem, of course, is to find an arbitrator who is both knowledgeable and unbiased. A three person panel with two partisan arbitrators and one neutral merely transfers the discussions to a smaller group and leaves the final decision largely in the hands of the neutral arbitrator. Most associations see arbitration as evidence of a failure in the negotiating process rather than as a part of the bargaining effort.

Operating Cooperatives

On the west coast, some commodities are processed and marketed principally by cooperatives. For canned Bartlett pears and canned apricots, the operating co-ops market more than half of the production. This growth in the share of marketing activity going to the cooperatives has been gradual over a period of years. The result is that the price-making negotiations with the cash buyers represent an ever smaller portion of the entire crop. This situation has raised some concerns among proprietary companies, the bargaining co-ops, and the operating co-ops.

Unique, perhaps, to the California situation is the single-pool method of operation used by most operating co-ops. All the raw products furnished by the members are placed in a single pool at the established market value for each year. The established market value has, for these commodities, been established by the bargaining associations as a result of their negotiations with the proprietary companies. Over the years, many of the members of the operating co-ops joined the bargaining co-ops because they were interested in the ability of the bargaining association to stabilize prices and to realize the highest prices that could be justified for the commodity in each marketing year. The interest was generated because, under the single-pool method of operation, each member of the operating co-op is allocated the margins earned by the co-op on the basis of the value of the products that member delivered during the year. The higher the established value, the greater would be the member's share of the margins.

The bargaining associations do not negotiate with the operating co-ops, but discussions take place each season with the management of the operating co-ops, to gain their perspectives on the market for the product during the coming year. Such discussions are regarded by both parties as being helpful in attaining the "right" price for the commodity. This arrangement also benefits the proprietary companies. The fact that the operating co-ops with which they compete use the same value for raw products as are used in their operations creates a more orderly market.

A single-pool operation based on established values is also important for the co-op, particularly one that handles many products. Margins can be allocated on a fair basis for all the members, and the opportunity for one commodity to dominate the pricing of the other commodities is averted.

If the operating cooperative were to change to a multipool form of operation where each commodity would stand on its own, members would stand to lose the advantages of a single pool which tends to level off the peaks and valleys of grower prices that often characterize individual commodities. Cost allocation is also a problem in multipool operations. Proprietary companies with multiple crops operate like a single-pool cooperative in that their earnings are based on the results of handling many commodities. Economies of scale and the use of the same facilities for many crops keep operating costs in line.

At this time, there is no well-established institutional mechanism, that I am aware of, to actually bargain with an operating cooperative except for the informal methods used in California.

An interesting rationale expressed by many farmers who are members of both a bargaining association and an operating cooperative is their belief that management performance of the operating cooperative can be judged more accurately when the transfer prices used for raw products are the same as the prices arrived at by bargaining with commercial buyers. When operating cooperative managers are paid based on the returns above commercial prices, growers are fearful that transfer prices may be depressed if bargaining does not take place.

Operating cooperatives that actually enter into the cash market may need to bargain with a bargaining association in order to secure the needed supplies. Such an action tends to establish the transfer price used for the cooperative member's production.

There are many arguments put forth that farmers should not have to bargain with themselves. This may hold true with respect to an operating cooperative that handles but a single commodity and where grower returns are geared directly to the selling prices of the finished commodity. In such cases, the cooperative must compete with commercial handlers to keep its grower-suppliers, unless there is a management compensation arrangement that could create an incentive to keep grower prices low.

Where two or more cooperatives compete in the same market with the same products, a bargaining association may be needed to prevent price competition that uses low raw product costs to gain market position.

The role of the bargaining association and its relationships with operating cooperatives may differ depending on the circumstances in each case. A grower's dual membership in both a bargaining association and a canning cooperative is typical of California. The experience in most cases is that the membership on the board of directors is predominantly noncooperative producers whose production is directly involved in the negotiating process with the cash buyers of the commodity.

When the role of the bargaining association in an industry has been established as that of achieving fair and reasonable prices that are geared to the market, it should have a common goal with an operating cooperative and an institutional arrangement for negotiating industry prices may come about. When the basic goals of fair and reasonable grower returns are not the same, then there may be problems.

A bargaining cooperative whose board members market their production through an operating cooperative must exercise great care that its commercial customers are treated in an even-handed and fair manner. Each buyer negotiating or dealing with a bargaining association for the same commodity competes with each other buyer. Great care must be taken that no single buyer or cooperative has the slightest advantage over the other in its dealings with the bargaining association. Failure to observe this basic rule can destroy the credibility of the bargaining association and interfere with attaining the association's objectives. This is a particularly delicate matter whenever cooperative members with dual membership serve on a bargaining association's board of directors.

Final Decision Making

Final approval of the association's price position is made by a board of directors, which may often consist of a large number of farmers. This decisionmaking process involves considerable bargaining among the members of the board of directors. The manager of the association is frequently a mediator among the members of the board. The compromises that are reached by the members of the board are sometimes rather fragile, which may restrict the flexibility needed in the bargaining process. The decisionmaking process on the part of the buyers will generally follow corporate procedures. One or two major buyers often make a decision for the industry, and it is with these buyers that the association will have its most intense negotiations.

Where possible, the board should give its negotiators some flexibility, or at least an indication that there may be some give and take, which is the basic part of negotiations. Board members must bear in mind that most large food companies work on a system of profit centers. The size and scope and timing will vary from company to company. Long before the harvest, pack or volume budgets are established. Cost inputs for supplies, direct labor, indirect labor, overheads, advertising and finance costs are projected for the season. The cost of the commodity is also projected. From these projections, contracts for raw materials and supplies are made, and transportation and financing are arranged. Finally, selling prices are projected. The budgets and projections that are made form the basis for the profit plan. The profit center-regional, local, or company-wide-rewards the executive who meets or operates below the budget and projections. The savings realized contribute to corporate profits and the executives with a good record not only enhance their own income, but are among those chosen for advancement. If bargaining takes place during the time that budgets and projections are made, the buyer may have more flexibility. Once a profit plan has been established, buyer positions are often locked in.

The system of profit centers makes it necessary for the board of directors to consider the best timing for negotiations. Flexibility and timing are often the essential lubricants that lead to smooth negotiations for a mutually agreeable pricing arrangement.