

RESOLVING CONFLICTS BETWEEN FARMERS
AND CREDITORS: AN ANALYSIS OF THE
FARMER-CREDITOR MEDIATION PROCESS

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Resolving Conflicts Between Farmers and Creditors: An Analysis of the Farmer-Creditor Mediation Process

Major rural areas in the United States and Canada experienced severe economic hardship during the last decade. Conflicts between farmers and creditors escalated as farmers were unable to repay their loans and policies for granting financial credit became increasingly stringent (Little, Prouix, Marlowe, & Knaub, 1988, National Action Commission on the Mental Health of Rural Americans, 1988; Strange, 1988; VanHook 1990). In order to help resolve these conflicts, several major rural states in the United State and provices in Canada established mediation services as alternatives to the court system. In view of the widespread tension between farmers and creditors in rural areas (Van Hook, 1990), a study was conducted to identify what aspects of the mediation process made this a useful way to resolve the issues between them. Although mediation can help resolve interpersonal disputes generally, identifying those elements which contribute to effectiveness in particular situations continues to be an ongoing challenge (Roehl & Cook, 1985; Kressel & Pruitt, 1985). While the study reported in this paper is limited to farmer-creditor mediation, the results can have implications for other types of mediation involving similar groups of people or issues.

Review of the Literature

The complex nature of mediation allows many elements to influence its effectiveness: the parties involved in the dispute, the issue at hand, the characteristics and activities of the

mediator, and the context of mediation (Wall, 1981; Potapchuk & Carlson, 1987; Kressel & Pruitt, 1985).

Commitment by the disputing parties to resolving their differences, especially through mediation, enhances effectiveness. Severe and long-term tension between them decreases it (Kressel & Pruitt, 1985; Roehl & Cook, 1985; Thoennes & Pearson, 1985). The relative power of the parties involves, especially the presence of power imbalances, can create problems. Power can be derived from various sources. Different levels of investment in the relationship can lead to the tendency that one person may make an agreement in order to maintain a needed relationship (Davis & Salem, 1984; Mayer, 1987; Potapchuk & Carlson, 1987). The evidence regarding the helpfulness of prior experience in mediation is contradictory (Wall, 1981).

The mediator's demonstration of neutrality can be important in gaining acceptance and rapport with the disputing parties. At the same time, it can also create problems in doing so with one or more of the parties involved (Kressel & Pruitt, 1985).

Mediators further need to diagnose the nature of the problem and select an appropriate combination of mediation tactics. Kressel and Pruitt (1985) distinguish between primarily contextual or substantive tactics. The goal of contextual strategies is to enable the disputing parties to engage in the problem-solving process by altering the climate and conditions between them. Specific techniques include facilitating communication, diffusing anger, identifying issues, structuring the agenda and procedures, and dealing with constituent groups

(p. 191). The presence of severe tensions decreases the effectiveness of these techniques (Thoennes & Pearson, 1985, Kressel & Pruitt, 1985). Substantive interventions require the mediator to become directly involved in the problem solving process by exploring areas of compromise, suggesting possible agreements, helping the parties analyze the pros and cons of solutions, or translating principal agreements into specific forms (Kressel & Pruitt, 1985, p. 191).

Important contextual issues can include the time and setting, the availability of resources, and the nature of other relationships. While single hearing sessions appear to be adequate for dealing with property and other clear-cut matters, complex interpersonal issues require more extended mediation (Roehl & Cook, 1985). Lack of resources needed for specific solutions can impede resolutions (Kressel & Pruitt, 1985). Relationships with others who have a stake in the outcome can further influence the process (Wall, 1981).

Based on prior research regarding the mediation process and the specific nature of farmer-creditor mediations and the issues involved, several questions seem particularly germane for understanding what contributes to effective mediation in this setting. Which characteristics of the disputing parties (farmers/creditors) helped or impeded mediation? How did their different levels of experience with mediation affect the process? What characteristics and activities of the mediator were important? How did the different roles in the situation and mediation process by the parties involved influence the way in

which the process was perceived? Given the extensive involvement of the extended family and others in the community in the financial problems of farmers (Van Hook, 1990), how important were their attitudes toward the problem and the mediation process?

METHOD

Sample: Potential respondents included farmers, creditors, and mediators who participated in the Iowa Farmer-Creditor Mediation Services (IFCMS), a major mediation program serving farmers and creditors. In view of the very different roles played in the mediation process and the problem involved by these parties, it seemed important to elicit the perspectives of all three groups.

The IFCMS program was begun in 1985 through a grant from Pioneer Hybrid Corp. It is currently funded by Federal funds (administered through the Farmers Home Administration under the 1987 Agricultural Credit Act), matching state funds, and fees paid by participants. The program is certified through the Farmers Home Administration. It is one of three in the United States that mandates mediation. The program requires creditors to request mediation prior to taking legal action against a farmer. If the farmer decides to engage in mediation, both parties assume the cost of the mediation process (\$25.00 per hour for each party). Although good faith by the parties is required, mediators must rely on persuasion to enforce this. The agreements made by the parties are legally binding. Mediation is held in a neutral place and usually consists of one session. Mediators from a wide variety of backgrounds received an

extensive 40 hour training program. District coordinators provided ongoing direction.

The primary responsibility of the mediator is to help the parties themselves engage in the problem solving process. In practice, this means that mediator use a combination of contextual and substantive tactics. Although the emphasis is on facilitating dialogue between the two disputing parties, attorneys are permitted. Mediators can hold caucuses with individual parties. Farmers usually participated in only a few mediations; however, many of the creditors, especially those from the Farm Credit Service, participated in many.

Names of potential respondents included a random sample of farmers, a representative of the financial institution involved, and the mediator. The random selection process was designed to further insure geographic representation throughout the state. All current Farm Credit Services staff who had been involved in mediations as loan officers were also included due to the key role played by this organization and the extremely high staff turnover. Following the time of this study, the Farmers Home Administration also began to play a major role as a creditor. Potential respondents included 300 farmers, 75 general loan officers, 38 staff members of the Farm Credit Services, and 55 mediators. The research staff did not have access to these names in order to protect the legally mandated confidentiality of IFCMS clients. All potential respondents were promised a copy of the results. The response rate varied widely: both types of creditors, 50% (general creditors, N=38; Farm Credit Services

staff, N=18), mediators, 43% (N=24), and farmers, 18% (N=53). Since many creditors and mediators were involved in many mediations, these responses represented a large number of mediations: Farm Credit Services staff (682, mean= 31 mediations); general creditors (284, mean= 7.6), and farmers (74. mean=1.4).

These farmers and creditors generally had long-term financial relationships: less than 6 months (18.6%), 6 months to 1 year (28.4%), and over 1 year (76.5%). These percentages add up to more than 100% because respondents had relationships in several categories.

Measurement: A questionnaire designed in conjunction with the IFCMS staff was sent to all potential participants in the Spring of 1989. Farmers received a follow-up letter. The instrument consisted of a series of forced choice questions, supplemented by the opportunity to add other items. Respondents were also asked to give their reasons for the answers they gave. It was pretested with several participants in the program who had volunteered to give feedback to the project director.

Although the original intention had been to compare responses to a particular mediation session, the extensive participation in mediation by the creditors and mediators made this impossible. Instead respondents were asked to base their answers on their general experience with mediation. Unfortunately, this change in procedure precluded any comparison of reactions to a specific mediation process or to analyze satisfaction with mediation in terms of how effectively mediators

had carried out individual mediation activities.

Satisfaction with mediation was evaluated by the questions, "I would recommend mediation to others in my situation", and "In general, I am glad that I used mediation."-1=Strong agreement....5=Strong disagreement).

Respondents were also asked to evaluate the importance of specific activities of the mediator, the characteristics of the mediator, the characteristics of the disputing parties and their relationships, and the opinions of others on the mediator process (1=Very important...5=Very unimportant).

Mediation activities based on IFCMS materials included:

1. premediation activities (information about a. whom to bring, b. the information to bring, c. how to make one's presentation, d. procedures, and e. what one could expect) and
2. the mediation process itself (a. asking questions which enabled the parties to give needed information, b. defusing tensions, c. helping the parties understand how they or the other party felt about the situation, d. helping the parties communicate their feelings, e. clarifying issues and proposals, f. asking questions that enabled the parties to develop alternatives, g. clarifying the pros and cons of the solutions, h. pointing out common goals, i. clarifying differences, j. making clear statements about the agreements, and k. caucusing.

Characteristics of the mediator included: neutrality, understanding of the emotions and issues (financial or farming), the ability to explain the process clearly and to give each party a chance to present their side.

Characteristics of the disputing parties and their relationships included: length of the relationship, motivation to have the relationship continue, existence of other nonfinancial ties with the other party, the relative power balance during mediation, trust in the general integrity of the other party as well as confidence that this person would give appropriate information and would live up to their obligations.

The influence of other relationships was measured in terms of the perception that other people wanted one to represent their interest better than mediation allowed, that they understood the situation, and that they supported one's actions.

Data Analysis: Responses to forced choice and open-ended questions were analyzed to describe the perspectives of the three basic groups of respondents and to determine if these perspectives differed to any significant degree. The unpaired student t test was used to compare farmers and creditors. The ANOVA (Analysis of Variance) was used to compare farmers, creditors, and mediators. In with the following discussion the relative t (student t test) and F (ANOVA) values will be presented in comparisons where the difference reached at least p >.05 level of significance.

Results

Satisfaction with mediation: Creditors and farmers were moderately satisfied with the mediation process: farmers, 2.3, creditors, 2.4. Answers to both questions were similar.

Activities of the Mediator:

A. Premediation activities: As indicated in Table I, everyone agreed that the mediator needed to provide information prior to the actual mediation session. Perspectives on specific issues, however, varied widely.

Table I

The role of the attorney and the power entrusted in the representative emerged as the major issues regarding whom to bring. Although critical of the behavior of specific attorneys, farmers frequently felt the need of an attorney to protect their legal rights. They viewed creditors as more knowledgeable due to their greater experience in mediation and the nature of their work. For similar reasons, mediators agreed that farmers needed to be aware of their right to bring an attorney. Farmers and mediators criticized creditors for sending representatives who were not empowered to make binding decisions. This action jeopardized trust and impeded the negotiation of solutions.

Creditors and mediators cited the failure of farmers to bring current financial information to the mediation session. While this was generally attributed to lack of information regarding how to prepare for the session, creditors also considered it a way to impede the process.

The important ground rule issues grew out of the lack of experience of some parties (especially farmers) in mediation and the unwillingness of both disputing parties to enter into genuine negotiation. People with limited experience with mediation particularly needed information about what one could expect

because they tended to alternate between expecting too much or too little.

B. Mediator activities during the mediation session: As indicated in Table 2, respondents considered a variety of strategies to be at least moderately important. The most important activities were directly linked to the process of establishing a substantive agreement (clear statements of the agreements and clarification of the proposals).

Table 2

Mediators tended to view their own activities as more important than did either the farmers or the creditors; however, these differences reached the $p < .05$ level only for clarification of proposals ($p < .001$, $F=5.9$) and questions to elicit alternatives ($p < .01$, $F=5.9$). At the same time, mediators commented on the need to help farmers and creditors recognize that the primary responsibility for developing proposals was that of the disputing parties rather than the mediator.

Farmers and creditors differed in several areas. Farmers ranked identifying common goals (2.5) higher than did the creditors (7), although their mean scores were not significantly different. The contextual tactic of identifying feelings was less important for creditors than the other parties (3.19-- $p < .001$, $F=12.9$). According to the mediators, farmers were more emotionally invested in the mediation process than were creditors due to the high cost of the outcome to farmers. The outcome could determine the farmer's livelihood, way of life, and place within the community. Despite the general vocational

insecurity of financial officers during this time, the outcome of a specific mediation session was more likely to represent only a job responsibility for the creditor.

Characteristics of the other party: Trustworthiness was extremely important for all parties: general sense of integrity (farmer and mediator, 1.8, creditor, 1.9), and confidence that one would supply needed information (farmer, 1.9, creditors and mediators, 1.7), and carry out the agreements (farmer, 1.8, creditor, 1.6, and mediator, 1.7). Distrust, however, permeated the process. Both farmers and creditors wanted more legal safeguards to guarantee that the other party would carry out their agreements.

Experience with Mediation by the Disputing Parties: Lack of experience contributed to the failure to bring adequate information and unrealistic expectations of mediation. Being less experienced than the other party contributed to the sense that one was disadvantaged in terms of understanding one's rights in the mediation process.

Relationships between the disputing parties: Farmers were substantially more invested in this relationship continuing (2.7) than were creditors (4.18; $p < .001$, $t=3.076$, $DF. 69$). This greater interest in maintaining the relationships might be reflected in the higher ranking given to "Establishing common goals" by farmers than by creditors. Both wanted equal power and influence (farmers, 2.1, creditors, 1.6).

Missing data and overlap made it impossible to analyze the impact of length of relationship and the presence of nonfinancial

relationships on the process.

Characteristics of the mediator: Impartiality (farmers, 1.58, creditors, 1.53, and mediators 1.4) and the ability to help both parties present their case (farmers and creditors, 1.6, and mediators, 1.4) emerged as important for all three parties. The latter required that mediators exercise the control needed to prevent any one party from dominating as well as make participants feel comfortable. The presence of a neutral party serving as a witness to the proceedings was in and of itself considered useful. Mediators must further be able to explain the process (farmers, 1.9, creditors, 1.97, and mediators 1.75) and understand the emotions of the parties (farmers, 1.83, mediators, 1.62, and creditors, 2.2). Many farmers indicated that experiencing the mediator's concern was helpful.

In terms of credibility of the mediator, farmers and creditors agreed that knowledge of financial issues was important (farmers 1.7, creditors 1.88, and mediators 1.9); however, they disagreed on experience with farming issues. Farmers generally wanted someone who understood farming issues, preferably someone with a farming background, but creditors were suspicious of people whose background might tend to make them favor the farmer.

Constituent relationships: These were not considered important to the mediation process (range of scores from the high 2's to mid 3's).

Discussion of the results and implications for practice

This the study indicates the need to train mediators in a wide variety of contextual and substantive techniques. It also

points out some of the challenges in carrying them out in this particular setting. These challenges particularly include highly different levels of experience with mediation and of the costs entailed. The following discussion is based on data obtained from farmer-creditor mediations; however, these challenges can also be present in other forms of mediation, especially debtor-creditor situations.

Different levels of experience can obstruct the problem solving process and add to a sense of power imbalance. As a result, mediators need to identify what are the levels of experience in mediation by the parties involved, the potential impact of these differences, and ways to compensate for these differences. Addressing this problem may mean arranging for additional help for inexperienced parties in terms of one's rights, how to prepare for the mediation, and what to expect in the process.

Mediators further need to identify the possible costs to the parties involved. The presence of major differences in costs to the parties involved challenges mediators to find ways to provide needed support for one party without jeopardizing essential impartiality. In farmer-creditor mediations, the greater investment by farmers in their relationship with creditors suggests that mediators may need to protect farmers from the tendency to make agreements in order to maintain a needed relationship (Potochuk and Carlson (1987, p. 39).

These results further support the great difficulty in carrying out effective mediation if one or more of the parties is

not willing to engage in genuine negotiation. While mediators cannot force people to be motivated to mediate, they can establish the minimum conditions required to give mediation some chance of success; for example, requiring that both representatives are empowered to make the necessary decisions, arranging that the parties receive the help needed to prepare and present essential information. Mediations which do not meet either of these conditions are likely to fail and also to risk jeopardizing the credibility of the mediation process in the wider community.

Limitations and Need for Future Research

The low response rate from farmers and the diverse models of farmer-creditor mediation programs place limits on generalizing from the results of this study. In terms of diverse models, it would be useful to compare these results with those obtained in studying a program which legally mandates "good faith" (for example, the Minnesota program), which uses a panel rather than a single mediator (used in Canada), or programs which do not mandate mediation (most of the other certified programs in the United States). Such comparisons would facilitate an examination of the role of specific aspects of the mediation process.

The study was further limited in its ability to link satisfaction with the ways in which specific activities were conducted. Future work is needed to create a link between the effectiveness of the general mediation process and specific mediation activities. The significant differences present in the perspectives of these various groups suggests the need to

incorporate multi-party perspective in these studies.

Based on these results, one cannot determine whether or not mediation created more effective solutions than did court action. Comparisons between those who participated in mediation and those who opted for court action would be suspect because circumstances which encouraged farmers to turn to mediation might be very different from those in which mediation was not considered a worthwhile alternative.

This study did not address the role of length of sessions and the impact of resources on the mediation process. Whether more extended mediation sessions would have helped cannot be answered from this study. Lack of resources may have contributed to the sense of mistrust present but the current study design was not able to isolate this variable.

Despite the limitations of this study, mediation emerges as a relatively effective way of dealing with an extremely tense situation. These findings further point out the challenges present in conducting mediation in this setting as well as the characteristics and activities of the mediator which participants view as important.

Table I

Perceived Importance of Premediation Activities

Activity	Farmer	Creditor	Mediator
Information re:			
1. Whom to bring	1.84*	2.6*	1.84*
2. Information to bring	1.5	1.56	1.48
3. How to make the presentation	2.3	2.35	2.2
4. Ground rules	1.9	1.9	1.7
5. What to expect	2.1	2.35	1.73

* p >.01. F=4.7 ANOVA

Table II

Perceived Importance of Mediation Strategies			
ACTIVITY	Mean Scores		
	FARMER	CREDITOR	MEDIATOR
Clarify proposals	1.95*	2.2*	1.2*
Clear statement of the agreement	1.88	1.8	1.29
Questions to elicit alternatives	2.25*	2.3*	1.45*
Examine pros and cons of situation	2.23	2.2	1.87
Establish common goals	1.95	2.28	1.75
Defuse tension	2.16	2.15	1.69
Clarify differences	2.04	2.24	1.91
Clarify procedures	2.11	2.08	1.58
Caucus	2.4	2.6	2.08
Help me understand my feelings	2.39*	3.19*	
Help understand feelings of others	2.25	2.7	2.16
Help communicate feelings	2.11	2.98	1.75

Note: * $p > .01$ ANOVA

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