IS UNITED/PMA MERGER DEAD?

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There are two ways of approaching the idea of combining the Produce Marketing Association (PMA) and the United Fresh Produce Association (United). One approach is to see each association as an individual entity "owned" by organizations that happen to be members today. In this view, the board of each association has a responsibility to its members similar to the fiduciary responsibilities that the board members of a for-profit corporate board have to shareholders.

Another way of approaching the issue is to view both associations as "owned" by the broad-based produce industry, to see them both as creations of the trade developed to serve the various needs of the trade and subject to change or elimination when the needs change. Because the ownership of both associations in this view is identical, there are no fiduciary issues, and the sole question is how the industry wishes to arrange its affairs.

The notion that the associations have different ownerships is given credence by the fact that PMA has over 1,500 members that are not members of United. It seems a strong point, but, upon examination, may say less than one would think. A substantial portion of the membership of PMA comes from companies that exhibit and/or attend its many events, especially Fresh Summit. There are significant discounts offered to members for participating in these events and benefits given to members in terms of badge recognition, etc. These discounts and benefits certainly lead people to join, but whether they actually represent an emotional bond to a membership organization is not clear.

Are the leaders of large companies of the industry willing to rouse themselves and assert that they own these entities and want them consolidated?

The focus with which one views this issue is crucial. If you view the associations as separate entities with separate agendas and ownership, it is hard to build a strategic case for why PMA would want to "own" United. It is almost impossible to build a case that PMA should change in any substantial way to make that happen. After all, from a financial perspective, at least, PMA is the more successful association, with substantial assets and a business model that produces continuing surpluses.

On the other hand, if one views the two associations as sharing a common ownership, one would be hard-pressed to claim that if the trade was starting with a blank sheet of paper, it would choose to organize its communal affairs in this way. After all, United's primary function is essential: It advocates for the industry in the corridors of power in Washington, DC, yet its funding for that mission is thin and not fully reliable, as the communal resources of the industry flow through PMA's Fresh Summit. It is this difference of visions that has thwarted merger attempts for decades, including, most recently, the collapse in July of the talks focused on merger which had begun 18 months previously.

Arranging a merger between two wholly owned subsidiaries of the same "produce corporation" is not very hard. Sure there are occasional issues, say the PACA Trust or NAFTA, on which different segments of the industry have different perspectives, so the grower/shippers may need their own small and focused association — perhaps some kind of league of state and regional grower groups — to handle these issues. This is what the big terminal market wholesalers did in creating the National Association of Perishable Agricultural Receivers (NAPAR). The wholesalers recognized that any large vertical produce association would never give them representation on certain key issues where their interests diverge from those of the overall trade. Still, these issues are few and far between and, for the most part, it is one industry, and one association can easily be envisioned and arranged.

Yet every effort at combining the associations collapses. The recent talks fell apart, after 18 months of bridging every gap, nominally over the issue of who ought to be the CEO. PMA insisted its CEO lead what would have been a newly created single association. United was willing to pass that responsibility to the new board, aware that as the new board would be composed of 50 percent of members from each of the prior associations, United's board would, if unified, maintain the ability to block any CEO choice.

This is, of course, silly. Executives retire, get new jobs, pass away… the notion that creating a whole new association and eliminating two existing associations is a great idea with lots of upside for the industry but can be allowed to collapse because of a personnel issue simply doesn't make sense. Except, in this case, it makes perfect sense. The merger talks produced an "agreement" that was acceptable to all parties because it avoided making any tough decisions. It never prioritized one association's initiatives over another. It left staffing decisions – and in these arenas, staff and policy are often synonyms – to the new CEO. So both United and PMA partisans could envision this working. One could see the new association as PMA with a Washington, DC office and an increased focus on DC representation. Or one could see the new association as United with a more sophisticated governance structure, more networking activities and a lot more money.

So the key became the CEO. His actions and his staffing decisions would very quickly define the new association. Because the shape of the new association had not been defined by the negotiations, each side knew that choosing the CEO of the other association would cause them to lose the association they hoped to create. Thus the talks reached an impasse.

Are the efforts to merge dead? Is there a chance they will be revived quickly? The industry – with staff and travel and consultants – spent over a million dollars on this effort. Was it all for naught? Leadership on this issue won't come from the association CEOs. It probably won't come from the association boards. Both are too close to the situation and too wounded from the breakdown of the talks. The question is whether the leaders of large companies of the industry are willing to rouse themselves and assert that they own these entities and they want them consolidated. There is no question that these leaders care about the situation, but whether they care enough to make it happen is still an open question. **pb**