

Pricing Co-op

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and hurricane Agnes had created havoc in many areas of the country. Dairy farmers' costs were skyrocketing while their order prices were declining."

"Cooperatives in the northeast made repeated attempts to obtain increases in the federal order Class I prices with no success. It became evident that if price improvement was going to be a reality, the cooperatives must do it themselves."

"Because of the great need for a price increase to stem the flow of dairy farmers out of business, and the apparent inability to get price relief through what we then considered normal channels, the cooperatives formed the Regional Cooperative Marketing Agency, Inc., which quickly became known as RCMA."

"RCMA was officially established on June 22, 1973, as a common marketing agency under the Capper-Volstead Act with eight cooperatives located in New England and New York as charter members."

"The first RCMA over-order price was established on Class I milk in September 1973. Due to the composition of the membership and lack of producer representation in the New York-New Jersey market, an RCMA price was never instituted in the Order #2 area."

"RCMA prices did, however, continue in effect during 18-months

between September 1973 and August 1975 in the New England market and in the western New York State orders. During that period, \$22 million was collected by RCMA. Payments to producers each month ranged from 10 cents per cwt to 85 cents per cwt."

"In December 1975, a court action against Yankee Milk and RCMA was started by Fairdale Farms, Bennington, VT. In layman's language, the charges were monopoly and price fixing. Nine years later, in August 1984, the case was finally brought to a conclusion when the U.S. Supreme Court refused to hear the appeal, and RCMA and Yankee were given a favorable decision. This was a landmark decision and firmly established the legality of common marketing agencies in general and RCMA specifically. The cost to cooperative members was \$1.4 million—but remember RCMA collected \$22 million in 1973-1975."

"Now, once again, the need is here. Dairy farmers in the northeast—as well as in other sections of the country—are caught in a cost-price squeeze. RCMA is an available, legal entity to bring relief."

"To overcome some of the obstacles and problems that were encountered in the 1970's, RCMA has been restructured to provide direct membership for non-cooperative members as well as cooperatives."

"The RCMA Board of Directors has determined that any RCMA over-order pricing program must provide equity for handlers and equity for producers. To do this, all milk producers in the geographic area from Maine to Virginia and west to Ohio should be members of RCMA. Thus, handlers can be assured that all Class I milk will carry the same price and all producers will be paid the same price. We could not give this assurance in earlier days."

"We are now in the process of recruiting all cooperatives and non-cooperative individual producers in our area of operation as members of RCMA. This means that we must sign up an estimated 10,000 individual producers. The RCMA Board has, by resolute action, adopted a position that at least 95% of all the producers must be members of RCMA, either through their cooperative or on an individual basis, before any over-order pricing program will be put into effect."

"There will be two basic units in the RCMA organizational structure. Individual producers will be assigned to geographic regions and cooperative members will belong to RCMA through their cooperatives."

"Each region and each cooperative will elect one Delegate for every 300 members, or fraction thereof, and one Director from each region and each cooperative. Thus, cooperative members and non-cooperative members will have equitable representation in

the operation of the organization."

"Each individual non-cooperative member must sign a Member's Marketing Agreement to become a member of RCMA. Members of a cooperative become members of RCMA when their cooperative joins."

"The Member's Marketing Agreement provides:

A. That members designate RCMA as the marketing agent for their milk.

1. The marketing function is then delegated back to the member

by the RCMA Board of Directors.

2. RCMA retains the pricing function.

B. That RCMA will use its facilities and resources to aid a member in marketing when necessary to the best advantage of all its members.

C. That a member can cancel his Agreement with RCMA with 90-days notice prior to January 1st following a full year of membership, and after that the Agreement can be cancelled on January 1st with 60-days prior notice.

D. That all members must abide by the RCMA By-Laws.

This Member's Marketing Agreement, however, does not become effective until 95% of the milk producers in the RCMA area

have become members of RCMA.

The RCMA pricing program will, of course, be subject to the policy decisions of the Delegates and the Directors once the reorganization has been completed. The pricing program that we envision at the present time would provide that:

1. RCMA prices will not be instituted until the 95% sign-up has been accomplished.

2. RCMA prices will be established only on Class I milk.

3. RCMA prices will be established only when conditions warrant.

4. Guidelines for determining realistic price levels will be used. In 1973-1975, an economic formula was used as the basic guideline.

5. Costs of administration and operation will be deducted from over-order prices that are established.

6. RCMA monies will be collected on Class I milk from buying handlers and RCMA will then compute a pool price, or an average price, to be paid to all RCMA members.

7. Payment to producers will be made by RCMA on RCMA checks.

All of this is dependent on one thing—membership, both cooperative and non-cooperative. We are in the midst of this massive membership drive at the moment. We are attempting to contact each of the estimated 10,000 non-cooperative producers and all of the cooperatives in the northeast.

Being a realist, this looked like an impossible task—and still looks to be a very difficult task. However, the attention and the support given to the program is very encouraging. Non-cooperative producers are giving of their time and working long hours. From Maine to Pennsylvania, areas are organized for the sign-up of the individual producers. In New York and Pennsylvania, where the majority of the non-cooperative members are located, many meetings have been held and county organization is well on its way.

Members of the Pennsylvania Steering Committee are: Carl Brown, Pine Grove; Edwin Kremer, Milton; Karl Kroeck, Knoxville; Robert Pardoe, Milton; Arden Tewksbury, Meshoppen; and Harold Wolfe, Centre Hall.

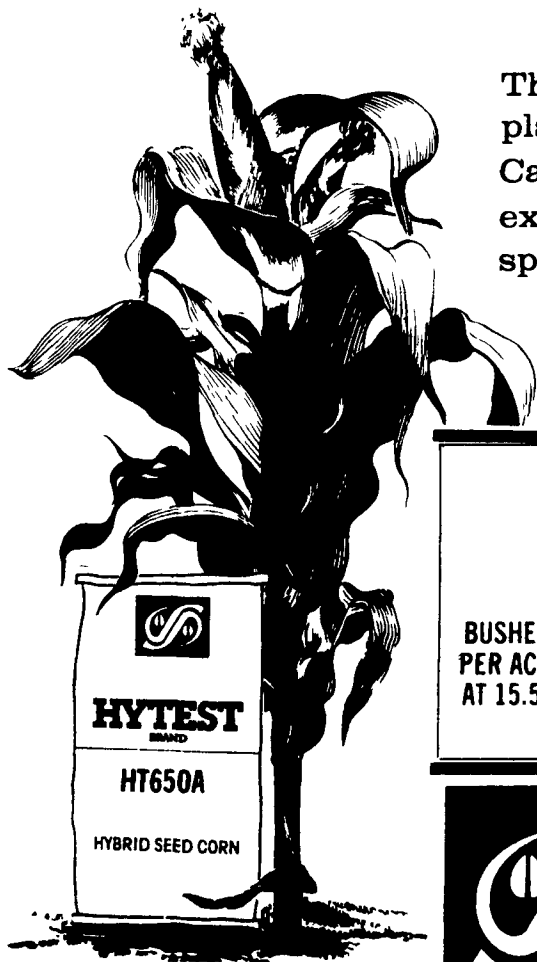
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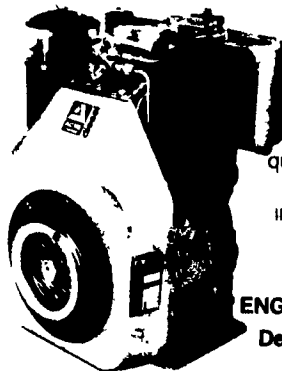


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