

# RCMA Program Outline

## Editor's Note:

To help our readers understand better what they can expect from the Regional Cooperative Marketing Agency (RCMA) we reprint this informational question/answer article and a sample contract. For more information you may contact Harold Ely, RD1, Box 58, Montrose, PA 18801. Or phone; (717) 278-1259.

### Q: WHAT IS OVER-ORDER PRICING?

A: Over-order pricing is a means of obtaining a price for milk producers which is higher than the minimum prices established under the Federal Market Orders.

### Q: WHAT CRITERIA MUST BE MET FOR OVER-ORDER PRICING TO WORK?

A: In order to work, an over-order pricing system must meet four basic criteria:

1. Premiums to all producers have to be paid on an equitable basis. If the price of Class I milk were raised \$1.00 by over-order pricing, the system should ensure that producers share equally in that premium.

2. All milk dealers within the region must be treated equitably. All dealers must be subject to the same premium for Class I milk. No dealer should be placed in a position of losing supplies or markets of milk because over-order pricing has enabled a competitor in the same region to pay less for Class I milk.

3. At least 95% of the milk producers within the Northeast must contractually agree to the over-order pricing system. Virtually all of the milk within the marketing region must be committed to the over-order pricing system so that all dealers are subject to the same over-order price.

4. It should be organized and administered through a regional marketing association to implement the above criteria.

### Q: WHAT ASSOCIATION EXISTS FOR THE PURPOSES OF IMPLEMENTING OVER-ORDER PRICING?

A: The Regional Cooperative Marketing Agency, Inc. (RCMA). Given its prior experience with over-order pricing, it is the logical organization for implementing a new over-order pricing system. RCMA was organized in 1973 when federal order prices were lagging behind the spiraling costs facing dairy farmers. After repeated failures to get the U.S. Department of Agriculture to increase order prices the northeast dairy cooperatives established a common market agency (RCMA) that became the legal frame-work within which realistic over-order prices could be established.

The legality of RCMA was challenged in 1975. That lawsuit eventually went to the U.S. Supreme Court which upheld over-order pricing through common marketing agencies.

### Q: WHO CAN BECOME MEMBERS OF RCMA?

A: Up until recently, only cooperatives and Capper-Volstead organizations could become members of RCMA. Now, following a restructuring of RCMA, any dairy farmer located in the northeast can join RCMA.

### Q: WHAT ARE RCMA DUES?

A: RCMA does not have any dues. Expenses of administration will come out of any over-order prices established. In 1973-1975 these charges amounted to one to five mills per cwt. The amount of such charges in the future will depend on RCMA activity.

### Q: HOW DO I BECOME A MEMBER OF RCMA?

A: Sign the RCMA Member's Marketing Agreement.

### Q: WHAT DOES THIS AGREEMENT COMMIT ME TO DO?

A: Producers signing this agreement authorize RCMA to market all milk and milk products sold by them according to the terms of the RCMA by-laws. Article 2 of the by-laws specifically state the purpose and powers of RCMA. They should be read before signing a marketing agreement.

### Q: HOW IS AN RCMA MEMBER PAID FOR HIS MILK?

A: Members of RCMA will continue to receive milk checks from their handler for milk shipped at the blend price. Once over-order pricing is instituted, milk processors will pay the difference of the blend price and the over-order price to RCMA. The over-order premium will be paid to members by RCMA. This system is necessary so that all producers are treated equitably.

DATA SHEET

(please print)

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

TO WHOM IS MILK SOLD

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

LOCATION OF RECEIVING PLANT \_\_\_\_\_

APPROXIMATE ANNUAL MILK PRODUCTION (to be used in computing proportionate voting) \_\_\_\_\_

### Q: CAN RCMA TAKE MONEY OUT OF MY MILK CHECK?

A: No. The costs of implementing over-order pricing will be shared by all RCMA members, however, these funds can only be obtained from the over-order premium paid to members. Historically, administrative costs of RCMA averaged between one and five mills per hundredweight.

### Q: HOW DOES RCMA MARKET ITS MEMBERS' MILK?

A: The RCMA Board of Directors has adopted a resolution that delegates back to the member, the function of marketing his own milk with the exception of the authority to establish price levels for such milk.

If a particular milk dealer refuses to pay the over-order price, the agency has the authority to withdraw its member's milk supply from said handler and market it wherever the agency determines to be the most appropriate. This RCMA function is imperative if the over-order price is to be enforced.

### Q: WHAT HAPPENS IF A FARMER DOES NOT JOIN RCMA?

A: From the farmer's viewpoint nothing will change. He or she would not receive an over-order premium. Only RCMA members can benefit from the over-order system.

If there is not approximately 95% of the milk producers in the northeast committed to RCMA, over-order pricing is not possible.

### Q: HOW WOULD PRODUCERS BE ASSURED OF EQUITABLE TREATMENT?

A: To provide an equitable share of the Class I premium for all producers, dealers would pay the Class I premium to the regional marketing association which would pool the premiums and redistribute them according to the regional Class I utilization.

### Q: HOW WOULD DEALERS BE ASSURED OF EQUITABLE TREATMENT?

A: By having all producers enrolled in the system, and requiring dealers to pay the premium to the RCMA, not to producers, potential inequities among dealers will be avoided. All dealers will be subject to the same Class I premium.

### Q: IF A MILK DEALER REFUSES TO PAY THE OVER-ORDER PRICE AND MY MILK IS DIVERTED TO A COOPERATIVE, WILL I BE FORCED TO JOIN THE COOP?

A: No. The RCMA system prevents such an occurrence. If your milk dealer refuses to pay the over-order price, RCMA will divert that milk wherever it can earn the greatest return. That does not mean that you no longer are a producer for that particular in-

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## REGIONAL COOPERATIVE MARKETING AGENCY, INC.

831 JAMES STREET  
SYRACUSE, NY 13203  
(315) 476-9101

### MEMBER'S MARKETING AGREEMENT

This AGREEMENT is entered into between REGIONAL COOPERATIVE MARKETING AGENCY, INC. ("AGENCY"), a cooperative marketing corporation organized and existing under the laws of the State of Connecticut, and having its principal place of business in Newington, Connecticut, and the undersigned individual, partnership, corporation, cooperative association, federation, or agency of cooperatives ("MEMBER").

**Representations.** MEMBER represents that it is either (a) an individual, partnership, or corporation engaged in the production of agricultural products, or (b) a Capper-Volstead organization, a cooperative association or a federation or agency comprised of cooperative associations or federations of cooperative associations, all members of which are engaged in the production of agricultural products, and which markets such products of the persons so engaged, which is operated on a cooperative basis for the mutual benefit of its members and which conforms to the requirements of the Capper-Volstead Act.

MEMBER desires to join with other similarly qualified Members to appoint AGENCY as its agent in the marketing of milk and dairy products sold by or at the direction of MEMBER.

MEMBER agrees to cooperate in every way possible to carry out the purpose for which AGENCY was formed, and does appoint and authorize AGENCY to market milk and milk products sold by or at the direction of MEMBER, with all of the powers set forth in the By-Laws of AGENCY.

AGENCY shall use its facilities and resources as may be necessary or appropriate to aid MEMBER in the marketing of the milk and milk products of the MEMBER, its producers and others all in such manner as AGENCY shall determine to be for the best advantage of all its Members.

**By-Laws.** This Agreement shall in all respects be subject to, the by-laws of AGENCY and any and all revisions or additions to, the by-laws shall be deemed a revision or addition to this Agreement.

**Term and Termination of this Agreement.** This Agreement shall be effective until the first day of January following the first full year of membership, subject to the right of either party to terminate this Agreement by written notice given to the other party at least sixty (60) days prior to effective date of withdrawal; after January 1st following the first full year of membership, this Agreement shall be effective for a term of one (1) year therefrom, and thereafter for successive periods of one (1) year, subject to the right of either party to terminate this Agreement effective January first of any year by written notice given to the other party at least sixty (60) days prior to such effective date of termination.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

REGIONAL COOPERATIVE MARKETING AGENCY, INC.

MEMBER

BY

WITNESS

ITS

Here is a sample of the RCMA contract

# RCMA Sets

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Most everyone knows that the butter-powder market sets the price for our milk under the federal orders. "Why should we accept a price that is established on a butter-powder market for our Class I milk when the utilization in the market is pretty much relevant year round?" Ely asked. For example, we sold as much Class I milk in April 1985 as in January. But there was a \$1.17 per hundred difference in the prices. We are talking about price over-order. But even if we can hold onto the price we have, we'll be ahead of the game. The support price will drop in January. But if we were ready to go with RCMA, we could bargain to keep the price up.

The meeting here on Monday was called to explain the program and to set in place a team to go out into the production areas to sign up independent producers.

"RCMA was structured for us to go out and ask the independent producers to join with the cooperatives and sign a contract so we can go into the market place to bargain for the milk," Ely said. We have 45 to 50 cooperatives that are already supporting RCMA. And we have independents signed up in the states to the north of us much ahead of what we have in Pennsylvania. So we have a lot of work to do here. Anywhere from two

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