

The Milk Producers Security Trust Fund

The Milk Producers Security Trust Fund (Fund) was established in 1987 to provide protection for producers in the event that a dairy processor defaults and fails to pay dairy producers. The following are important facts that producers and handlers should know.

What Producers Should Know about the Fund . . .

- For milk shipments to be covered by the Fund, a contract between the Producer and the Processor must be on file with the Department. It is the PRODUCERS' RESPONSIBILITY to file the contract with the Department. If the contract is not on file with the Department, the Producer will not be covered under the Fund.
- The contract is to be filed with the Department within the first five days of contract start date. If the contract is not filed within the first five days, the Department will use the date it was received by the Dairy Marketing Branch as the coverage start date.
- The Fund earns interest which goes back into the Fund to help maintain the required balance.
- Contracts are normally mailed, but can be faxed to (916) 341-5995 or sent through common courier to the Dairy Marketing Branch, Milk Pooling Branch, 1220 N Street, Sacramento, CA 95814.
- For shipments to be covered, milk must be produced in California and shipped to a California Processor.
- The Producer cannot have a beneficial ownership interest in the Processing entity where shipments are made.
- Milk handled by a broker is not covered, coverage is only from the Producer to the first point of sale.
- When a Fund claim is filed, a \$200,000 deductible is subtracted from the total amount the Processor owes to Producers before individual reimbursements are calculated.
- The Fund only covers milk shipped during the first 35 days of payment default. It is very important for Producers to report missed payments as soon as possible to minimize the days that may not be covered.
- It is a Cooperative's responsibility to act on behalf of their members' milk. The Cooperative must file the contract with each Processor with the Department to ensure coverage on all member milk.

If a cooperative goes bankrupt, will the Fund pay member-producers?

- No, member-producers of a cooperative are not covered by the Fund. The intent of the Fund is to pay a producer if a handler fails to pay for bulk milk. For purposes of the Fund, a cooperative association of producers is considered one producer. If a handler fails to pay a cooperative, the Fund would pay the cooperative and the cooperative would disperse the money to its members.

If, however, the cooperative fails to pay its member-producers, they are not entitled to file a claim against the Fund. Since its member-producers control the cooperative, the Fund is not accountable for internal decisions that may have led to the failure to pay.

As a producer shipping to a proprietary plant, will the Trust Fund cover my milk shipments?

- Yes, your milk shipments will be covered by the Fund provided you have met the minimum criteria requirements. Your contract with the proprietary plant (handler) must be on file with the Department. It is your responsibility as the producer to send the contract to the Department. In addition to filing the contract, the following criteria must be met for coverage by the Fund: the handler must be licensed and bonded; the milk is produced and delivered in California; the handler is not on the ineligible list; the milk is not custom processed; and the producer does not have a beneficial ownership interest in the handler.
- In all payment defaults, there is a \$200,000 deductible per occurrence. For example, if a handler defaulted on milk shipments of \$1 million to 10 producers, there would be a \$200,000 deductible, and the subtraction of the \$20,000 bond. The \$780,000 balance would be divided among the 10 producers on a pro rata basis depending on the amount of eligible milk shipped to the plant by each producer.

What is the Ineligible List and how does it work?

- The Ineligible List alerts producers and all interested parties that any milk shipments made to the milk handler will not be covered by the Fund. When a milk handler fails to pay a producer in full for milk shipped to that handler, and/or fails to make payment in full upon demand, the milk handler is placed on the Ineligible List.
- Failure to file the proper bond and failure to pay the Equalization Fund will also cause a milk handler to be placed on the Ineligible List. 