

The Milk Producers Security Trust Fund (Fund) was created by state law in 1987 to protect producers from handler payment defaults. It is administered by a seven-member board of industry representatives appointed by the Secretary. The Fund contains a sufficient amount of money to cover 110% of one month's milk purchases by the milk handler with the largest monthly producer payment obligation. Currently, the Fund contains approximately \$19 million.

In the event of a payment default and a subsequent claim, \$200,000 is deducted from the total amount owed all producers, and the balance is paid from the Fund to eligible producers on a *pro rata* basis. However, eligibility requirements determine which handler and what milk is covered by the Fund. The following guidelines specify the requirements for coverage.

- Milk must be produced and processed in California
- The handler must have a valid license and bond
- A valid copy of the milk purchase contract between the handler and producer must be on file with DMB
- The handler must not appear on the Ineligible List
- Coverage is limited to shipments occurring during the first 35 days from the earliest shipment date for which the handler has not paid the producer
- The producer does not have an ownership interest in the handler's operation