

MILK PRODUCER SECURITY TRUST FUND

The Milk Producers Security Trust Fund (MPSTF), Chapter 2.5, was enacted in 1987 to provide payment security to producers for bulk milk shipments. The Code provides that \$200,000 will be deducted from the total amount owed to all producers. Producers may make a claim on the Trust Fund. The claim will be the net amount after deducting the \$200,000 and less any recovery from the handler's bond.

Coverage

Only shipments during the first thirty-five (35) days from the date of nonpayment are eligible.

The following criteria must be met for coverage:

1. The producer filed a copy of the contract with the Department **prior** to the date the milk was shipped. The contract may be acceptable if the milk was shipped within the first five (5) days after execution of the contract.
2. The handler was licensed and bonded when the contract was filed with the Department.
3. The milk was produced and delivered to a plant within California.
4. The handler was not on the ineligible list.
5. The milk deliveries were not made under a custom processing arrangement (where the producer retained title to the milk).
6. The producer had a direct contract with the handler. Milk shipped to a handler by intermediaries, brokers or agents is not covered by the Trust Fund. A co-op's contract covers only the milk shipped by its own members.
7. The producer does not have a beneficial ownership interest in the handler to whom the shipments were made.
8. The producer is in compliance with Chapters 1, 2, 2.5, and 3 of the Code.

Producers Right and Responsibilities

A primary responsibility for all producers is to execute a contract with a licensed, bonded handler and file the contract with the Department. Without a valid contract on file, the producer is not eligible for coverage by the MPSTF.

It is unlawful for anyone to purchase more than 1,000 gallons of bulk milk monthly without a written contract. The only exceptions are for unanticipated shipments and cash-on-delivery payments.

The producer is required to submit a contract to the Department within five days of its execution. Contracts must be signed and dated by both parties. A producer may void a contract with a handler within the first forty-five (45) days for either of the following reasons: A handler fails to pay the producer the full price in the contract and failure and the failure has not been corrected within one business day after notification by the producer or Department; the handler fails on three separate occasions within a twelve month period to pay the producer the full price specified in the contract or code.

Any producer who does not receive payment for milk sold or delivered to a handler shall promptly notify the Department. The producer need only notify the Department that a handler owes an amount to him or her. The Department shall confirm the actual amount owed to the producer.

Producer Claims

Once the Department has decided that the MPSTF may be liable for a nonpayment to producers, the Department will provide a claim form to producers with a contract, on file with the Department, with the defaulting handler. The producer needs only to verify that nonpayment has occurred. The Department shall determine the amount of the nonpayment.

A producer not satisfied with the Departments calculations has thirty (30) days to request the Department to review his or her calculated amount.

\$200,000 Deductible

The MPSTF will have no exposure on payment defaults under \$200,000. That amount is deducted from the total amount owed to all producers before the balance is paid from the MPSTF, on a pro rata basis.