MILK MARKET NEWS

Early Diversion Pay

Farmers with contracts under the Milk Diversion Program don't have to wait until they get their checks for March milk deliveries to collect for the first three months of 1984. Milk house receipts as well as certification from the handler will be acceptable to get payment at the county ASCS office for March milk marketings. Then, if you're within three per cent of your contract reductions, you can have your payment for diversions below your base for January, February and March.

The accuracy of the payment will still be backed up with your March milk check when it comes in around the end of April but you can have a three week jump on that if you apply now for the payment and show evidence of your March shipments. It was an effort by ASCS to get the payment to farmers as quickly as possible. In fact, they're being pretty liberal in what they will accept for proof of March deliveries but it is still up to the producer to take the initiative to make application whether it's for early payment now or after he receives his March milk check which is certain proof. Of course, if the producer was more than three percent below his contract for the first three months there will be no payment, but he could correct that and collect after the second quarter in June or anytime after that when he meets his contract.

Security Fund

Now that the Pennsylvania legislature is recessed for the Easter holiday and your local representative will be around home until the Tuesday after Easter, perhaps you want to talk to him about HB 1969, the Milk Producers Security Act. Contrary to reports, it has not yet reached the floor of the state legislature but probably will shortly after Easter. It should be in effect by July when milk handlers' licenses are due for renewal

This July date is important because the new proposal would require handlers to notify their producers by certified mail each year at this time on what financial basis their security is based. The handler will have two choices. Either provide a bond covering 75 percent of the greatest amount owed to producers during any pay period or provide a 30 percent bond and contribute two cents a hundred to a security fund Each handler who chooses the second option would have a separate security fund for his own producers that is held in interest bearing investments by the Milk Marketing Board. There would be no statewide fund. All milk sold in the state including that from out-of-state producers would be covered.

A new licensee would have to provide a 100 percent bond, get a review by the Milk Marketing Board every two months, and after six months and with the approval of the Board, could uses the lower bonding provisions. If the Board feels that the financial condition of the applicant for license is not adequate to insure payment, the producers can select a bonded trustee to receive all payments for products sold by the dealer, make payment to the producers and make an accounting at least annually to the Board and the producers

Both the Board and producers have power to sue for payment from the bond or the handler's security fund. If the funds are insufficient they shall be divided to producers on a pro rata basis. Under the proposed bill, cooperatives are considered producers when they're handling the milk of their members and are exempt from the provisions. When handling the milk of non members they have the same options as proprietary handlers. When milk is sold between co-ops without a bond or a security fund a waiver must be filed with the Milk Marketing Board.

A lot of work has gone into the Act by cooperatives, farm organizations, handlers, legislators and the Milk Marketing Board. As a result, the skids have been pretty well greased and with 52 sponsors' names on the bill there seems little chance of much opposition when it reaches the floor. However, legislators and the House Agriculture Committee are still actively seeking comments on the bill and leaving no stones unturned this time to make sure they got it right. So, there really is time and opportunity for your suggestions and ideas to be considered if they have merit. If you don't know how to reach your local legislator ask your County Extension Agent.

Comments

It seems like all the loopholes in the old security bill have been plugged in the new one. Certainly the problem of a new licenses going bankrupt within a year with little contributin to the security fund has received the most attention because it really happened. Previously there had been no way to prevent it but now an applicant must have a 100 percent bond or agree to a trusteeship.

The major effort of the writers of the bill was to make it possible for any handler who wanted a Pennsylvania license to get one but still provide some protection for all producers if they wished to use it It's still the responsibility of producers to notify the Board promptly of non-payment and stop shipments to handlers beyond the pay period when payments are in default. The requirement that handlers notify producers each year of their payment security program should also put producers on notice as to what protection they have with that dealer.

The option to provide a 30 per cent bond and contribute two cents a hundred to a security fund seems to be the soft spot from a producer's view. However, it has been pointed out that the cost of this option for the dealer is about double the cost of a 75 percent bond, so very few handlers will use it.

The problem with the 30 per cent bond is that it would take 24 years to build up the handler's security fund to 75 percent of purchases considering his two cent con-

(Turn to Page C3)