

PA Milk Marketing Board  
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*PMMB Working on Dean Foods Bankruptcy Issues for PA Farmers*

Since the announcement of the Dean Foods bankruptcy last month, PMMB staff has worked on gathering data to determine the impact on dairy farmers and processors in the Commonwealth. We have a strategy for conducting activities to keep track of legal and financial issues surfacing daily in order to be able to react quickly to protect farmers' incomes. We know there are also milk processors that have been negatively impacted and are owed money. As I was writing this article, I checked my email and noticed a 5:48 a.m. email from one of our staff who was sending updated calculations—We care and are working along with other agencies and organizations to find the best outcomes and fulfill our legislated responsibilities.

The Pennsylvania Milk Producers' Security Act requires that dealers purchasing Pennsylvania-produced milk provide security to protect producer revenue. Most of that security is provided through bonds posted by milk dealers that cover approximately one month's milk purchases. Pennsylvania licenses seven processing plants currently owned by Dean Foods, with four of those plants located in Pennsylvania. All of those plants have posted the bonds required by the Security Act.

Payments to farmers are audited on a monthly basis by the Board. In the case of a processor that ceases to operate without a bankruptcy, MMB can use the security posted by that company to pay approximately one month's minimum milk price to farmers for milk delivered to the business. We have only had one case in the past 20 years and that was managed successfully so that Tricking Springs Creamery farmers were paid.

A bankruptcy, however, has issues that don't exist in a simple cessation of business operations. The filing of a bankruptcy petition operates as an automatic stay preventing payment for obligations that arose before the bankruptcy petition was filed. In the Dean Case, specifically, this includes payment for milk delivered to the Dean plants prior to the petition being filed on November 12. Despite the automatic stay, Dean received permission from the bankruptcy court to pay independent producers and our audits indicate that the independent producers were paid. However, some objections were raised to paying Dairy Farmers of America, and DFA has not been paid yet for milk delivered before the bankruptcy petition was filed. All producers, including DFA, were paid the November advance payment for milk delivered after November 12.

We daily monitor the situation with Dean Foods. A hearing is scheduled for December 20 and we anticipate that payments to DFA will be one of the topics addressed at that hearing. We are also in contact with the insurance companies that have issued bonds to develop procedures for implementing bond claims should that become necessary.

PMMB is always available to answer your questions and respond to your concerns. You may contact me at 717-210-8244 or by email at [chardbarga@pa.gov](mailto:chardbarga@pa.gov).