

December 4, 2020

VIA FIRST CLASS MAIL, FACSIMILE (651) 406-9676 and ELECTRONIC MAIL

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ASK, LLP
2600 Eagan Woods Drive, Suite 400
St. Paul, Minnesota 55121

Re: *In re: Southern Foods Group, LLC, et al.*, Bankr. Case No. 19-36313; United States Bankruptcy Court for the Southern District of Texas

Dear Counsel:

The American Farm Bureau Federation (“AFBF”) is a voluntary general farm organization formed in 1919. Representing almost six million member families through Farm Bureau organizations in all fifty states plus Puerto Rico, AFBF is the largest general farm organization in the United States. AFBF has a dedicated staff and expends considerable resources to advocate before Congress, the Executive Branch, and federal courts on issues affecting America’s farmers and ranchers. AFBF’s purpose is to advance, promote, and protect the economic, business, social, and educational interests of farmers and ranchers across the United States.

We are advised that hundreds of milk dairy farmers (hereinafter, “Producers”) located throughout the United States upon whose behalf AFBF advocates have received letters from your office in reference to the subject bankruptcy cases (“Letters”).¹ The Letters allege that the Producers received preferential transfers from Dean Foods Company, a debtor in the referenced cases (the “Debtor”), within ninety (90) days of its bankruptcy filing. The Letters make demand upon the Producers to return the alleged preferential transfers less “any allowed new value” and a 10% “settlement” discount. The Letters state that if the Producers do not accept the offer of settlement the Debtor will initiate legal action to recover the alleged preferential transfers.

As an initial matter, and aside from the merit of the Debtor’s allegations, it is reprehensible that the Debtor would target hardworking dairy farm families to recover payments honestly earned for the supply of milk that allowed the Debtor to generate revenue and conduct its business. Many Producers are independent farmers who are struggling through a multi-year downturn in milk prices, and a difficult economic environment with the Covid-19 pandemic that has increased milk price volatility above anything farmers have ever experienced. These Letters have put Producers who are already at the brink in an impossible position—either pay the amounts demanded or incur the cost of legal counsel to defend against the Debtor’s allegations.

¹ An example of a Letter is attached as Exhibit A.

Forcing this dilemma onto Producers is all the more outrageous because, as explained below, the allegations in the Letters are without merit, are deceptive and constitute an abuse of process that attempts to extract funds that the Debtor is not entitled to under the threat of a lawsuit. Put plainly, your letters are a predatory shakedown, written in legalese.

The Debtor's demand for repayment in the Letters is without merit because the Producers have a complete defense to any alleged preferential payment under 11 U.S.C. § 547(c)(2)(B) that the Debtor seeks to recover. Section 547(c)(2)(B) provides in pertinent part, as follows:

(c) The trustee may not avoid under this section a transfer—

(2) to the extent that such transfer was in payment of a debt incurred by the debtor in the ordinary course of business or financial affairs of the debtor and the transferee, and such transfer was—

(B) made according to ordinary business terms.

A creditor faced with a preference action must prove two elements under § 547(c)(2)(B): First, that the debt was incurred in the ordinary course of business or financial affairs for both parties;² second, that the terms of the transaction were consistent with ordinary business terms for the relevant industry.³ Ordinary business terms include the entire range of typical business practices for the relevant industry.⁴ The creditor must show that the transfer was made in a manner falling within these practices.⁵ “Only dealings that are idiosyncratic or extraordinary fall outside ordinary business terms.”⁶

The relevant industry of the Debtor and the Producers is Dairy Cattle and Milk Production (the “Dairy Industry”).⁷ The Dairy Industry is highly regulated by federal law and is governed by Federal Milk Marketing Orders (“FMMOs”). FMMOs are geographical areas defined by fluid-milk demand. Under federal law, the U.S. Department of Agriculture establishes a minimum milk price, and under a typical FMMO, “handlers,” or those who purchase milk from dairy farmers, must pay farmers at least this established prices at specified dates.⁸ The two main components of the FMMO system are the manner and form of payment and the pooling of milk. Determining the monthly price that Producers receive for their milk is a multistep process typically spread over three months based on four distinct classifications of milk: Class I (fluid use), Class II (soft products such as ice cream), Class III (cheese), and Class IV (butter and milk powder). Milk handlers report all milk receipts by end use, and the FMMO values this “pool” of milk receipts through milk price formulas to compute the weighted average value of milk.⁹ Milk handlers pay producers at least the weighted-average price of all class use, which is known as the “uniform” or

² 11 U.S.C. § 547(c)(2); *In re Armstrong*, 291 F.3d 517, 527 (8th Cir. 2002).

³ *In re SGSM Acquisition Co., LLC*, 439 F.3d 233, 239 (5th Cir 2006); *In re U.S.A. Inns of Eureka Springs, Ark., Inc.*, 9 F.3d 680, 684–685 (8th Cir.1993).

⁴ *In re Gulf City Seafoods, Inc.*, 296 F.3d 363, 367-68 (5th Cir. 2002); *U.S.A. Inns*, 9 F.3d at 684; *In re Tolona Pizza Products Corp.*, 3 F.3d 1029, 1033 (7th Cir.1993).

⁵ *Gulf City Seafoods*, 296 F.3d at 369; *U.S.A. Inns*, 9 F.3d at 685–86.

⁶ *Tolona*, 3 F.3d at 1033; *see also Gulf City Seafoods*, 296 F.3d at 369; *U.S.A. Inns*, 9 F.3d at 686.

⁷ *See* NAICS Code 112120.

⁸ *See, e.g.,* Joel L. Greene, *Federal Milk Marketing Orders: An Overview* (CRS Report No. R45044) at Summary (Dec. 13, 2017).

⁹ *Id.*

“blend” price.¹⁰ Handlers must pay milk producers a partial payment under the applicable formula before milk is shipped by a specified date and a final payment on a specified day that the handler must make after uniform prices are computed and the actual volumes of milk purchased are determined.¹¹ Handlers must also report milk receipts by end use to FMMO regulators and must maintain sufficient records so that regulators can audit the veracity and accuracy of reported milk usage.¹² The primary purpose of FMMOs are to (1) promote orderly marketing conditions in fluid milk markets, (2) improve the Producers’ ability to earn income, (3) supervise the terms of trade in milk markets in order to achieve equality of bargaining between milk producers and processors, and (4) assure the public that adequate supplies of quality milk at affordable prices are readily available for consumption.¹³ FMMOs accomplish these purposes by attempting to stabilize market conditions and requiring milk handlers to pay dairy farmers uniform prices at specified times in order to ensure fair treatment in the market place while assuring consumers that a reliable and consistent supply of milk and related products is available.¹⁴

The Debtor is a handler under applicable law and is governed in all aspects of its payment practices to dairy farmers and producers by FMMOs.¹⁵ Attached as Exhibit B is a chart that lists each FMMO by region and the applicable Code of Federal Regulations (CFRs). Each FMMO listed on the chart summarizes how handlers must pay Producers for milk purchases. As it relates to the Debtor’s contentions in the Letters, the FMMOs supply the “ordinary business terms” that govern the manner and form of each alleged preferential payment that the Debtor made to the Producers at issue in the Letters. The payments that the Debtor seeks to recover from the Producers were made pursuant to the terms of the FMMO in place for the region in which the transaction occurs. Case law provides that when, as here, payment terms are governed by regulatory mandate, same can define the scope of ordinary business terms under Section 547(b)(2)(C) and are a complete defense to any preferential transfer.¹⁶

¹⁰ *Id.*

¹¹ *Id.* at p. 8.

¹² *Id.* (Summary).

¹³ *Id.*

¹⁴ *Id.* at p. 2.

¹⁵ See 7 C.F.R. § 1000.9. The statutory scheme providing for FMMOs and their regulation of the form, manner and extent of payment is codified at 7 U.S.C. § 608c.

¹⁶ *E.g., In re Al Cohen's Rye Bread Bakery, Inc.*, 202 B.R. 546 (Bankr. W.D. N.Y. 1996) (stating that in the context of a regulated utility that “[t]hese conditions frequently require compliance with regulations that compel particular practices and procedures [and a]s to those activities that are so regulated, the utility is precluded from choosing any other course of action. For utilities, therefore, **regulatory mandates will define the scope of ordinary business terms.**”). *Id.* at 548 (emphasis added). In the case of *In re Waltermann Implement, Inc.*, 2007 WL 4224041 (Bankr. N.D. Iowa Nov. 27, 2007), the bankruptcy trustee brought an adversary proceeding to recover a chapter 7 debtor’s refund of advance direct payments which the debtor had received from a county agricultural agency for the debtor’s enrollment of two farms owned by the debtor in a farm aid program administered by a county farm service agency. The court held that the transfers were in accord with the crop subsidy industry standards provided by federal statute, and therefore, were made according to ordinary business terms under 11 U.S.C. § 547(c)(2)(B); see also *In re U.S.A. Inns of Eureka Springs, Arkansas, Inc.*, *supra* (holding that a debtor’s loan payments to a savings and loan company came within ordinary business terms even though the payments were irregular as to both time and amount and were never in the amount of the full monthly installment, where regulatory authorities had directed the savings and loan industry to work with delinquent customers in a manner that conformed with industry-wide standards).

We note in the Letters we have reviewed that the Debtor offers partial credit to the Producers under the “new value” exception to a preferential transfer without explaining how that credit was determined. We also note that the Letters ask the Producers, who are laymen and do not understand the intricacies of preferential transfer law, to provide documents that the Debtor should already have such as sales histories and payment ledgers over a fifteen month period that could support an ordinary course of business defense.¹⁷ This latter request relates to the “subjective” prong of the ordinary course of business defense under Section 547(c)(2)(A).

But the Letters are notably silent on the more applicable “objective” prong of the ordinary course defense under Section 547(c)(2)(B) discussed herein. This is disturbing because the Debtor, as a participant in the Dairy Industry, fully understands the application and import of FMMOs, the fact that they govern the form and manner of payment to Producers and that they supplied the business terms under which the transactions and payments at issue in the Letters occurred. Sending the Letters under these circumstances is not only deceptive, but outrageous because they threaten legal action when in fact the Producers have no legal exposure for the reasons set forth herein.

The Producers clearly have a complete ordinary course of business defense to any alleged preferential payment that the Debtor identifies in its Letters under 11 U.S.C. § 547(c)(2)(B), and the Letters should not have been sent for this reason.¹⁸ If the Debtor disagrees, we demand an immediate response to this letter explaining the basis for this position. Otherwise, we demand that the Debtor withdraw those letters and retract its demands therein by notifying each Producer by separate letter within ten (10) business days. If funds in settlement have been paid by a Producer based upon one of the Letters, those amounts were obtained under false pretenses and must be returned to the Producer immediately. If the Debtor refuses to return any funds received in settlement or proceeds with litigation against any Producer despite the foregoing, AFBF intends to intervene in any such litigation or to seek relief in the Bankruptcy Court. AFBF will consider all remedies that it can seek as an advocate of the Producers, including asking the Court to enjoin any litigation against the Producers and to hold any funds received by the Debtor in settlement in escrow.

¹⁷ Independent dairy producers shipping milk to suppliers like the Debtor ship up to a daily basis and do not generally invoice for shipments. The suppliers maintain daily records of milk receipts from Producers and the component levels in the milk. Instead of invoice terms, the terms of sale are governed by the FMMO, and records of shipment are maintained by the suppliers. Moreover, because FMMOs require consistent payment, and given that shipments occur on a daily basis, we are confident that the Debtor’s records and the evidence would also show that the suppliers have an ordinary course of business defense under the subjective prong of 11 U.S.C. § 547(c)(2)(A).

¹⁸ As noted, under a typical FMMO handlers are required to make an initial prepayment to a Producer for milk purchasers. To the extent the Debtor seeks to recover these payments, same are not preferential payments because they are not a payment on account of an antecedent debt under 11 U.S.C. 547(b)(2). Surprisingly, the Letters do not apprise the Producers that a significant part of the alleged payments that Debtor seeks to recover as preferential may be prepayments made under a FMMO.

AFBF looks forward to the Debtor's cooperation. If you have any questions or would like to discuss further feel free to contact me at your earliest convenience at ellens@fb.org.

Sincerely,



Ellen Steen
General Counsel & Secretary

cc: Travis Cushman, Esq.
Senior Counsel for Public Policy
American Farm Bureau Federation
travisc@fb.org

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EXHIBIT A

Received - Nov. 28, 2020



ATTORNEYS AT LAW

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November 24, 2020

NOTE: ANY PORTIONS OF THIS LETTER DISCUSSING DEFENDANT'S POTENTIAL DEFENSES AND SETTLEMENT BASED ON THOSE DEFENSES ARE PROTECTED SETTLEMENT COMMUNICATIONS PURSUANT TO RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND ARE NOT ADMISSIBLE FOR ANY PURPOSE.

Re: NOTICE OF INTENDED LITIGATION AND SETTLEMENT OFFER
In re: Southern Foods Group, LLC, *et al.*,¹ Bankr. Case No. 19-36313

Payments Received in Preference	
Period from the Debtors:	\$46,060.65
Less Allowed New Value (if any):	\$36,494.93
Plus Post-Petition Transfers (if any):	\$.00
Net Avoidance Claim:	\$9,565.72
Settlement Offer of 90% of Net Avoidance Claim:	\$8,609.15
File No:	2247439

Matter Assigned To: Krista Waters, 651-289-3848
e-mail: kwaters@askllp.com

Litigation Will Be Commenced Unless This Matter Is Resolved By December 24, 2020

¹ The debtors and debtors in possession in these chapter 11 cases, along with the last four digits of their respective Employer Identification Numbers, are as follows: Southern Foods Group, LLC (1364); Dean Foods Company (9681); Alta-Dena Certified Dairy, LLC (1347); Berkeley Farms, LLC (8965); Cascade Equity Realty, LLC (3940); Country Fresh, LLC (6303); Dairy Information Systems Holdings, LLC (9144); Dairy Information Systems, LLC (0009); Dean Dairy Holdings, LLC (9188); Dean East II, LLC (9192); Dean East, LLC (8751); Dean Foods North Central, LLC (7858); Dean Foods of Wisconsin, LLC (2504); Dean Holding Company (8390); Dean Intellectual Property Services II, Inc. (3512); Dean International Holding Company (9785); Dean Management, LLC (7782); Dean Puerto Rico Holdings, LLC (6832); Dean Services, LLC (2168); Dean Transportation, Inc. (8896); Dean West II, LLC (9190); Dean West, LLC (8753); DFC Aviation Services, LLC (1600); DFC Energy Partners, LLC (3889); DFC Ventures, LLC (4213); DGI Ventures, Inc. (6766); DIPS Limited Partner II (7167); Franklin Holdings, Inc. (8114); Fresh Dairy Delivery, LLC (2314); Friendly's Ice Cream Holdings Corp. (7609); Friendly's Manufacturing and Retail, LLC (9828); Garelick Farms, LLC (3221); Mayfield Dairy Farms, LLC (3008); Midwest Ice Cream Company, LLC (0130); Model Dairy, LLC (7981); Reiter Dairy, LLC (3675); Sampson Ventures, LLC (7714); Shenandoah's Pride, LLC (2858); Steve's Ice Cream, LLC (6807); Suiza Dairy Group, LLC (2039); Tuscan/Lehigh Dairies, Inc. (6774); Uncle Matt's Organic, Inc. (0079); and Verifine Dairy Products of Sheboygan, LLC (7200). The debtors' mailing address is 2711 North Haskell Avenue, Suite 3400, Dallas, TX 75204.

November 24, 2020

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Dear Sir or Madam:

This firm has been retained by Southern Foods Group, LLC and its debtor affiliates, the debtors and debtors in possession in the above-referenced case (the "Debtors"). The Debtors filed voluntary chapter 11 bankruptcy petitions on November 12, 2019 (the "Petition Date") in the U.S. Bankruptcy Court for the Southern District of Texas (the "Court"), which cases are being jointly administered in case number 19-36313 (the "Bankruptcy Case"). The Debtors are operating their business and managing their properties as debtors and debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Additional information about the Debtors' Bankruptcy Case can be obtained by visiting: <https://dm.epiq11.com/case/southernfoods/info/>.

As provided in sections 547, 548, 549, 550, 704(a), 1106, and 1007 of the Bankruptcy Code, the Debtors have a duty and have the authority to investigate, pursue, commence, prosecute, compromise, settle, or otherwise resolve certain causes of action under chapter 5 of the Bankruptcy Code to avoid and recover payments made to the Debtors' creditors prior to the Petition Date. Even though these payments may have been proper when made by the Debtors, under the Bankruptcy Code, the Debtors may seek the return of such funds for the benefit of the Debtors' creditors.

Specifically, Section 547(b) of the Bankruptcy Code provides for the avoidance of transfers made to creditors during the ninety (90) day period prior to the Petition Date (the "Preference Period"), which in this case covers transfers that cleared between August 14, 2019 through and including the Petition Date. In addition, to the extent that there are any unauthorized transfers made by the Debtors after the Petition Date (the "Post-Petition Transfers"), they are avoidable under Section 549 of the Bankruptcy Code.

The Basis of the Debtors' Claim

According to our records, _____ received not less than \$46,060.65 (the "Transfers") during the Preference Period from the Debtors. Please review the enclosed Statement of Account listing checks, ACHs, and/or wire transfers issued to you by the Debtors within the Preference Period. If you did not receive one or more of these checks and/or wire transfers, please notify us immediately.

Certain Post-Petition Transfers, if any, to _____ for which we have not been able to confirm authorization by the Court or under the Bankruptcy Code also are identified on the enclosed Statement of Account. If you believe that one or more of these transfers was authorized by the Court or under the Bankruptcy Code, please notify us immediately.

The Court May Disallow Your Claim Unless the Transfers are Returned to the Estate

Section 502(d) of the Bankruptcy Code provides that the Court shall disallow any claims of a party who fails to return an avoidable transfer. This means that if you assert an existing claim against the Debtors, you may not receive a distribution on account of that claim unless your liability for the Transfers is resolved. The Debtors reserve their right to object to your proof of claim and seek its disallowance, which may preclude you from receiving any distributions at all on account of your claim.

Potential Defenses to The Preference Claim

In certain cases, there may be a defense to liability with respect to a preference claim based on various exceptions under 11 U.S.C. § 547(c). Two of the most common affirmative defenses to preference actions are listed below. Additional instructions concerning these defenses are also provided as an attachment to this letter.

Subsequent New Value: We have reviewed the Debtors' records and considered whether you may have a defense to this action under the "subsequent new value" defense codified in subsection 547(c)(4). If the Debtors' books and records indicate that you provided goods or services to the Debtors after the Transfer(s) were made, we have reduced your liability by the value of such goods and services. We refer to this amount as your "new value credit." In this case, that amount is \$36,494.93.

If the amount of the new value credit does not reflect all unpaid goods and services you provided to the Debtors *after receipt of the first Transfer* and prior to the Petition Date, please contact us within twenty-one (21) days hereof with invoices and delivery receipts (or comparable evidence) for our review.

Ordinary Course of Business: A second common exception is the ordinary course of business defense under subsection 547(c)(2) of the Bankruptcy Code. If you believe you qualify for this defense, please send us your analysis (in Excel format, if possible), and your vendor historical ledger of invoices and payments between the Debtors and you for the Preference Period and the 15-month period prior to the Petition Date. Please include the following fields in your spreadsheet: Inv. No., Inv. Date, Inv. Terms, Inv. Amt., Amt. Paid, Check No., and Check Receipt Date.

Please provide the requested documentation *within twenty-one (21) days hereof (the "Response Date")* so that the Debtors may evaluate any impact on your potential liability.

Debtors' Demand for Payment

BY THIS LETTER, THE DEBTORS DEMAND PAYMENT OF THE TOTAL AMOUNT OF THE NET AVOIDANCE CLAIM SHOWN ABOVE ON OR BEFORE THE RESPONSE DATE.

Settlement Offer

Our firm specializes in avoidance recovery work, and we appreciate the difficulty of accepting the notion that the bankruptcy laws require the return of payments made during the Preference Period. It is no doubt a "bitter pill" to swallow that the law requires the return of payments received on account of legitimate obligations owed to your company. However, pursuant to the Bankruptcy Code, the Debtors are exercising their authority to seek to avoid and recover such funds for redistribution according to the priority of claims per the Code. It is not relevant to the preference liability issue whether the Debtors intentionally preferred you or whether you knew the Debtors were insolvent.

November 24, 2020

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To encourage settlement before a lawsuit is filed, our client has authorized a settlement offer based on the following calculation:

Transfers From the Debtors During The Preference Period	\$46,060.65
Less Subsequent New Value (if any):	\$36,494.93
Plus Post-Petition Transfers (if any):	\$.00
Net Avoidance Claim:	\$9,565.72
Settlement Offer of 90% of Net Avoidance Claim:	\$8,609.15

The Settlement Offer will remain open through December 24, 2020. Please complete and return the **enclosed settlement form** and your payment made payable to Dean Foods Company by the Response Date. (Detailed instructions are set forth on the enclosed Settlement Offer and Acceptance Form.).

The Debtors do not waive and hereby expressly reserve all of their rights and remedies with respect to the matters set forth herein, including the right to pursue litigation to recover the full value of the Transfers unless this matter is otherwise resolved by agreement of the parties. Therefore, unless the matter is resolved or you provide us with the requested payment and invoice records, a complaint will be filed in the week following the deadline for acceptance of this offer. We encourage you to give this matter your early attention so that you can make an informed decision without the added burden of time pressure. Please contact the collection paralegal handling this matter, Krista Waters, at 651-289-3848, or via email at kwaters@askllp.com.

Sincerely,

ASK LLP

/s/ Anastasia Kazmina, Esq.

Anastasia Kazmina, Esq.
*Counsel for Southern Foods Group, LLC, et al.,
Debtors and Debtors in Possession*

Encl: Settlement Offer and Acceptance Form
Additional Instructions Re: Defenses

Defendant:

Bankruptcy Case: **Southern Foods Group, LLC d/b/a Dean Foods**Preference Period: **Aug 14, 2019 - Nov 12, 2019**

Transfers During Preference Period

Debtor Transferor(s)	Debtor(s) Incurring Antecedent Debt	Check Number	Check Amt	Clear Date	Invoice Number	Invoice Date	Invoice Amt
Dean Foods Company and Suiza Dairy Group, LLC	Suiza Dairy Group, LLC		\$8,313.75	8/14/2019		8/13/2019	\$8,313.75
Dean Foods Company and Suiza Dairy Group, LLC	Suiza Dairy Group, LLC		\$6,879.31	8/26/2019		8/22/2019	\$6,879.31
Dean Foods Company and Suiza Dairy Group, LLC	Suiza Dairy Group, LLC		\$8,610.82	9/16/2019		9/13/2019	\$8,610.82
Dean Foods Company and Suiza Dairy Group, LLC	Suiza Dairy Group, LLC		\$6,112.95	9/27/2019		9/24/2019	\$6,112.95
Dean Foods Company and Suiza Dairy Group, LLC	Suiza Dairy Group, LLC		\$9,565.72	10/17/2019		10/14/2019	\$9,565.72
Dean Foods Company and Suiza Dairy Group, LLC	Suiza Dairy Group, LLC		\$6,578.10	10/28/2019		10/23/2019	\$6,578.10
Totals:	6 transfer(s),		\$46,060.65				

In re: Southern Foods Group, LLC, et. al.
Bankr. Case No. 19-36313

Southern Foods Group, LLC, et. al.,

vs.

SETTLEMENT OFFER AND ACCEPTANCE FORM **File No:** 2247439

I/We have read the letter and enclosures sent on behalf of Southern Foods Group, LLC, *et. al.*, the debtors and debtors in possession in the above-referenced case (the “Debtors”) with this offer, which reflect that I/we received transfer(s) in the amount of \$46,060.65 (the “Transfers”) during the ninety (90) day preference period and \$.00 in unauthorized post-petition transfers, for a total of (collectively the “Avoidance Claims”). The net amount after allowance for conceded new value, if any, of the Avoidance Claims is \$9,565.72 (the “Net Avoidance Amount”).

OFFER

The Debtors herein offer to settle and release their claims against you under Sections 547-550 of the Bankruptcy Code based upon the Avoidance Claims upon receipt and bank clearance of a settlement payment equal to \$8,609.15 (the “Settlement Amount”), which is 90% of the Net Avoidance Amount. This offer requires that payment of the full Settlement Amount be received on or before December 24, 2020. If required, we will submit this settlement to the Bankruptcy Court for its approval. If the Bankruptcy Court does not approve the settlement, this settlement agreement shall be null and void, and the Debtors shall immediately refund the Settlement Amount to you.

ACCEPTANCE OF SETTLEMENT OFFER

Having considered the Settlement Offer and our rights and liabilities, I/we hereby accept the offer to settle the Avoidance Claims on the terms set forth above and herein enclose a check payable to Southern Foods Group, LLC for the Settlement Amount of \$8,609.15.

I/We waive my/our right(s) under Section 502(h) of the Bankruptcy Code to file a proof of claim (or to modify an existing proof of claim) for the Settlement Amount in the Southern Foods Group, LLC, *et. al.* bankruptcy cases (the “Bankruptcy Cases”). Any existing claim in the Bankruptcy Cases shall not be allowed, disallowed, modified, or otherwise affected by this settlement.

Executed on this day of , 2020.

Our File No.: 2247439

By: _____
Print: _____ Title: _____
Phone Number: _____

RETURN WITH CHECK FOR **\$8,609.15**
PAYABLE TO: Dean Foods Company
PRIOR TO: December 24, 2020
MAIL TO: ASK LLP
 2600 Eagan Woods Drive, Suite 400
 St. Paul, MN 55121

Additional Instructions Re: Defenses

You should make a copy of this letter and all enclosures to send to your attorney should you choose to defend this matter rather than settle and return the payments.

Under certain circumstances you may have a defense warranting settlement of this action at less than the settlement offer extended. We will be happy to consider your defenses and explore settlement. The two most common defenses are set forth below, with instructions on how to proceed with settlement discussions as to each.

1. New Value Defense

If you believe that you have a defense pursuant to Section 547(c)(4) of the Bankruptcy Code, *i.e.*, that you extended additional credit **after receipt of the first transfer** made to you during the preference period that we have not credited, please send proof of supporting invoices and invoices and delivery receipts along with an excel spreadsheet to substantiate your new value defense.

For case support on new value and how Section 547(c)(4) applies, *see*

In re Wadsworth Building Components, Inc., 711 F.2d 122 (9th Cir. 1983) (“If the creditor and the Debtors have more than one exchange during the 90-day period, the exchanges are netted out according to the formula in paragraph 4 [of 547(c)]”);

In re Meredith Manor, Inc., 902 F.2d 257, 258 (4th Cir. 1990) (Garland allows the creditor to calculate the difference between the total preferential transfers and the total advances, providing that “each advance issued to offset only prior (although not necessarily immediately prior) preference...[This] permits preference to be carried forward until exhausted by subsequent advance.”)

2. Ordinary Course of Business Defense

11 U.S.C. § 547(c)(2) provides a limited defense for transfers that were in payment of debts incurred and paid in the ordinary course of business of the Debtors and the transferee, or that were made according to ordinary business terms. To qualify for the ordinary course of business defense under Section 547(c)(2), a creditor must prove by a preponderance of the evidence that either 1) the debt and its payment are ordinary in relation to past practices between the Debtors and the creditor; or 2) the payment was made according to ordinary business terms in your respective industries.

Please send any analysis supporting your ordinary course of business defense in excel format. Please include the following documents to support your assertions.

- A. Your vendor historical ledger of invoices and payments between your company and the Debtors for the Preference Period and the 15 month period prior to the Petition Date. An example of the fields that should be included in a spreadsheet containing this information is as follows:

InvNo, InvDate, Term, InvAmt, AmtPaid, CheckNo, Check Receive Date

This data should be supported by paper copies of the invoices.

- B. Should you claim the payments were made according to ordinary business terms for your industry, provide your analysis to support this defense, *i.e.*, that the number of days and manner of payment between your invoices and payment thereof was customary for your industry.

EXHIBIT B

FMMO REGION & NO.	PAYMENT TERMS
<p>Northeast</p> <p>F.O. 1</p> <p>7 C.F.R. §§ 1001.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than two days after the announcement of the producer price differential and statistical uniform price, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1001.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than one day after the due date required for the handler to pay the amount due to the market administrator pursuant to § 1001.71, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1001.71, 1001.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the 23rd day of the month, partial payment must be made so that it is received by the producer on or before the 26th day of the month for milk received during the first 15 days of the month at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made during the following month so it is received by each producer no later than one day after the required date of payment to the handler by the market administrator in the amount computed pursuant to 7 C.F.R. § 1001.73(a)(2). <p>One day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1001.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p> <ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk;

	<ul style="list-style-type: none"> • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
<p>Appalachian F.O. 5 7 C.F.R. §§ 1005.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 12th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1005.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than one day after the due date required for the handler to pay the amount due to the market administrator pursuant to § 1005.71, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1005.71, 1005.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the 23rd day of the month, partial payment must be made so that it is received by the producer on or before the 26th day of the month for milk received during the first 15 days of the month at not less than 90 percent of the preceding month's uniform price, adjusted for plant location pursuant to 7 C.F.R. § 1005.75 and proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made during the following month so it is received by each producer no later than one day after the required date of payment to the handler by the market administrator in the amount computed pursuant to 7 C.F.R. § 1005.73(a)(2). <p>One day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1005.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p>

	<ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
<p>Florida</p> <p>F.O. 6</p> <p>7 C.F.R. §§ 1006.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 12th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1006.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than one day after the due date required for the handler to pay the amount due to the market administrator pursuant to § 1006.71, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1006.71, 1006.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: <ul style="list-style-type: none"> ○ For each producer who has not discontinued shipments as of the 15th day of the month, partial payment must be made so that it is received by the producer on or before the 20th day of the month for milk received during the first 15 days of the month at not less than 85 percent of the preceding month's uniform price, adjusted for plant location pursuant to 7 C.F.R. § 1006.75 and proper deductions authorized in writing by the producer; and ○ For each producer who has not discontinued shipments as of the last day of the month, payment must be made so that it is received by the producer on or before the 5th day of the following month for milk received from the 16th to the last day of the month at not less than 85 percent of the preceding month's uniform price, adjusted for plant

	<p style="text-align: center;">location pursuant to 7 C.F.R. § 1006.75 and proper deductions authorized in writing by the producer.</p> <ul style="list-style-type: none"> • Final payment: For milk received during the month, payment must be made so it is received by each producer no later than one day after the required date of payment to the handler by the market administrator in the amount computed pursuant to 7 C.F.R. § 1006.73(a)(2). <p>One day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1006.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p> <ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
<p>Southeast</p> <p>F.O. 7</p> <p>7 C.F.R. §§ 1007.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 12th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1007.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than one day after the due date required for the handler to pay the amount due to the market administrator pursuant to § 1007.71, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1007.71, 1007.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p>

	<ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the 23rd day of the month, partial payment must be made so that it is received by the producer on or before the 26th day of the month for milk received during the first 15 days of the month at not less than 90 percent of the preceding month's uniform price, adjusted for plant location pursuant to 7 C.F.R. § 1007.75 and proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made so it is received by each producer no later than one day after the required date of payment to the handler by the market administrator in the amount computed pursuant to 7 C.F.R. § 1007.73(a)(2). <p>One day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1007.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p> <ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
<p>Upper Midwest</p> <p>F.O. 30</p> <p>7 C.F.R. §§ 1030.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 15th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1030.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than the 16th day after the end of each month, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1030.71, 1030.72.</p>

	<p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the 23rd day of the month, partial payment must be made so that it is received by the producer on or before the 26th day of the month for milk received during the first 15 days of the month at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, partial payment must be made so it is received by each producer no later than the 17th day after the end of the month in the amount computed pursuant to 7 C.F.R. § 1030.73(a)(2). <p>On or before the day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1030.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p> <ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk; • The somatic cell count of the producer’s milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
<p>Central F.O. 32 7 C.F.R. §§ 1032.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 14th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1032.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers</p>

	<p>No later than the 15th day after the end of each month, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1032.71, 1032.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the 23rd day of the month, partial payment must be made so that it is received by the producer on or before the 26th day of the month for milk received during the first 15 days of the month at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made so it is received by each producer no later than the 17th day after the end of the month in the amount computed pursuant to 7 C.F.R. § 1032.73(a)(2). <p>On or before the day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1032.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p> <ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk; • The somatic cell count of the producer’s milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
Mideast	Payment by Handlers to the Producer-Settlement Fund

<p>F.O. 33</p> <p>7 C.F.R. §§ 1033.1 <i>et seq.</i></p>	<p>No later than the 15th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1032.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than the 16th day after the end of each month, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1033.71, 1033.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the date of the partial payment, payment must be made so that it is received by the producer on or before the 26th day of the month for milk received during the first 15 days of the month at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made so it is received by each producer no later than the 17th day after the end of the month in the amount computed pursuant to 7 C.F.R. § 1032.73(a)(2). <p>On or before the day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1033.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p> <ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk; • The somatic cell count of the producer's milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and
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	<ul style="list-style-type: none"> • The net amount of payment to the producer or cooperative association.
<p>California</p> <p>F.O. 51</p> <p>7 C.F.R. §§ 1051.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 16th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1051.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than the 18th day after the end of each month, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1051.71, 1051.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the date of the partial payment, payment must be made so that it is received by the producer on or before the last day of the month for milk received during the first 15 days of the month at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made so it is received by each producer no later than the 19th day after the end of the month in the amount computed pursuant to 7 C.F.R. § 1051.73(a)(2). <p>On or before the day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1051.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p> <ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO;

	<ul style="list-style-type: none"> • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
<p>Pacific Northwest</p> <p>F.O. 124</p> <p>7 C.F.R. §§ 1124.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 16th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1124.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than the 18th day after the end of each month, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1124.71, 1124.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the 18th day of the month, partial payment must be made so that it is received by the producer on or before the last day of the month for milk received during the first 15 days of the month at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made so it is received by each producer no later than the 19th day after the end of the month in the amount computed pursuant to 7 C.F.R. § 1124.73(a)(2). <p>At least two days before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1124.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p> <ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received;

	<ul style="list-style-type: none"> • The total pounds of butterfat, protein, and other solids contained in the milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
<p>Southwest F.O. 126 7 C.F.R. §§ 1126.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 16th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1126.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than the 17th day after the end of each month, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1126.71, 1126.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the 23rd day of the month, partial payment must be made so that it is received by the producer on or before the 26th day of the month for milk received during the first 15 days of the month at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made so it is received by each producer no later than the 19th day after the end of the month in the amount computed pursuant to 7 C.F.R. § 1124673(a)(2). <p>On or before the day before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1126.73(b).</p> <p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p>

	<ul style="list-style-type: none"> • The name, address, a regulatory identifier, and the payroll number of the producer; • The date that milk was received from the producer, including the quantity of milk received; • The total pounds of butterfat, protein, and other solids contained in the milk; • The somatic cell count of the producer’s milk; • The minimum rate or rates at which payment to the producer is required pursuant to the FMMO; • The rate used in making payment if the rate is other than the applicable minimum rate; • The amount, or rate per unit, and the nature of each deduction claimed by the handler; and • The net amount of payment to the producer or cooperative association.
<p>Arizona F.O. 131 7 C.F.R. §§ 1131.1 <i>et seq.</i></p>	<p>Payment by Handlers to the Producer-Settlement Fund No later than the 13th day after the end of the month, each handler must pay to market administrator for deposit into the producer-settlement fund the amount due, as calculated pursuant to 7 C.F.R. § 1131.71.</p> <p>Payment from the Producer-Settlement Fund to Handlers No later than the 14th day after the end of each month, the market administrator must pay to each handler the amount owed, as calculated pursuant to 7 C.F.R. §§ 1131.71, 1131.72.</p> <p>Payment by Handlers to Producers and to Cooperative Associations Each handler that is not paying a cooperative association for producer milk must pay each producer as follows:</p> <ul style="list-style-type: none"> • Partial payment: For each producer who has not discontinued shipments as of the 25th day of the month, partial payment must be made so that it is received by the producer on or before the 27th day of the month for milk received during the first 15 days of the month at not less than 1.3 times the lowest class price for the preceding month, less proper deductions authorized in writing by the producer. • Final payment: For milk received during the month, payment must be made so it is received by each producer no later than the 19th day after the end of the month in the amount computed pursuant to 7 C.F.R. § 1131.73(a)(2). <p>At least two days before partial and final payments are due to producers, each handler must pay a cooperative association for milk received in the amount calculated pursuant to 7 C.F.R. § 1131.73(b).</p>

	<p>In making payments to producers, each handler must provide each producer with a supporting statement which shows:</p>
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- The month and identity of the producer;
- The daily and total pounds of butterfat content of producer milk;
- The minimum rate or rates at which payment to the producer is required pursuant to the FMMO;
- The rate used in making payment if the rate is other than the applicable minimum rate;
- The amount, or rate per unit, and the nature of each deduction claimed by the handler; and
- The net amount of payment to the producer or cooperative association.