

1 (4) “Contributing vegetable contractor” means a vegetable contractor who is
2 licensed under s. 126.56 (1), who either has paid one or more quarterly installments
3 under s. 126.60 (6) or is required to contribute to the fund, but the first quarterly
4 installment under s. 126.60 (6) is not yet due, and who is not disqualified under s.
5 126.59 (2).

6 (6) “Current ratio” means the ratio of the value of current assets to the value
7 of current liabilities, calculated according to s. 126.58 (6) (c) 1.

8 (7) “Debt to equity ratio” means the ratio of the value of liabilities to equity,
9 calculated according to s. 126.58 (6) (c) 2.

10 (8) “Deferred payment contract” means a vegetable procurement contract in
11 which the vegetable producer or a producer agent agrees to accept payment after
12 January 31 for processing vegetables harvested during the previous calendar year.

13 (9) “Disqualified vegetable contractor” means a vegetable contractor who is
14 disqualified from the fund under s. 126.59 (2).

15 (10) “Food processing” has the meaning given in s. 97.29 (1) (g).

16 (10m) “License year” means the period beginning on February 1 and ending
17 on the following January 31.

18 (11) “Processing vegetables” means vegetables grown or sold for use in food
19 processing, regardless of whether those vegetables are actually harvested or
20 processed as food. “Processing vegetables” includes sweet corn grown or sold for use
21 in food processing, but does not include grain.

22 (12) “Producer agent” means a person who, without taking title to vegetables,
23 acts on behalf of a vegetable producer to market or accept payment for processing
24 vegetables that the vegetable producer grows in this state. “Producer agent” does not
25 include any of the following:

1 (a) A person who merely brokers a contract between a vegetable producer and
2 a vegetable contractor, without becoming a party to the contract or accepting
3 payment on behalf of the vegetable producer.

4 (b) A person who merely holds or transports processing vegetables for a
5 vegetable producer, without marketing the vegetables or accepting payment on
6 behalf of the vegetable producer.

7 (13) “Time of delivery” under a vegetable procurement contract means the time
8 at which one of the following occurs:

9 (a) The vegetable contractor harvests the vegetables.

10 (b) The vegetable producer delivers harvested vegetables to the custody or
11 control of the vegetable contractor.

12 (c) The vegetable contractor notifies the vegetable producer of the vegetable
13 contractor’s refusal to harvest or accept delivery of vegetables.

14 (14) “Vegetable contractor” means a person who does any of the following:

15 (a) Contracts with a vegetable producer or a producer agent to procure
16 processing vegetables that a vegetable producer grows in this state.

17 (b) Contracts with a vegetable producer to market, as a producer agent,
18 processing vegetables that the vegetable producer grows in this state.

19 (15) “Vegetable procurement contract” means an oral or written agreement
20 under which a vegetable contractor does any of the following:

21 (a) Contracts with a vegetable producer or a producer agent to procure
22 processing vegetables that a vegetable producer grows in this state.

23 (b) Contracts with a vegetable producer to market, as a producer agent,
24 processing vegetables that the vegetable producer grows in this state.

1 (16) “Vegetable producer” means a person who grows processing vegetables in
2 this state.

3 (17) “Unharvested acreage” means land on which vegetables are grown, under
4 a vegetable procurement contract, that a vegetable contractor leaves unharvested for
5 any reason. “Unharvested acreage” includes all of the following:

6 (a) Land on which the vegetables are suitable for processing, but are not
7 harvested.

8 (b) Land on which the vegetables are abandoned as being unsuitable for
9 processing.

10 **126.56 Vegetable contractors; licensing. (1) LICENSE REQUIRED.** (a) Except
11 as provided in sub. (2), no person may operate as a vegetable contractor without a
12 current annual license from the department.

13 (b) A license under par. (a) expires on the January 31 following its issuance.
14 No person may transfer or assign a license issued under par. (a).

15 **(2) EXEMPT CONTRACTORS.** The following vegetable contractors are exempt from
16 licensing under sub. (1):

17 (a) A vegetable contractor who procures vegetables primarily for unprocessed,
18 fresh market use and is licensed under the federal Perishable Agricultural
19 Commodities Act, 7 USC 499a to 499t.

20 (b) A restaurant or retail food establishment that procures processing
21 vegetables solely for retail sale at the restaurant or retail food establishment.

22 **(3) LICENSE APPLICATION.** A vegetable contractor shall apply for a license under
23 sub. (1) in writing, on a form provided by the department. The applicant shall
24 provide all of the following:

1 (a) The applicant's legal name and any trade name under which the applicant
2 proposes to operate as a vegetable contractor.

3 (b) A statement of whether the applicant is an individual, corporation,
4 partnership, cooperative, limited liability company, trust, or other legal entity. If the
5 applicant is a corporation or cooperative, the application shall identify each officer
6 of the corporation or cooperative. If the applicant is a partnership, the application
7 shall identify each partner.

8 (c) The mailing address of the applicant's principal business location and the
9 name of a responsible individual who may be contacted at that address.

10 (d) The street address of each business location from which the applicant
11 operates as a vegetable contractor in this state and the name of a responsible
12 individual who may be contacted at each location that is staffed.

13 (e) All license fees and surcharges required under sub. (4).

14 (f) The sworn and notarized statement required under sub. (9).

15 (g) A financial statement if required under s. 126.58 (1) and not yet filed.

16 (h) Other relevant information required by the department.

17 (4) LICENSE FEES AND SURCHARGES. A vegetable contractor applying for a license
18 under sub. (1) shall pay the following fees and surcharges, unless the department
19 specifies a different fee or surcharge amount by rule:

20 (a) A nonrefundable license processing fee of \$25.

21 (b) A fee of \$25 plus 5.75 cents for each \$100 in contract obligations reported
22 under sub. (9) (a), less any credit provided under sub. (6).

23 (c) A license surcharge of \$500 if the department determines that, within 365
24 days before submitting the license application, the applicant operated as a vegetable
25 contractor without a license in violation of sub. (1). The applicant shall also pay any

1 license fees, license surcharges, and fund assessments that are still due for the
2 license year in which the applicant violated sub. (1).

3 (d) A license surcharge of \$100 if during the preceding 12 months the applicant
4 failed to file an annual financial statement required under s. 126.58 (1) (b) by the
5 applicable deadline.

6 (e) A license surcharge of \$100 if a renewal applicant fails to renew a license
7 by the license expiration date of January 31.

8 **(4m) EFFECT OF PAYMENT OF SURCHARGE.** Payment under sub. (3) (c) does not
9 relieve the applicant of any other civil or criminal liability that results from the
10 violation of sub. (1), but does not constitute evidence of any law violation.

11 **(5) LICENSE FOR PART OF YEAR; FEES.** A person who applies for an annual
12 vegetable contractor license after the beginning of a license year shall pay the full
13 annual fee amounts required under sub. (4).

14 **(6) FEE CREDITS.** (a) If the balance in the fund contributed by vegetable
15 contractors exceeds \$1,000,000 on November 30 of any license year, the department
16 shall credit 50% of the excess amount against fees charged under sub. (4) (b) to
17 contributing vegetable contractors who file timely license renewal applications for
18 the next license year. The department shall credit each contributing vegetable
19 contractor on a prorated basis, in proportion to the total fees that the vegetable
20 contractor has paid under sub. (4) (b) for the 4 preceding license years.

21 (b) The fee under sub. (4) (b) is reduced by one cent for each \$100 in contract
22 obligations reported under sub. (9) (a) if the department, under a contract with the
23 applicant, grades all of the graded vegetables that the applicant procures from
24 vegetable producers or producer agents.

1 **(7) FEE STATEMENT.** The department shall provide, with each license application
2 form, a written statement of all license fees and surcharges required under sub. (4).
3 The department shall specify any fee credits for which the applicant may qualify
4 under sub. (6).

5 **(8) NO LICENSE WITHOUT FULL PAYMENT.** The department may not issue a license
6 under sub. (1) until the applicant pays all license fees and surcharges identified in
7 the department's statement under sub. (7). The department shall refund a fee or
8 surcharge paid under protest if upon review the department determines that the fee
9 or surcharge is not applicable.

10 **(9) SWORN AND NOTARIZED STATEMENT.** As part of a license application under sub.
11 (3), an applicant shall provide a sworn and notarized statement, signed by the
12 applicant or an officer of the applicant, that reports all of the following:

13 (a) The total amount of contract obligations that the applicant incurred during
14 the applicant's last completed fiscal year. If the applicant has not yet operated as a
15 vegetable contractor, the applicant shall estimate the amount of contract obligations
16 that the applicant will incur during the applicant's first complete fiscal year.

17 (b) The largest amount of unpaid contract obligations that the vegetable
18 contractor had at any time during the vegetable contractor's last completed fiscal
19 year.

20 (c) The amount of unpaid contract obligations that the vegetable contractor has
21 at the time of application.

22 (d) The amount of unpaid contract obligations under par. (c) that are due for
23 payment before the license year for which the applicant is applying.

24 (e) The amount of unpaid obligations under par. (c) that the contractor has
25 under deferred payment contracts.

1 (f) Whether the applicant and the applicant's affiliates and subsidiaries will
2 collectively grow more than 10% of the total acreage of any vegetable species grown
3 or procured by the applicant during the license year for which the applicant is
4 applying.

5 (g) Whether the applicant will pay cash on delivery under all vegetable
6 procurement contracts during the license year for which the applicant is applying.

7 (h) Whether the applicant is a producer-owned cooperative or organization
8 that procures vegetables solely from its producer owners on the basis of a cooperative
9 marketing method under which the producer-owned cooperative or organization
10 pays its producer owners a prorated share of sales proceeds for the marketing year
11 after a final accounting and the deduction of marketing expenses.

12 (10) ACTION GRANTING OR DENYING APPLICATION. (a) The department shall grant
13 or deny a license application under sub. (3) within 30 days after the department
14 receives a complete application. If the department denies a license application, the
15 department shall give the applicant a written notice stating the reasons for the
16 denial.

17 (b) A license becomes invalid after February 5 of the license year for which it
18 is issued unless the license holder has by February 5 paid all producer obligations
19 that were due and payable during the preceding license year.

20 (11) LICENSE DISPLAYED. A vegetable contractor licensed under sub. (1) shall
21 prominently display a copy of that license at each business location from which the
22 vegetable contractor operates in this state.

23 (12) NOTICE REQUIRED. (a) A vegetable contractor who files security under s.
24 126.61 shall immediately notify the department if, at any time, the vegetable

1 contractor's unpaid contract obligations exceed the amount last reported under sub.
2 (9) (b).

3 (b) A vegetable contractor shall immediately notify the department if the
4 amount of unpaid obligations under deferred payment contracts exceeds the amount
5 last reported under sub. (9) (e).

6 **126.57 Vegetable contractors; insurance. (1) FIRE AND EXTENDED COVERAGE**
7 **INSURANCE.** (a) Except as provided in par. (b), a vegetable contractor who is required
8 to be licensed under s. 126.56 (1) shall maintain fire and extended coverage
9 insurance, issued by an insurance company authorized to do business in this state,
10 that covers all vegetables in the custody of the vegetable contractor, whether owned
11 by the vegetable contractor or held for others, at the full local market value of the
12 vegetables.

13 (b) Paragraph (a) does not apply to a vegetable contractor if any of the following
14 applies:

15 1. The vegetable contractor pays cash on delivery under all vegetable
16 procurement contracts.

17 2. The vegetable contractor is a producer-owned cooperative or organization
18 that procures processing vegetables only from its producer owners.

19 **(2) INSURANCE CANCELLATION; REPLACEMENT.** Whenever an insurance policy
20 under sub. (1) is canceled, the vegetable contractor shall replace the policy so that
21 there is no lapse in coverage.

22 **(3) INSURANCE COVERAGE; MISREPRESENTATION.** No vegetable contractor may
23 misrepresent any of the following to the department or to any vegetable producer or
24 producer agent:

25 (a) That the vegetable contractor is insured.

1 (b) The nature, coverage, or material terms of the vegetable contractor's
2 insurance policy.

3 **126.58 Vegetable contractors; financial statements. (1) REQUIRED**
4 **ANNUAL FINANCIAL STATEMENT.** (a) Except as provided in par. (c), a vegetable
5 contractor shall file an annual financial statement with the department, before the
6 department first licenses the vegetable contractor under s. 126.56 (1), if the
7 vegetable contractor reports more than \$500,000 in contract obligations under s.
8 126.56 (9) (a).

9 (b) Except as provided in par. (c), a vegetable contractor licensed under s.
10 126.56 (1) shall file an annual financial statement with the department during each
11 license year if the vegetable contractor's license application for that year reports
12 more than \$500,000 in contract obligations under s. 126.56 (9) (a). The vegetable
13 contractor shall file the annual financial statement by the 15th day of the 4th month
14 following the close of the vegetable contractor's fiscal year, except that the
15 department may extend the filing deadline for up to 30 days if the vegetable
16 contractor, or the accountant reviewing or auditing the financial statement, files a
17 written extension request at least 10 days before the filing deadline.

18 (c) A vegetable contractor is not required to file a financial statement under par.
19 (a) or (b) if any of the following applies:

20 1. The vegetable contractor pays cash on delivery under all vegetable
21 procurement contracts.

22 2. The vegetable contractor is a producer-owned cooperative that procures
23 processing vegetables only from its producer owners.

1 **(2) VOLUNTARY FINANCIAL STATEMENT.** A contributing vegetable contractor who
2 is not required to file a financial statement under sub. (1) may file an annual
3 financial statement with the department for any of the following reasons:

4 (a) To qualify for a lower fund assessment under s. 126.60.

5 (b) To avoid filing security under s. 126.61 (1) (b).

6 **(3) REVIEWED OR AUDITED FINANCIAL STATEMENT.** (a) A vegetable contractor filing
7 an annual financial statement under sub. (1) or (2) shall file an audited financial
8 statement if the vegetable contractor's latest annual license application reported
9 more than \$4,000,000 in annual contract obligations under s. 126.56 (9) (a).

10 (b) If par. (a) does not apply, a vegetable contractor filing an annual financial
11 statement under sub. (1) or (2) shall file either a reviewed financial statement or an
12 audited financial statement.

13 **(4) ACCOUNTING PERIOD.** A vegetable contractor filing an annual financial
14 statement under sub. (1) or (2) shall file a financial statement that covers the
15 vegetable contractor's last completed fiscal year unless the vegetable contractor has
16 been in business for less than one year.

17 **(4m) INTERIM FINANCIAL STATEMENT.** The department may, at any time, require
18 a vegetable contractor licensed under s. 126.56 (1) to file an interim financial
19 statement with the department. The vegetable contractor shall provide, with the
20 interim financial statement, the vegetable contractor's sworn and notarized
21 statement that the financial statement is correct. An interim financial statement
22 need not be a reviewed or audited financial statement.

23 **(5) GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.** (a) Except as provided in par.
24 (b), a vegetable contractor filing a financial statement under this section shall file a

1 financial statement that is prepared according to generally accepted accounting
2 principles.

3 (b) If a vegetable contractor is a sole proprietor and the vegetable contractor's
4 financial statement is not audited, the vegetable contractor shall file a financial
5 statement that is prepared on a historical cost basis.

6 (6) FINANCIAL STATEMENT CONTENTS. (a) Except as provided in par. (b), a
7 vegetable contractor filing a financial statement under this section shall file a
8 financial statement that consists of a balance sheet, income statement, equity
9 statement, statement of cash flows, notes to those statements, and any other
10 information required by the department. If the vegetable contractor is a sole
11 proprietor, the vegetable contractor shall file his or her business and personal
12 financial statements.

13 (b) If a vegetable contractor has been in business for less than one year, the
14 vegetable contractor may file an annual financial statement under sub. (1) or (2)
15 consisting of a balance sheet and notes.

16 (c) A vegetable contractor filing a financial statement under this section shall
17 include in the financial statement, or in an attachment to the financial statement,
18 calculations of all of the following:

19 1. The vegetable contractor's current ratio, excluding any assets required to be
20 excluded under sub. (7).

21 2. The vegetable contractor's debt to equity ratio, excluding any assets
22 required to be excluded under sub. (7).

23 (7) ASSETS EXCLUDED. A vegetable contractor may not include any of the
24 following assets in the calculations under sub. (6) (c), unless the department
25 specifically approves their inclusion:

1 (a) A nontrade note or account receivable from an officer, director, employee,
2 partner, or stockholder, or from a member of the family of any of those individuals,
3 unless the note or account receivable is secured by a first priority security interest
4 in real or personal property.

5 (b) A note or account receivable from a parent organization, a subsidiary, or an
6 affiliate other than an employee.

7 (c) A note or account that has been receivable for more than one year, unless
8 the vegetable contractor has established an equal offsetting reserve for uncollectible
9 notes and accounts receivable.

10 (9) ENTITY COVERED. A person filing a financial statement under this section
11 may not file, in lieu of that person's financial statement, the financial statement of
12 the person's parent organization, subsidiary, predecessor, or successor.

13 (10) DEPARTMENT REVIEW. The department may analyze a financial statement
14 filed under this section and may reject a financial statement that fails to comply with
15 this section.

16 **126.59 Contributing vegetable contractors; disqualification. (1)**
17 CONTRIBUTION REQUIRED. A vegetable contractor licensed under s. 126.56 (1) shall pay
18 fund assessments under s. 126.60 unless one of the following applies:

19 (a) The vegetable contractor is disqualified under sub. (2).

20 (b) The vegetable contractor pays cash on delivery under all vegetable
21 procurement contracts.

22 (c) The vegetable contractor is a producer-owned cooperative that procures
23 processing vegetables only from its producer owners.

24 (1m) VOLUNTARY CONTRIBUTION. A vegetable contractor who is exempt under
25 sub. (1) (b) or (c) may volunteer to pay fund assessments under s. 126.60.

1 **(2) DISQUALIFIED CONTRACTOR.** (a) A vegetable contractor who is required to file
2 security under s. 126.61 (1) (a) is disqualified from the fund until the department
3 determines that one of the conditions in s. 126.61 (7) (a) 1. or 2. is satisfied.

4 (b) A vegetable contractor is disqualified from the fund if the department
5 denies, suspends, or revokes the vegetable contractor's license.

6 (c) A vegetable contractor is disqualified from the fund, and required to pay
7 cash on delivery under vegetable procurement contracts, if the department issues a
8 written notice disqualifying the vegetable contractor for cause. Cause may include
9 any of the following:

10 1. Failure to pay fund assessments under s. 126.60 when due.

11 2. Failure to file a financial statement under s. 126.58 when due.

12 3. Failure to reimburse the department, within 60 days after the department
13 issues a reimbursement demand under s. 126.73 (1), for the full amount that the
14 department pays to claimants under s. 126.72 (1) because of that vegetable
15 contractor's default.

16 4. Failure to reimburse a bond surety, within 60 days after the bond surety
17 issues a reimbursement demand under s. 126.73 (2), for the full amount that the
18 surety pays to the department under s. 126.72 (2) or (3) for the benefit of claimants
19 affected by that vegetable contractor's default.

20 **(3) PAYMENTS BY DISQUALIFIED VEGETABLE CONTRACTOR.** (a) The department may
21 not return, to a disqualified vegetable contractor, any fund assessments that the
22 vegetable contractor paid as a contributing vegetable contractor.

23 (b) A disqualified vegetable contractor remains liable for any unpaid fund
24 installment under s. 126.60 that became due while the vegetable contractor was a
25 contributing vegetable contractor. A disqualified vegetable contractor is not liable

1 for any fund installment that becomes due after the vegetable contractor is
2 disqualified under sub. (2).

3 **126.60 Contributing vegetable contractors; fund assessments. (1)**

4 GENERAL. A contributing vegetable contractor shall pay an annual fund assessment
5 for each license year. The assessment equals \$20 or the sum of the following,
6 whichever is greater, unless the department by rule specifies a different assessment:

7 (a) The vegetable contractor's current ratio assessment. The current ratio
8 assessment for a license year equals the vegetable contractor's current ratio
9 assessment rate under sub. (2) multiplied by the amount reported under s. 126.56
10 (9) (a) in the vegetable contractor's license application for that license year.

11 (b) The vegetable contractor's debt to equity ratio assessment. The debt to
12 equity ratio assessment for a license year equals the vegetable contractor's debt to
13 equity ratio assessment rate under sub. (4) multiplied by the amount reported under
14 s. 126.56 (9) (a) in the vegetable contractor's license application for that license year.

15 (c) The vegetable contractor's deferred contract assessment. The deferred
16 contract assessment for a license year equals the amount, if any, reported under s.
17 126.56 (9) (e) in the vegetable contractor's license application for that license year,
18 multiplied by a deferred vegetable contract assessment rate of 0.0025.

19 (2) CURRENT RATIO ASSESSMENT RATE. A vegetable contractor's current ratio
20 assessment rate is calculated, at the beginning of the license year, as follows:

21 (a) If the vegetable contractor has filed an annual financial statement under
22 s. 126.58 and that financial statement shows a current ratio of at least 1.25 to 1.0,
23 the vegetable contractor's current ratio assessment rate equals the greater of zero
24 or the current ratio assessment factor in sub. (3) (a) multiplied by the following
25 amount:

- 1 1. Subtract 4 from the current ratio.
- 2 2. Divide the amount determined under subd. 1. by 2.
- 3 3. Multiply the amount determined under subd. 2. by negative one.
- 4 4. Raise the amount determined under subd. 3. to the 3rd power.
- 5 5. Subtract 0.65 from the current ratio.
- 6 6. Divide 0.60 by the amount determined under subd. 5.
- 7 7. Raise the amount determined under subd. 6. to the 5th power.
- 8 8. Add the amount determined under subd. 4. to the amount determined under
- 9 subd. 7.
- 10 9. Add 0.25 to the amount determined under subd. 8.

11 (b) If the vegetable contractor has filed an annual financial statement under
12 s. 126.58 and that financial statement shows a current ratio of less than 1.25 to 1.0,
13 but greater than 1.1 to 1.0, the vegetable contractor's current ratio assessment rate
14 equals the current ratio assessment factor in sub. (3) (b) multiplied by the following
15 amount:

- 16 1. Subtract 4 from the current ratio.
- 17 2. Divide the amount determined under subd. 1. by 2.
- 18 3. Multiply the amount determined under subd. 2. by negative one.
- 19 4. Raise the amount determined under subd. 3. to the 3rd power.
- 20 5. Subtract 0.65 from the current ratio.
- 21 6. Divide 0.60 by the amount determined under subd. 5.
- 22 7. Raise the amount determined under subd. 6. to the 5th power.
- 23 8. Add the amount determined under subd. 4. to the amount determined under
- 24 subd. 7.
- 25 9. Add 0.25 to the amount determined under subd. 8.

1 (c) If the vegetable contractor has filed an annual financial statement under
2 s. 126.58 and that financial statement shows a current ratio of less than or equal to
3 1.1 to 1.0, the vegetable contractor's current ratio assessment rate equals the current
4 ratio assessment factor in sub. (3) (b) multiplied by 7.512617.

5 (d) If the vegetable contractor has not filed an annual financial statement
6 under s. 126.58, the vegetable contractor's current ratio assessment rate equals the
7 current ratio assessment factor in sub. (3) (b) multiplied by 3.84961.

8 (3) CURRENT RATIO ASSESSMENT FACTOR. (a) A vegetable contractor's current
9 ratio assessment factor under sub. (2) (a) is 0.00048, except as follows:

10 1. For the vegetable contractor's 4th and 5th consecutive full license years as
11 a contributing vegetable contractor, the vegetable contractor's current ratio
12 assessment factor is 0.00029.

13 2. For the vegetable contractor's 6th or higher consecutive full license year as
14 a contributing vegetable contractor, the vegetable contractor's current ratio
15 assessment factor is zero.

16 (b) A vegetable contractor's current ratio assessment factor under sub. (2) (b)
17 to (d) is 0.00072, except as follows:

18 1. For the vegetable contractor's 4th and 5th consecutive full license years as
19 a contributing vegetable contractor, the vegetable contractor's current ratio
20 assessment factor is 0.00058.

21 2. For the vegetable contractor's 6th or higher consecutive full license year as
22 a contributing vegetable contractor, the vegetable contractor's current ratio
23 assessment factor is 0.00035.

1 **(4) DEBT TO EQUITY RATIO ASSESSMENT RATE.** A vegetable contractor's debt to
2 equity ratio assessment rate for a license year is calculated, at the beginning of the
3 license year, as follows:

4 (a) If the vegetable contractor has filed an annual financial statement under
5 s. 126.58 and that financial statement shows positive equity and a debt to equity
6 ratio of not more than 4.0 to 1.0, the vegetable contractor's debt to equity ratio
7 assessment rate equals the greater of zero or the debt to equity ratio assessment
8 factor in sub. (5) (a) multiplied by the following amount:

- 9 1. Subtract 4 from the debt to equity ratio.
- 10 2. Divide the amount determined under subd. 1. by 4.
- 11 3. Raise the amount determined under subd. 2. to the 3rd power.
- 12 4. Subtract 1.85 from the debt to equity ratio.
- 13 5. Divide the amount determined under subd. 4. by 2.5.
- 14 6. Raise the amount determined under subd. 5. to the 7th power.
- 15 7. Add the amount determined under subd. 3. to the amount determined under
16 subd. 6.
- 17 8. Add one to the amount determined under subd. 7.

18 (b) If the vegetable contractor has filed an annual financial statement under
19 s. 126.58 and that financial statement shows a debt to equity ratio of greater than
20 4.0 to 1.0 but less than 6.0 to 1.0, the vegetable contractor's debt to equity ratio
21 assessment rate equals the debt to equity ratio assessment factor in sub. (5) (b)
22 multiplied by the following amount:

- 23 1. Subtract 4 from the debt to equity ratio.
- 24 2. Divide the amount determined under subd. 1. by 4.
- 25 3. Raise the amount determined under subd. 2. to the 3rd power.

1 4. Subtract 1.85 from the debt to equity ratio.

2 5. Divide the amount determined under subd. 4. by 2.5.

3 6. Raise the amount determined under subd. 5. to the 7th power.

4 7. Add the amount determined under subd. 3. to the amount determined under
5 subd. 6.

6 8. Add one to the amount determined under subd. 7.

7 (c) If the vegetable contractor has filed an annual financial statement under
8 s. 126.58 and that financial statement shows negative equity or a debt to equity ratio
9 of at least 6.0 to 1.0, the vegetable contractor's debt to equity ratio assessment rate
10 equals the debt to equity ratio assessment factor in sub. (5) (b) multiplied by
11 35.859145.

12 (d) If the vegetable contractor has not filed an annual financial statement
13 under s. 126.58, the vegetable contractor's debt to equity ratio assessment rate
14 equals the debt to equity ratio assessment factor in sub. (5) (b) multiplied by 1.34793.

15 (5) DEBT TO EQUITY RATIO ASSESSMENT FACTOR. (a) A vegetable contractor's debt
16 to equity ratio assessment factor under sub. (4) (a) is 0.000135, except as follows:

17 1. For the vegetable contractor's 4th and 5th consecutive full license years as
18 a contributing vegetable contractor, the vegetable contractor's debt to equity ratio
19 assessment factor is 0.00008.

20 2. For the vegetable contractor's 6th or higher consecutive full license year as
21 a contributing vegetable contractor, the vegetable contractor's debt to equity ratio
22 assessment factor is zero.

23 (b) A vegetable contractor's debt to equity ratio assessment factor under sub.
24 (4) (b) to (d) is 0.000203, except as follows:

1 1. For the vegetable contractor's 4th and 5th consecutive full license years as
2 a contributing vegetable contractor, the vegetable contractor's debt to equity ratio
3 assessment factor is 0.00016.

4 2. For the vegetable contractor's 6th or higher consecutive full license year as
5 a contributing vegetable contractor, the vegetable contractor's debt to equity ratio
6 assessment factor is 0.0001.

7 **(6) QUARTERLY INSTALLMENTS.** (a) A contributing vegetable contractor shall pay
8 the vegetable contractor's annual fund assessment in equal quarterly installments
9 that are due as follows:

10 1. The first installment is due on March 1 of the license year.

11 2. The 2nd installment is due on June 1 of the license year.

12 3. The 3rd installment is due on September 1 of the license year.

13 4. The 4th installment is due on December 1 of the license year.

14 (b) A contributing vegetable contractor may prepay any of the quarterly
15 installments under par. (a).

16 (c) A contributing vegetable contractor who applies for an annual license after
17 the beginning of a license year shall pay the full annual fund assessment required
18 under this section. The vegetable contractor shall pay, with the first quarterly
19 installment that becomes due after the day on which the department issues the
20 license, all of that year's quarterly installments that were due before that day.

21 (d) A contributing vegetable contractor who fails to pay the full amount of any
22 quarterly installment when due shall pay, in addition to that installment, a late
23 payment penalty of \$50 or 10% of the overdue installment amount, whichever is
24 greater.

1 (7) NOTICE OF ANNUAL ASSESSMENT AND QUARTERLY INSTALLMENTS. When the
2 department issues an annual license to a contributing vegetable contractor, the
3 department shall notify the vegetable contractor of all of the following:

4 (a) The amount of the vegetable contractor's annual fund assessment under
5 this section.

6 (b) The amount of each required quarterly installment under sub. (6) and the
7 date by which the vegetable contractor must pay each installment.

8 (c) The penalty that applies under sub. (6) (d) if the vegetable contractor fails
9 to pay any quarterly installment when due.

10 **126.61 Vegetable contractors; security. (1) SECURITY REQUIRED.** (a) Except
11 as provided in par. (c), a vegetable contractor shall file security with the department,
12 and maintain that security until the department releases it under sub. (7), if all of
13 the following apply when the department first licenses the vegetable contractor
14 under s. 126.56 (1):

15 1. The vegetable contractor reports more than \$1,000,000 in annual contract
16 obligations under s. 126.56 (9) (a).

17 2. The vegetable contractor files a financial statement under s. 126.58 (1) and
18 that financial statement shows negative equity.

19 (b) Except as provided in par. (c), a vegetable contractor shall file security with
20 the department to cover the full amount of the unpaid deferred contract obligations
21 last reported under s. 126.56 (9) (e) or (12) (b), and maintain that security until it is
22 released under sub. (7), unless the vegetable contractor files an annual financial
23 statement under s. 126.58 and that financial statement shows positive equity, a
24 current ratio of at least 1.25 to 1.0, and a debt to equity ratio of not more than 4.0 to
25 1.0.

1 (c) A vegetable contractor is not required to file security under par. (a) or (b) if
2 any of the following applies:

3 1. The vegetable contractor pays cash on delivery under all vegetable
4 procurement contracts.

5 2. The vegetable contractor is a producer-owned cooperative that procures
6 processing vegetables only from its producer members.

7 (2) SECURITY CONTINUED. A vegetable contractor who filed security under s.
8 100.03, 1999 stats., before February 1, 2002, shall maintain that security until the
9 department releases it under sub. (7).

10 (3) AMOUNT OF SECURITY. A vegetable contractor who is required to file or
11 maintain security under this section shall, at all times, maintain security that is at
12 least equal to the sum of the following:

13 (a) Seventy-five percent of the amount last reported under s. 126.56 (9) (b) or
14 (12) (a), except that this amount is not required of a contributing vegetable contractor
15 after May 1, 2002.

16 (b) The amount required under sub. (1) (b), if any.

17 (4) FORM OF SECURITY. The department shall review, and determine whether
18 to approve, security filed under this section. The department may approve only the
19 following types of security:

20 (a) Currency.

21 (b) A commercial surety bond if all of the following apply:

22 1. The surety bond is made payable to the department for the benefit of
23 vegetable producers and producer agents.

24 2. The surety bond is issued by a person authorized to operate a surety business
25 in this state.

1 3. The surety bond is issued as a continuous term bond that may be canceled
2 only with the department's written agreement, or upon 90 days' prior written notice
3 served on the department in person or by certified mail.

4 4. The surety bond is issued in a form, and subject to any terms and conditions,
5 that the department considers appropriate.

6 (c) A certificate of deposit or money market certificate, if all of the following
7 apply:

8 1. The certificate is issued or endorsed to the department for the benefit of
9 vegetable producers and producer agents.

10 2. The certificate may not be canceled or redeemed without the department's
11 written permission.

12 3. No person may transfer or withdraw funds represented by the certificate
13 without the department's written permission.

14 4. The certificate renews automatically without any action by the department.

15 5. The certificate is issued in a form, and subject to any terms and conditions,
16 that the department considers appropriate.

17 (d) An irrevocable bank letter of credit if all of the following apply:

18 1. The letter of credit is payable to the department for the benefit of vegetable
19 producers and producer agents.

20 2. The letter of credit is issued on bank letterhead.

21 3. The letter of credit is issued for an initial period of at least one year.

22 4. The letter of credit renews automatically unless, at least 90 days before the
23 scheduled renewal date, the issuing bank gives the department written notice, in
24 person or by certified mail, that the letter of credit will not be renewed.

1 5. The letter of credit is issued in a form, and subject to any terms and
2 conditions, that the department considers appropriate.

3 (e) Security filed with the department under s. 100.03, 1999 stats., before
4 February 1, 2002, except that on January 1, 2003, the department shall withdraw
5 its approval of any security that is not approvable under pars. (a) to (d).

6 (5) DEPARTMENT CUSTODY OF SECURITY. The department shall hold, in its custody,
7 all security filed and maintained under this section. The department shall hold the
8 security for the benefit of vegetable producers and producer agents.

9 (6) ADDITIONAL SECURITY. (a) The department may, at any time, demand
10 additional security from a vegetable contractor if any of the following applies:

11 1. The vegetable contractor's existing security falls below the amount required
12 under sub. (3) for any reason, including a depreciation in the value of the security
13 filed with the department, increased obligations to vegetable producers or producer
14 agents, or the cancellation of any security filed with the department.

15 2. The vegetable contractor fails to provide required information that is
16 relevant to a determination of security requirements.

17 (b) The department shall issue a demand under par. (a) in writing. The
18 department shall indicate why additional security is required, the amount of
19 security required, and the deadline date for filing security. The department may not
20 specify a deadline for filing security that is more than 30 days after the date on which
21 the department issues its demand for security.

22 (c) A vegetable contractor may request a hearing, under ch. 227, on a security
23 demand under par. (b). A request for hearing does not automatically stay a security
24 demand.

1 (d) If a vegetable contractor fails to comply with the department's security
2 demand under this subsection, the vegetable contractor shall give written notice of
3 that fact to all vegetable producers and producer agents from whom the vegetable
4 contractor procures processing vegetables. If the vegetable contractor fails to give
5 accurate notice under this paragraph within 5 days after the security filing deadline
6 under par. (b) has passed, the department shall promptly notify vegetable producers
7 and producer agents by publishing a class 3 notice under ch. 985. The department
8 may also give individual notice to vegetable producers or producer agents of whom
9 the department is aware.

10 (e) If a vegetable contractor fails to comply with the department's demand for
11 security under this subsection, the department may do any of the following:

12 1. Issue a summary order under s. 126.85 (2) that prohibits the vegetable
13 contractor from procuring processing vegetables from vegetable producers or
14 producer agents, or requires the vegetable contractor to pay cash on delivery under
15 all vegetable procurement contracts.

16 2. Suspend or revoke the vegetable contractor's license.

17 (7) **RELEASING SECURITY.** (a) The department may release security filed under
18 sub. (1) (a), except for any amount of security that the vegetable contractor is
19 required to file because sub. (1) (b) applies to the vegetable contractor, if any of the
20 following applies:

21 1. The vegetable contractor reports less than \$1,000,000 in annual contract
22 obligations under s. 126.56 (9) (a) for at least 2 consecutive years and the vegetable
23 contractor pays the quarterly fund assessment that would have been required of the
24 vegetable contractor if the vegetable contractor had been a contributing vegetable
25 contractor on the most recent quarterly installment date under s. 126.60 (6).

1 2. The vegetable contractor's annual financial statement under s. 126.58 shows
2 positive equity for at least 2 consecutive years and the vegetable contractor pays the
3 quarterly fund assessment that would have been required of the vegetable contractor
4 if the vegetable contractor had been a contributing vegetable contractor on the most
5 recent quarterly installment date under s. 126.60 (6).

6 (b) The department may release security filed under sub. (1) (b), except for any
7 amount of security that the vegetable contractor is required to file because sub. (1)
8 (a) applies to the vegetable contractor, if any of the following applies:

9 1. The vegetable contractor has no unpaid obligations under deferred payment
10 contracts, and will not use deferred payment contracts in the current license year.

11 2. The vegetable contractor files 2 consecutive annual financial statements
12 under s. 126.58 that show a current ratio of at least 1.25 to 1.0, positive equity, and
13 a debt to equity ratio of not more than 4.0 to 1.0.

14 (c) On May 1, 2002, the department may release security maintained under
15 sub. (2), unless the vegetable contractor is required to file security under sub. (1).

16 (d) The department may release security to the extent that the security exceeds
17 the amount required under sub. (3).

18 (e) The department may release security if the vegetable contractor files
19 alternative security, of equivalent value, that the department approves.

20 (f) The department shall release security if the vegetable contractor has gone
21 out of business and paid all contract obligations in full.

22 **126.62 Vegetable contractors; records.** (1) RECORDS REQUIRED. A vegetable
23 contractor shall keep all of the following:

24 (a) Copies of all written vegetable procurement contracts.

1 (b) A current record of all vegetable contract obligations, payments, and unpaid
2 balances.

3 (2) RECORDS RETENTION. A vegetable contractor shall keep all of the following
4 records for at least 6 years from the date of their creation:

5 1. Records required under sub. (1).

6 2. Records that the vegetable contractor was required to keep, under s. 100.03,
7 1999 stats., and department rules, before February 1, 2002.

8 (3) RECORDS INSPECTION. A vegetable contractor shall make records required
9 under this section available to the department for inspection and copying upon
10 request.

11 **126.63 Vegetable contractors; business practices.** (1) VEGETABLE GRADING
12 AND TARE. (a) A vegetable contractor shall grade vegetables according to the following
13 standards if the vegetable grade may affect the amount received by the vegetable
14 producer:

15 1. Standard grading procedures that the department establishes by rule.

16 2. Uniform grade standards that the department establishes by rule, unless the
17 vegetable procurement contract clearly specifies alternative grade standards.

18 (b) If a vegetable contractor makes any deduction for tare, the vegetable
19 contractor shall determine tare according to procedures that the department
20 establishes by rule.

21 (c) The department shall establish grade standards for vegetables that conform
22 to grade standards adopted by the federal department of agriculture under 7 USC
23 1621 to 1632.

24 (2) PROHIBITED DEDUCTIONS. No vegetable purchaser may deduct, from the
25 amount payable under a vegetable procurement contract, an amount designated for

1 the payment of any vegetable contractor license fee, surcharge, or fund assessment
2 under this subchapter.

3 (3) **TIMELY PAYMENT.** A vegetable contractor shall pay a vegetable producer or
4 producer agent according to the vegetable procurement contract. The vegetable
5 contractor shall make the following payments by the following dates, unless the
6 contract specifies a different payment date in writing:

7 (a) The 15th day of the month immediately following the month in which the
8 vegetable contractor harvests or accepts delivery of processing vegetables, the full
9 amount owed under the contract for those vegetables.

10 (b) The 15th day of the month immediately following the month in which the
11 vegetable contractor rejects or fails to harvest processing vegetables tendered under
12 the vegetable procurement contract, the full amount owed under the contract for
13 those vegetables.

14 (4) **ANNUAL PAYMENT DEADLINE.** (a) Except as provided in par. (b) or (c), a
15 vegetable contractor shall pay all outstanding obligations to vegetable producers by
16 January 31 of each license year.

17 (b) For processing vegetables tendered or delivered in January of any license
18 year, a vegetable contractor shall pay the full amount owed under the vegetable
19 procurement contract by February 15 or by the 30th day after the date of delivery,
20 whichever date is later.

21 (c) A vegetable contractor may pay outstanding producer obligations in
22 accordance with a deferred payment contract that complies with sub. (5) and
23 specifies a payment date after January 31 for processing vegetables delivered on or
24 before December 31.

1 **(5) DEFERRED PAYMENT CONTRACT.** (a) Before a vegetable contractor offers a
2 deferred payment contract to any vegetable producer, the vegetable contractor shall
3 put the deferred payment contract to a vote of vegetable producers, as provided in
4 par. (b), obtain the approval of a majority of the voting vegetable producers, and
5 comply with par. (c).

6 (b) To put a deferred payment contract to a vote of vegetable producers, the
7 vegetable contractor shall give written notice to all vegetable producers in this state
8 from whom the vegetable contractor procured the same type of processing vegetables
9 during the preceding license year. In the notice, the vegetable contractor shall
10 include a copy of the proposed contract, shall announce a meeting at which the
11 vegetable producers will be asked to vote on the proposed contract, and shall include
12 a mail ballot by which a vegetable producer may vote without attending the meeting.
13 The vegetable contractor shall conduct the voting by secret ballot.

14 (c) To comply with this paragraph, a vegetable contractor shall file all of the
15 following with the department:

16 1. A sworn statement certifying that the contract was approved in a vote of
17 vegetable producers under this subsection.

18 2. Any additional security required under s. 126.61 (3).

19 **(6) CASH ON DELIVERY.** A vegetable contractor shall pay cash on delivery under
20 all vegetable procurement contracts if any of the following applies:

21 (a) The vegetable contractor stated, in the vegetable contractor's last annual
22 statement under s. 126.56 (9) (g), that the vegetable contractor would pay cash on
23 delivery.

- 1 (2) “Depositor” has the meaning given in s. 126.25 (5).
- 2 (3) “Grain dealer” has the meaning given in s. 126.10 (9).
- 3 (4) “Grain producer” has the meaning given in s. 126.10 (10).
- 4 (5) “Grain warehouse keeper” has the meaning given in s. 126.25 (9).
- 5 (6) “Milk contractor” has the meaning given in s. 126.40 (8).
- 6 (7) “Milk producer” has the meaning given in s. 126.40 (10).
- 7 (8) “Producer grain” has the meaning given in s. 126.10 (14).
- 8 (9) “Producer milk” has the meaning given s. 126.40 (14).
- 9 (10) “Vegetable contractor” has the meaning given in s. 126.55 (14).
- 10 (11) “Vegetable procurement contract” has the meaning given in s. 126.55 (15).
- 11 (12) “Vegetable producer” has the meaning given in s. 126.55 (16).

12 **126.70 Recovery proceedings.** (1) **DEFAULT CLAIMS.** Any of the following
13 persons may file a default claim with the department against a contractor who is
14 licensed, or required to be licensed, under this chapter:

15 (a) A grain producer or producer agent, as defined in s. 126.10 (13), who claims
16 that a grain dealer has failed to pay, when due, for producer grain that the grain
17 dealer procured in this state.

18 (b) A depositor who is either a grain producer or a producer agent, as defined
19 in s. 126.10 (13), and who claims that a grain warehouse keeper has failed to return
20 stored grain or its equivalent upon demand.

21 (c) A milk producer or producer agent, as defined in s. 126.40 (13), who claims
22 that a milk contractor has failed to pay, when due, for producer milk procured in this
23 state.

1 (d) A vegetable producer or producer agent, as defined in s. 126.55 (12), who
2 claims that a vegetable contractor has failed to make payment when due under a
3 vegetable procurement contract.

4 (2) FILING DEFAULT CLAIMS. A claimant shall file a default claim under sub. (1)
5 within 30 days after the claimant first learns of the default, subject to sub. (3). The
6 claimant shall specify the nature and amount of the default. The department may
7 investigate the alleged default and may require the claimant to provide supporting
8 documentation.

9 (3) INITIATING A RECOVERY PROCEEDING. (a) The department may initiate a
10 recovery proceeding in response to one or more default claims under sub. (1). The
11 department shall issue a written notice announcing the recovery proceeding. The
12 department shall mail or deliver a copy of the notice to the contractor and each
13 claimant in the proceeding.

14 (b) If the department has reason to believe that other persons may have default
15 claims under sub. (1) against the same contractor, the department may invite those
16 persons to file their claims in the recovery proceeding. The department may publish
17 the invitation in any of the following ways:

- 18 1. By posting it at the contractor's place of business.
- 19 2. By publishing it as a class 3 notice under ch. 985.
- 20 3. By mailing or delivering it to prospective claimants known to the
21 department.
- 22 4. By other means that the department considers appropriate.

23 (c) In its invitation under par. (b), the department may specify a deadline date
24 and a procedure for filing default claims. An invitation may indicate the amount of

1 a prospective claimant's apparent claim and may ask the prospective claimant to
2 verify or correct that amount.

3 (d) The department may initiate separate recovery proceedings for default
4 claims that comply with sub. (2) but are filed after the deadline date under par. (c).

5 (4) AUDITING CLAIMS. The department shall audit each claim included in a
6 recovery proceeding. The department shall disallow a claim if the department finds
7 any of the following:

8 (a) That the claim is false or not adequately documented.

9 (b) That the claimant filed the claim more than 30 days after the claimant first
10 learned of the contractor's default, unless the department specifies a later
11 claim-filing deadline under sub. (3) (c).

12 (c) That the claimant, without any contractual obligation to do so, continued
13 to deliver grain, milk, or vegetables to the defaulting contractor more than 10 days
14 after the claimant first learned of the contractor's default.

15 (d) That the claimant failed to comply with claim-filing deadlines or
16 procedures specified under sub. (3) (c).

17 (e) That the person filing the claim is not an authorized claimant under sub.
18 (1).

19 (5) ALLOWED CLAIM AMOUNTS. (a) The department shall determine the amount
20 of an allowed claim based on the contract between the parties. If the contract terms
21 are unclear, the department may determine the allowed claim amount based on local
22 market prices, applicable milk marketing order prices, customs in the trade, or other
23 evidence that the department considers appropriate.

24 (b) Notwithstanding par. (a), if the default involves a grain warehouse keeper's
25 failure to return stored grain to a depositor upon demand, the department shall

1 calculate the value of the grain based on local market prices on the day on which the
2 depositor made the demand.

3 (c) The department shall subtract from the allowed claim amount any
4 offsetting payments made by the contractor and any obligations for which the
5 claimant is liable to the contractor.

6 (6) PROPOSED DECISION. After the department completes its audit under sub. (4),
7 the department shall issue a proposed decision. The department shall mail or deliver
8 a copy of the proposed decision to the contractor and each claimant. The department
9 shall do all of the following in the proposed decision:

10 (a) Specify proposed findings of fact, proposed conclusions of law, and a
11 proposed order.

12 (b) Allow or disallow each default claim and specify the amount of each allowed
13 claim. The department may disallow part of a claim.

14 (c) Specify, for each allowed claim, the amount that the department is
15 authorized to pay under s. 126.71.

16 (d) Specify the method, under s. 126.71, by which the department will pay the
17 authorized amounts under par. (c).

18 (e) Explain a claimant's right under s. 126.87 (4) to seek court recovery of that
19 portion of an allowed claim that is not paid by the department.

20 (f) Specify a date by which the contractor or claimant may file written
21 objections to the proposed decision.

22 (7) FINAL DECISION IF NO OBJECTIONS. If no contractor or claimant files a timely
23 written objection to the proposed decision under sub. (6), the department may issue
24 the proposed decision as the department's final decision in the recovery proceeding,

1 without further notice or hearing. The department shall mail or deliver a copy of the
2 final decision to the contractor and each claimant.

3 (8) OBJECTIONS TO PROPOSED DECISION; NOTICE, HEARING, AND FINAL DECISION. (a)
4 If a contractor or claimant files a timely written objection to the proposed decision
5 under sub. (6), the department shall hold a public hearing on the objection. The
6 department shall follow applicable contested case procedures under ch. 227. The
7 department may hear all objections in a single proceeding. At the conclusion of the
8 contested case proceeding, the department shall issue a final decision affirming or
9 modifying the proposed decision under sub. (6).

10 (b) The department may issue a final decision under sub. (7) related to default
11 claims that are not affected by objections under par. (a), regardless of whether the
12 department has completed the contested case proceeding under par. (a).

13 **126.71 Paying default claims.** (1) CLAIMS AGAINST CONTRIBUTING
14 CONTRACTOR. Except as provided in sub. (2) or (3), the department shall pay from the
15 appropriate sources under s. 126.72 the following default claim amounts:

16 (a) Except as provided in par. (d) or (e), for each default claim allowed under
17 s. 126.70 against a grain dealer or milk contractor who was a contributing contractor
18 when the default occurred:

- 19 1. Eighty percent of the first \$60,000 allowed.
- 20 2. Seventy-five percent of any amount allowed in excess of \$60,000.

21 (b) For each default claim allowed under s. 126.70 against a grain warehouse
22 keeper who was a contributing contractor when the default occurred, 100% of the
23 first \$100,000 allowed.

24 (c) For each default claim allowed under s. 126.70 against a vegetable
25 contractor who was a contributing contractor when the default occurred:

- 1 1. Ninety percent of the first \$40,000 allowed.
- 2 2. Eighty–five percent of the next \$40,000 allowed.
- 3 3. Eighty percent of the next \$40,000 allowed.
- 4 4. Seventy–five percent of any amount allowed in excess of \$120,000.

5 (d) For each default claim allowed under s. 126.70 against a qualified producer
6 agent who, at the time of the default, was a contributing contractor and maintained
7 security under s. 126.47 (3) (c), if the default occurs after April 30, 2002, and before
8 May 1, 2004, 15% of the amount allowed.

9 (e) For each default claim allowed under s. 126.70 against a qualified producer
10 agent who, at the time of the default, was a contributing contractor and maintained
11 security under s. 126.47 (3) (c), if the default occurs after April 30, 2004, and before
12 May 1, 2007, 20% of the amount allowed.

13 (1m) WHEN DEFAULT OCCURS. For the purposes of this chapter, a default occurs
14 on the date on which payment or delivery becomes overdue.

15 (2) CLAIMS AGAINST CONTRACTOR WHO HAS FILED SECURITY. If the department
16 allows default claims under s. 126.70 against a contractor who has security on file
17 with the department, the department shall convert that security and use the
18 proceeds as follows:

19 (a) If the contractor was not a contributing contractor when the default
20 occurred, the department shall use the security proceeds to pay the full amount of
21 the allowed claims, except that, if the security is not adequate to pay the full amount
22 of the allowed claims, the department shall pay claimants on a prorated basis in
23 proportion to their allowed claims.

24 (b) If the contractor was a contributing contractor when the default occurred,
25 the department shall use the security proceeds to reimburse the sources under s.

1 126.72 from which the department makes any claim payment under sub. (1). If the
2 security amount exceeds the amount payable under sub. (1) from the sources under
3 s. 126.72, the department shall use the remaining security proceeds to pay the
4 balance of the allowed claims. If the security amount is not adequate to pay the full
5 remaining balance, the department shall pay claimants on a prorated basis in
6 proportion to their allowed claims.

7 (c) Notwithstanding par. (b), if the contractor was a contributing contractor
8 when the default occurred, the department may, at its discretion, pay claims directly
9 from security proceeds rather than from a fund source under s. 126.72. If the
10 department acts under this paragraph, the department shall first pay claims in the
11 amounts provided in sub. (1). If the security amount exceeds the amount payable
12 under sub. (1) from the sources under s. 126.72, the department shall use the
13 remaining security proceeds to pay the balance of the allowed claims. If the security
14 amount is not adequate to pay the full remaining balance, the department shall pay
15 claimants on a prorated basis in proportion to their allowed claims.

16 (3) PAYMENT RESTRICTIONS. (a) The department may not pay any portion of the
17 following from any source identified in s. 126.72:

18 1. A default claim related to a default by a grain dealer or grain warehouse
19 keeper that occurs before September 1, 2002.

20 2. A default claim related to a default by a milk contractor that occurs before
21 May 1, 2002.

22 3. A default claim related to a default by a vegetable contractor that occurs
23 before February 1, 2002.

24 4. A default claim allowed against a contractor who was not a contributing
25 contractor when the default occurred.

1 (b) The department may not pay any default claim under this chapter, except
2 as provided in sub. (1) or (2).

3 (c) If the total amount of default claims exceeds the amount available under s.
4 126.72, the department shall prorate the available amount among the eligible
5 claimants in proportion to the amount of their allowed claims.

6 (4) **EFFECT OF PAYMENT.** A claimant who accepts payment under sub. (1) or (2)
7 releases his or her claim against the contractor to the extent of the payment. A
8 payment under sub. (1) or (2) does not prevent a claimant from recovering the
9 balance of an allowed claim directly from the contractor.

10 **126.72 Claims against contributing contractor; payment sources. (1)**
11 **PRODUCER SECURITY FUND.** From the appropriation under s. 20.115 (1) (w), the
12 department shall make payments authorized under s. 126.71 (1), up to the deductible
13 amount in sub. (4).

14 (2) **INDUSTRY BOND PROCEEDS.** The department shall make a demand against the
15 appropriate industry bond under s. 126.06 and shall use the proceeds of that bond
16 to make payments authorized under s. 126.71 (1), to the extent that those payments
17 exceed the deductible amount in sub. (4).

18 (3) **BLANKET BOND PROCEEDS.** The department shall make a demand against the
19 blanket bond under s. 126.07 and shall use the bond proceeds to pay any remaining
20 amounts authorized under s. 126.71 (1) after the department makes payments under
21 subs. (1) and (2).

22 (4) **DEDUCTIBLE AMOUNT.** The deductible amount, for purposes of subs. (1) and
23 (2), is as follows:

24 (a) For default claims against a grain dealer or grain warehouse keeper who
25 was a contributing contractor when the default occurred:

1 1. If the department allows the claims on or after September 1, 2002, but before
2 September 1, 2004, \$500,000.

3 2. If the department allows the claims on or after September 1, 2004, but before
4 September 1, 2006, \$750,000.

5 3. If the department allows the claims on or after September 1, 2006,
6 \$1,000,000.

7 (b) For default claims against a milk contractor who was a contributing
8 contractor when the default occurred:

9 1. If the department allows the claims on or after May 1, 2002, but before May
10 1, 2004, \$1,000,000.

11 2. If the department allows the claims on or after May 1, 2004, but before May
12 1, 2006, \$1,500,000.

13 3. If the department allows the claims on or after May 1, 2006, \$2,000,000.

14 (c) For claims against a vegetable contractor who was a contributing contractor
15 when the default occurred:

16 1. If the department allows the claims on or after February 1, 2002, but before
17 February 1, 2004, \$500,000.

18 2. If the department allows the claims on or after February 1, 2004, but before
19 February 1, 2006, \$750,000.

20 3. If the department allows the claims on or after February 1, 2006, \$1,000,000.

21 **126.73 Reimbursing payments. (1) PAYMENTS FROM THE FUND.** The
22 department may demand and collect, from a contractor, any claim amounts that the
23 department pays under s. 126.72 (1) because of the contractor's default.

24 **(2) BOND PAYMENTS.** A bond surety may demand and collect, from a contractor,
25 any claim amounts that the bond surety pays to the department under s. 126.72 (2)

1 or (3) because of the contractor's default. The bond surety shall provide the
2 department with a copy of each demand under this subsection.

3 SUBCHAPTER VIII

4 ADMINISTRATION AND ENFORCEMENT

5 **126.78 Definitions.** In this subchapter:

6 (1) "Contributing contractor" has the meaning given in s. 126.68 (1).

7 (2) "Depositor" has the meaning given in s. 126.25 (5).

8 (3) "Grain dealer" has the meaning given in s. 126.10 (9).

9 (4) "Grain warehouse keeper" has the meaning given in s. 126.25 (9).

10 (5) "Milk contractor" has the meaning given in s. 126.40 (8).

11 (6) "Producer agent" means a person who is a producer agent, as defined in s.
12 126.10 (13), 126.40 (13), or 126.55 (12).

13 (7) "Vegetable contractor" has the meaning given in s. 126.55 (14).

14 (8) "Vegetable producer" has the meaning given in s. 126.55 (16).

15 **126.80 Department authority; general.** The department shall administer
16 this chapter.

17 **126.81 Rule-making.** The department may promulgate rules to do any of the
18 following:

19 (1) Interpret and implement this chapter.

20 (2) Modify the license fees and surcharges provided in s. 126.11 (4), 126.26 (3),
21 126.41 (3), 126.42, or 126.56 (4).

22 (3) Modify the fund assessments provided under s. 126.15, 126.30, 126.46, or
23 126.60, as provided in s. 126.88.

24 (4) Require a contractor to notify producers and producer agents of the
25 contractor's license, security, or fund contribution status under this chapter.

1 **126.82 Investigations.** The department may conduct investigations that it
2 considers necessary for the administration of this chapter, including investigations
3 to determine any of the following:

4 (1) Whether a contractor complies with this chapter.

5 (2) Whether a contractor is able to honor contract obligations when due.

6 (3) Whether a contractor has failed to honor contract obligations when due.

7 (4) Whether a grain warehouse keeper has sufficient grain on hand to meet the
8 grain warehouse keeper's obligations to depositors.

9 (5) The nature and amount of a contractor's storage obligations or other
10 contract obligations.

11 **126.83 Information.** The department may require a contractor to provide
12 information that is relevant to the administration and enforcement of this chapter.

13 **126.84 Records; confidentiality.** (1) PUBLIC RECORDS EXEMPTION. The
14 following records obtained by the department under this chapter are not open to
15 public inspection under s. 19.35:

16 (a) Contractor financial statements.

17 (b) A contractor's purchase, storage, or procurement records.

18 (2) USE OF RECORDS IN COURT OR ADMINISTRATIVE PROCEEDINGS. Notwithstanding
19 sub. (1), the department may introduce any information obtained under this chapter
20 in a court proceeding or administrative contested case, subject to any protective
21 order that the court or administrative tribunal determines to be appropriate.

22 **126.85 Remedial orders.** (1) GENERAL. The department may, by special
23 order, require a contractor to remedy a violation of this chapter or a rule promulgated
24 under this chapter. The department may order the contractor to take specific
25 remedial actions, including actions to remedy deficiencies or to prevent losses to

1 persons protected under this chapter. Except as provided in sub. (2), the department
2 shall give the contractor notice and an opportunity for hearing before the department
3 issues an order.

4 (2) SUMMARY ORDER. The department may issue an order under sub. (1) without
5 prior notice or hearing if the department finds that the order is necessary to prevent
6 a clear and imminent threat of harm to persons protected under this chapter.
7 Conditions indicating a clear and imminent threat of harm include the following:

8 (a) A contractor fails to pay producers according to this chapter or according
9 to the contractor's contracts with producers.

10 (b) A contractor fails to file replacement insurance within the time required
11 under this chapter.

12 (c) A contractor fails to file security according to this chapter, or in response to
13 the department's demand under this chapter.

14 (d) A contractor fails to pay a fund assessment when due.

15 (e) A vegetable contractor fails to pay vegetable producers by January 31 for
16 vegetables delivered by December 31 of the previous year, except as authorized in a
17 deferred payment contract.

18 (f) A grain warehouse keeper fails to return grain to depositors upon demand,
19 as required under s. 126.34 (4).

20 (g) A grain warehouse keeper fails to maintain adequate grain inventory as
21 required under s. 126.34 (3), and at least one of the following applies:

22 1. The amount of the deficiency exceeds 10,000 bushels or 10% of the grain
23 warehouse keeper's obligations to depositors, whichever amount is less.

24 2. The grain warehouse keeper fails to correct the deficiency within 15 days
25 after receiving the department's written notice that a deficiency exists.

1 **(3) HEARING ON SUMMARY ORDER.** (a) A contractor named in a summary order
2 under sub. (2) may, within 10 days after receiving the order, request a hearing on the
3 order. The department shall hold an informal hearing as soon as possible after
4 receiving a hearing request, but not later than 10 days after receiving the hearing
5 request, unless the contractor waives the informal hearing or agrees to hold it at a
6 later date. If the matter is not resolved at the informal hearing, the department shall
7 hold a contested case hearing under ch. 227 as soon as reasonably possible.

8 (b) A hearing request under par. (a) does not automatically stay a summary
9 order. The department may stay a summary order pending hearing.

10 **126.86 License actions. (1) GENERAL.** The department may for cause deny,
11 suspend, revoke, or impose conditions on a contractor's license, as provided in s.
12 93.06 (7) and (8). Cause may include any of the following:

13 (a) The contractor fails to comply with this chapter or a rule promulgated under
14 this chapter.

15 (b) The contractor fails to comply with an order that the department issues
16 under this chapter.

17 (c) The contractor fails to provide relevant information that the department
18 requests under this chapter or falsifies information provided to the department.

19 (d) The contractor fails to file a financial statement, security, fees, or
20 assessments required under this chapter, or fails to meet other requirements for
21 licensing.

22 (e) The contractor fails to honor contract obligations to persons who are
23 authorized to file default claims under s. 126.70 (1).

24 (f) The contractor fails to reimburse the department, within 60 days after the
25 department issues a reimbursement demand under s. 126.73 (1), for the full amount

1 that the department pays to claimants under s. 126.72 (1) because of the contractor's
2 default.

3 (g) The contractor fails to reimburse a bond surety, within 60 days after the
4 bond surety issues a reimbursement demand under s. 126.73 (2), for the full amount
5 that the surety pays to the department under s. 126.72 (2) or (3) for the benefit of
6 claimants affected by the contractor's default.

7 (2) HEARING ON LICENSE ACTION; GENERAL. Except as provided in sub. (3), the
8 department shall give a contractor notice and an opportunity for hearing before the
9 department suspends, revokes, or imposes conditions on a license held by the
10 contractor.

11 (3) SUMMARY ACTION. (a) The department may, without prior notice or hearing,
12 summarily suspend, revoke, or impose conditions on a license held by a contractor
13 if the department finds that summary action is necessary to prevent a clear and
14 imminent threat of harm to persons protected under this chapter. Conditions
15 indicating a clear and imminent threat of harm include those identified in s. 126.85
16 (2).

17 (b) A contractor who is the subject of a summary action under par. (a) may,
18 within 10 days after receiving notice of that action, request a hearing on the action.
19 The department shall hold an informal hearing as soon as possible after receiving a
20 hearing request, but not later than 10 days after receiving the hearing request,
21 unless the contractor waives the informal hearing or agrees to hold it at a later date.
22 If the matter is not resolved at the informal hearing, the department shall hold a
23 contested case hearing under ch. 227 as soon as reasonably possible.

24 (c) A request for hearing under par. (b) does not automatically stay a summary
25 action under par. (a). The department may stay a summary action pending hearing.

1 **126.87 Court actions.** (1) **INJUNCTION.** The department may petition the
2 circuit court for an ex parte temporary restraining order, a temporary injunction, or
3 a permanent injunction to prevent, restrain, or enjoin any person from violating this
4 chapter, any rule promulgated under this chapter, or any order issued under this
5 chapter. The department may seek this remedy in addition to any other penalty or
6 remedy provided under this chapter.

7 (2) **PENALTIES.** (a) A person who violates this chapter, a rule promulgated under
8 this chapter, or an order issued under this chapter is subject to a forfeiture of not less
9 than \$250 nor more than \$5,000 for each violation.

10 (b) A person who intentionally violates this chapter, a rule promulgated under
11 this chapter, or an order issued under this chapter may be fined not more than
12 \$10,000 or imprisoned for not more than one year in the county jail or both.

13 (4) **PRIVATE REMEDY.** (a) A person whose claim is allowed under s. 126.70 may
14 bring an action against the contractor to recover the amount of the allowed claim, less
15 any recovery amount that the department pays to the claimant under s. 126.71. In
16 any court action under this subsection, the claimant may recover costs including all
17 reasonable attorney fees, notwithstanding s. 814.04 (1). This subsection does not
18 limit any other legal cause of action that the claimant may have against the
19 contractor.

20 (b) A claim allowed under s. 126.70 has the same priority in an insolvency
21 proceeding or creditor's action as a claim for wages, except as otherwise provided by
22 federal law.

23 (5) **COLLECTIONS.** The department may bring an action in court to recover any
24 unpaid amount that a contractor owes the department under this chapter, including
25 any unpaid fund assessment or reimbursement.

1 **126.88 Modifying fund assessments.** The department may by rule modify
2 the fund assessments provided under s. 126.15, 126.30, 126.46, or 126.60. The
3 department shall modify fund assessments as necessary to do all of the following:

4 (1) Maintain an overall fund balance of at least \$5,000,000 after January 1,
5 2006, but not more than \$22,000,000 at any time.

6 (2) Maintain a fund balance attributable to grain dealers of at least \$1,000,000
7 after January 1, 2006, but not more than \$6,000,000 at any time.

8 (3) Maintain a fund balance attributable to grain warehouse keepers of at least
9 \$200,000 after January 1, 2006, but not more than \$1,000,000 at any time.

10 (4) Maintain a fund balance attributable to milk contractors of at least
11 \$3,000,000 after January 1, 2006, but not more than \$12,000,000 at any time.

12 (5) Maintain a fund balance attributable to vegetable contractors of at least
13 \$800,000 after January 1, 2006, but not more than \$3,000,000 at any time.

14 **126.89 Calculations.** If a number used in or resulting from a calculation made
15 to determine the amount of an assessment under s. 126.15, 126.30, 126.46, or 126.60,
16 other than a number that appears in one of those sections, extends more than 6
17 decimal places to the right of the decimal point, a person making the calculation shall
18 round the number to the nearest whole digit in the 6th decimal place to the right of
19 the decimal point. The amount of an assessment may be rounded to the nearest
20 whole dollar.

21 **126.90 Agricultural producer security council.** The agricultural producer
22 security council shall advise the department on the administration and enforcement
23 of this chapter. The council shall meet as often as the department considers
24 necessary, but at least once annually. The department shall inform the council of

1 fund balances and payments, and shall consult with the council before modifying any
2 license fee, license surcharge, or fund assessment under this chapter.

3 **SECTION 2814.** Chapter 127 of the statutes is repealed.”.

4 **17.** Page 959, line 14: after that line insert:

5 “**SECTION 2856b.** 165.25 (4) (ar) of the statutes, as affected by 2001 Wisconsin
6 Act (this act), is amended to read:

7 165.25 (4) (ar) The department of justice shall furnish all legal services
8 required by the department of agriculture, trade and consumer protection relating
9 to the enforcement of ss. 100.171, 100.173, 100.174, 100.175, 100.177, 100.18,
10 100.182, 100.20, 100.205, 100.207, 100.209, 100.21, 100.28, 100.37, 100.42, 100.50
11 and 100.51 and chs. 126, 136, 344, 704, 707, and 779, together with any other services
12 as are necessarily connected to the legal services.”.

13 **18.** Page 1003, line 6: after that line insert:

14 “**SECTION 3023.** 221.0320 (2) (a) (intro.) of the statutes is amended to read:

15 221.0320 (2) (a) (intro.) A liability secured by warehouse receipts issued by
16 warehouse keepers licensed and bonded in this state under ss. 99.02 and 99.03 or
17 under the federal bonded warehouse act or holding a ~~registration certificate~~ license
18 under ~~ch. 127 s. 126.26~~, if all of the following requirements are met:”.

19 **19.** Page 1133, line 9: after that line insert:

20 “**SECTION 3456.** 348.27 (10) of the statutes is amended to read:

21 348.27 (10) TRANSPORTATION OF GRAIN OR COAL OR IRON. The department may
22 issue annual or consecutive month permits for the transportation of loads of grain,
23 as defined in s. ~~127.01 (18)~~ 126.01 (13), coal, iron ore concentrates or alloyed iron on
24 a vehicle or a combination of 2 or more vehicles that exceeds statutory weight or

1 length limitations and for the return of the empty vehicle or combination of vehicles
2 over any class of highway for a distance not to exceed 5 miles from the Wisconsin state
3 line. If the roads desired to be used by the applicant involve streets or highways other
4 than those within the state trunk highway system, the application shall be
5 accompanied by a written statement of route approval by the officer in charge of
6 maintenance of the other highway. This subsection does not apply to highways
7 designated as part of the national system of interstate and defense highways.”.

8 **20.** Page 1299, line 6: after that line insert:

9 “(1) AGRICULTURAL PRODUCER SECURITY COUNCIL. Notwithstanding the length of
10 terms specified for the members of the agricultural producer security council under
11 section 15.137 (1) (a) of the statutes, as created by this act, the initial members shall
12 be appointed for terms expiring on July 1, 2005.

13 (1v) QUALIFIED PRODUCER AGENT RULES. Using the procedure under section
14 227.24 of the statutes, the department of agriculture, trade and consumer protection
15 may promulgate the rule required under section 126.51 of the statutes, as created
16 by this act, for the period before the effective date of the permanent rule, but not to
17 exceed the period authorized under section 227.24 (1) (c) and (2) of the statutes.
18 Notwithstanding section 227.24 (1) (a), (2) (b), and (3) of the statutes, the department
19 is not required to provide evidence that promulgating a rule under this subsection
20 as an emergency rule is necessary for the preservation of the public peace, health,
21 safety, or welfare and is not required to provide a finding of emergency for a rule
22 promulgated under this subsection.

23 (2) AGRICULTURAL PRODUCER SECURITY TRANSITION.

1 (a) *Vegetable contractors.* Notwithstanding SECTION 9404 (1) of this act, chapter
2 126 of the statutes, as created by this act, does not apply with respect to vegetable
3 contractors until February 1, 2002, except as follows:

4 1. All registration fees and surcharges paid under section 100.03 (3), 1999
5 stats., after December 31, 2001, shall be deposited in the agricultural producer
6 security fund.

7 2. A vegetable contractor applying for a license for the license year that begins
8 on February 1, 2002, shall submit an application that complies with section 126.56
9 of the statutes, as created by this act.

10 (b) *Milk contractors.* Notwithstanding SECTION 9404 (1) of this act, chapter 126
11 of the statutes, as created by this act, does not apply with respect to milk contractors
12 until May 1, 2002, except as follows:

13 1. All milk producer security fees paid under section 100.06 (9), 1999 stats.,
14 after December 31, 2001, shall be deposited in the agricultural producer security
15 fund.

16 2. A milk contractor applying for a license for the license year that begins on
17 May 1, 2002, shall submit an application that complies with section 126.41 of the
18 statutes, as created by this act.

19 (c) *Grain dealers and warehouse keepers.* Notwithstanding SECTION 9404 (1)
20 of this act, chapter 126 of the statutes, as created by this act, does not apply with
21 respect to grain dealers and grain warehouse keepers until September 1, 2002,
22 except as follows:

23 1. All license fees and surcharges paid under chapter 127, 1999 stats., after
24 December 31, 2001, shall be deposited in the agricultural producer security fund.

1 2. A grain dealer applying for a license for the license year that begins on
2 September 1, 2002, shall submit an application that complies with section 126.11 of
3 the statutes, as created by this act.

4 3. A grain warehouse keeper applying for a license for the license year that
5 begins on September 1, 2002, shall submit an application that complies with section
6 126.26 of the statutes, as created by this act.”.

7 **21.** Page 1300, line 12: after that line insert:

8 “(4z) AGRICULTURAL PRODUCER SECURITY POSITIONS.

9 (a) The authorized FTE positions for the department of agriculture, trade and
10 consumer protection are increased on January 1, 2002, by 12.12 SEG positions, to be
11 funded from the appropriation under section 20.115 (1) (q) of the statutes, as created
12 by this act, for agricultural producer security.

13 (b) The authorized FTE positions for the department of agriculture, trade and
14 consumer protection are increased on January 1, 2002, by 0.5 PR position, to be
15 funded from the appropriation under section 20.115 (1) (h) of the statutes, for
16 agricultural producer security.”.

17 **22.** Page 1381, line 19: after that line insert:

18 “(1) WAREHOUSE KEEPER AND GRAIN DEALER FEES. The unencumbered balance in
19 the appropriation account under section 20.115 (1) (jm), 1999 stats., is transferred
20 to the agricultural producer security fund.

21 (2) DAIRY AND VEGETABLE PRODUCER SECURITY. From the unencumbered balance
22 in the appropriation account under section 20.115 (1) (gm), 1999 stats., the secretary
23 of administration shall transfer to the agricultural producer security fund the
24 amount that the secretary determines is derived from moneys received under section

1 100.03 (3) (a) 2., 1999 stats., section 100.03 (3) (a) 3., 1999 stats., and section 100.06
2 (9), 1999 stats.”.

3 **23.** Page 1417, line 5: after that line insert:

4 “(1) AGRICULTURAL PRODUCER SECURITY. The treatment of sections 15.137 (1),
5 20.115 (1) (g), (gf), (gm), (jm), (q), (v), (w), and (wb), 25.17 (1) (ag), 25.463, 165.25 (4)
6 (ar) (by SECTION 2856b), 221.0320 (2) (a) (intro.), and 348.27 (10) and chapter 126 of
7 the statutes and SECTIONS 9104 (1) and 9204 (1) and (2) of this act take effect on
8 January 1, 2002.

9 (2) VEGETABLE CONTRACTORS. The treatment of sections 93.135 (1) (rm), 93.50
10 (1) (g), 97.29 (4), 100.03, and 100.235 (1) (b) and (em), (2), (3), and (4) of the statutes
11 takes effect on February 1, 2002.

12 (3) MILK CONTRACTORS. The treatment of sections 97.20 (2) (d) 2. and (3m), 97.22
13 (10), 100.06, and 100.26 (5) of the statutes takes effect on May 1, 2002.

14 (4) GRAIN DEALERS AND WAREHOUSE KEEPERS. The treatment of sections 93.06 (8),
15 93.135 (1) (s) and (sm), 93.20 (1), 93.21 (5) (a), and 221.0320 (2) (a) (intro.) and
16 chapter 127 of the statutes takes effect on September 1, 2002.”.

17 (END)