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January 2009

USDA

Grain Inspection,
Packers and Stockyards
Administration

Prompt Payment for Livestock Purchases

United States
Department of Agriculture

www.gipsa.usda.gov



Prompt Payment for Livestock Purchases

Packers, market agencies, and dealers subject to the Packers and Stockyards Act (P&S Act) must pay promptly for the livestock they purchase. This requirement applies to all purchases whether made directly from the owner, an auction market, a stockyard, or another dealer or market agency.

Livestock Purchased for Slaughter

When purchasing livestock for slaughter, the buyer must deliver full payment (a check) to the seller, or an authorized representative, at the point where livestock possession is transferred, or wire transfer full payment to the seller's account by the close of the next business day following the purchase and transfer of possession of the livestock.

When purchasing livestock on a carcass or "grade and yield" basis, the buyer must deliver full payment (a check) to the seller, or an authorized representative, at the point where livestock possession is transferred, or wire transfer full payment to the seller's account not later than the close of the next business day following the determination of the purchase amount.

If the seller expressly agrees in writing before the transaction that payment may be made by mailing a check; or if a check is made available for actual delivery, and the seller or an authorized representative is not present to receive payment at the point where livestock possession is transferred, the buyer may place the check in the mail, in an envelope properly addressed to the seller with prepaid first class postage, for the full purchase price. For livestock

purchased on a carcass or "grade and weight" basis, checks must be placed in a mail receptacle from which envelopes are scheduled to be collected before the close of the next business day following the determination of the purchase price. For all other livestock purchased for slaughter, checks must be placed in a mail receptacle from which envelopes are scheduled to be collected before the close the next business day following the purchase and transfer of possession of the livestock.

Non-slaughter Purchases

When purchasing livestock for purposes other than slaughter, the buyer must deliver full payment (a check) to the seller or an authorized representative before the close of the next business day following the purchase and transfer of possession of the livestock. If the seller or his or her representative is not present to receive full payment at the point where livestock possession is transferred, by the close of the next business day the buyer must wire transfer funds to the seller's account or place a check in the mail, in an envelope properly addressed to the seller with prepaid first class postage, for the full purchase price.

Agreements to Different Payment Terms

The buyer and seller may agree to payment terms different than those required by the P&S Act. Any such agreement must be made prior to the purchase transaction and must be in writing. Both parties must disclose the agreement in their records, and any accounts or documents issued relating to the transaction.

A seller who agrees to extend credit on the sale of livestock for slaughter would lose his or her rights in the statutory trust established to help protect the cash sellers of livestock. Therefore, before purchasing the livestock the packer (or anyone acting as an agent for the packer) must notify the seller that rights to payment under the trust provisions are lost when the sale is made on a credit basis, and obtain a written acknowledgment from the seller waiving those rights.

Other Applicable Payment Requirements

Buyers cannot use threats or intimidation to influence the terms of payment. Before a buyer may issue a bank draft (other than a check) in payment for livestock, the seller must expressly agree, in writing, that payment may be made by a draft. If the bank draft is issued as payment for livestock the buyer must also obtain a written acknowledgment from the seller waiving trust rights.

Demanding Immediate Payment

The P&S Act does not preclude livestock sellers from demanding immediate payment. Market agencies selling livestock on commission at auction markets and stockyards may refuse to sell to a potential buyer or demand cash payment prior to releasing the livestock.

Failure to Pay for Livestock

To report that a buyer has not paid you promptly for a livestock transaction, contact GIPSA, Packers and Stockyards Program (P&SP) at the addresses and telephone numbers listed on the back.