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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 (collectively “buyers”) subject to the Packers and Stockyards Act (P&S Act) must pay promptly for all the livestock they purchase. It does not matter whether the buyer purchases the livestock directly from an owner, an auction market, a stockyard, or another dealer or market agency. The payment requirements still apply.

Under the P&S Act a buyer must deliver full payment (a check) to the seller, or an authorized representative, at the point where livestock possession is transferred, by the date when payment is due. If the seller or authorized representative is not present to receive full payment where livestock possession is transferred, the buyer has two alternatives. The buyer may, by the date when payment is due, wire transfer funds to the seller’s account, or place a check in the mail. A buyer may also mail payment if, before the transaction, the seller expressly agrees in writing to accept payment by mail. Any payment delivered by mail must be put in an envelope properly addressed to the seller with prepaid first class postage, for the full purchase price.

When is Payment Due?

Under the P&S Act, buyers must pay for livestock purchased for slaughter on a carcass or “grade and weight” basis *before the close of the next business day following the determination of the purchase price*. Buyers must pay for all other livestock purchases *before the close the next business day following the purchase and transfer of possession of the livestock*.

Any delay or attempt to delay payment by a buyer is considered an “unfair practice” under the P&S Act. Therefore buyers must issue, date, and deliver payment instruments by the date when payment is due. Buyers must also check the collection times for any mailbox they use to mail livestock payments and only use a mailbox if the mail in it is scheduled to be collected prior to the date when payment is due.

Agreements to Different Payment Terms

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

Under the P&S Act, the U.S. Congress established a statutory trust to protect the cash sellers of livestock from inadequate financing arrangements by certain packers (those whose average annual purchases exceed \$500,000). A cash sale is one in which the seller does not expressly extend credit to the buyer. So a seller who extends credit on the sale of livestock for slaughter to one of these packers forfeits his or her rights to the trust.

Therefore, before purchasing livestock on credit, a buyer (for a packer that is subject to the trust) must obtain a written acknowledgment from the seller expressly waiving his or her (the seller’s) trust rights. The buyer must also retain the signed acknowledgment, together with all other documents, if any,

setting forth the terms of the credit sale, and provide a copy to the seller.

Similarly, 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 purchased for slaughter, the buyer must also obtain a written acknowledgment from the seller waiving his or her trust rights.

Other Applicable Payment Requirements

Buyers cannot use threats or intimidation to influence the terms of payment.

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. They may also demand cash payment prior to releasing the livestock.

Failure to Pay for Livestock

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