



September 21, 2017

The Honorable Roger Marshall, M.D.  
United States House of Representatives  
312 Cannon House Office Building  
Washington, D.C. 20515

Dear Representative Marshall:

The American Farm Bureau Federation supports legislation to amend the Packers and Stockyards Act to include a dealer trust provision.

Farm Bureau represents 6 million member families, many of whom raise a variety of livestock including cattle, hogs, sheep, and poultry covered under the Packers and Stockyard Act. These producers depend on prompt payment and flexible markets for their livestock and livelihood.

Packers, livestock auctions, livestock producers and livestock dealers all play a role in market efficiency and transparency. Having multiple avenues to buy and sell creates effective markets and cuts down on transaction costs—aiding both buyers and sellers. However, in this case, not all buyers are playing under the same rules. In the event of default, many times livestock producers pay the price. Buyer defaults slow markets down by decreasing confidence, increasing transaction costs, and lengthening the time of payment. The Packers and Stockyards Act seeks to provide some guarantees that payment is in fact received, but the current language does not ensure all buyers of livestock meet the same requirements.

The current language in the Packers and Stockyards Act only protects the sellers of livestock under certain buyer arrangements. To that extent, livestock producers are protected against default by a bond and custodial account when selling to a livestock market and by a packer statutory trust when selling to packers. Currently, sales to dealers are backed only by bonds. History has shown that bonds do not offer enough financial protection to livestock sellers from defaulted buyers, returning only 15 cents on the dollar to livestock producers. In 2010, Eastern Livestock was one of the largest defaults in history, owing over \$100 million to creditors stretching across 30 states. The bond as required by GIPSA only covered \$875,000, returning only 5 cents on the dollar to sellers of livestock.

A dealer trust statute, modeled after the existing Packer Statutory Trust, would place livestock producers that are unpaid at the front of the line to receive money before payment to other creditors for livestock and accounts receivable proceeds, thereby increasing the chances of those livestock sellers being made whole. We encourage you to consider introducing legislation addressing this situation to provide adequate protection to livestock producers.

Thank you for your consideration.

Sincerely,

Zippy Duvall  
President