



PROTECTING UNPAID SELLERS OF LIVESTOCK AGAINST BUYER PAYMENT DEFAULT



Producer

RAISES LIVESTOCK AND WILL SELL TO EARN PROFIT

PRODUCER OPTION 1: SELL AT MARKET
 Producer is paid on day of sale — payment backed by custodial account and bond

PRODUCER OPTION 2: SELL DIRECT
 If selling to Packer, payment backed by Packer Statutory Trust.
 If selling to Dealer, no trust exists.



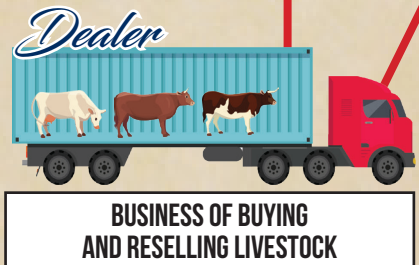
Auction Market

LIVESTOCK ARE SOLD AT COMPETITIVE AUCTION TO HIGHEST BIDDER

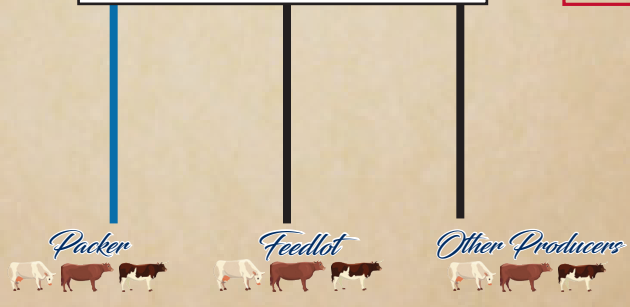


DEFAULT RISK
 Dealers take cattle and may or may not pay by check the next day — payment would not be backed by custodial account or trust account

KEY	
Backed by Bond only	— (Red line)
Backed by Bond and Custodial Account	— (Green line)
Backed by Bond and Packer Statutory Trust	— (Blue line)
Entity not covered by Packers and Stockyards Act	— (Black line)



Dealer
BUSINESS OF BUYING AND RESELLING LIVESTOCK



WHAT HAPPENS IF A DEALER DOES NOT PAY?

ORIGINAL SELLER CANNOT RECLAIM LIVESTOCK IF RESOLD

DEALERS' BANK WITH GENERAL BLANKET SECURITY INTEREST HAS PRIORITY OVER UNPAID SELLER (PRODUCER OR MARKET)

BOND PAYMENTS RECOVER ONLY ABOUT **15 CENTS ON THE DOLLAR** ON AVERAGE AND **5 CENTS ON THE DOLLAR** IN SOME CASES

WHAT IS THE SOLUTION?

Markets and producers would be better protected from dealer payment defaults by adding to law a Dealer Statutory Trust, modeled after the existing Packer Statutory Trust. A Dealer Statutory Trust would give unpaid cash sellers (producers or markets) first priority in livestock or, if resold, the proceeds/receivables from the livestock.

The Securing All Livestock Equitably (SALE) Act, H.R. 4058, and Senate companion, S. 3140, would amend the Packers and Stockyards Act to create a Dealer Statutory Trust.

QUESTIONS?

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