

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

Dear Rep. Marshall:

We write in support of your efforts to establish a Dealer Trust, similar to the existing Packer Trust in the Packers and Stockyards Act (P & S Act). A Dealer Trust is a practical solution to a problem facing livestock producers and markets across the United States.

A Dealer Trust would correct a fundamental unfairness in current law where the farmers and ranchers who produce livestock and their sales agents are left unpaid in the event of a livestock dealer default.

As you know, livestock production is an important part of our national economy and rural communities. Livestock auction markets support these farmers and ranchers by giving them the opportunity to sell livestock for the best price in a competitive auction environment. Livestock dealers are also an important part of this business, driving commerce by buying livestock at auctions and from producers directly. Dealers then group and resell these livestock.

Unfortunately, we have seen a pattern of livestock dealer payment defaults. In these situations, sellers are left financially devastated. Although dealer bonds under P&S Act are designed to protect sellers in the event of a dealer default, bond payments average less than 15 cents on the dollar. At the same time, significantly increasing these bond amounts could push many dealers out of business.

The creation of a Dealer Trust would greatly improve financial recovery by giving unpaid sellers of livestock first priority in livestock and proceeds/receivables from livestock already resold in the event of a dealer default. It is only fair that the ranchers who produced the livestock or the auction market who already paid the ranchers be first in line in these situations.

A Dealer Trust would also have the added benefit of protecting livestock sellers from preferential transfer claims in bankruptcy. These potentially devastating claims arise when a bankruptcy trustee seeks to pull back 90 days' worth of payments made by a bankrupt dealer.

At the same time, a Dealer Trust would be simple and efficient because it would not require a separate account, changes to current business practices, or government funds.

Thank you for your leadership on this critical topic.

Sincerely,

Livestock Marketing Association

American Sheep Industry

