



RUSSELL W. BOENING
President

MARK R. CHAMBLEE
Vice President

SCOTT FRAZIER
Secretary-Treasurer

PAT D. MCDOWELL
Shamrock

DAN B. SMITH
Lockney

MARK DANIEL
Seymour

BEN F. WIBLE
Sherman

MARK R. CHAMBLEE
Tyler

VAL STEPHENS
Lamesa

JESSICA RICHMOND
De Leon

NEIL F. WALTER
Oglesby

LARRY W. JOINER
Huntington

RONNIE MUENNINK
Hondo

ALLEN KAMINSKI
Sealy

ZACHARY X. YANTA
Runge

SCOTT FRAZIER
Chapman Ranch

February 28, 2018

The Honorable Michael Conaway
U.S. House Committee on Agriculture
1301 Longworth HOB
Washington, D.C. 20515

Dear Chairman Conaway,

Texas Farm Bureau (TFB) supports *H.R. 4058, the Securing All Livestock Equitability (SALE) Act* by Rep. Roger Marshall. This legislation would amend the Packers and Stockyards Act to help provide livestock sellers with payment protection during dealer payment defaults. We respectfully ask that you bring this legislation before the U.S. House Committee on Agriculture for a formal mark-up.

TFB represents over 500,000 member families, many of whom raise and sell livestock for their livelihood. These hardworking farming and ranching families depend on prompt payment and flexible markets to continue running successful operations. 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 (P&S) 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 P&S Act only protects the sellers of livestock under certain buyer arrangements. They 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.

The SALE Act seeks to amend the P&S Act to create a "Dealer Statutory Trust" to ensure livestock sellers receive the protection they deserve. A Dealer Statutory Trust would give unpaid cash sellers (producers or markets) first priority in livestock and related proceeds or accounts receivable prior to other creditors. By adding a Dealer Statutory Trust to the P&S Act, business would continue as usual until a dealer defaults on payment for livestock. In the event of a default, the priority would help ensure the producers and markets that have sold to the defaulting dealer are paid first. A Dealer Statutory Trust would not change how the dealer conducts business or any other requirement of the P&S Act.

TFB hopes you will consider the SALE Act in a timely manner. A hearing on this legislation will provide all stakeholders the opportunity to voice any existing concerns and consider any needed changes to this legislation. Please do not hesitate to contact Laramie Adams, TFB National Legislative Director, at 254-751-2654 or ladams@txfb.org if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink that reads "Russell W. Boening". The signature is written in a cursive style with a large, looped "O" at the end.

Russell W. Boening
President

RWB:RB:amg