



## **YOU PROTECT THE PRODUCER, AND WE'RE HERE TO PROTECT YOU**

*for generations to come!*

Your livestock auction market is part of a \$40 billion industry. In addition, you are faced with a significant amount of market volatility in today's challenging business environment. With such volatility, how do you protect the bottom line relative to your buyers? Understanding your buyer risk profile is the first step in avoiding financial loss that results from open invoices or non-sufficient funds checks (NSF). The best way to accomplish this is to "know who you are doing business with." **Utilizing the Buyer Registration & Consent Agreement (BRCA)** will help you know buyers and mitigate the risk against a potential buyer default.

### **How does this agreement protect your livestock auction market?**

The BRCA will:

- Define the basic terms of sale.
- Determine a buyer's responsibility to pay for livestock purchased, gather buyer's financial information as efficiently as possible, and maintain long-term access to records.
- Define and include a provision for Implied Warranties.
- Establish a security interest in livestock sold.

### **Terms of Sale**

- The agreement states that the buyer will be financially responsible for the livestock.
- It describes when payment is to be made and it provides that, if payment is not made when due, the market will be entitled to collect interest.
- If you must take legal action to collect, the agreement will entitle you to collect attorneys' fees and court costs. In most states if you don't have that in writing you will not be able to collect attorney's fees and court costs, even if you win the lawsuit.
- Outlines cash sale and addresses prompt payment requirements for buyers that fall under the Packers & Stockyards Act.

### **Financial Reporting and Information Gathering**

The agreement expressly authorizes the buyer's bank to release financial information to the market or LMA, as the market's agent, in order to help the market determine the buyer's financial responsibility to pay for the livestock. This agreement does not expire annually and will remain good until the buyer provides written revocation to the market.

### **Implied Warranties**

Only 25 states have restricted implied warranties in the sale of livestock, and in most states the restriction is very limited.

- Without a disclaimer of implied warranties, a livestock market could be liable for some hidden defect that the market has no way of detecting.
- In order for a disclaimer of implied warranties to be effective, it must be given to a buyer prior to the buyer's purchase. Having the buyer sign the BRCA will help ensure that the disclaimer is timely and effective.

### **Establish a Security Interest in Livestock Sold**

The agreement contains a provision that grants the market a security interest in livestock that the buyer purchases at the market until the market receives payment. Seldom will the provision be of any help, but occasionally, in the right circumstance, it can be very valuable.

By using the BRCA you are protecting assets, managing buyer risk and responding—rather than reacting—to external factors consistent with market volatility relative to buyer default. Knowing the buyer is the difference between doing business 20 years ago and doing business in today's challenging business environment. As we all know, history repeats itself and it is not a matter of if, but when. Using this best practice will help ensure the long-term viability of your auction market for generations to come. Can you afford not to?

**CONTACT: Your LMA PAYS staff or Regional Executive Officer at (800) 821-2048.**