

**Agricultural Marketing Service**

# Prompt Payment for Livestock Purchases

Packers, market agencies, and dealers (collectively “buyers”) subject to the Packers and Stockyards Act (P&S Act) must pay promptly for all the livestock they purchase. It does not matter whether the buyer purchases the livestock directly from an owner, an auction market, a stockyard, another dealer, or market agency. Payment requirements still apply.

Under the P&S Act, a buyer must deliver full payment (e.g. a check) to the seller, or an authorized representative, at the place where livestock possession is transferred by the payment due date. If the seller or authorized representative is not present to receive full payment where livestock possession is transferred, the buyer may, by the payment due date, transfer funds to the seller’s account by wire, electronic funds transfer, or any other expeditious method determined appropriate by the Packers and Stockyards Division (PSD), or pay by check. A buyer may also pay by mail if the seller expressly agrees in writing to accept mail payment prior to the transaction. Any full payment delivered by mail must be for the agreed upon purchase price, and sealed in a properly addressed envelope to the seller with prepaid first class postage. The envelope must be post-marked by the payment due date.



## When is Payment Due?

Under the P&S Act, buyers must pay for livestock purchased for slaughter on a carcass, or “grade and yield” basis before the close of the business day following the determination of the purchase price. Buyers must pay for all other livestock purchases before the close of the next business day following the purchase and transfer of possession of the livestock.

Any delay or attempt to delay payment by a buyer is considered an “unfair practice” under the P&S Act. Therefore, buyers must issue, date, and deliver payment instruments by the payment due date. Buyers must also check the collection times of any mailbox they use to mail livestock payments, and ensure the scheduled collection of the mail is prior to the payment due date.

## Agreements to Different Payment Terms

The buyer and seller may agree to payment terms other than those required by the P&S Act. Any such agreement must be made prior to the purchase transaction and must be in writing. Both parties must include the agreement in their records, and any accounts or documents issued relating to the purchase transaction.

Under the P&S Act, the U.S. Congress established a statutory livestock trust to protect the cash sellers of livestock from inadequate financing arrangements by certain packers (those whose average annual purchases exceed \$500,000): A cash sale is one in which the seller does not expressly extend credit to the buyer. Therefore, a seller extending credit on the

sale of livestock for slaughter to a packer forfeits his/her rights to the trust.

Furthermore, before purchasing livestock on credit, a buyer (a packer subject to the trust) must obtain a written acknowledgment from the seller expressly waiving his/her (the seller's) trust rights. The buyer must also retain the signed acknowledgment, together with all other documents, if any, and provide a copy to the seller. This agreement sets forth the terms of the credit sale.

Similarly, before a buyer may issue a bank draft (other than a check) as payment for livestock, the seller must expressly agree in writing that payment may be made by a draft. If the bank draft is issued as payment for livestock purchased for slaughter, the buyer must also obtain a written acknowledgment from the seller waiving his/her trust rights.

## Other Applicable Payment Requirements

Buyers cannot intimidate or threaten the livestock seller to influence the terms of payment.

## Demanding Immediate Payment

The P&S Act does not prevent livestock sellers from requiring immediate payment. Market agencies selling livestock on commission at auction markets

and stockyards may refuse to sell to a potential buyer. They may also require cash payment prior to releasing the livestock.

## Failure to Pay for Livestock

To report a buyer has not promptly paid you for a livestock transaction, contact us at the regional office for your state.

### PSD Eastern Regional Office

75 Ted Turner Dr., Suite 230  
Atlanta, GA 30303

Phone: 404-562-5840

Fax: 404-562-5848

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Region includes: Alabama, Arkansas, Connecticut, Delaware, District of Columbia, Florida, Georgia, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, and U.S. Territories, including Puerto Rico.

### PSD Midwestern Regional Office

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Region includes: Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska,



North Dakota, Ohio, South Dakota, and Wisconsin.

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Region includes: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Kansas, Montana, Nevada, New Mexico, Oklahoma, Oregon, Texas, Utah, Washington, and Wyoming.

### Please direct comments or questions about this publication to:

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Fair Trade Practices Program

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