



Operational Guidance for Escrow Accounts and Livestock Contracts

Issue: Producers routinely send more livestock than is necessary to fill long running obligations.

Livestock and Grain Market News Position: To protect themselves from penalties, producers frequently will send more livestock than is necessary to fulfill agreements between themselves and a plant. This is due to anticipated death loss, light weights, condemns, etc. The animals that are above the required amount will typically be a few head and are usually paid for according to some prearranged determination of that day's current market. Plants usually report the net price for the last load of a contract as calculated for both the contract livestock and the extra overrun open market livestock.

Livestock and Grain Market News Guidance: Plants that include the extra animals with the last load of a contract for the net price requirement will not be considered in violation of the regulations.