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LIVESTOCK PAYMENT PROTECTION

After finally getting to the point of selling his product, the livestock producer today is faced with yet another problem: making sure that he gets paid when he markets his stock. This newsletter reviews ways to help insure payment for livestock, including the Federal Packers and Stockyards Act and a new South Dakota livestock dealer bonding law.

Producers in greater numbers are acting as their own selling agents and sending their livestock directly to feeder or slaughter buyers. But sometimes a meat packer, livestock dealer, or public market fails to make satisfactory settlement. When this happens it often means that a livestock producer selling to such a firm receives a financial shock.

PRODUCER LOSSES

United States livestock producers are known to have lost at least \$10 million during a recent 5-year period as a result of selling to livestock buyers or meat packers who were going out of business with liabilities greater than assets. Losses from sales to meat packers were greatest, about \$6-1/2 million. Losses through sales to dealers were next, about \$3-1/2 million. Losses through selling at auctions and terminals were smaller, about \$400 thousand. Although such losses are a fraction of one percent of U.S. livestock sales, a loss can be a substantial part of an individual producer's income.

SELLING HINTS

When the producer chooses to act as his own selling agent he has several ways to help protect himself. A producer should not make the mistake of taking

payment for granted when he sells his livestock. The careful seller will:

1. Investigate the buyer's financial record.
2. Draw up a sales contract.
3. Insist on prompt payment.
4. Be careful about accepting checks with a deferred payment date.
5. Keep title to his stock until payment has been made.

Since the producer may spend only a few days each year in the selling process, he may require additional information about current problems and payment conditions. South Dakota County Extension Agents can secure a set of color slides explaining how producers can protect themselves financially when they are selling livestock.

SOME PROTECTION IS AVAILABLE

In South Dakota, the Federal Packers and Stockyards Act is administered by the Packers and Stockyards Administration, in cooperation with the State Livestock Sanitary Board and the State Public Utilities Commission. Among other features, the Act requires livestock auctions, commission firms, and dealers to do three things:

First, they must pay consignors, according to accurate weights, by the close of the next business day.

Second, they must be bonded.

Third, they must be financially solvent.

A South Dakota producer should immediately contact the South Dakota Livestock Sanitary Board at Pierre or the Packers and Stockyards area office in South St. Paul, Minnesota if:

1. An insufficient fund check is received.
2. If payment is delayed beyond the time period agreed upon.
3. If the livestock or terms of trade have been misrepresented.

Larger-volume livestock dealers regularly operating in South Dakota are bonded and registered with the P & SA. Livestock dealers are independent operators who buy and sell livestock for a profit and there is a continuing problem of seeing that all dealers are registered. For example, the borderline between a dealer and a farmer is often not clear cut. Also, some dealers operate both within and out of the state. Some dealers are also periodically in and out of business. Such conditions

make the Federal Packers and Stockyard Act difficult to enforce, and have led several states to implement their own dealer bonding laws.

South Dakota has a law, effective July 1, 1972, which requires all livestock dealers to obtain a state license and maintain a bond. Auction agencies, farmers, ranchers, and livestock feeders are exempt from the livestock dealer bonding law. However, all auctions are required by Federal Packers and Stockyards Administration to obtain a bond, and South Dakota requires a minimum bond of \$20,000.

PACKERS EXEMPT IN SOUTH DAKOTA

Neither South Dakota nor the Packers and Stockyards Administration requires bonding of meat packers. However, Iowa adopted a packer bonding law effective July 1. North Dakota requires packer licensing and each packer buyer is covered by a \$10,000 bond. Packers in Minnesota with a net worth over \$1 million are not required to be bonded but smaller packers must have a bond.

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