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Office of the White House Press Secretary

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THE WHITE HOUSE

## FACT SHEET

SIGNING OF H.R. 8410 - AMENDMENTS TO  
THE PACKERS AND STOCKYARDS ACT

The President today signed H.R. 8410, which amends the Packers and Stockyards Act to assure that livestock producers will receive payment due for livestock sold to meat packers, should the packers default.

The legislation arose out of a demonstrated need for greater protection of livestock producers who sell to packers. Federal action in this situation was necessary, appropriate and in the best interest of producers, packers and consumers. H.R. 8410 provides a reasonable degree of protection without excessive restrictions on industry and without the establishment of superfluous new government agencies.

BACKGROUND

Under the Packers and Stockyards Act, the Secretary of Agriculture is authorized to provide close supervision, including imposition of a bonding requirement for dealers and market agencies, over transactions involving the purchase and sale of livestock at terminal markets (such as stockyards). This supervision is performed by the Packers and Stockyards Administration at USDA. For many years, this system assured that most producers would receive full payment for their livestock because most livestock was sold through large terminal markets. The Act also authorizes the Secretary, at the wholesale marketing level, to prohibit unfair, unjustly discriminatory, or deceptive practices on the part of persons who slaughter livestock or manufacture meat products.

However, starting in the 1950's, ever-increasing proportions of livestock (now over 80 percent) were sold for slaughter directly to meat packers through country auction markets where bonding protection for producers has generally not been required. This increased the financial risk for producers because the failure of a packing firm could leave the producers unpaid for their recent livestock sales.

Financial losses resulting from this lack of coverage under the Act have been a growing problem. Specifically, between 1958 and 1975, packer failures resulted in about \$43 million worth of livestock sales for which producers did not receive payment. Over \$20 million of this bad debt arose out of the bankruptcy of a large midwestern meat packing firm in January 1975.

These losses led to a reappraisal of the supervisory authority of USDA in this area and culminated in enactment of the remedial legislation being signed by the President today.

DESCRIPTION OF H.R. 8410

The bill amends the Packers and Stockyards Act to provide increased financial protection to livestock producers. The major provisions:

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- ° Authorize the Secretary to require packers, purchasing more than \$500,000 of livestock annually, to obtain reasonable bonds to protect livestock sellers.
- ° Require payment by packers, market agencies and livestock dealers by the close of the next business day, unless the buyer and seller expressly agree otherwise.
- ° Stipulate, for all sales in which the packer pays by check, that the livestock, the product inventory of the packer, and the accounts receivable and proceeds therefrom, are held in trust for the livestock sellers until the packer's bank makes payment on the check.
- ° Extend the Secretary's supervisory authority over certain trade practices to cover all persons competing in the wholesale marketing of meat or meat products.
- ° Empower the Secretary, after notice and a hearing, to issue an order requiring an insolvent packer to stop purchasing livestock, either entirely or under such conditions as the Secretary may prescribe.
- ° Give the Secretary authority to ask the Attorney General to seek to enjoin or restrain persons subject to the Act from operating except under those conditions necessary to protect livestock sellers until appropriate administrative action is completed (e.g., such action could be taken when an operator fails to pay for livestock or operates while insolvent or without a bond).
- ° Authorize the assessment of civil penalties of up to \$10,000 for each violation of the Act.
- ° Provide generally for the preemption of State laws dealing with bonding and prompt payment requirements for packers.

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