



Operational Guidance for Escrow accounts and Livestock Contracts

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

Livestock, Poultry, and Grain Market News (LPGMN) 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, condemnments, etc. The animals that are above the required amount will typically be a few head and are paid 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.

LPGMN Guidance: Plants that include a few extra animals with the last load of a contract in the net price requirement will not be considered in violation of the regulations.

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Approved by _____

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