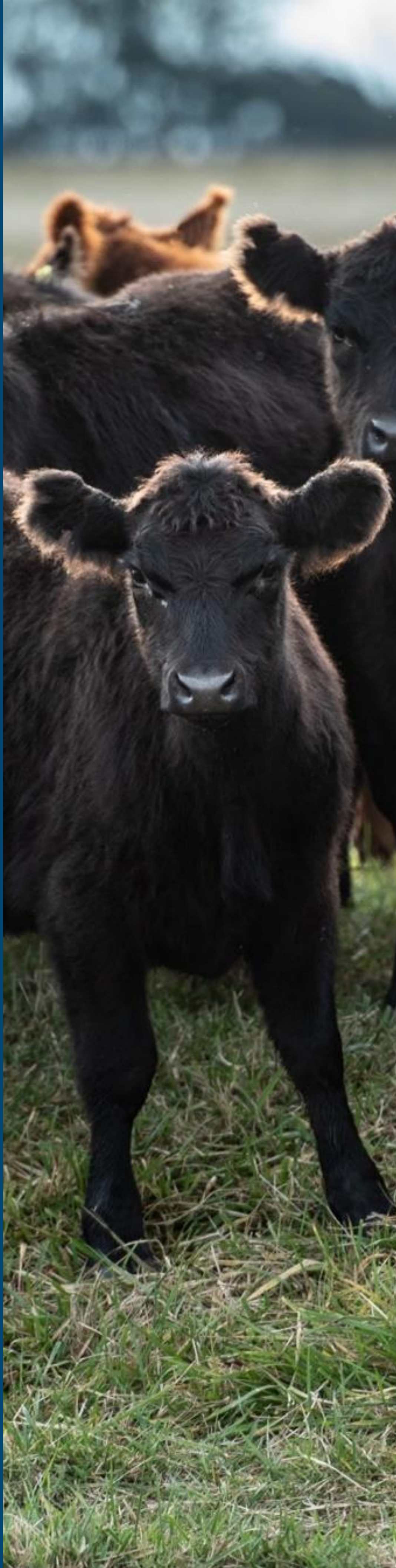
USDA Agricultural Marketing Service
U.S. DEPARTMENT OF AGRICULTURE

Packers and Stockyards Division:

Annual Report Fiscal Years 2023 and 2024

Protecting fair trade practices, financial integrity, and competitive markets for livestock, meat, and poultry

September 2026



Contents

Packers and Stockyards Division Overview

Section 415 of the Packers and Stockyards Act of 1921 (Act) (7 U.S.C. § 228d) requires the U.S. Department of Agriculture (USDA) to provide Congress and the public with an annual report that assesses the general economic state of the cattle and hog industries, describes changing business practices in those industries, and identifies market operations and activities that appear to raise concern under the Act. A brief overview of the Packers and Stockyards Division (PSD) with its authorities and responsibilities provides context for assessment of the economic state, business practices, and concerns that follow. This report covers fiscal years 2023 and 2024, and includes data, PSD activities, and other related livestock and poultry industry information.[1] However, some of the data in the report are gathered and reported on a calendar year basis.

In fiscal years 2023 and 2024, PSD was one of four divisions within the Fair Trade Practices Program (FTPP) of the USDA Agricultural Marketing Service (AMS).[2] PSD operates under the authority of the Packers and Stockyards Act (7 U.S.C. § 181 et seq.), which makes it unlawful for packers, live poultry dealers, market agencies selling or buying on commission, dealers, and swine contractors to engage in or use any unfair, unjustly discriminatory, or deceptive practice or device. PSD's regional and headquarters offices are:

- Eastern Regional Office in Atlanta, GA;
- Midwestern Regional Office in Des Moines, IA;
- Western Regional Office in Aurora, CO;
- Enforcement Branch in Washington, DC; and
- Competition Branch in Washington, DC.

Regional offices, each managed by a Regional Director, conduct investigations and regulatory

REGIONAL EXPERTISE

In addition to its geographic area, each regional office has expertise in one or more species of livestock or poultry. The Eastern Regional Office focuses on poultry, the Midwestern Regional Office on hogs, and the Western Regional Office on cattle, sheep, and lamb.

PSD has office staff and supervisors in its headquarters and regional offices. Each regional office has agent supervisors who manage teams of agents, marketing specialists, and auditors.

The regional offices also oversee resident agents, auditors, and market inspectors who report to the regional offices but are located throughout the country to provide core services nationwide (see Appendix B, Figure 4).

[1] The Federal fiscal year runs from October 1 to September 30.
[2] After the 2026 USDA reorganization, PSD is now one of seven divisions in the Livestock and Poultry Program of USDA AMS.

activities including business audits, weighing verifications, day-to-day industry monitoring, and visits to regulated entities' business locations. Regional staff include auditors, marketing specialists, resident agents, attorneys, and administrative support staff. A Central Reporting Unit located in the Western Regional Office processes annual reports filed by regulated entities.

The Enforcement Branch provides litigation support by reviewing investigations and preparing sanction and stipulation recommendations. This branch assists and coordinates with the USDA Office of the General Counsel (OGC) and the U.S. Department of Justice (DOJ) on investigations, settlement negotiations, hearing preparation, and testimony. The Enforcement Branch also develops PSD policy, prepares informational materials, issues press releases and notices, and drafts regulations under the Act.

The Competition Branch consists of economists who monitor and identify anti-competitive practices in the cattle, hog, poultry, and sheep and lamb industries. The Competition Branch also processes and analyzes industry data, conducts investigations into potential anticompetitive activity, aids in other investigations, manages industry monitoring and surveillance and provides regulatory impact analyses on proposed rules and regulations.

Overview of PSD Authorities and Responsibilities

Under the Act, the Secretary of Agriculture (Secretary) regulates specified activities of businesses that market livestock, meat, and poultry. PSD's regulatory oversight includes the following business entities:

- Livestock market agencies (entities selling on commission, e.g., auction markets and commission buyers);
- Livestock dealers;
- Stockyards;
- Packers;
- Swine contractors; and
- Live poultry dealers (those who obtain poultry for slaughter either by purchase or under poultry growing arrangements).

The Act and the associated regulations describe unlawful behavior and mandate certain business practices by regulated entities, including mandatory registration of market agencies and dealers. All market agencies, dealers, and packers whose annual livestock purchases exceed $500,000, must secure bonds or bond equivalents to ensure payment to livestock sellers. Market agencies selling livestock on commission are required to establish and maintain a separate bank account designated as a "custodial account for shippers' proceeds" and deposit into that account the proceeds from livestock sales. Regulated buyers must pay promptly for livestock. Market agencies selling on commission must also promptly remit seller proceeds. PSD uses its authority to investigate potential violations of the Act and regulations. USDA's OGC represents the Secretary in enforcement actions. OGC initiates administrative action when PSD identifies violations of the Act and, if warranted, may refer matters to the DOJ for prosecution.

TRUST PROVISIONS

The Act makes packers and dealers subject to trust provisions. Unpaid cash sellers of livestock preserve their rights under a trust by filing a written claim with both the packer or dealer and PSD. Packers and dealers must hold in trust livestock inventories and receivables, and proceeds from meat, meat food products, or livestock products until making full payment to all unpaid cash sellers. PSD can penalize a packer or dealer for failing to pay for livestock in violation of the Act and can bring an enforcement action to prevent dissipation of trust assets. A similar trust provision applies to live poultry dealers.

Packers and Stockyards Division Snapshot

PSD benefits American agriculture and consumers by enforcing provisions for fair trade, prompt payment, and competition in the marketing of livestock, meat, and poultry. Below is a snapshot of the division in fiscal years 2023 and 2024, and its accomplishments in promoting industry compliance with the Act.

2023

- Appropriated funding: **$26.5 million**
- Number of PSD employees: **110**
- Number of regulated entities: **5,801**
- **$11.3 million** in recoveries
- Number of investigations completed: **1,784**
- Number of regulatory and compliance reviews completed: **1,304**

2024

- Appropriated funding: **$32.6 million**
- Number of PSD employees: **104**
- Number of regulated entities: **5,811**
- **$15.6 million** in recoveries
- Number of investigations completed: **2,454**
- Number of regulatory and compliance reviews completed: **1,218**

Economic State of the Cattle and Hog Industries

The first part of this section assesses the general economic state of the industries PSD regulates, including trends in the number of entities, financial conditions, and market share of the four largest packers by type of livestock (market concentration). The second part examines the changing business practices of entities in the regulated industries, including pricing and procurement methods, and the volume marketed through market agencies and direct purchases. Finally, this section outlines specific concerns about the events and conditions in the regulated industries.

PSD relies on data from mandatory annual reports regulated entities file with PSD, as well as statistics on entities currently bonded and/or registered as recorded in PSD databases. Regulated entities file reports in accordance with their internal fiscal years, which may not match the Federal government's fiscal year. Additionally, the PSD annual report includes statistics on types of procurement methods compiled from data reported to AMS under the provisions of the Livestock Mandatory Reporting Act (LMR) (7 U.S.C. § 1635 et seq.).

The cattle and hog industries are comprised of far more than just cattle or hog producers. The industries rely upon a complex market to move livestock through multiple stages of production, to slaughter and further processing, and ultimately to retail or food service providers where beef and pork are made available to consumers. The following regulated entities are included in this report:

- **Packers** include entities operating Federally-inspected plants, as well as some entities operating State-inspected plants. All packers operating in interstate commerce are subject to the unfair and deceptive practices provisions and prompt payment provisions of the Act. Packers that purchase $500,000 or more of livestock for slaughter annually are required to be bonded. Packers also include entities engaged in the manufacturing or preparing of meats or meat food products for sale or shipment in commerce, and entities marketing meats and meat food products in an unmanufactured form acting as a wholesale broker, dealer, or distributor.
- **Market agencies** are any entities or persons engaged in the business of buying or selling livestock on a commission or other fee basis. Market agencies also include any persons engaged in the business of buying or selling livestock on a commission or other fee basis through the use of online, video, or other electronic methods when handling or providing the means to handle receivables or proceeds from such buying or selling, so long as such person's annual average of online, video, or electronic sales of livestock on a commission or other fee basis exceeds $250,000. All market agencies must maintain bonds or bond equivalents for the protection of livestock sellers in the event a regulated entity fails to

pay for livestock; the size of this bond or bond equivalent is based on the business volume.

- **Posted stockyards** are physical facilities that provide stockyard services and are not necessarily separate businesses. Stockyard services include services or facilities furnished at a stockyard in connection with the receiving, buying or selling on commission basis or otherwise, marketing, feeding, watering, holding, delivery, shipment, weighing, or handling in commerce of livestock.
- **Livestock auctions** are market agencies that sell on commission and are usually located at posted stockyards.
- **Livestock dealers** are any persons, not market agencies, engaged in the business of buying or selling in commerce livestock, either on their own account or as the employee or agent of the vendor or purchaser. All livestock dealers must maintain bonds or bond equivalents for the protection of livestock sellers in the event a regulated entity fails to pay for livestock; the size of this bond or bond equivalent is based on the business volume.
- **Swine contractors** contract with hog producers to care for and raise the contractors' hogs for slaughter. Swine contractors are not required to register with PSD nor are they required to be bonded or to file annual reports.

The cattle and hog industries are large. In calendar year 2023, approximately 32.8 million head of cattle and 128 million head of hogs were slaughtered, producing 27 billion pounds of beef and 27.3 billion pounds of pork in the United States. In calendar year 2024, approximately 31.8 million head of cattle and 129.7 million head of hogs were slaughtered, producing almost 27 billion pounds of beef and 27.8 billion pounds of pork. While beef and pork production were similar in terms of weight, cattle and beef are considerably more valuable than hogs and pork. The value of the cattle slaughtered commercially for beef was over $100 billion while the value of the hogs slaughtered commercially was less than $30 billion.

In fiscal year 2023, there were 4,106 registered livestock dealers and market agencies buying on commission and 1,129 market agencies selling on commission (Table 1[3]). In fiscal year 2024, there were 4,196 registered livestock dealers and market agencies buying on commission and 1,161 market agencies selling on commission.

[3] Data sources for all tables and figures are listed in Appendix A.

Table 1. Number of Bonded Livestock Dealers and Market Agencies Reporting to PSD, Fiscal Years (FYs) 2020–2024

Year	Livestock Dealers, Market Agencies Buying on Commission, and Packer Buyers[4]	Market Agencies Selling on Commission
2020	4,452	1,211
2021	4,362	1,218
2022	4,281	1,221
2023	4,106	1,129
2024	4,196	1,161

In fiscal years 2023 and 2024, there were 313 and 315 bonded packers reporting to PSD, respectively.[5] PSD requires packers that purchase more than $500,000 of livestock annually to report the number of head slaughtered each year. The number of cattle slaughtered by packers reporting to PSD increased slightly to 34.2 million head in fiscal year 2023, then decreased to 32.4 million head in fiscal year 2024; these changes exemplify the fed cattle cycle's market dynamics (Table 2)[6]. "Cattle" includes fed steers and fed heifers, cows, and bulls, but excludes calves. The number of hogs slaughtered by packers reporting to PSD increased to 130.9 million head in fiscal year 2023 and increased again to 133 million head in fiscal year 2024.

Table 2. Volume of Cattle and Hogs in Millions of Head Purchased for Slaughter by Packers Reporting to PSD, FYs 2020–2024

Year	Cattle	Hogs
2020	32.3	131.0
2021	33.7	135.3
2022	33.5	125.5
2023	34.2	130.9
2024	32.4	133.0

Concentration in Beef and Pork Packing

Table 3 shows the four-firm concentration ratios in the U.S. meat packing industry. Concentration ratios for steers and heifers, cows and bulls, and hogs are based on the number of head processed. PSD determines the concentration ratios from internal USDA data on the number of head each packer processed as a share of Annual Commercial Slaughter reported by USDA's National Agriculture Statistics Service (NASS).

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[4] Includes packer buyers, whose bond coverage is provided by their employing packers.
[5] A complete list of current packers is updated monthly on PSD's website: https://www.ams.usda.gov/rules-regulations/packers-and-stockyards-act/regulated-entities/packer.
[6] For a more detailed explanation of these changes, see the discussion on the fed cattle cycle on page 12.

Table 3. Annual Four-Firm Concentration Ratios as Percent of Total Head Among Cattle and Hog Packing - Federally Inspected Plants, Calendar Years (CYs) 2020-2024

Year	Steers & Heifers	Cows & Bulls	Hogs
2020	81	46	64
2021	81	47	65
2022	80	45	64
2023	77	43	65
2024	82	47	64

The four largest packers that slaughter steers and heifers accounted for 77 percent of total federally-inspected steer and heifer slaughter in calendar year 2023 and 82 percent in calendar year 2024. Cow and bull slaughter has been consistently less concentrated than fed cattle slaughter. The four-firm concentration ratio fell to 43 percent in calendar year 2023 and then rose to 47 percent in calendar year 2024. The four-firm concentration ratio for hog slaughter was 65 percent in calendar year 2023 and 64 percent in calendar year 2024. It has been in the mid-60s range in most years.

Table 4. National HHI for Cattle and Hog Packing, 2020–2024[7]

Year	Steers & Heifers (Total Head)	Cows & Bulls (Total Head)	Hogs (Total Head)
2020	1,721	815	1,325
2021	1,687	807	1,371
2022	1,681	727	1,333
2023	1,543	653	1,360
2024	1,751	775	1,271

The Herfindahl-Hirschman Index (HHI) is another industry concentration measure; these concentration levels are particularly important for understanding firms' market power in the wholesale and retail-facing national markets for the relevant meat product. Shown in Table 4, the HHI is calculated by summing the squares of the individual firms' market shares. PSD calculates the HHI of national market concentration for packers from the individual packers' market shares based on Annual Commercial Slaughter totals. According to the joint DOJ and Federal Trade Commission (FTC) merger guidelines, the steer and heifer and hog markets are moderately concentrated, while the market for cows and bulls is considered unconcentrated. Steer and heifer slaughter concentration decreased to 1,543 in calendar year 2023, then increased to 1,751 in calendar year 2024. Cow and bull slaughter concentration decreased to 653 in calendar year 2023 and then increased to 775 in calendar year 2024, while hog

[7] A concentration analysis of national cattle slaughter reflects the number of head slaughtered by each company. The regional markets where cattle are principally acquired for slaughter are, in most cases, significantly more concentrated.

slaughter increased to 1,360 in calendar year 2023 and decreased to 1,271 in calendar year 2024.

DOJ and FTC 2023 Horizontal Merger Guidelines on Market Concentration and HHI [8]

- Unconcentrated Markets: HHI below 1,000
- Moderately Concentrated Markets: HHI between 1,000 and 1,800
- Highly Concentrated Markets: HHI above 1,800

Procurement Methods

Packers use multiple direct exchange procurement methods to obtain livestock for slaughter. The methods commonly fall into two categories: (1) "committed procurement" arrangements that commit the livestock to a particular packer more than 14 days prior to delivery; and (2) cash or "spot" sales for immediate delivery or delivery within 14 days.

Committed procurement typically uses formula pricing. In cash sales, the prices are generally negotiated, although these transactions might include a schedule of premiums and discounts. Essential components of committed procurement arrangements are "packer fed" livestock, "forward contracts," and "marketing agreements." PSD defines "packer fed" livestock as all livestock obtained for slaughter that a packer, a subsidiary of the packer, the packer's parent firm, or a subsidiary of the packer's parent firm owns, in whole or part, for more than 14 days before slaughter.

PSD considers "forward contracts" to be agreements between packers and sellers for specific lots or quantities of livestock to be delivered more than 14 days in the future. The price of the livestock in a forward contract can be set at the time of the contract or determined upon delivery based on an agreed-pricing arrangement. The most common type of forward contract is a basis forward contract in which the buyer and seller "lock in" the basis level, or the difference between the spot price and the futures price, before the final price is set.

The term "marketing agreements" means a variety of arrangements that establish an ongoing relationship for trading multiple lots of livestock rather than negotiating single lots. In these arrangements, the seller agrees to deliver livestock to the packer at a future date, with the price generally determined by formula pricing. The price is often based on the reported cash market or meat price at the time of delivery, with premiums or discounts determined by evaluation of carcass characteristics. AMS publishes prices and volumes of livestock purchased under a variety of pricing methods as reported under the provisions of the Mandatory Price Reporting Act.[9] Individual packers use a variety of pricing and procurement

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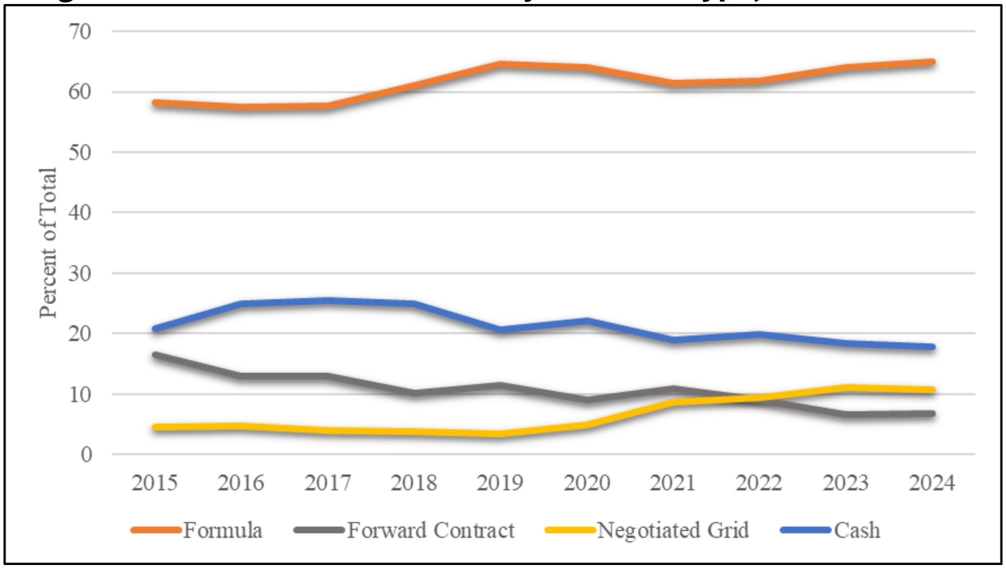
[8] DOJ and FTC. Merger Guidelines. December 2023. https://www.ftc.gov/system/files/ftc_gov/pdf/2023_merger_guidelines_final_12.18.2023.pdf

[9] These published prices are available at https://mpr.datamart.ams.usda.gov/.

methods, ranging from packers that rely on production and marketing agreements to those that rely primarily on the spot market.

In fiscal year 2023 and 2024, formula pricing represented 64 and 65 percent of total fed cattle procurement, respectively (Figure 1). Forward contracting decreased to about 7 percent in fiscal year 2023 and then remained steady in fiscal year 2024. Negotiated grid transactions, where premiums and discounts are added to a negotiated base price according to carcass quality, increased to 11 percent of the total fed cattle procured (not including packer-owned cattle) in fiscal year 2023 and remained steady in fiscal year 2024. Cash or spot market transactions decreased to 18 percent in fiscal year 2023 and remained steady in fiscal year 2024.

Figure 1. Fed Cattle Procurement by Purchase Type, CYs 2015–2024



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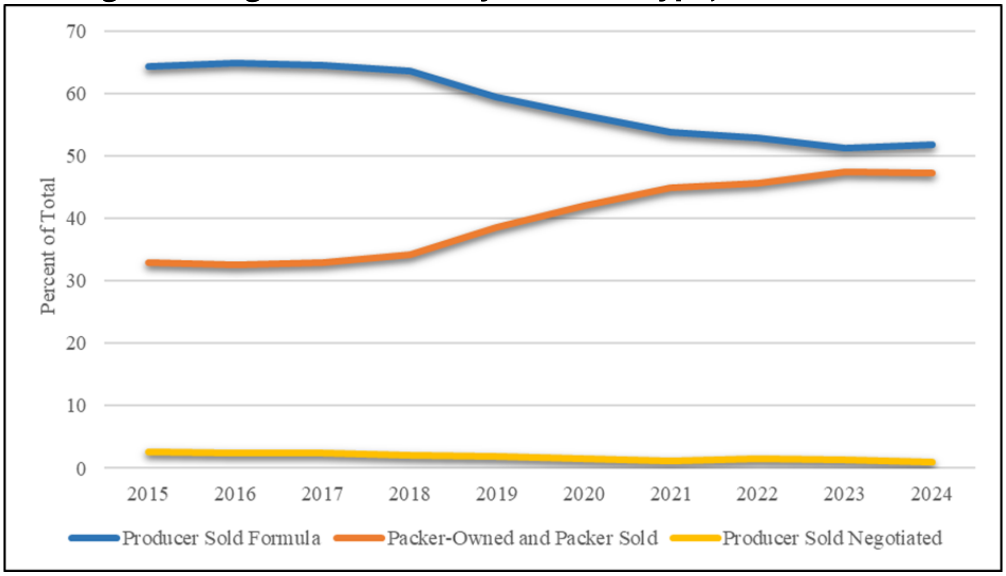
With the decline in the volume of negotiated spot market hogs, both production and slaughter sectors sought an alternative to negotiated live prices to ensure prices fully reflect the value of fed hogs sold for slaughter. Consequently, the industry began migrating from formulas based on negotiated live or carcass prices to other publicly reported prices. A common replacement price is the pork carcass cutout value reported by AMS. The pork carcass cutout value is the estimated value of a standardized pork carcass based on industry average cut yields and average market prices for subprimal pork cuts.

Figure 2. Hog Procurement by Purchase Type, CYs 2015–2024



For all pork packers reporting to AMS in calendar years 2023 and 2024, 51 percent and 52 percent, respectively, of hog purchases were based on formula pricing (Figure 2). Pork packers purchased just over 1 percent of their hogs through negotiated purchases in calendar year 2023 and just under 1 percent in calendar year 2024. Procurement based on negotiated pricing is relatively thin and has been under 3 percent since 2014. Packer-owned hogs accounted for 47 percent of hog slaughter reported to AMS in calendar years 2023 and 2024.

Pricing Methods

The pricing method sellers and purchasers agree to use for a transaction is a fundamental characteristic of any market transaction. For livestock, pricing methods are often divided into live-weight and carcass pricing methods.

In live-weight purchasing of livestock, the final payment is based on the weight of the live animal. Transactions that use some variation of live-weight purchasing are usually on an "as-is" basis with a single price per pound for all animals in the transaction. The price may be fixed by negotiation in advance or established by formula from prices reported by AMS or a market price reporting service when the animals are delivered or slaughtered. In some instances, provisions may be made for paying different prices for animals that differ significantly from others in the transaction (e.g., animals smaller than the average for the transaction may receive a different price).

In carcass-based purchases, the final payment is based on each animal's carcass weight, which is the weight of the carcass after the animal has been slaughtered and eviscerated.

Carcass-weight transactions can be a single price per pound for all the carcasses in a lot. They can also involve schedules of premiums or discounts based on the quality of the carcasses. These may be referred to as “carcass-merit” transactions. Other features, such as delivery time and distance from the plant, can also determine the price of livestock. The price before premiums or discounts is referred to as the base price. One benefit of carcass-based pricing is the ability to convey market signals to livestock producers through premiums and discounts.

The proportion of cattle purchased on a carcass-weight basis decreased to 66.4 percent in fiscal year 2023, then rose to 66.8 percent in fiscal year 2024 (Table 5). Carcass-based purchases have become the predominant method to procure hogs for slaughter, comprising between about 75 and 82 percent of the total over the last several years.

Table 5. Percentage of Livestock Purchases on a Carcass-Weight Basis by Packers Reporting to PSD, FYs 2020–2024

Year	Cattle (%)	Hogs (%)
2020	81.2	82.2
2021	68.3	80.3
2022	70.5	79.0
2023	66.4	75.3
2024	66.8	77.4

Livestock Marketing

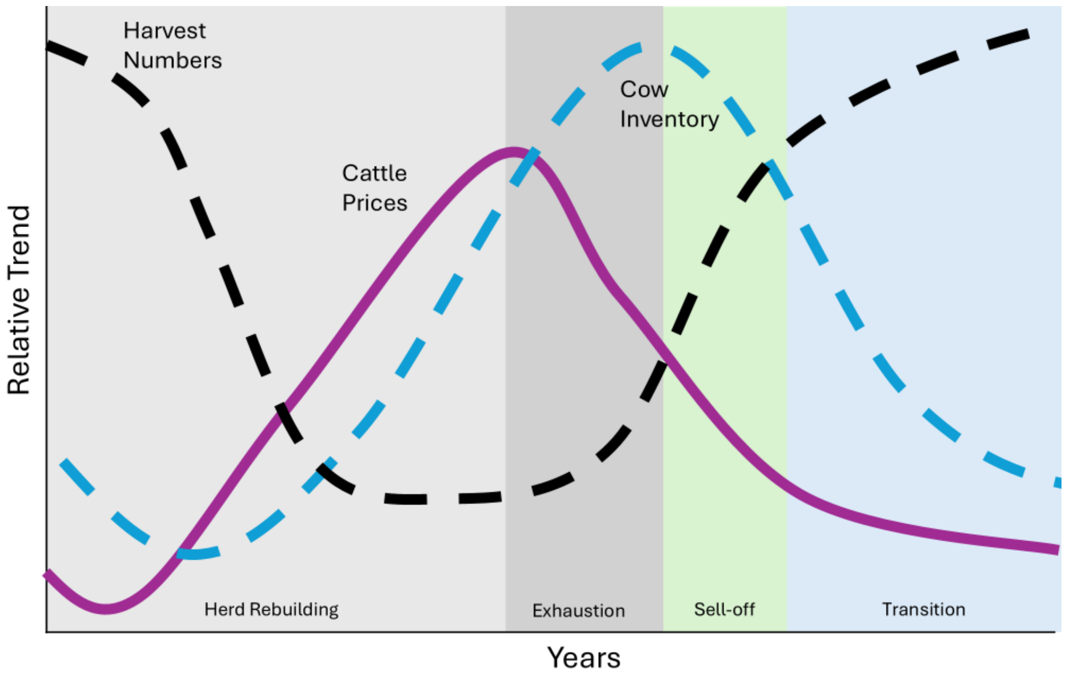
The volume of hogs sold through market agencies on commission declined to under 6 million in fiscal year 2023 and declined further to 5.2 million head in fiscal year 2024 (Table 6). The number of cattle sold through livestock auctions decreased in fiscal years 2023 and 2024 (Table 6). Stockers (heifers and/or steers raised on pasture or other forage) and feeders (weaned calves raised to a certain weight and then sent to feedlots to be fattened) make up most cattle sold through auction. Breeding stock, such as replacement heifers, young cows, and bulls, also tend to sell through livestock auctions. Livestock auctions also sell a significant number of slaughter (cull) cows and bulls (beef or dairy cows and bulls that are no longer needed for breeding or milk production).

Table 6. Volume of Cattle and Hogs Marketed Through Market Agencies Selling on Commission Reporting to PSD, FYs 2020–2024 (Thousand Head)

Year	Hogs	Cattle
2020	7,201	32,287
2021	7,273	33,192
2022	6,767	33,396
2023	5,974	33,160
2024	5,204	32,189

The declining number of head of cattle sold through livestock markets in fiscal years 2023 and 2024 is at least partly a result of the current cattle cycle (Figure 3). The cycle is caused, in part, by the time required to produce fed cattle. From the time a producer decides to expand their beef cattle herd, it takes three years for a retained heifer calf to produce offspring to contribute to an increase in fed cattle supplies. The fed cattle cycle's expansion and contraction phases are usually longer than three years because it takes time for enough producers to respond to price signals to affect supply. During the peak (high point) of the cattle cycle, the beef cattle herd is at its largest, creating a high supply of fed cattle. When fed cattle supplies are high and packers' demand for fed cattle remains relatively constant, prices for cattle decline. In response, as producers' returns shrink, producers are incentivized to decrease the size of their herds. In the short term, producers sell off extra replacement heifers into the fed cattle market. Producers also sell off older breeding stock, leading to an increase in supply in the cull cow and bull market.

Figure 3: The U.S. Beef Cattle Cycle[10]



For several years following the peak of the cattle cycle, producers continue to liquidate their herds and keep fewer replacement heifers and breeding stock; the number cattle produced steadily declines, and in response, prices rise. After 4 to 6 years, the cattle cycle reaches its trough; that is, the beef cattle herd contracts to its smallest point for the cycle, while prices paid for fed cattle are the highest they have been since the previous cycle's trough. In 2023 and 2024, the cattle herd continued to shrink and approach the trough of this cycle, though there is no indication that the trough was reached in either year. When the trough does occur,

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[10] Figure adapted and reproduced by PSD from the University of Wyoming.

producers hold back more breeding stock rather than selling them into the fed cattle slaughter market, as prices are high and producers want to produce more cattle to sell. In the short term, this results in an even more constricted supply of heifers available for slaughter. Eventually the cattle herd starts to expand. As the cattle herd grows, the supply of cattle again increases, and prices decline. This continues until the next high point of the cattle cycle, and the cyclical pattern repeats.

Bond and Trust Payout

The amount paid out against bond and trust claims can be an indicator of the industry's financial health. All market agencies, livestock dealers, and packers purchasing over $500,000 of livestock annually must file and maintain bonds or bond equivalents for the protection of livestock sellers in the event a regulated entity fails to pay for livestock.

If a livestock seller does not receive payment for a transaction, they must file a bond claim with PSD or the surety within 60 days of the transaction and provide supporting documentation. Claim forms are available at PSD regional offices or online.[11] PSD analyzes each claim to determine whether the claimant filed on time and provided adequate supporting documentation. PSD provides its analysis to the principal and to the bond surety (or trustee on a bond equivalent). The surety (or the trustee) makes the final decision on whether claims are valid and timely filed, and how much will be paid to the claimant.

Bonds often do not cover the entire loss sustained when a firm fails to make full payment. In that case, the claimant receives a pro-rata share of the bond based on the bond value and the total amount of the valid, timely claims. The dollar amount of total claims on dealer bonds often varies significantly from the dollar amount of valid claims. It is not uncommon for sellers to file claims beyond 60 days after the transaction occurred; these claims are invalid, and sureties are likely to deny them.

The Dealer Statutory Livestock Trust to Protect Livestock Sellers was signed into law in December 2020. In fiscal year 2023, there was total restitution of $1,359,598; of that amount, $724,922 was from trust recoveries (Table 7). During fiscal year 2024, there was total restitution of $2,688,545 in which $1,644,502 was from trust recoveries.

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[11] Claim forms are available online at https://www.ams.usda.gov/resources/bond-bond-equivalent-and-claim-forms.

Table 7. Dealer Bond and Trust Claims and Recovery, FYs 2020–2024*

Year Opened	Total Claims	Valid Claims	Bond Recovery	Trust Recovery	Other Recovery	Total Recovered
2020	$1,146,789	$1,001,257	$311,284	N/A	$200	$311,484
2021	$2,501,469	$1,253,253	$176,907	$635,780	$381,164	$1,193,851
2022	$566,949	$380,803	$110,618	$171,657	$490,611	$772,886
2023	$126,933,174	$5,441,795	$114,052	$724,922	$520,624	$1,359,598
2024	$13,306,691	$7,008,883	$630,410	$1,644,502	$393,632	$2,668,545

* Total claims are computed for the FY in which the claims were opened. Bond claims are not always closed in the same FY they were first opened, and recoveries for claims are recorded in the year the claims were closed. Claims that are withdrawn are not included in any of the totals.
** PSD does not keep a record of total claims and recoveries categorized by livestock species. Dollar values represent total claims and recoveries for all species of livestock including cattle, hogs, sheep, goats, horses, and mules, but the values overwhelmingly represent claims and recoveries on cattle and hogs.

The Act authorizes unpaid livestock sellers to claim against packer trust assets. The trust provides additional protection above that of any packer-held bond. The total recovered in fiscal year 2023 was slightly more than $2.7 million, and the total recovered in fiscal year 2024 was just over $3.0 million (Table 8).

Table 8. Packer Bond and Trust Claims and Recovery, FYs 2020–2024*

Year Opened	Total Claims	Valid Claims	Bond Recovery	Trust Recovery	Other Recovery	Total Recovered
2020	$2,311,428	$2,240,034	$235,000	$1,118,547	$393,080	$1,746,627
2021	$1,078,613	$576,114	$25,000	$169,132	$6,168	$200,300
2022	$4,005,178	$3,719,455	$0	$3,698,778	$264,193	$3,962,972
2023	$3,577,951	$2,503,523	$972,158	$316,424	$1,413,305	$2,701,886
2024	$79,879,411	$29,489,780	$325,000	$2,743,571	$1,594	$3,070,165

* Total claims are computed for the FY in which the claims were opened. Bond claims are not always closed in the same FY they were first opened, and recoveries for claims are recorded in the year the claims were closed. Claims that are withdrawn are not included in any of the totals.

Auction markets may be especially vulnerable to a domino effect from dealer failures since many dealers purchase livestock from auction markets. The failure of a large dealer may impact every auction market that it failed to pay. In fiscal year 2023, $336,202 was recovered from auction markets, and in fiscal year 2024, $69,813 was recovered (Table 9).

Table 9. Livestock Auction Bond Claims and Recovery, FYs 2020–2024*

Year Opened	Total Claims	Valid Claims	Bond Recovery	Other Recovery	Total Recovered
2020	$58,174	$43,339	$40,805	$2,534	$43,339
2021	$10,664	$5,670	$5,670	$0	$5,670
2022	$8,327	$0	$0	$0	$0
2023	$1,397,793	$318,498	$203,310	$132,892	$336,202
2024	$178,075	$157,201	$13,758	$56,055	$69,813

* Total claims are computed for the FY in which the claims were opened. Bond claims are not always closed in the same FY they were first opened, and recoveries for claims are recorded in the year the claims were closed. Claims that are withdrawn are not included in any of the totals.
** PSD does not keep a record of total claims and recoveries categorized by livestock species. Dollar values represent total claims and recoveries for all species of livestock including cattle, hogs, sheep, goats, horses, and mules, but the values overwhelmingly represent claims and recoveries on cattle and hogs.

Market agencies selling livestock on commission do not have the same trust provisions as packers and livestock dealers. However, the Act and regulations require market agencies selling on commission to establish and maintain a bank account designated as a “custodial account for shippers’ proceeds.” This account is a trust account that holds proceeds from sales of consigned livestock for the benefit of livestock sellers. The market agency selling on commission acts as a fiduciary depositor to the account.

PSD monitors custodial accounts in several ways. It reviews annual and special custodial account reports from market agencies and conducts on-site custodial account audits. If PSD’s assessment reveals custodial account shortages, PSD issues a Notice of Violation to have the livestock auction bring the account into balance or prepares a formal enforcement action.

Table 10 shows the number of custodial reviews PSD conducted in the past five years, the number of violations found, and the value of shortages corrected by market agencies due to PSD interventions. In fiscal year 2023, PSD conducted 235 custodial reviews and found 83 violations with an overall value of shortage corrections of just over $6.4 million. In fiscal year 2024, PSD conducted 238 custodial reviews and found 90 violations, leading to almost $9.7 million in shortage corrections.

Table 10. Number of Custodial Account Reviews, Violations Found, and Shortages Corrected, FYs 2020–2024

Year	Reviews	Account Violations	Shortage Corrections
2020	410	141	$3,813,221
2021	407	172	$5,435,601
2022	292	102	$4,093,619
2023	235	83	$6,429,677
2024	238	90	$9,687,722

Administrative enforcement actions can be an indicator of the financial health of the industry because financial stress can contribute to regulatory violations. Administrative enforcement actions may result in a civil penalty against a regulated entity, suspension of the entity's Packers and Stockyards registration, both a fine and suspension, and/or an order to cease and desist from repeating the violation(s).[12] In fiscal year 2023, 42 entities incurred stipulations and/or administrative penalties totaling $109,145 and $68,475, respectively. PSD assessed penalties of $177,620 (Table 11). These metrics increased in fiscal year 2024, as 46 entities incurred stipulations and/or administrative penalties totaling $134,335 and $212,500, respectively, with total penalties assessed increasing to $346,835. Industry compliance rates vary over time and may be influenced by external factors such as general economic conditions and livestock prices. Penalties are dependent on the type and severity of the violation and the regulated entity's ability to pay and stay in business.

Table 11. Penalties Levied for Packers and Stockyards Act Violations, FYs 2020–2024

Type Judgment	2020	2021	2022	2023	2024
Stipulations	$122,700	$79,340	$92,650	$109,145	$134,335
Administrative Penalties	$653,256	$1,594,101	$772,831	$68,475	$212,500
Department of Justice Civil Penalties	$10,000	$0	$1,813,169	$0	$0
Total Penalties	$785,956	$1,673,441	$2,678,650	$177,620	$346,835
Suspensions	19	15	10	3	5

[12] Administrative enforcement is legal action taken within USDA. A complaint alleging specific violations is filed against a firm or individual. The accused party has a right to a hearing before an administrative law judge. The judge's decision may be appealed to the USDA Judicial Officer. The accused party may appeal the Judicial Officer's ruling to a U.S. Appeals Court, and further to the U.S. Supreme Court.

Concerns Under the Packers and Stockyards Act

This section identifies aspects of the cattle and hog industries that appear to raise concerns under the Act: concentration, thin spot markets, market access and price inequalities, and dealer trusts.

Concentration

There are good reasons for concern about concentration. In a market dominated by a few large buyers, it can be difficult for small producers to provide the consistent supply that large buyers require, making it difficult to gain access to the market. A high concentration can enable dominant buyers to depress prices.

Concentration is always a concern in cattle and hog markets as both can be considered oligopsonies--they are markets with many sellers but are dominated by a few large buyers. In calendar year 2024, the four largest packers purchased 82 percent of fed steers and heifers (Table 3) and the HHI was 1,751 (Table 4). Similarly, the four largest packers purchased 64 percent of the market hogs (Table 3), with an HHI value of 1,271, indicating a moderately concentrated market (Table 4). Both markets would be moderately concentrated according to the most recent horizontal merger guidelines issued by the DOJ and FTC.

Although concentration is not in itself a violation of the Act, it can facilitate practices that would be a violation. It is easier for a few market agents with large market share to collude to manipulate the market than it is for many agents with small market share to do so. Increased concentration generally results in higher consumer prices, lower prices to producers, and lower consumer and producer welfare. Increased concentration can, however, yield economies of scale in production and increased access to export markets. The gains from a concentrated market might also outweigh costs, and potential negative and positive impacts must be analyzed carefully when monitoring and regulating concentration levels in the beef and pork packing industries.

Thin Spot Markets

The share of cattle and hogs that packers purchased with negotiated spot prices has decreased over time. In calendar year 2024, beef packers purchased 18 percent of their cattle on a negotiated cash basis, while pork packers purchased a much lower share of their hogs—less than one percent—on that basis. Packers purchased the rest of their cattle or hogs with forward contracts, marketing agreements, or they fed them for slaughter themselves. Marketing agreements were the most common method of purchasing cattle or hogs for slaughter, and those agreements typically reference a widely reported average cash price. The practice is commonly called formula pricing.

Formula prices based on a relatively small share of the cattle and hogs that packers purchase on the spot market can be a concern if, for example, the reference price does not accurately represent the market value, or there is a concern of market manipulation. If most of the market depends on negotiated prices for a relatively small share of the cattle or hogs, packers may have incentive to keep the reported negotiated price lower than it otherwise would be.

There have been several proposals in the industry and in Congress to mitigate concerns over thin fed cattle markets. Most involve requiring packers to purchase a certain percentage of their cattle on a live negotiated basis. Cattle producers have, however, benefitted from the formula agreements that are making spot markets thin. Reducing the number of cattle that packers purchase with formula agreements could cause efficiency losses for producers and packers, and higher prices for consumers. Any action would require a cost-benefit analysis.

Market Access and Price Inequalities

Some producers and industry observers have voiced concern that some packers may not offer the same contract terms to smaller volume producers as they do to larger volume producers. Some industry groups believe that a few large hog producers and cattle feeders receive better prices than small producers, giving the large producers an advantage. The number of animals in a lot, distance to packing plants, and other factors may, however, contribute to price differentiation.

Dealer Trusts

Statutory dealer trusts were added to the Act in 2021. The dealer trust is similar to the packer trust that was created in the 1970s. The new provision requires livestock dealers purchasing more than $100,000 in livestock annually to hold livestock and revenues from livestock sales in trust for the seller in the event the dealer fails to pay for livestock. Livestock sellers have benefitted from dealer trusts, which have successfully returned more than $3 million to livestock sellers since 2021 (Table 7).

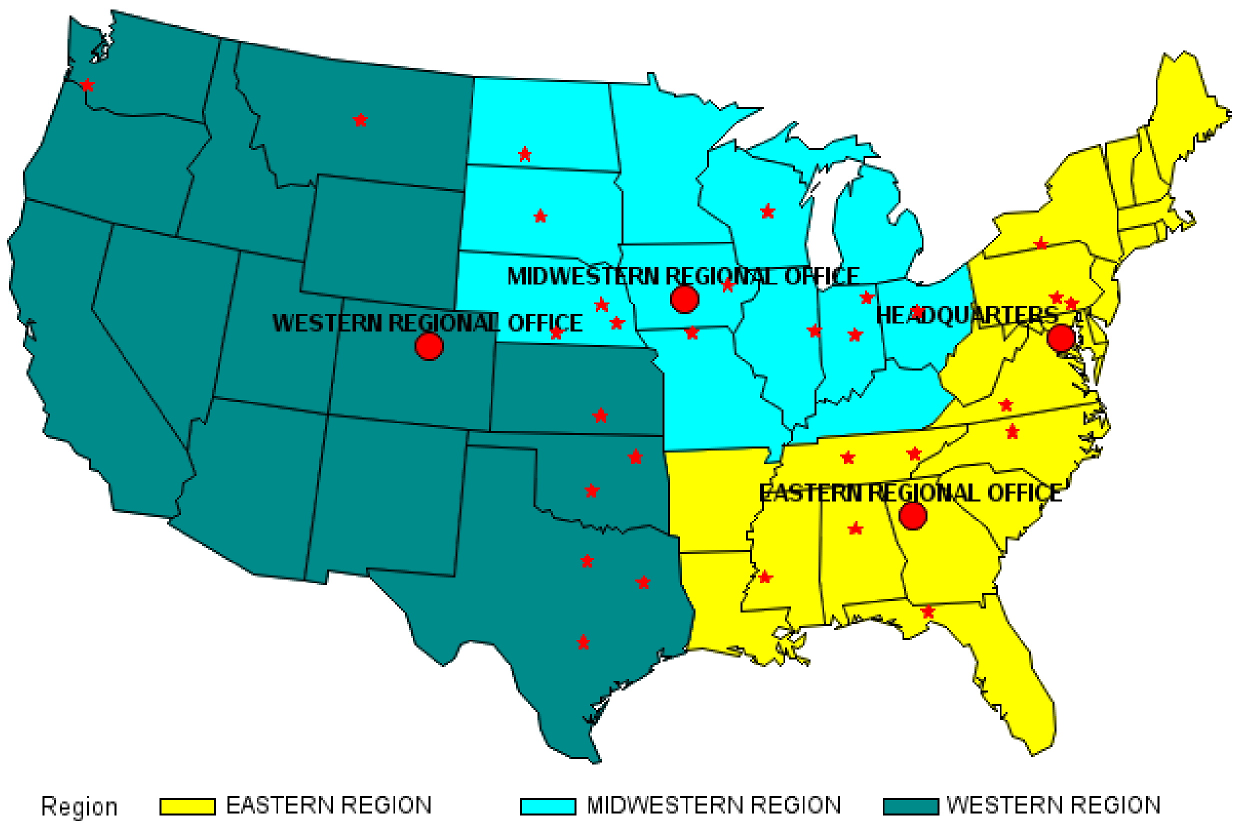
Appendix A: Data Sources for Tables and Charts

Table 1	Number of entities registered and/or bonded that were recorded in PSD databases.
Table 2	Data are compiled from packer annual reports filed with PSD.
Table 3 and Table 4	Concentration statistics for livestock slaughter are compiled from annual reports filed with PSD, slaughter data from FSIS, and NASS reports on commercial slaughter.
Table 5	Data are compiled from packer annual reports filed with PSD.
Table 6	Data are compiled from annual reports filed with PSD by livestock markets selling on commission.
Table 7	Data are from bond and trust claims filed with PSD by livestock sellers against livestock dealers.
Table 8	Data are from bond and trust claims filed with PSD by livestock sellers against packer bonds and packer trusts.
Table 9	Data are from bond claims filed with PSD by livestock sellers against market agencies.
Table 10	Data on custodial account reviews are from PSD databases.
Table 11	Data on penalties are from PSD databases.
Figure 1 and Figure 2	Statistics on types of procurement methods compiled from data reported to USDA AMS pursuant to the Mandatory Price Reporting Act.

Appendix B: Field Staff and Office Locations

Figure 4. PSD Offices and Resident Agent, Resident Auditor, and Market Inspector Locations

●= Regional and Headquarters Offices ★= Locations of PSD Field Staff



Contacting PSD

To file a complaint, e-mail PSDComplaints@usda.gov, call PSD's hotline at (833) 342-5773, use the online Farmer Fairness Portal (https://www.usda.gov/farmerfairness), or contact the relevant regional office location. The Office of the Director is in the Headquarters Office in Washington, DC.

Eastern Regional Office
75 Ted Turner Drive SW, Suite 230, Atlanta, GA 30303
Telephone: (404) 562-5840, FAX (404) 562-5848
E-mail: PSDAtlantaGA@usda.gov
States Covered: Alabama, Arkansas, Connecticut, District of Columbia, Delaware, Florida, Georgia, Louisiana, Massachusetts, Maryland, Maine, Mississippi, North Carolina, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, and the Territories of the U.S., including Puerto Rico

Midwestern Regional Office
Room 317, Federal Building, 210 Walnut Street, Des Moines, IA 50309
Telephone: (515) 323-2579, FAX (515) 323-2590
E-mail: PSDDesMoinesIA@usda.gov
States Covered: Iowa, Illinois, Indiana, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, South Dakota, Wisconsin

Western Regional Office
One Gateway Centre, 3950 North Lewiston, Suite 200, Aurora, CO 80011
Telephone: (303) 375-4240, FAX (303) 371-4609
E-mail: PSDDenverCO@usda.gov
States Covered: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Kansas, Montana, New Mexico, Nevada, Oklahoma, Oregon, Texas, Utah, Washington, Wyoming

Headquarters Office:

Office of the Director, and Enforcement Branch (Washington, DC)
1400 Independence Ave. SW, Stop 3601, Washington, DC 20250-3601
Telephone: (202) 720-7051, FAX: (202) 205-9237
E-mail: PSDWashingtonDC@usda.gov

Please direct comments or questions about this publication to:
USDA, AMS, Livestock and Poultry Program, Packers and Stockyards Division
1400 Independence Avenue SW, Washington, DC 20250-3601

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