



Operational Guidance for Reporting of Cattle and Lambs as Delivered or FOB

Issue: Determining whether a purchase transaction should be reported as FOB or delivered.

Livestock and Grain Market News Position: “FOB” suggests that the freight is paid by the plant while “Delivered” signifies the trucking is paid by the producer. The customary or usual transaction for direct cattle purchases is FOB for live cattle and delivered for carcass basis. Occasionally live delivered and dressed FOB purchases do occur.

Some companies have a business practice of handling the trucking charges as a service to the customer that makes the purchase appear other than it was intended. A purchase may be negotiated on a delivered basis but the plant writes a separate check to the trucker and deducts the cost from the producer’s check making the settlement sheet appear to support an FOB transaction. Also, there are occasions when a plant will purchase on an FOB basis, write a separate check to the trucker, and then adjust the price upward on the settlement sheet making it appear as a delivered buy. The intent can also be confused when adjustments are made for the use of a truck owned by the producer or plant.

Livestock and Grain Market News Guidance: Whether a specific purchase transaction is reported as FOB or delivered should be determined by the original intent of the agreement as to which party is responsible for the cost of the trucking. Documentation should include any separate payments for freight made by the plant on behalf of the producer in addition to the settlement sheet.