PB 1821

A GENERAL GUIDE TO MARKETING LIVE ANIMALS FOR CUSTOM-EXEMPT HARVESTING AND PROCESSING

Chris Boyer, Assistant Professor, Department of Agricultural and Resource Economics
Kevin Ferguson, Area Farm Management Specialist, Department of Agricultural and Resource Economics
Dwight Loveday, Associate Professor, Department of Food Science and Technology
Justin Rhinehart, Assistant Professor, Department of Animal Science



Tennessee Value-Added BEEF Program

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Editing, Layout and Design

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Peer Reviewers

Chris Boyer | **Assistant Professor**
Department of Agricultural and Resource Economics
University of Tennessee

Kevin Ferguson | **Area Farm Management Specialist**
Department of Agricultural and Resource Economics

Dwight Loveday | **Associate Professor**
Department of Food Science and Technology
University of Tennessee

Justin Rhinehart | **Assistant Professor**
Department of Animal Science | University of Tennessee



Authors

Rob Holland | Director
Center for Profitable Agriculture

Megan Bruch Leffew | Marketing Specialist
Center for Profitable Agriculture

Disclaimer

This publication has been developed for educational purposes only and is not intended as legal advice.

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Introduction

The recent increase in demand for local foods has resulted in a growing demand for local meats as well as interest by producers to consider methods to supply this market. Some producers fill this demand by marketing meat to consumers. Others are opting to offer live animals for sale to consumers who may then, as the owner of the animal, have it harvested and processed to their specifications at a custom-exempt processing facility.

Producers offering live animals for sale to consumers to meet the demand for local foods need to carefully consider how to market and make the sales transaction. If not conducted correctly, it may appear that the producer is selling meat rather than live animals. The regulations involved in marketing meat are much different than regulations for marketing live animals for custom-exempt processing.

This publication contains suggestions for producers on how to market live animals to consumers for processing at a custom-exempt facility. It also provides a general introduction to the regulations and some tips for marketing, making a sales transaction, creating a livestock bill of sale and items to be considered when selling one animal to more than one buyer.



Regulations Impacting the Sale of Live Animals for Custom-Exempt Processing

There are two important distinctions between regulations related to marketing meat versus marketing live animals for custom-exempt processing. Producers should develop a thorough understanding of the regulations before entering either of these enterprises.

Retail sale of meat is closely regulated. In Tennessee, producers interested in selling meat must obtain a Retail Meat Sales permit from the Tennessee Department of Agriculture and follow the associated guidelines. Meat offered for sale must be harvested, processed, packaged and labeled in a USDA inspected facility under USDA inspection, also referred to as federal inspection. Additional information about the basic regulatory issues involved with harvesting, processing and marketing beef in Tennessee is available in UT Extension publication PB 1829 “Basic Regulatory Considerations for Retail and Non-retail Meat Sales in Tennessee: Guidance for Farmers Direct Marketing Beef, Pork, Lamb and Goat.”

Producers may offer live animals for sale to consumers who may then, as the owner(s) of the animal, have it processed in a custom-exempt facility. Custom-exempt processing is not conducted under USDA inspection and may only be done for the owner(s) of the animal. Meat harvested and processed in a custom-exempt facility cannot be sold and is labeled “not for sale.” Meat from this type of processing is exclusively for use by the owner(s) and for their nonpaying family, guests and employees. Producers marketing live animals for custom-exempt processing must clearly communicate and document the sale of the live animals in order to prevent any appearance that they may be selling meat.



Suggestions for Marketing Live Animals for Custom-Exempt Harvesting and Processing

Producers marketing live animals for custom-exempt harvest and processing may follow these suggestions to clearly communicate and document the sale of live animals.



1) Avoid using terminology associated with meat in promotion of the animal and in communication with customers. In all communications, be clear that a live animal is being sold.

The use of carcass terms should be avoided when selling a live animal. This includes discussions of the sale, negotiations of the sale and in the bill of sale, explained in more detail later in the publication. Terms such as whole, half, quarter, side or carcass weight may give the impression that the producer is actually selling meat rather than a live animal and should not be used.



2) Set the price based on the value of the live animal either by the head or by live weight (per pound or hundredweight).

Basing the sales price on a hanging weight or carcass weight puts the seller in a vulnerable position since the purchase transaction for the animal cannot take place prior to the animal being harvested. Therefore, it may appear that the producer still owned the animal during the harvest and is selling meat rather than a live animal.

The price for a live animal is traditionally either a set price per head or based on the live weight. The price for an animal being sold by live weight may be expressed in price per pound or in price per hundredweight, commonly abbreviated cwt. It is suggested that the seller designate on the bill of sale whether the price is based on a per head, per pound or per hundred pounds (cwt) basis. This designation may be made in the price column on the example bill of sale in Appendix A.



3) Provide and retain a detailed bill of sale for the transaction for the animal being sold.

When selling a live animal intended for custom-exempt harvest and processing, the producer should issue a bill of sale to the buyer(s). The bill of sale should provide a detailed description of the animal and the terms of the financial transaction. The bill of sale clarifies the transaction, improves communication between the buyer(s) and seller, helps document the sale of the animal and, in general, is a good business management practice. More information about what should be included on a livestock bill of sale and considerations for selling one animal to multiple buyers are discussed in the next two sections of the publication.

Once a bill of sale is completed and signed by both the buyer and the seller, it is customary that the buyer receives the original and the seller maintains a copy. The producer is encouraged to retain a copy of the bill of sale for up to 10 years. The buyer(s) should be encouraged to keep the bill of sale in their records as well.



4) Document the transfer of funds for the purchase of the live animal between the buyer(s) and the seller.

In addition to the bill of sale, it is often helpful for the seller to keep documentation of the payment method that the buyer(s) used. This further documents the sale of a live animal. If a buyer pays with a check, for example, the information on the check should match the information on the bill of sale. This information includes date, buyer name, seller name, amount and a description on the memo line such as "Black Steer Tag #543" or "50 percent ownership in Heifer #278." The seller is encouraged to make a copy of the check to attach to their file copy of the bill of sale.



5) The buyer(s) should pay the processing facility and communicate with the facility staff regarding the details of harvesting, processing and packaging.

Sellers of live animals should not accept payment for harvest and processing services. Buyers should pay the processing facility directly.

While the seller should refrain from getting involved in the custom processing arrangements if at all possible, oftentimes, the producer can help improve the communications between buyers and processors. The seller may provide a list of processors in the area with contact information or a sample cut sheet to the buyers. The cut sheet may allow the buyer(s) of the animals to consider and more effectively communicate their preferences for cuts and products to the processor.



6) Transportation or delivery of the live animal to the custom-exempt processing facility and meat from the facility to the customer should be handled carefully.

It is common practice for buyers to arrange for the seller to deliver a live animal to the processor. Details of the delivery of the live animal should be well communicated and documented between the buyer(s) and the seller. When live animals are delivered to the custom-exempt processor, the name(s) of the buyers should be recorded by the processor. That is, if the seller delivers the animal to the processor, he or she should make sure that the animal is recorded in the name(s) of the buyer(s) — not the seller/deliverer's name.

In addition to the delivery of a live animal to a custom-exempt processor, the question of delivery of meat from the processor often arises. There do not seem to be any guidelines, regulations or restrictions on the owner(s) to pick up the meat in person. It appears the owner(s) are free to make arrangements for delivery of the meat from the processing facility. Oftentimes, the producer who sold them the animal will agree to pick up the meat and deliver it from the processing facility to the buyer(s) as a service to customers who purchase live animals from them.

Transportation and delivery should be discussed during the sales negotiation and transaction. Details of transportation or delivery services provided by the seller should be included on the livestock bill of sale, including any associated fees. The buyer(s) should inform the processing facility of who will be picking up their meat.



Issuing a Livestock Bill of Sale

While there is no single format for a bill of sale, there are several pieces of information that should be included and some additional pieces of information that would be very helpful to document the terms and conditions of the live animal sale. The bill of sale should identify the:

- Date of transaction.
- Buyer and seller names and addresses.
- Description of livestock.
- Dollar value received by seller/paid by buyer.
- Payment method (check and number, cash, etc.).
- Transportation or delivery services agreed upon.
- Buyer and seller signatures.

The description of the livestock is a critical part of documenting that the transaction is for a live animal. The bill of sale should include as much detailed information about the animal(s) as possible. Details should include the number of head or interest purchased, a gender descriptor (heifer, steer, etc.), birthdate or age, breed, color or markings, tag number, tattoo or brand. If selling by live weight, the weight should also be listed. It may also be helpful to include or attach a picture of the live animal being sold, if possible.

An example livestock bill of sale is included as Appendix A. The example has been developed for educational purposes and contains the main components recommended to help document the sale of a live animal.

Considerations for Selling One Animal to More than One Buyer in Shares

In Tennessee, an animal may be sold to more than one person in shares. Half and quarter shares are the most common portions of live animal sales. Producers selling live animals in shares for custom harvesting and processing should use the same diligence to communicate with all of the buyers as if selling to a single buyer.

When advertising live animal shares, it is important to utilize terms that accurately describe what is being sold rather than what will be consumed. That is, promoting “cattle shares” such as a “quarter share of a steer” is a more accurate description for live animal sales than “a quarter of a beef.” The latter is describing meat. Remember that meat produced under custom-exempt processing is labeled “not for sale.”

Each buyer of a live animal share should have full understanding that they are purchasing a share of a live animal. Each buyer should be given a detailed bill of sale documenting their share of the animal, and they should pay the seller for their share. Each bill of sale should designate the fraction or percent interest of the live animal being purchased. For example, a bill of sale for half of a steer should indicate 1/2 or 50 percent interest or ownership in the described live animal. The seller should retain a copy of each bill of sale, and buyers should be encouraged to maintain the originals as well. In addition, each buyer should make arrangements with and pay the custom processor for his or her respective share of the custom harvesting and processing.



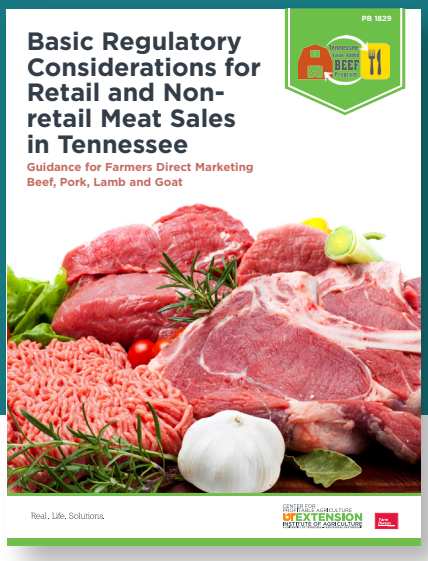
Producers selling live animal shares for custom harvesting and processing should be careful to never sell a live animal share after the animal has been delivered to the harvesting facility or after the animal has been harvested. Such an opportunity may present itself if the producer has only three buyers for four shares. If a fourth buyer is not obtained by the time harvesting is scheduled, the producer would be the owner of the fourth and final share of the animal and must take possession of the final share of the meat for his or her own consumption. Again, the meat obtained from a custom-exempt facility is labeled "not for sale."

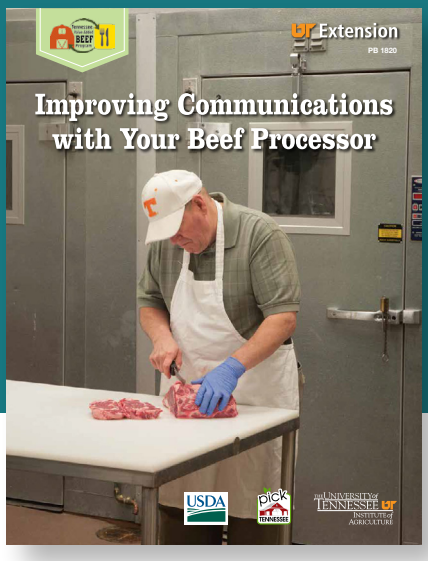
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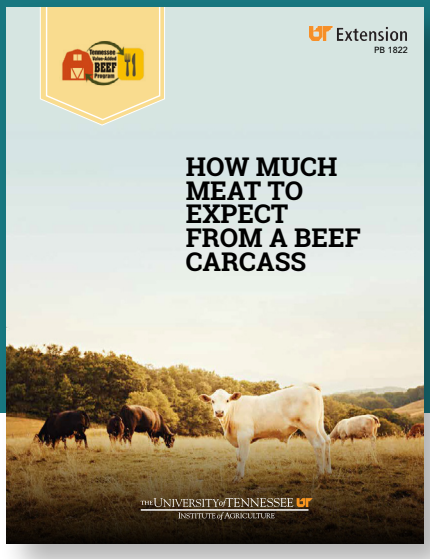
Producers selling live animals to consumers who may then have the animals harvested and processed at custom-exempt facilities need to carefully market and make the sales transaction to clearly communicate and document the sale of a live animal. Producers may follow some suggestions to help conduct a clear transaction including communicating effectively with buyers, using appropriate terminology in reference to the product being sold, issuing and recording a detailed livestock bill of sale, pricing the animal appropriately and making sure the buyer(s) pay and communicate with the processing facility.

Additional Resources

In addition to this publication, several other fact sheets and publications have been developed or are under development related to this topic. Resources available, including the ones listed below, are available on the Center for Profitable Agriculture's website at **cpa.tennessee.edu**:







UT Extension Publication PB 1829

"Basic Regulatory Considerations for Retail and Non-retail Meat Sales in Tennessee: Guidance for Farmers Direct Marketing Beef, Pork, Lamb and Goat"

In recent years, an increasing number of Tennessee farmers have been considering value-added marketing activities that would allow them to finish livestock for harvest, processing and marketing to household consumers. Identifying and understanding regulatory requirements has been a major obstacle for these producers. This publication serves as a source of information about some basic issues involved with harvesting, processing and marketing beef, pork, lamb and goat in Tennessee.

UT Extension Publication PB 1820

"Improving Communications with Your Beef Processor"

The harvesting and processing segments of the meat industry are extremely critical for cattle producers who want to sell meat directly to a local customer. Many times, these services are performed by private business entities for the cattle producer and meat marketer. Clear and effective communications with a basic understanding of meat cuts, packaging, aging and food safety will greatly improve the successful relationship between the cattle producer and the harvesting/processing service provider. This publication provides some basic information and tools to help producers improve communications with processors.

UT Extension Publication PB 1822

"How Much Meat to Expect from a Beef Carcass"

This publication provides information to assist consumers that purchase a live animal for freezer beef and to cattle producers that are involved in direct and retail meat marketing. Consumers who buy a live animal from a local cattle producer for custom processing are often surprised. Some are surprised at the quantity of meat and how much freezer space they need. Others may be surprised that they did not get the entire live weight of the animal in meat cuts. The amount of meat that is actually available from a beef animal is a frequent source of misunderstanding between consumers, processors and cattle producers.

Appendix A - Example Livestock Bill of Sale

(For Educational Purposes Only)

Date Sold: _____

Seller's Information

Printed Name: _____

Address: _____

City: _____

State: _____ ZIP: _____

Buyer's Information

Printed Name: _____

Address: _____

City: _____

State: _____ ZIP: _____

This is to certify that the undersigned has this day in consideration of the sum of _____ dollars sold the following described livestock.

The Title to which _____ (seller) hereby guarantees:

Number of Head or Interest Purchased	Ear Tag Number(s)	Sex	Birth Date	Color, Tattoo, Marks &/or Other Description	Live Weight	Price/ _____	Amount Paid

Payment Method:

☐ Check # _____ ☐ Cash ☐ Credit/Debit Card Transaction # _____

Delivery Details: _____

_____

Additional Notes: _____

_____

Signature of Seller: _____ Date: _____

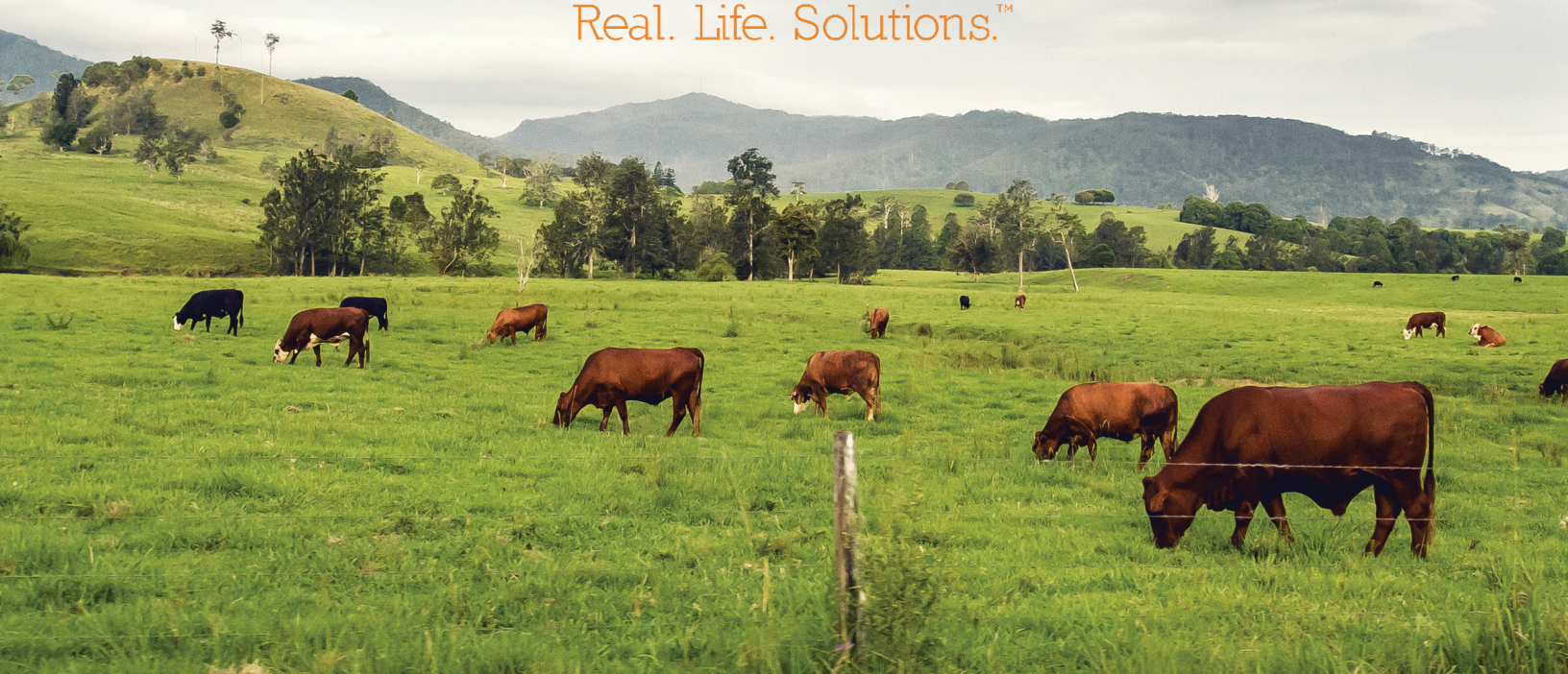
Signature of Buyer: _____ Date: _____ _____

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