

## §§ 203.8–203.9

the contract, he should immediately contact the seller or the seller's agent and advise him of the nature of the complaint. This affords the seller an opportunity to renegotiate the contract, to personally inspect the meat or meat food products, or to have an impartial party inspect or examine the meat or meat food products. Inspection and examination service of this type is available nationally through the USDA meat grading service and locally through various impartial persons or agencies.

(iii) All terms of a transaction should be made clear in the contract, whether written or verbal. If there is any chance of misunderstanding, a written confirmation should be exchanged between the parties. In any case where a contract dispute cannot be settled between the parties and either party intends to file a complaint, such complaint should be brought to the attention of the nearest Grain Inspection, Packers and Stockyards Administration (Packers and Stockyards Programs) area office as soon as possible. However, a concerted effort on the part of both buyer and seller to negotiate clear and complete contracts will greatly reduce misunderstandings which can result in the filing of complaints with the Administration.

(c) If the Grain Inspection, Packers and Stockyards Administration (Packers and Stockyards Programs) has reason to believe that any packer unjustifiably (1) has refused to pay the contractual price for meat or meat food products purchased, (2) has refused to accept a shipment of meat or meat food products, or (3) has failed to ship meat or meat food products in accordance with the terms of the contract specifications, consideration will be given to the issuance of a complaint charging the packer with violation of section 202 of the Act. In the formal administrative proceeding initiated by any such complaint, the Judicial Officer of the Department will determine, upon the basis of the record in the proceeding, whether the packer has violated the Act and should be ordered to

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cease and desist from continuing such violation.

(Secs. 407(a), 4, 42 Stat. 169, 72 Stat. 1750; 7 U.S.C. 228(a). Interprets or applies sec. 202, 42 Stat. 161 et seq., as amended; 7 U.S.C. 192)

[30 FR 14966, Dec. 3, 1965, as amended at 32 FR 7701, May 26, 1967]

## §§ 203.8–203.9 [Reserved]

### § 203.10 Statement with respect to insolvency; definition of current assets and current liabilities.

(a) Under the Packers and Stockyards Act, 1921, as amended and supplemented (7 U.S.C. 181 et seq.), the principal test of insolvency is to determine whether a person's current liabilities exceed his current assets. This current ratio test of insolvency under the Act has been reviewed and affirmed by a United States Court of Appeals. *Bowman v. United States Department of Agriculture*, 363 F. 2d 81 (5th Cir. 1966).

(b) For the purposes of the administration of the Packers and Stockyards Act, 1921, the following terms shall be construed, respectively, to mean:

(1) *Current assets* means cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business, which is considered to be one year.

(2) *Current liabilities* means obligations whose liquidation is reasonably expected to require the use of existing resources principally classifiable as current assets or the creation of other current liabilities during the one year operating cycle of the business.

(c) The term current assets generally includes: (1) Cash in bank or on hand; (2) sums due a market agency from a custodial account for shippers' proceeds; (3) accounts receivable, if collectable; (4) notes receivable and portions of long-term notes receivable within one year from date of balance sheet, if collectable; (5) inventories of livestock acquired for purposes of resale or for purposes of market support; (6) feed inventories and other inventories which are intended to be sold or consumed in the normal operating cycle of the business; (7) accounts due

from employees, if collectable; (8) accounts due from officers of a corporation, if collectable; (9) accounts due from affiliates and subsidiaries of corporations if the financial position of such subsidiaries and affiliates justifies such classification; (10) marketable securities representing cash available for current operations and not otherwise pledged as security; (11) accrued interest receivable; and (12) prepaid expenses.

(d) The term current assets generally excludes: (1) Cash and claims to cash which are restricted as to withdrawal, such as custodial funds for shippers' proceeds and current proceeds receivable from the sale of livestock sold on a commission basis; (2) investments in securities (whether marketable or not) or advances which have been made for the purposes of control, affiliation, or other continuing business advantage; (3) receivables which are not expected to be collected within 12 months; (4) cash surrender value of life insurance policies; (5) land and other natural resources; and (6) depreciable assets.

(e) The term current liabilities generally includes: (1) Bank overdrafts (per books); (2) amounts due a custodial account for shippers' proceeds; (3) accounts payable within one year from date of balance sheet; (4) notes payable or portions thereof due and payable within one year from date of balance sheet; (5) accruals such as taxes, wages, social security, unemployment compensation, etc., due and payable as of the date of the balance sheet; and (6) all other liabilities whose regular and ordinary liquidation is expected to occur within one year.

(Sec. 407(a), 42 Stat. 169, 72 Stat. 1750; 7 U.S.C. 228(a). Interprets or applies secs. 202, 307, 312, 502, 505; 42 Stat. 161 et seq., as amended; 7 U.S.C. 192, 208, 213, 218a, 218d)

[32 FR 6901, May 5, 1967]

**§ 203.11 [Reserved]**

**§ 203.12 Statement with respect to providing services and facilities at stockyards on a reasonable and nondiscriminatory basis.**

(a) Section 304 of the Packers and Stockyards Act (7 U.S.C. 205) provides that: "All stockyard services furnished pursuant to reasonable request made to

a stockyard owner or market agency at such stockyard shall be reasonable and nondiscriminatory and stockyard services which are furnished shall not be refused on any basis that is unreasonable or unjustly discriminatory \* \* \*."

(b) Section 305 of the Act (7 U.S.C. 206) states that: "All rates or charges made for any stockyard services furnished at a stockyard by a stockyard owner or market agency shall be just, reasonable, and nondiscriminatory \* \* \*."

(c) Section 307 (7 U.S.C. 208) provides that: "It shall be the duty of every stockyard owner and market agency to establish, observe, and enforce just, reasonable, and nondiscriminatory regulations and practices in respect to the furnishing of stockyard services \* \* \*."

(d) Section 312(a) (7 U.S.C. 213(a)) provides that: "It shall be unlawful for any stockyard owner, market agency, or dealer to engage in or use any unfair, unjustly discriminatory, or deceptive practice or device in connection with determining whether persons should be authorized to operate at the stockyards, or with the receiving, marketing, buying, or selling on a commission basis or otherwise, feeding, watering, holding, delivery, shipment, weighing or handling, in commerce, of livestock."

(e) Section 301(b) (7 U.S.C. 201(b)) defines "stockyard services" as any "services or facilities furnished at a stockyard in connection with the receiving, buying, or selling on a commission basis or otherwise, marketing, feeding, watering, holding, delivery, shipment, weighing, or handling, in commerce, of livestock."

(f) It is the view of the Grain Inspection, Packers and Stockyards Administration (Packers and Stockyards Programs) that it is a violation of sections 304, 307, and 312(a) of the Act for a stockyard owner or market agency to discriminate, in the furnishing of stockyard services or facilities or in establishing rules or regulations at the stockyard, because of race, religion, color, or national origin of those persons using the stockyard services or facilities. Such services and facilities include, but are not limited to, the restaurant, restrooms, drinking fountains,