

# RAFI-USA

Rural Advancement Foundation International - USA

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## BACKGROUND ON PROPOSED REGULATION OF POULTRY CONTRACTS

Early in 2010, the USDA's Office of Grain Inspection, Packers and Stockyards will propose new rules that will restore some fairness to the marketplace. Section 11006 of the 2008 Farm Bill requires the USDA to write these rules.

A handful of poultry companies dominate the industry. This near-monopoly limits competition and makes it hard for farmers to get a fair deal or a fair price. Most poultry companies urge growers to build at least four poultry houses. These houses are built to the company's specifications and cost about \$300,000 each.

One of the proposed regulations will define when a company may require a farmer to make additional capital investments.

After farmers build the houses and sign contracts, the company often requires them to add expensive upgrades to the buildings or equipment. These added costs deepen farmers' debt, often without bringing in any additional income. In the past, farmers have lost their contracts with little or no warning when they refused to pay for upgrades.

In order to provide the best protection for farmers, the new rule should state that companies cannot require additional capital investments from farmers beyond the original poultry or hog house specifications unless those farmers are given fair compensation at the time of the upgrade.

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## GIPSA RULES/Pg 2

The new regulations will also define:

- the criteria used to determine whether a company showed undue or unreasonable preference in violation of the Packers and Stockyards Act,
- whether a company has provided reasonable notice to a poultry grower on suspension of the delivery of birds, and
- what a reasonable period of time is for a poultry or swine producer to remedy a breach of contract that would lead to termination of the contract.

After the USDA releases the proposed regulations, consumers, farmers and others will likely have between 30 to 90 days to comment on them.

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