

Transparency in Poultry Grower Contracting and Tournaments

The United States Department of Agriculture (USDA) is engaged in a series of rulemakings aimed to protect American poultry growers from abuses and enhance the competitiveness of U.S. livestock and poultry markets.

The first is a proposed rule titled *Transparency in Poultry Grower Contracting and Tournaments*, released May 26, 2022.¹ This rule proposes to require that live poultry dealers, including integrators, disclose key information to poultry growers regarding the financial returns the grower can expect from their business relationship with the dealer and information about inputs they receive, including a comparison of inputs received by other growers in the same tournament.²

If this rule is adopted, enhanced transparency in poultry growout markets would create a more even playing field for growers, prevent deception and abuse, and strengthen growers' ability to make informed production contract decisions.

Specifically, the rule proposes to enhance transparency by requiring certain disclosures.

1. Growers would gain better insight into the actual marketplace and its risks *before* making key financial decisions, such as entering a poultry growing arrangement or making an additional capital investment.
 - Under the proposed rule, dealers would be required to provide growers a **Live Poultry Dealer Disclosure Document** that would include:
 - The guaranteed number of bird placements per year and minimum stocking density per placement;
 - Earnings realized by other poultry growers in prior years a) at the dealer's other complexes, and b) at the dealer's local complex, *broken out by quintiles*;
 - The dealer's bankruptcy and litigation history, and key policies such as sale-of-farm policies; and
 - Contact information for resources, including the State university extension service or county farm advisor's office.
 - If adopted, disclosures would come with sensible parameters and a strong accountability framework:
 - The Live Poultry Dealer Disclosure Document would be subject to anti-fraud protections, record-keeping requirements, and a governance framework with CEO-level accountability, intended to ensure accuracy and honesty to growers.
 - Poultry growers would also be protected in discussing this information with key advisors and business partners.

¹ For more information on these and other actions, please visit USDA, Agricultural Marketing Service, "Fair and Competitive Markets," available at <https://www.ams.usda.gov/about-ams/fair-competitive>.

² Under tournament systems, vertically integrated poultry companies, known as "integrators," contract with farmers who serve as growers. Integrators provide growers with birds and feed; and growers provide facilities and labor to raise birds to slaughter weight. Grower compensation is based on a grouping, ranking, or comparison of poultry growers whose poultry was harvested during a specified period.

- Small live poultry dealers, those harvesting fewer than 2 million live pounds of poultry weekly and do not require additional capital investments for growout facilities, would be exempt from the disclosure requirements of the proposed rule.
 - If adopted, these disclosures would better reflect the range of outcomes possible in today's markets and help protect growers against deception and abuse by ensuring that they understand the key terms of their contracts.
2. To help growers be better growers and to protect growers against potential deceptive practices, the proposed rule would require integrators to give growers key information about the inputs they receive under tournament-specific input disclosures.
- At **the time of flock placement**, integrators would be required to **disclose** to growers the following inputs to each:
 - The actual stocking density of the placement;
 - The names and ratios of poultry breeds placed;
 - If the integrator has determined the sex of the birds, the ratio of male and female poultry placed;
 - The breeder facility identifier;
 - The breeder flock's age;
 - Any known health impairments of the breeder flock or birds placed; and
 - Adjustments, if any, that the integrator may make to the calculation of the grower's pay based on the inputs.
 - At **the time of settlement**, integrators would be required to **disclose** to all growers (names anonymized) in the tournament:
 - Distribution of the inputs among all growers;
 - The ranking and housing specifications for all growers;
 - The actual figures used to determine each grower's ranking; and
 - Feed disruptions of 12 hours or more for any of the growers in the tournament.
 - If adopted, these disclosures would prevent deception and enable growers to better appreciate the relative importance of inputs, housing investments, and skills/efforts, and thus make more informed decisions during the contracting process.

Additionally, USDA is engaged in a series of actions to promote fair and competitive markets, including:

- **Opening an inquiry** into whether the current tournament-style system in poultry growing could be restricted or modernized to create a fairer, more inclusive marketplace.
- **Advancing two more new rules** under the Packers & Stockyards Act to enhance fair and competitive markets, covering retaliation, discrimination and deception, and unfair practices and undue preferences.
- **Seeking comments on concentration and anticompetitive practices** in agricultural markets.
- **Investing directly** in **meat and poultry processing capacity** and **supply chain infrastructure**.
- **Reviewing "Product of USA"** and **the most widely used animal-raising claims on labels**.
- **Analyzing, advocating for, and investing** in **more competitive transportation markets**.