

# Farmers and Ranchers Need Fair Contracts and a Level Playing Field.

A handful of meatpackers and poultry companies dominates the livestock industry. This near-monopoly limits competition and makes it hard for farmers to get a fair deal or a fair price.

**At the end of this year, the United States Department of Agriculture will propose new rules that will restore some fairness to the marketplace, put livestock farmers on a level playing field, and keep companies from forcing farmers to spend thousands of dollars on unnecessary equipment. The 2008 Farm Bill requires the USDA to write these rules.**

**The USDA needs to hear from consumers, poultry growers, cattle ranchers and hog producers during the public comment period for these rules.** Farmers and ranchers lose money, and sometimes their farms, because of unfair treatment by processing companies. These rules can help farmers regain profitability.



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## Your voice can make a difference.

**Let the USDA know that fair treatment for farmers is important to you!** We will send out action alerts when the proposed rules are released. To sign up contact:

Becky Ceartas  
Rural Advancement Foundation International - USA  
(919) 542-1396 x209  
[becky@rafiusa.org](mailto:becky@rafiusa.org)  
[www.rafiusa.org](http://www.rafiusa.org)

Jeri Lynn Bakken  
Western Organization of Resource Councils  
(701) 376-7077  
[jerilynn@worc.org](mailto:jerilynn@worc.org)  
[www.worc.org](http://www.worc.org)

# Background on New USDA Rules

The USDA will propose new rules this fall. The rule changes will address two major issues: unfair mandatory upgrades and undue and unreasonable preferences.

## Unfair Mandatory Upgrades

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. 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. 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.

"One day, when the company approached me about upgrading my chicken houses, I said no. They said that I had to do it. I said no again. They asked me how I was going to pay for the houses if I didn't have chickens."

- *Tim Brooks, a farmer in Siler City, NC. Brooks lost his contract, the chicken houses and 15 acres of land, and managed to keep his family's home only after taking out another loan.*

## Undue and Unreasonable Preference

The Packers and Stockyards Act forbids "undue or unreasonable preference or advantage" in the actions of packers, swine contractors and live poultry dealers. The 2008 Farm Bill requires the USDA to define what that means. **We're asking the USDA to interpret the term "undue and unreasonable preference" broadly, as the law intended.**

The rule should not require an action to harm the market as a whole in order to be considered unlawful. We want the rule to highlight specific situations where undue or unreasonable preference may arise, such as in pricing, delivery locations and times, and more. Packers should not be allowed to give preference to large-volume livestock producers unless they can be justified by actual, verifiable quality differences or cost efficiencies, and any premiums offered for those differences should be available to all producers, regardless of the size of their operation. Packers should be required to offer all contracts in an open public manner that is accessible to the buyer, seller and other buyers.

"We have all been affected by packers who continually control the markets. It has been a primary factor in devastating our industry and our rural communities."

-*Mabel Dobbs, a rancher from Weiser, ID, has been working to return competition to the livestock industry for nearly 20 years.*

The rule should not allow contract poultry growers to be penalized based on factors outside of their control and within the control of the poultry company, and growers should not be penalized for exercising their lawful rights. Finally, the rules should adjust over time as industry practices change.

## About Us

The **Western Organization of Resource Councils** is a network of conservation and family agriculture organizations in Colorado, Idaho, Montana, North Dakota, Oregon, South Dakota, and Wyoming. [www.worc.org](http://www.worc.org)

The **Rural Advancement Foundation International - USA** cultivates markets, policies and communities that cultivate thriving, environmentally sound and socially just family farms. [www.rafusa.org](http://www.rafusa.org)