

Policy Pennings by Dr. Daryll E. Ray

Poultry growers air complaints

This year, the Obama administration is holding a series of five hearings across the nation to explore competition issues affecting the agricultural sector in the 21st century and the appropriate role for antitrust and regulatory enforcement in that industry. The second of these workshops, conducted jointly by the United States Department of Agriculture (USDA) and the Department of Justice (DOJ), was held at Alabama A&M University in Normal, Alabama.

The May 21, 2010 workshop was led by Agriculture Secretary Tom Vilsack and US Attorney General Eric Holder. The hearing focused on issues in the poultry industry, and featured panel discussions on poultry grower issues and trends in poultry production. And, it also included opportunities for public comments.

"All players in the poultry industry deserve an honest chance at success, and that requires a fair, viable, and competitive marketplace," said Vilsack. "Today's conversation helped bring a better understanding of the issues impacting growers on a daily basis and provided an opportunity to openly discuss some of the ideas that have been raised to address these concerns."

"Secretary Vilsack and I are committed to improving our understanding of how particular agricultural markets function," said Attorney General Holder. "And, that's why we decided to hold a series of five workshops across the country to examine the challenges facing America's farmers, growers and producers. One thing that already is clear is that competition is crucial to ensuring opportunity and fairness in our agricultural markets. The Department of Justice is committed to working jointly with the Department of Agriculture in protecting competition in those markets."

The story from the hearing that made most of the papers was that of Gary Staples the vice president of the Alabama Contract Poultry Grower's Association who indicated that he was afraid of retaliation by the company he grows chickens for because of the testimony that he was giving. At that point, it is reported that US Assistant Attorney General Christine Varney said, "I fully expect that you will not experience retaliation." And then handing Staples a piece of paper she continued, "But if you do, call me at that number."

Kate Doby told the officials that even if there happens to be more than one integrator in an area, they do not try to take growers from each other and if a farmer is let go by one integrator the other one won't offer them a contract. There is no competition at the grower level.

Poultry integrators are companies that have integrated the whole poultry production operation from the hatching of chicks, to the placement of them on farms with contracts, to the provision of feed, to the slaughter and wholesaling of the processed chicken. They contract with farmers who are required to construct buildings to the company's specifications. This usually requires the farmer to take out a sizeable loan to pay for the building. Some farmers report indebtedness of \$1 million.

The farmer raises the chickens for the company and is paid a fee. In addition, some who testified said the companies frequently require upgrades that require additional loans so that they find themselves in perpetual debt.

If the contract is not renewed or the contract is terminated by the company, they are often left with a sizeable debt with no income to pay off the loan. Doby told of a farmer in her area of North Carolina who committed suicide after losing his contract.

One former grower, Carole Morrison, testified that her family put in a scale on their farm to weigh the trucks as they picked up the chickens she was growing for the company. She said they did that to make sure that the company was properly paying them for the work they had done. Farmers are paid on the basis of weight gain.

She said that the company representative threatened them with the termination of their contract. Other farmers indicated that whenever they disagreed with the company about an issue they were told in no uncertain terms that such behavior would result in the termination of their contracts.

Tom Terry, a former grower from Tennessee, told us a similar story. He said that after loading up the chickens from one of his barns he followed the company trucks to the plant so he could watch them being weighed on the scales at the processing plant. He was prevented from doing so.

He also resisted making a set of upgrades because he calculated that the upgrades would cost him more than the incentive the company was offering. At the time, because of this kind of attention to detail, Terry was one of the top growers in his complex-the group of peer producers in his local area.. Despite this record, the company quit placing birds on his farm and his contract was terminated.

He talked about selling the barns to someone else

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and says that he was told by the company that they would never place chickens in those barns again. There are no other processors in his area to even try to get a contract with.

A representative of the National Chicken Council, Dick Loeb, asserted that the panel was biased against the companies and said that most growers were happy. He cited a 2001 survey that indicated that 75 percent of the growers were satisfied with their contracts. Loeb said the complaints being heard at the hearing only represented the other 25 percent of the growers.

Loeb reported that there are 30,000 poultry grow-

ers in the US. A quarter of that is 7,500. It would seem that his own numbers work against his attempt to minimize the importance of what the panel was hearing from growers.

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