

Campaign for Contract Agriculture Reform, Farm and Ranch Freedom Alliance, Food & Water Watch, Land Stewardship Project, Institute for Agriculture and Trade Policy, Iowa Citizens for Community Improvement, Missouri Rural Crisis Center, National Family Farm Coalition, Organization of Competitive Markets, Ranchers Cattlemen Action Legal Fund – United Stockgrowers of America, Rural Advancement Foundation International-USA, Western Organization of Resource Councils

Our organizations are promoting interrelated reforms to restore competitive livestock markets and fair contracts based on a platform supported by over 200 organizations that represent independent farmers and ranchers, contract growers, and consumers (available at <http://tinyurl.com/3gcty2>).

Agricultural Competition Issue Brief 6 of 18: **Reform Unfair Investment Requirements in Production Contracts**

Obama-Biden Position: " Prevent Anticompetitive Behavior Against Family Farms... strengthen anti-monopoly laws; change federal agriculture policy to strengthen producer protection from fraud, abuse and market manipulation...."

Relevant Program: Packers and Stockyards Act

Relevant Agency: USDA Grain Inspection, Packers and Stockyards Administration

Policy Recommendation – Administration Action: 1) Promulgate “additional capital investment” regulations, as required by Section 11006 of the Food, Conservation and Energy Act of 2008 (2008 Farm Bill), stating that any capital investment that the company requires beyond the original poultry house specifications is unlawful unless growers are additionally and fairly compensated at the time of the upgrade. Companies should also be prohibited from forcing growers to upgrade their houses prior to selling their farms, or in any way interfering with the right of growers to sell their farms.

2) Take enforcement action against live poultry dealers not complying with the additional capital investment disclosure requirements of Section 11005 of the 2008 Farm Bill.

Background: Most poultry companies urge new growers to build at least four houses, based on the company’s own specifications. At about \$300,000 per house, this requires growers to invest more than \$1 million to get started. Very commonly, companies will later require growers to make additional, expensive changes to their poultry houses at the grower's expense. Companies often do not tell new growers about future upgrades requirements, until after they’ve signed the original contract. These added costs--which may or may not benefit the grower's bottom line--deepen a grower's debt. Growers who refuse to make the expensive upgrades are often penalized, suspended, or have their contract cancelled by the company.

The 2008 Farm Bill requires the company to disclose the possibility of additional capital investments and also requires GIPSA to formulate and issue regulations defining when such additional investments requirements violate the Packers and Stockyards Act.