CAMPAIGN FOR CONTRACT AGRICULTURE REFORM

a voice for contract farmers, ranchers and their communities

Contract Fairness and the 2007 Farm Bill

The Campaign for Contract Agriculture Reform is a national alliance of organizations working to provide a voice for farmers and ranchers involved in contract agriculture, as well as the communities in which they live. The goal of the campaign is to assure that the processor-producer relationship serves as a fair partnership.

In 2003, 40% of all US agricultural products were produced with either a marketing and/or production contract. This trend is rapidly spreading from poultry to hogs to tobacco to specialty crops and grains. Unfortunately, these agricultural contracts are developed in an environment in which the corporate processors, handlers, packers or buyers have monopoly-like market power and farmers have almost no legal protection. The result is a growing imbalance in market power between the family farmer and agribusiness corporations, which is depressing farm income and threatening the economic viability and environmental health of our rural communities.

Fairness in contracts is impossible when individual producers have no power to negotiate terms or to protect themselves against fraud, retaliation or discrimination. Over 200 organizations have joined together to advocate for farm policy that can help balance the contract relationship. The provisions below are in the Livestock Title of the Senate Farm Bill that passed on December 14, 2007.

Establish minimum standards for agricultural contracts and reasonable government oversight.

- Prohibiting of the use of forced, mandatory arbitration clauses. Many farmers and growers are forced to sign binding, mandatory arbitration clauses, as part of a take-it-or-leave-it, non-negotiable contract with a large, vertically integrated processing firm. In doing so, farmers are forced to give up their basic constitutional right to a jury trial, and instead must accept an alternative dispute resolution forum that limits their rights and is often prohibitively expensive.
- Giving the producer at least three days to review or cancel a contract.
- Prohibiting companies from requiring the producer make additional investments without being offset by reasonable additional considerations.
- Requiring 90-day notice for contract termination when the producer has made a capital investment of $100,000 or more for the sole purposes of securing the contract.
- Expanding the prohibition on confidentiality clauses that restrict farmers' rights

Amend the Agricultural Fair Practices Act to protect the ability of farmers to negotiate fair contracts with processors. This provision enhances the power of producers and their cooperatives to stabilize farm income by making it an unfair practice for companies not to bargain in good faith with associations and protecting farmers who join or form producer associations.

Amend the Packers and Stockyards Act to provide enforcement authority for GIPSA over *all* live poultry operations. Poultry production is almost totally contract based. Despite evidence of the contract being used as a tool to intimidate, retaliate and reduce growers' profits to poverty levels, the Grain, Inspection, Packers and Stockyards Administration (GIPSA) does not have the authority to take administrative action and protect growers by halting unfair practices or penalizing poultry companies that violate the law. The Senate Farm Bill has an amendment to the Packers and Stockyards Act providing GIPSA with the necessary enforcement authority over poultry cases, which would simply bring poultry in line with other livestock within the Packers and Stockyards Act.