

Transparency in Poultry Grower Contracting and Tournaments

The U.S. Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) has issued its final rule, Transparency in Poultry Grower Contracting and Tournaments, which becomes effective 75 days from the date of publication in the Federal Register.

This rule enhances transparency in broiler chicken growout markets and creates a more even playing field for growers by preventing deception and abuse, and by strengthening the ability of growers to make informed production contract decisions. With the implementation of this rule, growers will gain better insight into the actual marketplace for broiler grower services, practices by poultry companies, and the associated risks before making key financial decisions, such as entering poultry growing arrangements or making additional capital investments.

This rule requires live poultry dealers (LPD), including integrators, to disclose key information to broiler chicken growers. This information includes an estimated range of financial returns growers in the same area received in recent years, by housing type, so that growers can understand what to expect from their business relationships with live poultry dealers. The rule also shines new transparency into the inputs they receive, including a comparison of inputs received by other growers in the same tournament, so growers can make decisions about farm management and investments, and reduce risks of deception and abuse.

Live Poultry Dealer Disclosure Document

This rule enhances transparency in the poultry industry by requiring that live poultry dealers provide their growers with a **Live Poultry Dealer Disclosure Document**. This document is required at the time of contract formation and when an additional capital investment is contemplated, and must contain a series of specific disclosures including the following:

- The guaranteed number of flock placements annually and minimum density of those placements.
- The annual earnings range of comparable poultry growers in the local complex by quintile and housing type, grower turnover ratios for the live poultry dealer, and bankruptcy and relevant litigation information about the live poultry dealer.
- Policies describing how the live poultry dealer handles certain important discretionary or unusual circumstances, such as: the grower's sale of the farm; increased layout times; sick or diseased flocks; natural disasters and other major flock depopulation events; feed outages and times; grower complaints relating to feed quality, formulation, or suitability; and appeal rights relating thereto.

The **Live Poultry Dealer Disclosure Document** comes with sensible parameters and a strong accountability framework:

- Anti-fraud protections, recordkeeping requirements, and a governance framework with CEO-level accountability, intended to ensure accuracy and honesty to growers.
- Poultry growers are also protected in discussing this information with key advisors and business partners.

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, are exempt from the disclosure requirements of the proposed rule.

Tournament-Specific Input Disclosures

This rule requires live poultry dealers to provide growers with key information regarding the distribution of inputs and other flock characteristics at placement as well as on ranking sheets at settlement. The required disclosures must include the following specific input information at the time of each flock placement:

- 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.
- Adjustments, if any, that the live poultry dealer may make to the calculation of the grower's pay based on the inputs.

At **the time of settlement**, live poultry dealers are 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.
- Feed disruptions of 12 hours or more for any of the growers in the tournament.

Implementation

The new requirements for live poultry dealers to provide growers with a **Live Poultry Dealer Disclosure Document and Tournament Specific Input Disclosure** information will help growers understand possible outcomes relating to the specific markets in which they operate, including the roles of the company's practices and the grower's own farm management practices and investments in those outcomes. This transparency will reduce deception, benefit growers, and help intensify competition in the relevant markets. AMS's economic analysis found that LPDs already have this information, and so the quantifiable benefits in terms of the reduction of information asymmetry exceed quantifiable costs. The qualitative benefits also include the reduction of other abuses.

The rule becomes effective 75 days from the date of publication in the Federal Register, which means an effective date in February 2024. AMS will be conducting company and grower outreach and training, and staff are available to answer questions to assist with implementation. Additional guidance may be provided if and when needed.

Additional information on the full range of USDA's fair and competitive markets agenda is available at: www.ams.usda.gov/about-ams/fair-competitive. More information on Packers & Stockyards rules and regulations is available at: www.ams.usda.gov/rules-regulations/packers-and-stockyards-act.