

LIVESTOCK



A Pilgrim's Pride contract farmer walks amid his chicks in 2008. Pending new rules could dramatically change the relationship between poultry producers and companies.

LM OTERO/ASSOCIATED PRESS

FREEING FARMERS

Poultry growers see hope in battles over restrictive contracts

By Diana Lambdin Meyer

JOHN OLIVER MAY NOT be a household name among the 25,000 U.S. farmers who contract with poultry companies to raise broiler chickens. However, the bespectacled, British-born comedian did more in 18 minutes to alter the economic viability of these family farms than any politician or regulator has done in decades.

The host of HBO's satirical news show *Last Week Tonight with John Oliver* and his team are renowned for their detailed investigation and research into a current event or issue before they go on the air to lambast it with razor-sharp wit, often in defense of the underdog.

In a segment called "Chickens" that first aired May 17, 2015,

Oliver took aim at the poultry industry's practice of contract farming. The show highlighted what many say is the subservient role chicken farmers play to the four biggest poultry companies and the absence of government efforts to address the conditions under which most of these farmers work — and in doing so, may have finally paved the way to change how things are done.

"The John Oliver exposé on abuses in the poultry industry is widely credited with getting the votes needed to prevent another appropriations rider on the farm bill," said Trudy Wastweet, director of congressional relations for the American Farm Bureau Federation.

Wastweet was talking about what is commonly known as the GIPSA rule (pronounced jip-sa,

it stands for the Grain Inspection, Packers and Stockyards Administration), a section of the 1921 Packers and Stockyards Act that is supposed to guarantee fair trade practices and competitive markets for those who raise livestock, poultry and related products in the U.S.

But over the years, as the industry has migrated toward a contract production model and demand has grown to more than 160 million chicks per week, the number of major companies that buy broiler chickens from farmers is down to just four — Tyson Foods, Pilgrim's, Sanderson Farms and Perdue Farms.

Contract production requires the farmer to provide the labor and the buildings while the company provides the chicks and the feed. In an act that John

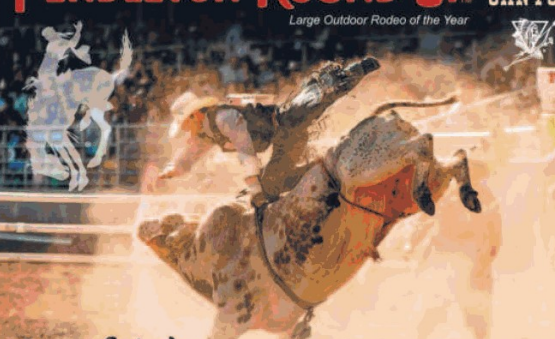
Oliver called "chicken day care," the farmer cares for the birds for a month or so until they gain adequate weight for the broiler market. Oliver's report claimed that 97 percent of chickens are raised in this manner; the National Chicken Council puts the number lower, at 95 percent.

The farmer's success in raising healthy, fat chickens in a timely manner is based, in large part, on factors out of his or her control, including the quality of the chicks and the quality of feed supplied by the contractor.

To further complicate the model, farmers in many parts of the U.S. do not have access to all four major buyers. The U.S. Department of Agriculture reports that 52 percent of

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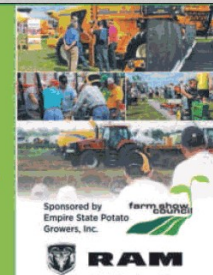
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LIVESTOCK



Comedian John Oliver, via his satirical show on HBO, brought the issue of contract chicken farming to national attention, alerting people outside the poultry industry to the controversial practice.

chicken growers have only one or two regional options for selling their product. So if farmers complain or are unhappy with the conditions, they have few — and potentially no — other places to sell their broilers.

Farmers who wanted more flexibility, and who were complaining about the sometimes expensive requirements from the poultry companies, began to voice concern to elected officials, including by public comment in the Federal Register.

One example, from commenter Michael Tobin: “These growers are saddled with debt from having to provide the capital investment ... Growers have no control over the inputs involved, which ultimately determine the profits that they will receive.”

Or, in Oliver’s blunter words, farmers “own everything that costs money, (and the company) owns everything that makes money.”

Reid Phifer has been raising poultry near Marshville, N.C., for more than 30 years; for 18 of those years he’s raised heavy broilers (chickens weighing about 9 pounds) for Pilgrim’s. Only once in those years has he received a raise or increase in the amount he has been paid per pound of chicken, he said, and that raise was revoked after the majority of the company’s stock was purchased by a Brazilian

corporation in 2009.

“They call us contractors, but we are mere employees who don’t reap the benefits of employment and don’t even get paid minimum wage,” said Phifer.

The 2008 Farm Bill was amended to give poultry growers, among others, greater control over their product, including the right to cancel contracts and negotiate additional protections. This was called the Farmer Fair Practices Rules, an updated version of the GIPSA rule. But the amendment, and its implementation, became controversial. Proponents said the rules make the contractor/farmer relationship more equitable, while opponents said that poultry companies might be forced into frivolous lawsuits and unnecessary expenses.

“These rules ... could lead to rigid, one-size-fits-all requirements on chicken-growing contracts that would stifle innovation, lead to higher costs for consumers and cost jobs by forcing the best farmers out of the chicken business,” National Chicken Council President Mike Brown said in a statement in December. Chicken producers did not comment for this story.

Congress has amended the annual agriculture appropriations bill since 2011 to prevent the rules from taking effect.

But then came Oliver. In his flamboyant, take-no-prisoners

In an act that John Oliver called “chicken day care,” the farmer cares for the birds for a month or more until they gain adequate weight for the broiler market.

approach, he explained the chicken farmers’ crisis to an audience that is predominantly urban. The 18-minute segment (available on YouTube) ended by giving viewers the names of each of the 51 members of the House Appropriations Committee who had the power to make a difference for the individual farmer. Oliver ignited outrage from consumers, which had been missing in the debate.

Within six weeks, the committee, for the first time in seven years, approved a funding bill that did not prevent the USDA from enforcing the GIPSA rule.

“I think a lot of consumers care very much about the people who produce their food and they want those people to be

treated fairly,” said Lynn Hayes, an attorney with the Farmers’ Legal Action Group. “Now, from the farmers’ perspective, this is one of the few times they feel they have some support from the government and consumers.”

Among the changes that give farmers hope is the rule that no longer requires farmers to prove “competitive injury” in any lawsuit. Previously, in order for a farmer to prove damages from a poultry company, the farmer had to prove economic harm to other farmers in the region.

Oliver was not the first to highlight the inequities in the poultry-growing business.

Documentaries — including *The Sharecroppers* (2010; on YouTube), *Cock Fight* (2015; at interactive.fusion.net/cock-fight), and *Under Contract* (2017; for rent or purchase on Vimeo) — have also dug into the issue. Author Christopher Leonard, in his 2014 book *The Meat Racket: The Secret Takeover of America’s Food Business*, describes poultry farmers as “living like modern-day sharecroppers on the ragged edge of bankruptcy.”

That’s a quote from a federal lawsuit filed in Muskogee, Okla., on Jan. 27 on behalf of farmers in five states who seek class action status against poultry companies for violation of the Packers and Stockyards Act and the Sherman Antitrust Act.

“The reality is that, until these rules change, the USDA and the courts had made it virtually impossible for growers to succeed in court,” said Hayes.

Currently, the pending GIPSA rule has the greatest impact on the broiler industry, but those engaged in pork and beef production are alert to the potential impact on their industries as contract farming becomes more prevalent.

However, a new administration and new agriculture secretary (nominee Sonny Perdue had not been confirmed by press time) leaves many aspects of the rules changes and the farm bill in limbo. The earliest any part of the rules can be implemented is mid-April.

“All we want is a level playing field for poultry growers,” said Phifer. “But I don’t have any hopes that things will change for the better under the Trump administration.”



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LIVESTOCK

CHICKEN & EGGS

TOP FIVE
EGG-PRODUCING STATES*

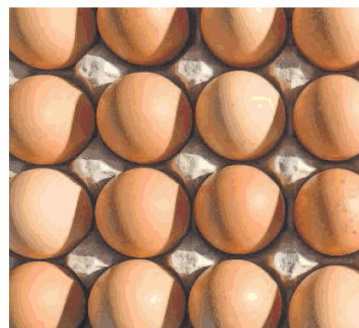
Iowa	14.1 billion eggs
Ohio	9.2 billion
Indiana	8.8 billion
Pennsylvania	8.2 billion
Texas	5.5 billion

*2016

TOP FIVE
BROILER-PRODUCING STATES*

Georgia	7.9 billion pounds
North Carolina	6.4 billion
Alabama	6.17 billion
Arkansas	6.16 billion
Mississippi	4.6 billion

*2015; MOST RECENT AVAILABLE



USDA

DID YOU KNOW?

► The USDA expects that **American farmers will export about 30 million dozen more eggs in 2017 as a result of avian flu** in other countries.

► After more than a year without a U.S. outbreak of avian flu, 73,500 chickens in Lincoln County, Tenn., **had to be destroyed in March because they were infected with the flu** or had come into contact with

infected chickens. Testing of birds within 10 miles of the farm, which contracts with Tyson Foods, was to continue for a few weeks.

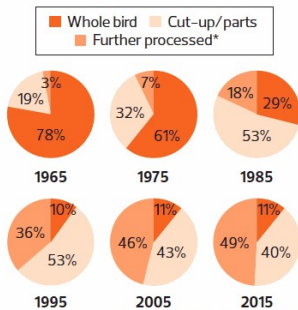
► As a result of the outbreak, 28 countries and groups of countries (including the European Union, Japan, Canada and Mexico) **banned imports of chicken** from Lincoln County.



BOB NICHOLS/USDA

HOW CHICKENS
ARE SOLD

Americans have changed how they shop for chicken, focusing on parts, not the whole bird.



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NUMBERS MAY NOT ADD TO 100% DUE TO ROUNDING

BY THE NUMBERS

BROILERS

Broilers inventory,
2015*

8.7

BILLION

Broiler production,
2015*

53.4

BILLION POUNDS

Broilers, annual sales,
2015*

\$28.7

BILLION

EGGS

Egg-layer inventory,
Jan. 1, 2017

371.6

MILLION

Egg production,
2016

101.1

BILLION EGGS

Annual egg sales,
2015*

\$13.5

BILLION

ALL POULTRY PRODUCTS

Number of farms

233,770

Exports, 2016

\$4.6

BILLION

*MOST RECENT AVAILABLE

SOURCES: USDA; THE NATIONAL CHICKEN COUNCIL;
KNOXVILLE (TENN.) NEWS-SENTINEL

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LIVESTOCK

AMERICANS EAT
MORE THAN
35 POUNDS
OF CHEESE PER
PERSON ANNUALLY



Mozzarella
11.3 pounds



Cheddar
10.2 pounds

DID YOU KNOW?

► The dairy industry is battling makers of plant-based products such as soy or almond milk over the definition of the term "milk." Industry officials say that the plant-based products are not required to follow the same ingredient and nutritional guidelines; the plant-based-product makers say that consumers understand the difference.

► With the U.S. cheese supply at its highest level in 30 years, the USDA announced plans in August to buy about 11 million pounds of cheese for \$20 million and donate it to food banks. The program was designed to help producers who were having trouble selling their products because of the glut.

GETTY IMAGES

DAIRY



PEGGY GREB

BY THE
NUMBERS
2016

Inventory
9.3
MILLION
MILKING COWS

Annual
milk production
212.5
BILLION POUNDS

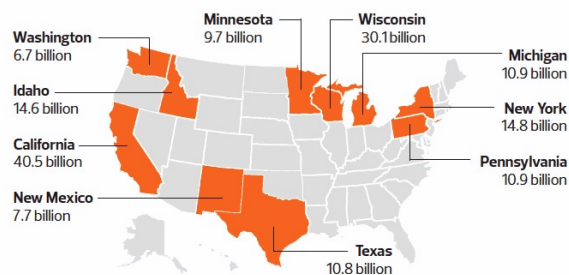
Annual milk sales*
\$35.7
BILLION

Number of farms
50,556

Exports**
\$4.7
BILLION

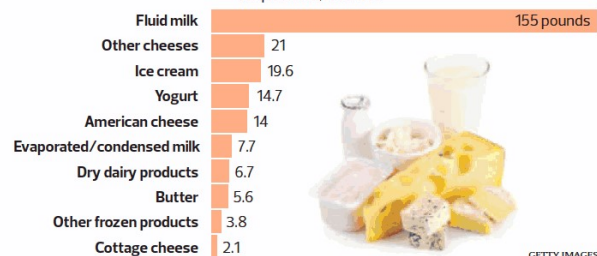
*2015; MOST RECENT AVAILABLE
**ALL DAIRY PRODUCTS

TOP MILK-PRODUCING STATES, IN POUNDS, 2016



U.S. PER CAPITA DAIRY CONSUMPTION, IN POUNDS PER PERSON*

All products, total: 627



*2015; MOST RECENT AVAILABLE

GETTY IMAGES
SOURCES: USDA; THE WASHINGTON POST

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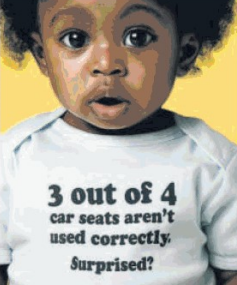
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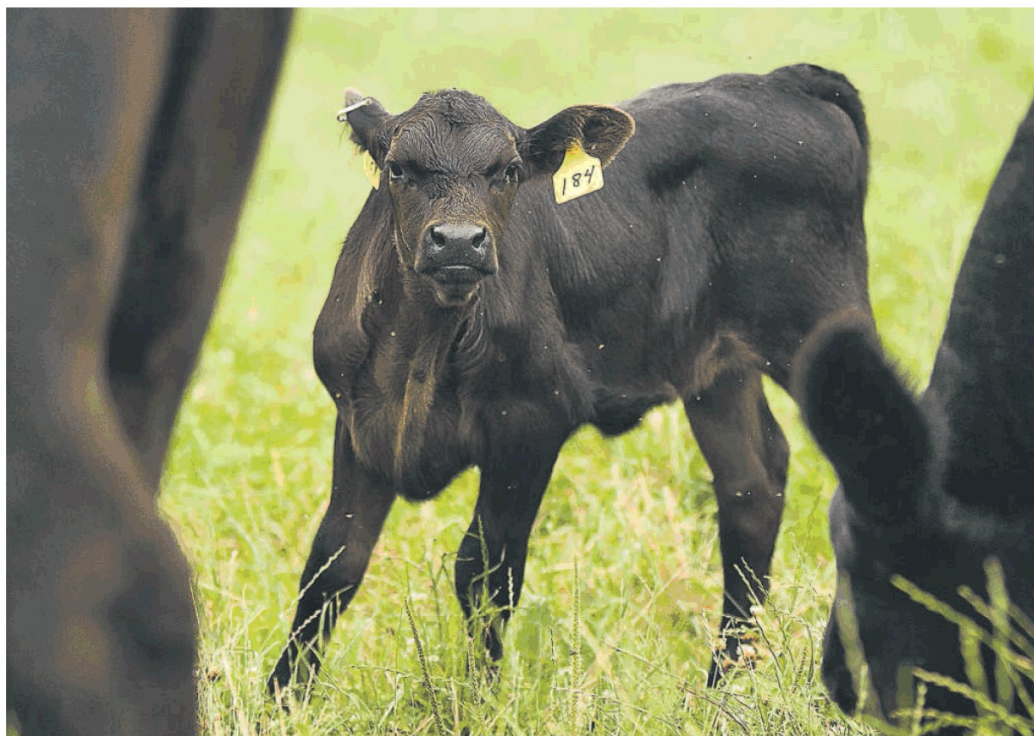
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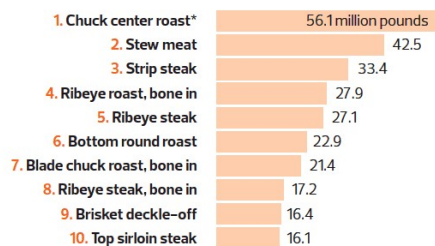
LIVESTOCK



LANCE CHEUNG/USDA

BEEF

FAVORITE U.S. CUTS OF BEEF, 2016



*ALL CUTS BONELESS UNLESS OTHERWISE NOTED

DID YOU KNOW?

► U.S. beef production continues to drop from its high of 88.8 pounds per person in 1976 to 51.5 pounds per person in 2014 (most recent figures available).

► Livestock (beef and other animals) farms run by women accounted for \$6.9 billion in yearly sales, about 26 percent of the total \$182.2 billion.

TOP 10 BEEF STATES



STATES WITH THE LARGEST CATTLE INVENTORY*

- | | |
|----------------------------|--|
| 1. Texas: 12.3 million | 7. Iowa/ South Dakota (tie): 3.9 million |
| 2. Nebraska: 6.5 million | 8. Wisconsin: 3.6 million |
| 3. Kansas: 6.4 million | 9. Colorado: 2.9 million |
| 4. California: 5.2 million | 10. Montana: 2.7 million |
| 5. Oklahoma: 5 million | |
| 6. Missouri: 4.4 million | |

*AS OF JAN. 1, 2017

BY THE NUMBERS 2016

Inventory, Jan. 1, 2017

93.6
MILLION

Annual production

25.2
BILLION
POUNDS

Annual cash receipts

\$67.6
BILLION

Average live weight

1,365
POUNDS

Average dressed weight

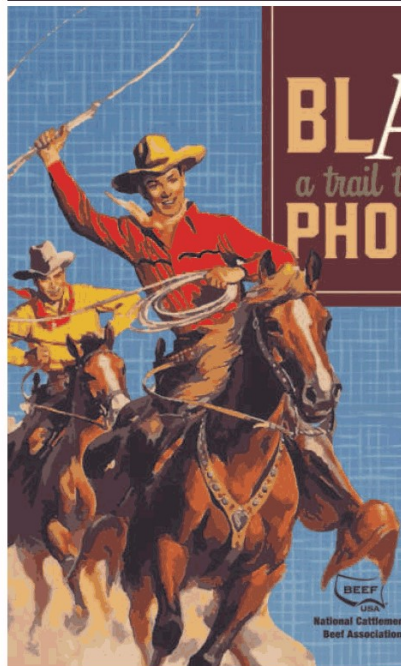
829
POUNDS

Number of beef-producing farms

619,000

\$5.2
BILLION

SOURCES: USDA; BEEF CHECKOFF



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UNITED STATES
CATTLEMEN'S

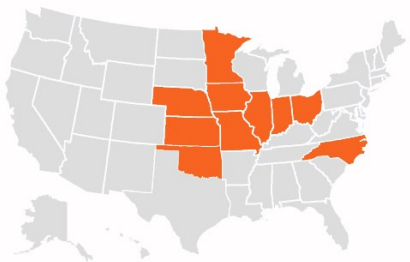
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LIVESTOCK

PORK



TOP PORK-PRODUCING STATES, BY HEAD, 2016

Iowa	22.4 million
North Carolina	9.3 million
Minnesota	8.3 million
Illinois	5.1 million
Indiana	4.1 million
Nebraska	3.4 million
Missouri	3.1 million
Ohio	2.7 million
Oklahoma	2.2 million
Kansas	1.9 million

DID YOU KNOW?

► Pork producers are expected to make less money in 2017; the number of hogs available for market has begun to rise but this has caused the consumer price to fall.

► Word that U.S. bacon reserves were at a 50-year low in February temporarily panicked a bacon-crazed nation into thinking there would be shortages, but the low supply merely means potentially higher prices.

TOP PORK-SELLING COUNTIES, 2016

Iowa, North Carolina and Minnesota account for more than half of pig sales and stocks in the U.S., and contain all but one of the top pork-selling counties (No. 5 is in Oklahoma).



LANCE CHEUNG/USDA

BY THE NUMBERS

Inventory, Dec. 1, 2016*

71.5
MILLION
ANIMALS

Annual production, 2015*

24.5
BILLION
POUNDS

Annual cash receipts

\$19.7
BILLION

Average live weight, 2015*

283
POUNDS

Average dressed weight, 2015*

211.3
POUNDS

Number of producers

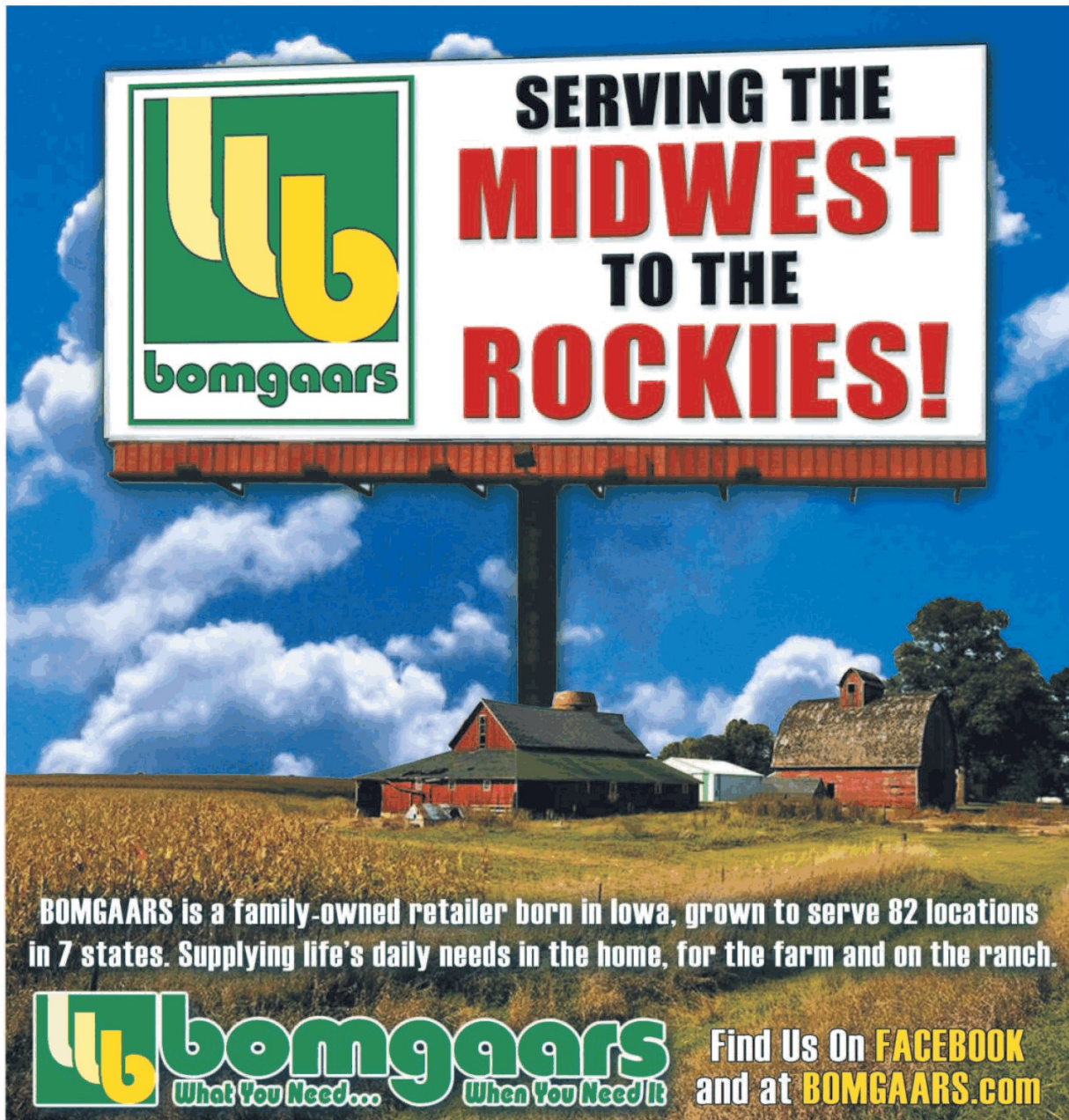
55,582

Exports

\$4.4
BILLION

*MOST RECENT AVAILABLE

SOURCES: USDA; PORK CHECK-OFF; THE CINCINNATI ENQUIRER



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