



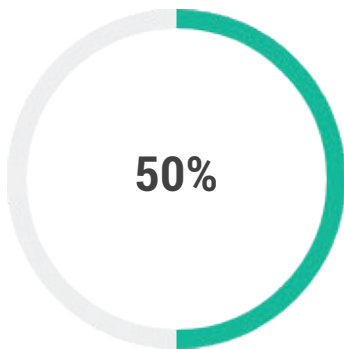
CONTRACT GROWERS

WHAT IS A CONTRACT GROWER? HOW AND WHY DO FARMERS AND CHICKEN COMPANIES PARTNER TO RAISE CHICKENS?

A contract grower is an independent farmer who chooses to invest and build chicken houses, working under contract with a chicken production and processing company to raise chickens. Chicken farming is like any other business; people generally have to borrow some money to start or improve their operation. More than 90% of all chickens raised for meat in the US (broiler chickens) are raised by contract farmers.

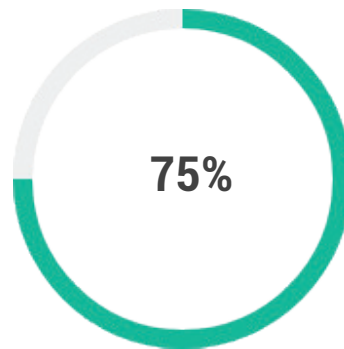
The company with which the farmer contracts provides the chickens, the feed, veterinarian care and technical advice, while the poultry farmer provides the day to day care of the birds, land and housing on which they're raised, and utilities/maintenance of the housing. This partnership (a key part of vertical integration) supports the economic viability and independence of the family farm while ensuring efficiency and consistency in modern poultry production.

HERE ARE SOME INTERESTING FACTS ABOUT CONTRACT FARMING:



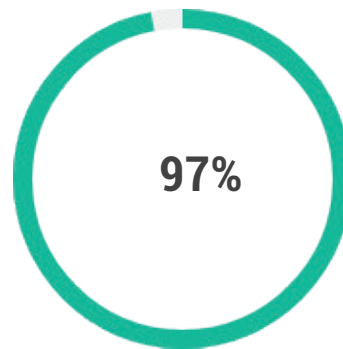
More than **50% of farmers** have been with their current company for 10 years or more. Almost three-quarters have been with the same company for 5 years or more.

Elam, Dr. Thomas (2015) "Live Chicken Production Trends." FarmEcon, LLC



75% of farmers were satisfied in their relationship with the chicken company.

Ilvento, Tom and Watson, Angela. "Poultry Growers Speak Out – A survey of Delmarva poultry growers." (1998) Department of Food and Resource Economics, University of Delaware.



Chicken companies remove approximately **97% of the economic risk** from growers, compared to independent growers who bear all of that risk on their own.

Knoeber, C.R. and W.N. Thurman (1995), "Don't Count Your Chickens...": Risk and Risk Shifting in the Broiler Industry", American Journal of Agricultural Economics, Vol. 77(3), p. 486-496

In 2014, there were almost 2,000 individuals on waiting lists to be a contract chicken farmer.

Elam, Dr. Thomas (2015) "Live Chicken Production Trends." FarmEcon, LLC

The integration of the chicken industry and this performance based structure has saved consumers well over \$1 trillion since 1980.

Elam, Dr. Thomas. (2010) "Proposed GIPSA Rules Relating to the Chicken Industry: Economic Impact." FarmEcon LLC



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HOW ARE CONTRACT FARMERS PAID? WHAT IS THE “TOURNAMENT SYSTEM?”

Farmers are paid under contract with a chicken company based on their performance in raising the healthiest chickens, which would be clearly outlined in the farmers' contract. This performance-based or incentive structure is sometimes referred to as the “tournament system.” Farmers are paid according to both the quality and quantity of their flock, as well as how efficiently the chickens are raised. This does not, and never will, include the use of added hormones and steroids to get there. In fact, federal regulations prohibit the use of added hormones and steroids in all poultry. You can learn more about that in our [Farm to Table section](#).

This structure—based on the most fundamental elements of any business atmosphere—is the best way to ensure that chicken farmers are rewarded for producing quality chickens in a sustainable way. It also ensures that the welfare of the birds is the farmers' top priority.

While all contract farmers are provided the same quality of chicks, the same feed, and access to veterinary care, farmers who invest in more advanced facilities and farmers who put the most effort in to the best management practices will likely produce higher quality chickens more efficiently.

This independent farmer contract structure is credited with not only saving farming operations, but helping those farms thrive in what was once a struggling industry. In fact, loan default rates of chicken farmers are among the lowest of any segment of agriculture.

Having been poultry producers for the past 24 years we have witnessed the highs and the lows in the farm economy and the poultry industry in particular. The integrated production contract has provided us with a regular source of income while significantly shielding us from the adverse impact of low commodity prices... Our family farm is helping to provide Americans with a safe, affordable and environmentally responsible homegrown supply of wholesome protein. This would not be possible without our contract with a vertically integrated poultry processing company.

– Dan & Janet King, Zenda View Farm, Virginia

Chicken companies want their farmers to strive and to prosper, and they do everything possible to help the farmer raise the healthiest birds possible. The ultimate success of the chicken company, and the entire industry, depends on it.

The incentive program is a reward and makes my hard work worthwhile.

– Winton Lee Kennedy, Glenville, Georgia

SO, HOW EXACTLY DOES THIS SYSTEM WORK?

Consider this: Two professional baseball players are vying for a new contract in the major leagues. Player A has worked hard throughout the off-season, investing in a new hitting coach, daily workouts and countless hours watching game film, resulting in a season hitting .314, with 25 homeruns and 100 runs batted in. Player B coasts through the off-season, is happy with the status quo and bats .269, with 10 homeruns and 60 runs batted in. Which player deserves the better contract?



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Just like in the MLB, the farmers who invest the time and money to better their operations are going to be compensated accordingly. Some critics will argue that all chicken farmers should receive the same base pay, but we don't necessarily agree. We see how hard some farmers work to ensure they're producing the safest, most wholesome chickens, and feel that they should be rewarded for their efforts. We employ a performance-based structure in the hope that everyone will be motivated to bring their "A" game.

This country and agriculture thrives under freedom and a competitive environment. Many times I have been on the lower side of the pay scale so I don't think I'm speaking out of line. Without some sort of pay incentive, efficiency will disappear. My day starts at 2:00 a.m. each and every morning. I ask, 'Is it fair for someone who gets up at 8:00 a.m. to be guaranteed the same money?'

– Jeffrey Goff, McAlpin, Florida

THAT PERFORMANCE STRUCTURE WORKS LIKE THIS:

- Farmers are delivered chickens on the day that they are hatched, to be raised in the houses provided by the contract farmer. Feed, water, veterinarians and animal welfare experts are provided by the company, and farmers provide housing, maintenance and day-to-day care of the flocks.
- Farmers and companies agree on a predetermined per pound price of weight gain built around an average, which guarantees the farmer a certain rate for all chickens that meet certain standards when the birds reach market age.
- Farmers are paid based on the weight gained by the flock, meaning that farmers with greater skills and better management, combined with advancements on the farm, will earn a little more.
- However, all farmers are paid a base, prearranged compensation, and all farmers are held to standards of animal welfare that ensure sound animal husbandry. Abuse of any kind is not tolerated, and if found, can lead to the termination of a farmer's contract.

I am a farmer, a businesswoman, and have been a poultry grower for over 20 years. I have been successful in this business by staying ahead of the competition. Is that not how a business should operate?

– Denise Callaway, Mardela Springs, Maryland

WHAT IS THE BENEFIT OF CONTRACT FARMING?

The current system is beneficial to both the companies and the farmers, who like partnering with a company that can absorb most of the risk (chicken farmers get a "guaranteed market," which means they avoid the risk of being unable to sell their products or having to sell at a loss).

Contract farming is an excellent supplemental income for farmers, helping farmers diversify their business while bringing in a modest income (average \$25,000 per year per growout house), which in turn has helped keep tens of thousands of families on small farms who otherwise would have had to get out of agriculture altogether. On average, almost 95% of all contract farmers are retained year over year by the same company, and most companies have waiting lists for farmers wanting to enter a partnership, as well as waiting lists for existing chicken farmers looking to increase capacity by building more houses.





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I am a poultry farmer. I have been since 1984. If the grower loses some or all of the compensation she now gets for superior performance, what is her incentive to work hard, pay attention to her operation, put in the extra time and invest money in new facilities? Here in the South there is a saying, 'If it ain't broke don't fix it.' There are a lot of things broken in our nation today, but this isn't one of them.

– Eunice Richardson, Havana, Arkansas

The cost of feed – mostly corn and soybean meal – is more than **70 percent** of the cost in raising a chicken. These costs fluctuate a lot, but contract chicken farmers are insulated from the volatile swings of the commodity markets. If there is a flood, a freeze or a drought, grain prices can easily double – driving up feed costs – but contract farmers will still receive the same pay rate in their contracts, and chicken companies would absorb billions of dollars in losses. During that same period, many independent cattle and hog producers would be forced to sell off animals early or drastically reduce their herds. In other words, farmers are ensured of a stable compensation for their efforts, no matter what the feed or grocery markets are doing.

The system is also extremely beneficial to consumers, who are able to rely on a consistent, quality product. While the term "tournament" implies that there is only one winner, there are quite literally, hundreds of millions of winners who enjoy a safe, wholesome, and affordable supply of chicken you can feel confident was raised responsibly and sustainably.

My uncle has seven broiler houses and has made a very good living off of them. He has three boys and sent one through college, has one in college and has one in a very good high school just because he has dedicated his time in the seven broiler houses. When I was in school he would let me work in them to make a little money and that money helped me a lot. Because my uncle let my sons and I work in them it made us appreciate what we have.

– Josh Trippe, Walnut Grove, Mississippi

IS THERE ANY GOVERNMENT OVERSIGHT OF THESE POULTRY CONTRACTS?

The chicken company-farmer relationship is extensively regulated by federal law. Livestock and poultry procurement and marketing practices are regulated by the U.S. Department of Agriculture's Grain Inspection, Packers and Stockyards Administration (GIPSA), which administers and enforces the Packers and Stockyards Act to protect farmers, ranchers and consumers.

WHAT DO AMERICA'S CHICKEN FARMERS HAVE TO SAY ABOUT CONTRACT FARMING?

If you'd like to learn more about life as an independent contract poultry farmer, watch [this video](#).





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For more information on how U.S. chicken is produced, check out this infographic.


How U.S. Chicken is Produced


The majority of today's chicken is raised on family farms and processed by companies. This vertically integrated farmer-company partnership ensures consistent quality for U.S. consumers. Unlike other livestock, chickens spend their entire lives on the same farm, raised according to high standards for optimum health and wellbeing. The level of accountability this partnership provides is unparalleled throughout most of production agriculture. Here's how it works to provide safe, wholesome and affordable food to families across America:


1 Chicken companies purchase female breeder chicks, called "pullets."  At 20 weeks, they join fellow breeder hens and roosters on the farm to produce fertilized eggs - different than the eggs bought at the grocery store.


2 These eggs are collected about 2x per week and delivered to a hatchery owned by the chicken company where they are placed in incubators. After 21 days, the eggs hatch into healthy chicks. 

3 The chicks are delivered to a farm to be raised. The farmer provides care and shelter in climate controlled barns, where the chicks grow cage-free.  **TEAMWORK**
 + Experienced family farmers
 + Full time, licensed veterinarians
 + Field service staff

The company provides feed, water, field technicians, licensed veterinarians and animal welfare experts. 

45 Days Due to significant advancements in housing and nutrition, chicks grow to market weight of 4-7lbs in approximately 45-50 days.  Animal welfare checks are performed continuously throughout the process to ensure bird health and well-being.

Chickens are fed an all-natural diet of corn, soybean meal, vitamins and minerals from a company-owned feed mill. 

490% Modern advances in technology and nutrition have decreased chickens' mortality rate by 490% over the past several decades.  **No hormones or steroids are administered.**

4 Once market weight, chickens are moved from the farm to a processing plant where they are cleaned, chilled, packaged and inspected by USDA officials.

5 After passing checks for food safety and quality assurance, each chicken product receives the USDA seal of approval and is shipped to grocery stores and restaurants. Americans will eat about 83 lbs of chicken this year. 



Results

This farmer-company partnership has increased the food supply and improved quality, consistency, food safety and animal welfare. In all, it has saved U.S. consumers more than \$1 trillion in the last 30 years and decreased the poultry industry's environmental footprint threefold.

AVAILABLE: In 2013, the U.S. produced about 148 billion servings of chicken.

AFFORDABLE: Chicken on average costs about \$1.97/lb, less than half the cost of beef or pork. After adjusting for inflation, chicken today costs almost the same as it did a decade ago.



NUTRITIONAL: A 3-oz. cooked, boneless, skinless chicken breast has 31g of protein.

EFFICIENT: Nearly 100% of every chicken is used to make quality food and non-food items.