

Congress of the United States
Washington, DC 20515

February 5, 2018

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

Dear Secretary Perdue:

We are writing to express our strong objection to your decision last fall to derail a long-pending and essential set of farmer protections known as the Farm Fair Practices (FFP) rules.

When Congress wrote the previous Farm Bill, the Department of Agriculture was directed to use the existing Packers and Stockyards Act to restore fairness to livestock and poultry contract markets. These regulations were put in place to give livestock and poultry farmers the ability to protect their small businesses from unfair, fraudulent, and abusive practices of large meatpacker and poultry companies.

The FFP regulations were the result of years of input from farmers and consumers around the country. They were drafted to restore fair market conditions to a sector that has become notorious for anti-competitive behavior and to help restore the economies of rural communities left devastated by unfair business practices.

In your announcement halting action on two of the three FFP rules, you suggested the agency will continue consideration of the third proposed rule. This rule regards the dominant payment system, used by poultry companies to pay contract poultry growers, commonly referred to as the “ranking system.”

We strongly urge you to move to finalize this rule, which recognizes that the “ranking system” is not a fair or meritocratic comparison of growers’ performances. In fact, the system is intentionally opaque because that opacity allows major meatpacker and poultry companies to mislead farmers and shift costs onto their backs, causing great economic harm to small poultry growers.

Under the ranking system, much of what determines a grower’s performance is actually controlled by the purchasing company--and exists completely outside of the control of the grower. For example, the quality of the key inputs that determine flock performance (chicks and feed) is controlled by the company. Poultry companies deliver a wide variety of chick and feed quality to the growers who produce the chickens for the companies to process. It is very easy for the company to reward some growers with the superior inputs and penalize others with inferior inputs—so easy in fact that it happens regularly.

After tying the hands of small farmers, the ranking system then rewards or penalizes growers based on performance in a rigged system relative to other growers who deliver birds at the same time. Although growers cannot control the quality of the inputs they receive, poultry companies dock payments because others who received healthier chicks or higher quality feed—inputs controlled by poultry companies-- produced higher quality chickens. This does not encourage pay-for-performance. Growers cannot control key factors of their output's quality. Instead, it punishes growers who received more sickly chicks and less nutritious feed.


We appreciate that the rule attempts to require companies to set up a tracking system to make sure individual farmers are not targeted repeatedly with these lower quality inputs. This is a start.

But this rule must go further, beyond the current language, and set up a more objective payment system where farmers do not bear the financial burden for lower quality inputs controlled by the company, even if inputs are distributed randomly.


We urge USDA to move forward with a final rule to ensure poultry farmers are fairly compensated for their significant capital and labor investments and are not subjected to anti-competitive and abusive payment methods.


Thank you for consideration of our request.

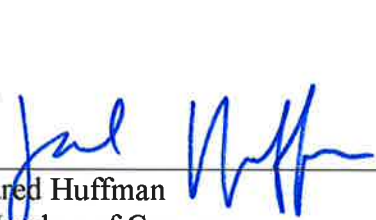
Sincerely,

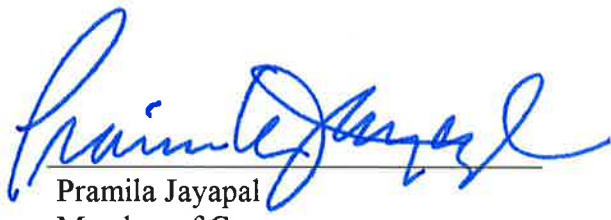


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