QUESTIONS AND ANSWERS FOR POULTRY FINAL RULE
GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION (GIPSA)

Q. Why is USDA promulgating this rule?

A. USDA is publishing this final rule to address years of requests from growers, grower organizations, and by members of Congress to establish basic standards of fairness and equity in contracting in the poultry industry.

Q. What is the Packers and Stockyards Act?

A. The Packers and Stockyards Act was enacted in 1921 and prohibits unfair, deceptive, and unjust discriminatory practices by market agencies, dealers, stockyards, packers, swine contractors, and live poultry dealers in the livestock and poultry industries.

Q. How will this rule help poultry producers?

A. By bringing more transparency to poultry contracting, this rule will allow poultry growers to make better business decisions. Poultry growers now will receive timely and more complete information about their growing arrangements, including information about any performance improvement plans, which they can discuss with their business advisors. In addition, producers will be given notice of any form of contract termination in advance so that they can adjust their operations to safeguard their livelihoods and investments. This, in turn, will better protect financial institutions that lend to poultry growers, including government guaranteed loans.

Simply put, this final rule provides poultry growers with more information to base business decisions about whether to accept the terms of a contract and makes them less vulnerable to take-it-or-leave-it situations.

Q. Why should a live poultry dealer have to offer a poultry grower a "true written copy" of the growing arrangement?

A. Currently, a contract is not always presented to the grower by the company until after construction of the poultry houses has started. This rule ensures that before the grower secures financing, he or she is allowed to know the specifications of the poultry barns they are being asked to build and know the terms and conditions of the poultry growing contract.

Q. Why do poultry growers need to discuss the terms of a poultry growing arrangement with a legal advisor, federal or state agency, business associate, accountant, family member, or other growers for the same live poultry dealer?

A. Until the 2002 farm bill, some contract stipulations barred growers from sharing their contracts with lawyers or even family members for advice. This rule brings this statutory requirement into the regulation, including ensuring that growers with the same live poultry dealer can also discuss terms of their poultry growing arrangements with each other or a business associate. Allowing growers to speak to other growers who have poultry growing arrangements with the same company and business associates will improve transparency and allow growers to make more informed business decisions.

Q. Why must a live poultry dealer clearly disclose in the poultry growing arrangement that a performance improvement plan exists, including the terms and guidelines of the plan?

A. Currently, it is not uncommon for live poultry dealers to unilaterally decide to place poultry growers on a performance improvement plan. Yet growers often have no idea that such a performance plan exists until the company places them on it. This rule ensures growers know up front about this potential requirement in the poultry growing arrangement.

Q. Why does a poultry grower need 90 days prior written notice of termination?

A. Currently, it is not uncommon for growers to have their contracts terminated with little or no notice. Yet, these growers have significant debt from financing their poultry houses and equipment upgrades at the behest of the company. This final rule ensures that growers have sufficient time to make needed business decisions.

Q. Does the rule affect existing contracts or only new contracts?

A. Some requirements in the new rule will affect existing contracts, while others apply only to new contracts:

- The requirements in 201.100(a) and (b) apply to contract offers and therefore apply to new contract offers beginning on January 4, 2010.
- The requirement in 201.100(c)(3) requires a poultry company that enters into a poultry growing arrangement furnish the grower with a true written copy that specifies information about any performance improvement plan that may exist. This requirement applies to new contracts and any existing contracts that are modified on or after January 4, 2010.
- The requirement in 201.100(h), which requires 90 days notice prior to termination of a poultry growing arrangement, applies to all existing and future contracts.